INPLAY OIL

Financial Statements

For the three and nine months ended September 30, 2020

Statements of Financial Position

(unaudited)

(Thousands of Canadian dollars)	Note		Sept. 30, 2020		Dec. 31, 2019
ASSETS					
Current assets					
Accounts receivable and accrued receivables	19	**$**	**5,635**	$	8,766
Prepaid expenses and deposits			**2,396**		2,234
Inventory			**1,192**		1,398
Total current assets			**9,223**		12,398
Property, plant and equipment	5, 6		**164,694**		233,169
Exploration and evaluation	7		**21,130**		21,085
Right-of-use asset	8		**689**		1,057
Deferred tax	11		**-**		30,297
Total assets		**$**	**195,736**	$	298,006
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	19		**12,352**		13,933
Lease liability	8		**499**		462
Decommissioning obligation	10		**750**		992
Derivative contracts	19		**92**		-
Bank debt	9		**61,117**		-
Total current liabilities			**74,810**		15,387
Bank debt	9		**-**		53,635
Lease liability	8		**206**		601
Decommissioning obligation	10		**71,947**		70,775
Total long term liabilities			**72,153**		125,011
Total liabilities			**146,963**		140,398
Shareholders' equity					
Share capital	12		**234,391**		234,391
Contributed surplus	13		**15,966**		15,399
Deficit			**(201,584)**		(92,182)
Total shareholders' equity			**48,773**		157,608
Total liabilities and shareholders' equity		**$**	**195,736**	$	298,006
Commitments	20				

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

On behalf of the Board of Directors:

(signed) "Steve Nikiforuk"
Steve Nikiforuk
Director

(signed) "Doug Bartole"
Doug Bartole
Director

Statements of (Loss) and Comprehensive (Loss)

(unaudited)

(Thousands of Canadian dollars, except per share amounts)	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2020	2019	**2020**	2019
Oil and natural gas sales	15	**$ 10,846**	$ 17,395	**$ 29,105**	$ 56,600
Royalties		**(790)**	(1,658)	**(2,227)**	(4,759)
Revenue		**10,056**	15,737	**26,878**	51,841
(Loss) on derivative contracts	15	**(358)**	-	**(1,145)**	(127)
		9,698	15,737	**25,733**	51,714
Operating expenses		**4,966**	6,295	**15,421**	19,133
Transportation expenses		**324**	356	**958**	1,166
Exploration and evaluation expenses	7	**-**	448	**1**	509
General and administrative expenses	16	**945**	1,559	**3,114**	4,937
Share-based compensation	13	**134**	238	**436**	598
Depletion and depreciation	5	**4,666**	7,606	**16,076**	21,977
Impairment	6	**-**	-	**65,710**	-
Finance expenses	17	**1,380**	919	**3,122**	2,835
		12,415	17,421	**104,838**	51,155
Profit (loss) before tax		**(2,717)**	(1,684)	**(79,105)**	559
Deferred income tax expense (recovery)	11	**-**	(329)	**30,297**	8,508
(Loss) and comprehensive (loss)		**$ (2,717)**	$ (1,355)	**$ (109,402)**	$ (7,949)
(LOSS) PER COMMON SHARE					
Basic and diluted	14	**$ (0.04)**	$ (0.02)	**$ (1.60)**	$ (0.12)

The above Statements of (Loss) and Comprehensive (Loss) should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

(unaudited)

(Thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance at December 31, 2018		234,391	14,538	(65,340)	183,589
Share-based compensation	13	-	769	-	769
(Loss) for the period		-	-	(7,949)	(7,949)
Balance at September 30, 2019		234,391	15,307	(73,289)	176,409
Share-based compensation	13	-	92	-	92
(Loss) for the period		-	-	(18,893)	(18,893)
Balance at December 31, 2019		234,391	15,399	(92,182)	157,608
Share-based compensation	13	-	567	-	567
(Loss) for the period		-	-	(109,402)	(109,402)
Balance at September 30, 2020		**234,391**	**15,966**	**(201,584)**	**48,773**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

(unaudited)

(Thousands of Canadian dollars)	Note	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Cash flows provided by (used in):					
OPERATING ACTIVITIES					
(Loss) for the period		**$ (2,717)**	$ (1,355)	**$ (109,402)**	$ (7,949)
Non-cash items:					
Depletion and depreciation	5	**4,666**	7,606	**16,076**	21,977
Unrealized loss (gain) on derivative contracts	15	**(393)**	-	**92**	149
Accretion on decommissioning obligation	10	**318**	278	**936**	902
Share-based compensation	13	**134**	238	**436**	598
Exploration expense	7	**-**	448	**1**	509
Deferred income tax expense	11	**-**	(329)	**30,297**	8,508
Impairment	6	**-**	-	**65,710**	-
Decommissioning expenditures	10	**(240)**	(489)	**(539)**	(1,303)
Funds flow		**1,768**	6,397	**3,607**	23,391
Net change in non-cash working capital	18	**(77)**	(1,438)	**3,658**	(2,393)
Net cash flow provided by operating activities		**1,691**	4,959	**7,265**	20,998
FINANCING ACTIVITIES					
Principal portion of finance lease payments	8	**(151)**	(64)	**(446)**	(162)
Increase in bank debt	9	**2,153**	219	**7,482**	6,612
Net cash flow provided by financing activities		**2,002**	155	**7,036**	6,450
INVESTING ACTIVITIES					
Capital expenditures – Property, plant and equipment	5	**$ (374)**	$ (8,067)	**$ (12,456)**	$ (27,458)
Capital expenditures – Exploration and evaluation	7	**(8)**	(16)	**(46)**	(75)
Property (acquisitions) / dispositions	5	**5**	-	**265**	(78)
Net change in non-cash working capital	18	**(3,316)**	2,969	**(2,064)**	163
Net cash flow (used in) investing activities		**(3,693)**	(5,114)	**(14,301)**	(27,448)
Increase (decrease) in cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents, beginning of the year		**-**	-	**-**	-
Cash and cash equivalents, end of the year		**$ -**	$ -	**$ -**	$ -
Interest paid in cash		**$ 1,062**	$ 637	**$ 2,187**	$ 1,920

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

(unaudited)

SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION

InPlay Oil Corp. ("**InPlay**" or the "**Company**") is actively engaged in the acquisition, exploration and development of petroleum and natural gas properties, and the production and sale of crude oil, natural gas and natural gas liquids. InPlay is a publicly traded company incorporated and domiciled in Alberta, Canada. InPlay's common shares are listed on the Toronto Stock Exchange (the "**TSX**") and trade under the symbol IPO. InPlay's corporate office is located at 920, 640 - 5th Avenue SW, Calgary, Alberta, its registered office is located at 2400, 525 - 8th Avenue SW, Calgary, Alberta, and its petroleum and natural gas operations are located in the Province of Alberta.

A plan of arrangement (the "**Arrangement**") involving the predecessor to InPlay ("**Prior InPlay**") and Anderson Energy Inc. ("**Anderson**"), a publicly traded company listed on the TSX, was completed on November 7, 2016. The Arrangement constituted a reverse acquisition that involved a change of control of Anderson and a business combination of Anderson and Prior InPlay to form a new corporation that now carries on Prior InPlay's and Anderson's business and operations under the name InPlay Oil Corp. At that time, InPlay had the same directors and management as Prior InPlay. Effective November 10, 2016, InPlay common shares commenced trading on the TSX in substitution of Anderson common shares. All regulatory filings of InPlay and Anderson can be accessed electronically under InPlay's profile on the SEDAR website at www.sedar.com.

2. BASIS OF PRESENTATION

Compliance with IFRS

These financial statements comply with International Financial Reporting Standards ("**IFRS**") and International Accounting Standards ("**IAS**") as issued by the International Accounting Standards Board ("**IASB**"), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed unaudited interim financial statements should be read in conjunction with the audited annual financial statements as at and for the year ended December 31, 2019.

The financial statements were approved and authorized for issuance by the Board of Directors on November 12, 2020.

In preparing these condensed unaudited interim financial statements, the basis of presentation made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In preparing these condensed unaudited interim financial statements, the accounting policies made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019, except as noted below.

Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant relate to income or expense, it is recognized in the statements of (loss) and comprehensive (loss) in the period in which the expenditures are incurred or income is earned. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset and amortized into income on a systematic basis over the expected useful life of the underlying asset through Depletion and depreciation.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these condensed unaudited interim financial statements, the methods of computation and significant judgements, estimates and assumptions made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019, except as noted below:

Income Taxes

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. As at December 31, 2019, the deferred tax asset utilization was supported primarily by future cashflows derived from the Company's independent year end reserve report using the total proven and probable cashflows. Given the current market conditions as a result of the COVID-19 outbreak, management has estimated that the total proven reserves of the Company more accurately support the future utilization of the deferred tax asset as at March 31, 2020. This change in estimate has resulted in the recognition of additional deferred income tax expense of $2.7 million in the statement of (loss) and comprehensive (loss) for the three and nine months ended September 30, 2020 with a corresponding reduction to deferred tax asset.

The COVID-19 outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the unaudited interim financial statements, particularly related to the following key source of estimation uncertainty:

Recoverable Amounts

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

5. PROPERTY, PLANT AND EQUIPMENT

Cost ($'000s)	**Total**
Balance at December 31, 2018	413,238
Additions	32,198
Additions/revisions to decommissioning obligation	2,539
Acquisitions	102
Dispositions	(9)
Transfer from Exploration and evaluation assets	167
Balance at December 31, 2019	448,235
Additions	**12,322**
Additions/revisions to decommissioning obligation	**533**
Balance at September 30, 2020	**461,090**

Accumulated Depletion & Impairment ($'000s)	**Total**
Balance at December 31, 2018	185,588
Impairment loss	714
Depletion and depreciation(1)	28,764
Balance at December 31, 2019	215,066
Impairment loss	**65,710**
Depletion and depreciation(1)	**15,620**
Balance at September 30, 2020	**296,396**

(1) Excludes $0.5 million of depreciation relating to Right-of-use assets (September 30, 2019: $0.2 million).

Net book value ($'000s)	**Total**
At December 31, 2019	233,169
At September 30, 2020	**164,694**

For the nine months ended September 30, 2020, additions to property, plant and equipment included capitalized general and administrative expenses of $0.5 million (September 30, 2019: $1.2 million) and costs related to share-based compensation of $0.1 million (September 30, 2019: $0.2 million). Future development costs in the amount of $216 million were included in the depletion calculation for the three months ended September 30, 2020 (September 30, 2019: $218 million).

6. IMPAIRMENT LOSS

2020 Impairment Considerations

At September 30, 2020 there were no indicators of impairment or impairment reversal.

Indicators of impairment relating to Property, plant and equipment were considered to exist as at March 31, 2020 as the Company's net assets were greater than its market capitalization and due to significant decreases in estimated future commodity prices. Impairment tests were performed for each the Company's CGUs which resulted in an impairment loss of $65.7 million being recorded in the Company's statement of (loss) and comprehensive (loss) relating to the Company's Pigeon Lake ($19.0 million), Pembina ($25.7 million), Rocky ($18.9 million) and Huxley ($2.1 million) CGUs. The Company used the income approach technique to measure fair value of the CGUs whereby the net present value of the after tax future cash flows were calculated using a discount rate of 13% for Huxley and 12% for all other CGUs. The future cash flows were based on level 3 fair value hierarchy inputs: the Company's reserves prepared by its independent reserves evaluator, including key assumptions regarding the discount rate, quantities of reserves and production volumes, future commodity prices as prepared by its independent reserves evaluator, royalty obligations, operating expenses, development costs, and decommissioning costs. The Company's reserves prepared by its independent reserves evaluator as at December 31, 2019 have been updated by internal qualified reserve engineers to March 31, 2020.

If the discount rate used was 100 basis points higher, additional impairment of approximately $6.7 million would have been recorded relating to the Company's Pigeon Lake ($1.0 million), Pembina ($1.9 million), Rocky ($3.6 million) and Huxley ($0.2 million) CGUs. If the commodity prices used in the impairment tests were five percent lower, additional impairment of approximately $18.7 million would have been recorded relating to the Company's Pigeon Lake ($4.4 million), Pembina ($5.3 million), Rocky ($8.5 million) and Huxley ($0.5 million) CGUs.

2019 Impairment Considerations

Indicators of impairment relating to Property, plant and equipment were considered to exist as at December 31, 2019 as the Company's net assets were greater than its market capitalization. Impairment tests were performed for each the Company's CGUs which resulted in an impairment loss of $0.7 million being recorded in the Company's statement of (loss) and comprehensive (loss) relating to the Company's Huxley CGU. The Company used the income approach technique to measure fair value of the CGUs whereby the net present value of the after tax future cash flows were calculated using a discount rate of 13% for Huxley and 12% for all other CGUs. The future cash flows were based on level 3 fair value hierarchy inputs: the Company's reserves prepared by its independent reserves evaluator, including key assumptions regarding the discount rate, quantities of reserves and production volumes, future commodity prices as prepared by its independent reserves evaluator, royalty obligations, operating expenses, development costs, and decommissioning costs.

If the discount rate used was 100 basis points higher, additional impairment of approximately $0.3 million would have been recorded in the year ended December 31, 2019, all relating to the Huxley CGU. If the commodity prices used in the impairment tests were five percent lower, approximately $0.5 million of additional impairment would have been recorded in the year ended December 31, 2019, all relating to the Huxley CGU.

The following table shows the benchmark commodity prices used in the impairment calculation of Property, plant and equipment at March 31, 2020 and December 31, 2019 of which are based on an average of independent reserve evaluator pricing estimates.

	Light, Sweet Crude Edmonton ($Cdn/bbl)			AECO Gas Price ($Cdn/MMBtu)		
Year	**Mar. 31, 2020**	Dec. 31, 2019	Change	**Mar. 31, 2020**	Dec. 31, 2019	Change
2020	**29.22**	72.64	(43.42)	**1.74**	2.04	(0.30)
2021	**46.85**	76.06	(29.21)	**2.20**	2.32	(0.12)
2022	**59.27**	78.35	(19.08)	**2.38**	2.62	(0.24)
2023	**65.02**	80.71	(15.69)	**2.45**	2.71	(0.26)
2024	**68.43**	82.64	(14.21)	**2.53**	2.81	(0.28)
2025	**69.81**	84.60	(14.79)	**2.60**	2.89	(0.29)
2026	**71.24**	86.57	(15.33)	**2.66**	2.96	(0.30)
2027	**72.70**	88.49	(15.79)	**2.72**	3.03	(0.31)
2028	**74.19**	90.31	(16.12)	**2.79**	3.10	(0.31)
2029	**75.71**	92.17	(16.46)	**2.85**	3.17	(0.32)

7. EXPLORATION AND EVALUATION

($'000s)	**September 30, 2020**	December 31, 2019
Opening balance	**21,085**	21,661
Additions	**46**	100
Transfers to property, plant and equipment	**-**	(167)
Transfers to exploration and evaluation expense	**(1)**	(509)
Ending balance	**21,130**	21,085

At September 30, 2020 there were no indicators of impairment relating to the Company's Exploration and evaluation assets.

8. LEASES

8(a) Right-of-use asset

Cost ($'000s)	**Office Lease**	**Equipment**	**Total**
Balance at January 1, 2019	-	370	370
Additions	805	172	977
Balance at December 31, 2019	805	542	1,347
Additions	**-**	**89**	**89**
Balance at September 30, 2020	**805**	**631**	**1,436**

Accumulated Depreciation ($'000s)	**Office Lease**	**Equipment**	**Total**
Balance at January 1, 2019	-	-	-
Depreciation	60	230	290
Balance at December 31, 2019	60	230	290
Depreciation	**268**	**189**	**457**
Balance at September 30, 2020	**328**	**419**	**747**

Net book value ($'000s)	Office Lease	Equipment	Total
At December 31, 2019	745	312	1,057
At September 30, 2020	**477**	**212**	**689**

8(b) Lease liability

The following table details the movement in lease liabilities for the nine months ended September 30, 2020.

	($'000s)
Balance at January 1, 2019	370
Additions	172
Modifications	805
Repayments	(308)
Interest	24
Balance at December 31, 2019	1,063
Additions	**89**
Repayments	**(485)**
Interest	**38**
Balance at September 30, 2020	**705**
Expected to be incurred within one year	**499**
Expected to be incurred beyond one year	**206**

Payments relating to short-term leases and leases of low-value assets were $nil for the nine months ended September 30, 2020 (September 30, 2019: $0.3 million).

The Company does not have any lease contracts that are entered into by a joint arrangement, or on behalf of the joint arrangement, at September 30, 2020.

9. BANK DEBT

On July 14, 2020, the Company entered into an Amended and Restated Credit Agreement ("ARCA") with its syndicate of lenders. The Company's amended credit facilities (the "Senior Credit Facilities") total $65 million and consist of a $22.5 million revolving line of credit, a $10 million operating line of credit (together, the "Revolving Facilities") and a $32.5 million term loan (the "Senior Term Loan"). The Senior Term Loan has a maturity date of May 31, 2021. The Revolving Facilities have a maturity date of May 31, 2021, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable at May 31, 2021. The Senior Credit Facilities are secured by a floating charge debenture and a general security agreement on the assets of the Company. At September 30, 2020 the Company had drawn $61.1 million on the Senior Credit Facilities. There are standard reporting covenants under the Senior Credit Facilities, however there are no financial covenants. The Company was in compliance with these standard reporting covenants as at September 30, 2020.

Under the ARCA, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.00% and 5.50% for the Revolving Facilities and between 5.00% and 8.50% for the Senior Term Loan. Advances may also be drawn as banker's acceptances, Libor loans, and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.00% to 6.50% for the revolving line of credit and 6.00% to 9.50% for the Senior Term Loan. Standby fees are charged on the undrawn portion of the Senior Credit Facilities at rates ranging from 0.750% to 1.625%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter end for the preceding 12 months.

The available lending limit of the Revolving Facilities is scheduled for semi-annual review on or before November 30, 2020 and annual renewal on May 31, 2021, and is based on the Lenders' interpretation of the Company's reserves and future commodity prices. In conjunction with the finalization of the BDC Term Facility, InPlay's current syndicate of lenders have agreed that there will be no change in the borrowing base under the Company's Senior Credit Facilities, which total $65 million, at the next semi-annual borrowing base review scheduled for November 30, 2020. There can be no assurance that the amount or terms of the Senior Credit Facilities will not be adjusted at the next annual review. In the event that the lenders reduce the Revolving Facilities' borrowing base below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the lenders. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

On October 30, 2020 the Company entered into a term loan with the Business Development Bank of Canada ("BDC") under their Business Credit Availability Program ("BCAP") which provides the Company access to a non-revolving $25 million, second lien, four year term loan facility (the "BDC Term Facility"), of which the full $25 million has been drawn as of November 2, 2020. The BDC Term Facility has a maturity date of October 30, 2024 and is secured by a floating charge debenture and a general security agreement on the assets of the Company. There are standard reporting covenants under the BDC Term Facility and certain operational covenants, however there are no financial covenants.

Under the BDC Term Facility, draws incur an interest rate equal to the greater of the interest rate charged on the Company's operating line of credit or 5% for the first year and increasing by 1% at each anniversary date of the facility. Standby fees are charged on the undrawn portion of the BDC Term Facility at a rate of 0.50%. Annual renewal fees are charged on the full BDC Term Facility amount at a rate of 1.25% at inception, 1% on the first anniversary date, 1.25% on the second anniversary date and 1.5% on the third anniversary date.

10. DECOMMISSIONING OBLIGATION

($'000s)	**September 30, 2020**	December 31, 2019
Opening balance	**71,767**	69,336
Provisions incurred	**536**	1,186
Provisions settled	**(539)**	(1,557)
Change in estimates	**176**	1,353
Accretion expense	**936**	1,449
Government grants[(1)]	**(179)**	-
Ending balance	**72,697**	71,767
Expected to be incurred within one year	**750**	992
Expected to be incurred beyond one year	**71,947**	70,775

(1) During the three months ended September 30, 2020, the Company recognized $0.2 million reduction in Decommissioning obligation related to government grants provided by the Government of Alberta with a corresponding reduction to Depletion and depreciation.

The estimated future cash out flows as at September 30, 2020 are based on the current estimated costs, government regulations and industry practices to decommission the Company's exploration and production assets. The Company used an inflation rate of 0.84% per annum (December 31, 2019: 1.73%) until settlement of the obligations, which is assumed to occur over the next 7 to 52 years, to determine the future estimated cash flows. The net present value of the future estimated cash flows have been determined using risk-free discount rates of 0.4% to 1.1% depending on the estimated timing of the future settlement of the obligations (December 31, 2019: 1.7% to 1.8%). The total inflation adjusted undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at September 30, 2020 was approximately $89.6 million (December 31, 2019: $106.5 million). The total uninflated undiscounted amount of estimated future cash flows required to settle the decommissioning obligation at September 30, 2020 was approximately $72.7 million (December 31, 2019: $71.8 million).

During the three months ended September 30, 2020, the Company received $0.2 million from the Alberta government's Site Rehabilitation Program ("SRP"). This amount has been recorded as a Government grant with a reduction to Decommissioning Obligation and a corresponding credit to Depletion and Depreciation.

There are material uncertainties about the amount and timing of the decommissioning obligation, which include the future market prices for services and equipment required to undertake decommissioning activities, the government regulations and industry practices that set out the relevant standards, and the life-span of the Company's portfolio of exploration and production assets.

11. INCOME TAX

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the statement of (loss) and comprehensive (loss):

($'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Profit (loss) before tax	**(2,717)**	(1,684)	**(79,105)**	559
Expected income tax rate	**25%**	26.5%	**25%**	26.5%
Expected income tax expense (recovery)	**(679)**	(446)	**(19,776)**	148
Increase (decrease) in income taxes resulting from:				
Non-taxable permanent differences – stock based comp.	**35**	63	**112**	158
Other	**-**	4	**2**	9
Change in opening tax pools	**-**	-	**-**	(270)
Change in effective tax rate	**53**	50	**1,573**	8,463
Write-off of deferred income tax asset	**591**	-	**48,386**	-
Deferred income tax expense	**-**	(329)	**30,297**	8,508

The Company's non-capital losses will begin to expire between 2032 and 2039. The amount and timing of reversals of temporary differences will be dependent upon a number of factors, including the Company's future operating results. With the exception of the temporary differences related to the derivative contract gain, the Company does not expect any deferred income tax assets or liabilities to reverse within the next twelve months**.** The deferred tax asset is supported by the expected future utilization of tax attributes based upon future cashflows derived from the Company's updated forecasts and independent year end reserve report using the total proven cashflows and expenditures and factoring in expected corporate general and administrative and interest expenses. As a result of the decrease in these future cashflows, the deferred tax asset was reduced by $48.4 million as at September 30, 2020 (September 30, 2019: $nil) with a corresponding charge to deferred income tax expense.

During the quarter ended June 30, 2019, the Government of Alberta enacted a reduction in the provincial corporate tax rate from 12% to 8% over four years.. The tax rate decrease will be phased in as follows: 11% effective July 1, 2019, 10% effective January 1, 2020, 9% effective January 1, 2021, and 8% effective January 1, 2022. This rate change results in decreased future value attributable to the Company's unused tax losses and temporary differences. As a result, the Company recognized a reduction to its deferred tax asset and a deferred income tax expense of $1.6 million during the nine months ended September 30, 2020 (September 30, 2019: $8.5 million) due to the decrease in value of future deductibility of tax losses generated during the nine months ended September 30, 2020.

During the quarter ended June 30, 2019, the Company received a letter from the Canada Revenue Agency advising InPlay that it is proposing to reassess the Company's income tax filings relating to the November 7, 2016 Arrangement. The proposed reassessment seeks to disallow certain tax pools in the amount of $9.3 million. If these tax pools were to be disallowed there would be no impact on current tax payable but would result in a reduction of $9.3 million of losses which could have otherwise been carried forward into subsequent taxation years and a deferred income tax expense impact of $2.1 million. InPlay's management remains of the opinion that, it is more likely than not that the Company's position with respect to this matter will be upheld on appeal and management will continue to pursue its objection to this proposed reassessment. Accordingly, no reduction to the Company's tax pools or accrual for a reduction to the Company's deferred tax asset has been incorporated in these financial statements.

12. SHARE CAPITAL

Outstanding share capital consists of an unlimited number of voting common shares.

	Number of Common Shares	Amount ($'000s)
Balance at December 31, 2018	68,256,616	234,391
Balance at December 31, 2019 and September 30, 2020	**68,256,616**	**234,391**

13. SHARE-BASED COMPENSATION

13(a) Stock option plan

The Company has an incentive stock option plan pursuant to which options to purchase common shares may be granted to directors, officers, employees and service providers of the Company. The aggregate number of stock options that may be granted at any time under the plan shall not exceed 10% of the aggregate number of issued and outstanding common shares. The exercise price, terms of vesting and expiry date of stock options are fixed by the directors of the Company at the time of grant. All outstanding stock options vest over a three year period, or otherwise in accordance with the stock option plan, and expire five years from the date of grant. The directors of the Company may amend, alter or revise the terms and conditions of the stock option plan or of any outstanding stock options, subject to the terms of the plan.

	Number of options	Weighted avg. remaining life (years)	Weighted avg. exercise price
Outstanding at December 31, 2018	6,364,500	3.31	1.84
Granted during the year	3,389,200	4.95	0.69
Forfeited during the year	(252,000)	2.83	1.81
Cancelled during the year	(4,259,400)	2.27	1.98
Outstanding at December 31, 2019	5,242,300	4.26	0.98
Granted during the year	148,500	4.42	0.50
Forfeited during the year	(78,000)	3.44	1.29
Outstanding at September 30, 2020	**5,312,800**	**3.55**	**0.96**
Exercisable at September 30, 2020	**1,399,900**	**2.21**	**1.53**

13(b) Deferred share unit ("DSU") plan

The Company has implemented a deferred share unit plan under which DSUs may be granted to non-employee directors of the Company. All outstanding DSUs vest evenly over a three year period. Awards are settled in cash at each vesting date and the value is determined by the Company's share price on the vesting date.

	Number of DSUs
Outstanding at December 31, 2018	-
Granted during the year	500,000
Outstanding at December 31, 2019 and September 30, 2020	**500,000**

There were no cash payments relating to DSUs during the nine months ended September 30, 2020. As the amortized value of DSUs was immaterial, no share-based compensation expense or liability was recognized for the three and nine months ended September 30, 2020.

13(c) Share-based compensation amounts recognized

Share-based compensation in the amount of $0.1 million and $0.4 million was recognized in the three and nine months ended September 30, 2020 (three months ended September 30, 2019: $0.2 million; nine months ended September 30, 2019: $0.6 million), in addition to $0.1 million (September 30, 2019: $0.2 million) of capitalized stock based compensation recognized for nine months ended September 30, 2020, all with a corresponding credit to contributed surplus.

The fair value of each stock option granted during the three and nine months ended September 30, 2020 and September 30, 2019 is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Risk free interest rate	**-**	-	**1.12%**	1.58%
Expected volatility	**-**	-	**57%**	56%
Expected life	**-**	-	**3.5 years**	3.5 years
Dividend yield	**-**	-	**nil**	nil
Expected forfeiture rate	**-**	-	**nil**	nil
Stock price on grant date	**-**	-	**$0.53**	$1.04
Fair value per option	**-**	-	**$0.23**	$0.44

14. (LOSS) PER SHARE

($'000s, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(Loss) for the year	**(2,717)**	(1,355)	**(109,402)**	(7,949)
Weighted average number of common shares (basic and diluted)	**68,256,616**	68,256,616	**68,256,616**	68,256,616
Basic and diluted (loss) per share[(1)]	**(0.04)**	(0.02)	**(1.60)**	(0.12)

(1) A total of 5,312,800 options are excluded from the per share calculations as they are anti-dilutive. (September 30, 2019: 2,142,600 options).

15. REVENUE AND DERIVATIVE CONTRACTS

($'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Oil sales	**8,423**	15,582	**22,220**	49,051
Natural Gas sales	**1,502**	808	**4,427**	4,081
NGL sales	**921**	1,005	**2,458**	3,468
Total	**10,846**	17,395	**29,105**	56,600
Changes in fair value of derivative contracts				
Realized gain (loss) on derivative contracts	**(751)**	-	**(1,053)**	22
Unrealized gain (loss) on derivative contracts	**393**	-	**(92)**	(149)
(Loss) on derivative contracts	**(358)**	-	**(1,145)**	(127)

16. GENERAL AND ADMINISTRATIVE EXPENSES

($'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Gross general and administrative	**1,125**	1,966	**3,806**	6,242
Capitalized G&A and recoveries	**(180)**	(407)	**(692)**	(1,305)
General and administrative expense	**945**	1,559	**3,114**	4,937

17. FINANCE EXPENSE

($'000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Interest expense (Credit Facility and other)	**1,050**	637	**2,148**	1,920
Interest expense (Lease liabilities)	**12**	4	**38**	13
Accretion on decommissioning obligation	**318**	278	**936**	902
Finance expense	**1,380**	919	**3,122**	2,835

18. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital is comprised of:

($'000s)	Three Months Ended September 30		Nine Months Ended September 30	
Source (use) of cash	**2020**	2019	**2020**	2019
Accounts receivable and accruals	**(1,705)**	(1,527)	**3,131**	(4,720)
Prepaid expenses, deposits and inventory	**(374)**	117	**44**	510
Accounts payable and accruals	**(1,314)**	2,941	**(1,581)**	1,980
	(3,393)	1,531	**1,594**	(2,230)
Related to operating activities	**(77)**	(1,438)	**3,658**	(2,393)
Related to investing activities	**(3,316)**	2,969	**(2,064)**	163
	(3,393)	1,531	**1,594**	(2,230)

19. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Management of InPlay has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. InPlay's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

19(a) Fair value of financial instruments

Financial instruments comprise cash and cash equivalents, accounts receivable and accrued receivables, derivative contracts, accounts payable and accrued liabilities, lease liabilities and bank debt.

The carrying amounts for cash and cash equivalents, accounts receivable and accrued receivables, and accounts payable and accrued liabilities are reasonable approximations of their respective fair values due to the short-term maturities of those instruments. Lease liabilities carrying amount is a reasonable approximation of its fair value as it is present valued at the discount rate implicit in the lease or the Company's incremental borrowing rate. Bank debt's carrying amount is also a reasonable approximation of its fair value as it is variable rate debt with similar terms to what would be available as of the statement of financial position date.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the nature of inputs used to value the instrument:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3 – one or more of the significant inputs is not based on observable market data exists.

The fair values of the derivative contracts used for risk management as at September 30, 2020 were measured using level 2 observable inputs, including quoted prices received from financial institutions based on published forward price curves as at the measurement date, using the remaining contracted oil and natural gas volumes.

During the nine month periods ended September 30, 2020 and September 30, 2019, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

19(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. When production is not taken in kind payment comes from the common stream operator and facility operator in which payment is typically received on the 25th day of the month following production. InPlay's approach to mitigate credit risk associated with these balances is to maintain marketing relationships with large, established and reputable customers, common stream operators and facility operators that are considered to be creditworthy. InPlay has not experienced any collection issues with its current common stream and facility operators.

Joint operations receivables are typically collected within two to three months of the joint operations billing being issued to the partner. InPlay mitigates collection risk from joint operations receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and, in certain circumstances, may collect cash deposits in advance of incurring financial obligations on behalf of joint operations partners. Joint operations receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

The Company does not typically obtain collateral from oil and natural gas customers or joint interest partners; however, the Company does have the ability to withhold production from joint interest partners in the event of non-payment. In addition, the Company has approximately $0.8 million in amounts owing to oil and natural gas customers or joint interest partners that could be withheld if collection issues were to occur.

Trade and other receivables are non–interest bearing and are generally on 25 to 90 day terms. The Company's expected credit loss as at September 30, 2020 was $0.2 million (December 31, 2019: $0.2 million). The Company has considered the impact of the COVID-19 outbreak and the resulting decreases to commodity prices on the expected credit loss of the Company and has not noted a significant impact.

In determining the recoverability of trade and other receivables, InPlay considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to InPlay. The maximum exposure to credit risk for accounts receivable and accruals, net of expected credit loss at the reporting date by type of customer was:

	Carrying Amount	
($'000s)	**September 30, 2020**	December 31, 2019
Oil and natural gas customers	**3,915**	6,728
Joint operations partners	**861**	950
Accruals & Other	**859**	1,088
Total	**5,635**	8,766

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

As of September 30, 2020 and December 31, 2019, the Company's accounts receivable and accrued receivables was aged as follows:

Aging **($'000s)**	**September 30, 2020**	December 31, 2019
0 – 30 days	**4,688**	7,267
30- 90 days	**10**	310
Greater than 90 days	**1,137**	1,389
Expected credit loss	**(200)**	(200)
Total	**5,635**	8,766

The Company considers amounts outstanding greater than 90 days to be past due. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At September 30, 2020 $1.1 million (December 31, 2019: $1.4 million) in receivables were over 90 days due and considered past due.

Cash and cash equivalents, when held, consist of cash bank balances and short-term deposits which all mature in less than 90 days. InPlay only invests cash and enters into short-term deposits and derivative contracts with large established Canadian banks and avoids complex investment vehicles with higher risk.

19(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The impacts of the COVID-19 outbreak and the resulting decreases to commodity prices has increased the liquidity risk of the Company. The Company's objective is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To provide capital when needed, the Company has a credit facility which is reviewed semi-annually by its lenders and a term loan with the BDC. On July 14, 2020, the Company entered into an Amended and Restated Credit Agreement ("ARCA") with its syndicate of lenders. The Company's amended credit facilities (the "Senior Credit Facilities") total $65 million and consist of a $22.5 million revolving line of credit, a $10 million operating line of credit (together, the "Revolving Facilities") and a $32.5 million term loan (the "Senior Term Loan"). The Senior Term Loan has a maturity date of May 31, 2021. The Revolving Facilities have a maturity date of May 31, 2021, and if not extended, additional advances would not be permitted and any outstanding advances would become repayable at May 31, 2021. The Senior Credit Facilities are secured by a floating charge debenture and a general security agreement on the assets of the Company. At September 30, 2020 the Company had drawn $61.1 million on the Senior Credit Facilities. There are standard reporting covenants under the Senior Credit Facilities, however there are no financial covenants. The Company was in compliance with these standard reporting covenants as at September 30, 2020.

The available lending limit of the Revolving Facilities is scheduled for semi-annual review on or before November 30, 2020 and annual renewal on May 31, 2021, and is based on the Lenders' interpretation of the Company's reserves and future commodity prices. In conjunction with the finalization of the BDC Term Facility, InPlay's current syndicate of lenders have agreed that there will be no change in the borrowing base under the Company's Senior Credit Facilities, which total $65 million, at the next semi-annual borrowing base review scheduled for November 30, 2020. There can be no assurance that the amount or terms of the Senior Credit Facilities will not be adjusted at the next annual review. In the event that the lenders reduce the Revolving Facilities' borrowing base below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the lenders. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

On October 30, 2020 the Company entered into a term loan with the Business Development Bank of Canada ("BDC") under their Business Credit Availability Program ("BCAP") which provides the Company access to a non-revolving $25 million, second lien, four year term loan facility (the "BDC Term Facility"), of which the full $25 million has been drawn as of November 2, 2020. The BDC Term Facility has a maturity date of October 30, 2024 and is secured by a floating charge debenture and a general security agreement on the assets of the Company. There are standard reporting covenants under the BDC Term Facility and certain operational covenants, however there are no financial covenants.

The Senior Credit Facilities and BDC Term Facility are described further in note 9.

The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

The following are the contractual maturities of non-derivative financial liabilities at September 30, 2020:

($'000s)	Less than one year	One to two years
Non-derivative financial liabilities:		
Accounts payable and accrued liabilities	12,352	-
Bank loans – principal (1)	61,117	-
Bank loans – interest (2)	2,725	-
Total	76,194	-

(1) Assumes the Senior Credit Facilities are not renewed on May 31, 2021, whereby outstanding balances become due on May 31, 2021.

(2) Assumes interest is incurred on bank debt outstanding at September 30, 2020 at the Company's effective interest rate during the current quarter and the principal balance of the Senior Credit Facilities is repaid on May 31, 2021.

The following table shows the breakdown of the Company's accounts payable and accrued liabilities:

	Carrying Amount	
($'000s)	**September 30, 2020**	December 31, 2019
Trade payables (3)	**6,197**	7,637
Joint operations partners	**2,307**	2,967
Accruals (4)	**3,848**	3,329
Total	**12,352**	13,933

(3) Includes all payables related to operations, including royalties payable.

(4) Accruals include amounts for goods and services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier as of the reporting date. These accruals relate to both operating and capital activities.

19(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, commodity price risk and interest rate risk. The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. Derivative instruments may be used to reduce exposure to these risks.

(i) Foreign currency exchange rate risk

The Company is exposed to the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. While substantially all of the Company's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollar. The Company had no forward exchange rate contracts in place as at September 30, 2020 or December 31, 2019.

(ii) Commodity price risk

The Company is exposed to the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The reference price for buyers and sellers of crude oil relevant to the Company's oil sales is West Texas Intermediate at Cushing, Oklahoma, USA ("**WTI**"), and the reference price for buyers and sellers of natural gas includes deals that are conducted anywhere within TransCanada's Alberta, Canada System, otherwise known as NOVA ("**AECO**"). Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events and North American processing and supply considerations that influence the levels of supply and demand. The impacts of the COVID-19 outbreak and the resulting decreases to commodity prices has significantly increased volatility of commodity prices and has increased the commodity price risk of the Company.

InPlay manages the risks associated with changes in commodity prices by entering into financial derivative risk management contracts. The Company does not apply hedge accounting for these contracts. The Company does not enter into commodity contracts other than to manage the risk of commodity price fluctuation from the Company's expected commodity sales.

At September 30, 2020 the following commodity-based derivative contracts were outstanding and recorded at estimated fair value.

Type of contract: swap (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Average swap price	Term	Fair value ($'000s CAD)
US dollar	500	43.13/bbl	September 1, 2020 – December 31, 2020	$156
US dollar	250	43.00/bbl	September 1, 2020 – November 30, 2020	$52

Type of contract: costless collar[1] (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Sold call price	Sold put price	Term	Fair value ($'000s CAD)
US dollar	250	34.50/bbl	50.15/bbl	Jan 1, 2021 – June 30, 2021	$40

(1) Costless collar indicates InPlay concurrently sold put and call options at strike prices such that the costs and premiums received offset each other, thereby completing the derivative contracts on a costless basis.

Type of contract: swap (natural gas pricing AECO):

Currency denomination	Volume (GJ/day)	Average swap price	Term	Fair value ($'000s CAD)
Canadian dollar	4,000	1.61/GJ	April 1, 2020 – October 31, 2020	($76)
Canadian dollar	1,000	1.76/GJ	May 1, 2020 – October 31, 2020	($3)
Canadian dollar	1,000	2.145/GJ	June 1, 2020 – October 31, 2020	$9
Canadian dollar	2,000	2.94/GJ	November 1, 2020 – March 31, 2021	$9
Canadian dollar	2,000	2.34/GJ	January 1, 2021 – December 31, 2021	($279)

The estimated fair value of the financial option contracts has been determined on the amounts the Company would receive or pay for another party to assume the contracts. At September 30, 2020, the Company estimates that it would pay $0.1 million to terminate these contracts.

An increase or decrease of $5.00 per barrel WTI of oil and $0.25 per Mcf AECO of natural gas would decrease the fair value of derivative contracts by $0.7 million and increase the fair value of derivative contracts by $0.7 million respectively as at September 30, 2020.

The fair value of the financial commodity risk management contracts at September 30, 2020 was a liability of $0.1 million (December 31, 2019: $nil).

Subsequent to September 30, 2020 the Company entered into crude oil derivative contracts as follows:

Type of contract: swap (crude oil pricing WTI):

Currency denomination	Volume (bbl/day)	Average swap price	Term
US dollar	500	41.35/bbl	November 1, 2020 – December 31, 2020
US dollar	250	42.52/bbl	December 1, 2020 – June 30, 2021
US dollar	250	43.05/bbl	January 1, 2020 – March 31, 2021
US dollar	250	43.00/bbl	January 1, 2020 – June 30, 2021

(iii) Interest rate risk

The Company is exposed to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's primary exposure is related to its floating interest rate credit facility. The Company estimates that an increase or decrease in interest rates of 100 basis points would result in a change in total annual interest expense on bank debt by approximately $0.2 million for the three months ended September 30, 2020 (September 30, 2019: $0.1 million).

19(e) Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which will allow it to execute an acquisition or to execute on its capital investment program, provide creditor and market confidence and to sustain the future development of the business.

At September 30, 2020, InPlay's capital structure includes shareholders' equity, bank debt and working capital. The Company manages its capital structure by continually monitoring its business conditions, including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecast investments and the timing of such investments, the forecast commodity prices and resulting cash flows.

InPlay's current capital structure is summarized below:

($'000s)	**September 30, 2020**	December 31, 2019
Bank debt	**61,117**	53,635
Accounts payable and accrued liabilities	**12,352**	13,933
Accounts receivable and accrued receivables, prepaid expenses and deposits and inventory	**(9,223)**	(12,398)
Net debt	**64,246**	55,170
Shareholders' equity	**48,773**	157,608
Total capitalization	**113,019**	212,778

20. COMMITMENTS

20(a) Lease commitments

The Company has the following estimated annual obligations related to leases recorded as a Lease liability on the statement of financial position. The minimum undiscounted future payments for these leases are as follows:

($'000s)	2020	2021	2022	2023	2024
Office lease payments	94	377	31	-	-
Other leases	76	131	50	17	8
Total	170	508	81	17	8

20(b) Other commitments

The Company has entered into firm service gas transportation agreements in which the Company guarantees certain minimum volumes of natural gas will be shipped on various gas transportation systems. The terms of the various agreements expire in one to five years. If no volumes were shipped pursuant to the agreements, the maximum amounts payable under the guarantees based on current tariff rates are as follows:

($'000s)	2020	2021	2022	2023	Thereafter
Firm service commitment(1)	71	264	193	173	214

(1) The Company's commitment relating to firm service transportation does not constitute a lease under IFRS 16 given the Company does not obtain substantially all of the economic benefit from the use of the relevant gas transportation systems.

21. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company purchased producing assets and developed lands in the Pembina area of Alberta, Canada for estimated consideration of $1.9 million (net of adjustments).