InPlay Oil Corp. Announces First Quarter 2017 Financial and Operating Results

May 15, 2017 - Calgary Alberta – InPlay Oil Corp. (TSX: IPO) (OTCQX: IPOOF) ("InPlay" or the "Company") announces its financial and operating results for the three months ended March 31, 2017. InPlay's unaudited interim consolidated financial statements and notes, as well as management's discussion and analysis ("MD&A") for the three months ended March 31, 2017 will be filed today on the System for Electronic Document Analysis and Retrieval ("SEDAR") and our website ("www.inplayoil.com").

Financial and Operating Highlights

For the Three Months Ended (CDN$) (000's)	Three months ended March 31	
	2017	**2016**
Financial (CDN $)		
Petroleum and natural gas revenue	15,149	5,213
Funds flow from Operations (1)	6,096	2,928
Per share – basic and diluted (1) (2)	0.10	0.24
Per boe(1)	17.56	17.28
Comprehensive Income (Loss)	1,010	(2,830)
Per share – basic and diluted (2)	0.02	(0.23)
Exploration and Development Capital expenditures	9,495	2,999
(Net Debt)/Working Capital (1)	(37,987)	(59,263)
Shares outstanding	62,396,169	12,063,110
Basic & Diluted weighted-average shares (2)	62,396,169	12,063,110
Operational		
Daily production volumes		
Crude oil (bbls/d)	2,191	1,392
Natural gas liquids (bbls/d)	343	129
Natural gas (Mcf/d)	7,950	2,051
Total (boe/d)	3,859	1,863
Realized prices		
Crude Oil & NGLs ($/bbls)	57.67	35.16
Natural gas ($/Mcf)	2.79	1.86
Total ($/boe)	43.62	30.75
Operating netbacks ($ per boe) (1)		
Oil and Gas sales	43.62	30.75
Royalties	(4.56)	(2.93)
Transportation expense	(0.75)	(0.97)
Operating costs	(15.44)	(15.34)
Operating Netback (prior to realized derivative contracts)	22.87	11.51
Realized gain on derivative contracts	0.38	13.20
Operating Netback (including realized derivative contracts)	23.25	24.71

(1) "Funds flow from operations", "Funds flow from operations per share", "Funds flow from operations per boe", "Net Debt", "Working Capital", "Operating netback per boe", "Operating netback" and "Operating income" do not have a standardized meaning under international financial Reporting standards (IFRS) and GAAP. Please refer to Non-GAAP Financial Measures and BOE equivalent at the end of this news release.

(2) Weighted average share amounts for 2016 are converted retrospectively at the exchange rate of 0.1303 in accordance with the terms of the Arrangement as outlined in note 5 & 11 in the Company's unaudited quarterly March 31, 2017 financial statements filed on SEDAR. This is done in accordance with IAS 33.64.

We are pleased to present InPlay's financial and operating results for the three months ended March 31, 2017. This was the first full quarter of operations following the transformational year in 2016 which saw InPlay became a publicly traded entity following the November 7, 2016 private placement financing, asset acquisition in Pembina and the completion of the reverse take-over business combination with Anderson Energy Inc.

The Company's first quarter 2017 capital program included the completion of 2 (2.0 net) wells that were drilled in the fourth quarter of 2016 and came on production in mid-February 2017. InPlay drilled 7 (5.1 net) Cardium horizontal wells in the first quarter, including our first Willesden Green horizontal. Of the 7 (5.1) net wells drilled, 1 (1.0 net) of these wells came on production in mid-February, 3 (1.3 net) wells were completed in late March and came on production in the second quarter and 3 (2.8 net) wells which were drilled remain to be completed.

First quarter 2017 production averaged 3,859 boe/day (66% oil and liquids), reflecting production additions over a portion of the quarter from the wells placed on production in mid-February 2017. This represents a 107% increase in production over the first quarter of 2016 and a 42% increase over production from the fourth quarter of 2016. Our first quarter capital program came in on budget resulting in total capital expenditures of $9.5 million. Funds flow from operations for the first quarter was $6.1 million, a 108% increase over the three month period ending March 31, 2016. This resulted in funds flow from operations of $0.10/share ($0.40/share annualized) for the first quarter of 2017. We exited the quarter with $38.0 million in net debt and were drawn $35.8 million on our $60.0 million syndicated credit facility.

Hedging (commodity contract) update:

Following is an update of the current derivative contracts in place:

Crude Oil Swaps:	500 bbls/day @ $53.65 (WTI)/bbl (USD)	Expires Jun 2017
Crude Oil Collars:	1,100 bbls/day @ $45.00 (WTI)/bbl (USD)* - floor 1,100 bbls/day @ $57.73 (WTI)/bbl (USD)* - ceiling *assuming a 0.75 CDN/USD fx rate	Expires Dec 2017
Natural Gas Swaps:	4,000 GJ/day @ $2.76 (AECO)/GJ (CDN) 2,000 GJ/day @ $3.00 (AECO)/GJ (CDN)	Expires Oct 2017 Expires Mar 2018

Outlook

InPlay had a successful initial capital program focused on drilling 11 (9.1 net) Cardium horizontal wells from late 2016 to the end of the first quarter in 2017. The increased activity the industry experienced created a tight supply/demand balance with services and particularly with reservoir stimulation activities. While this resulted in the Company not bringing all of its wells on production by early April as anticipated, we still met our forecasted first quarter production volumes. At the end of the first quarter there were 6 (4.1 net) wells that remain to be brought on production. The start of spring break up in April was cool and wet resulting in adverse conditions but an additional 3 (1.3 net) non-operated horizontal wells were brought on production. There remains 3 (2.8 net) wells to be completed and brought on production including our first Willesden Green and West Pembina Cardium wells. InPlay has been experimenting with new completion technologies as well as with a reduction in the spacing between fracture completions in the horizontal leg. The Company has been drilling these wells to target the lower bioturbated portion of the reservoir with the only exception being West Pembina which targets thick tight halo sands. The three remaining wells are all configured to be fracture completed on significantly reduced spacing. In Willesden Green this spacing is similar to that used by a peer with an offset well that has had strong recent results drilling the lower bioturbated Cardium and completing with this reduced spacing. All of the wells that InPlay has operated and brought on production to date have been in the water flooded areas of Central Pembina and were prior to any increases in industry service costs. The drill, equip and tie-in costs here have averaged $1.75 million which including reduced fracture spacing than initially planned resulting in more intense completions adding approximately 15-20% to completion costs. We believe the potential for a continued increase in service costs will be tied directly to commodity prices and industry activity after spring break-up. Based on discussions with service companies we estimate normal activity can result in cost increases of 5-10% but can be mitigated some by the increased efficiencies we have achieved. We currently expect completion operations to resume by June and extend into the third quarter.

The plans for 2017 remain to drill 12 net wells in our two core Cardium areas of Pembina and Willesden Green. Of these, there are approximately 7.0 net wells to be drilled in the remainder of the year including potential for extended reach horizontals which will be located in Willesden Green. In addition, we are moving ahead with plans to spend our $1.7 million of exploration flow through commitment on our emerging Duvernay light oil play in the second half of this year where we have increased our land holdings to 10,400 acres (16.25 sections). Industry interest in this shallow East Basin Duvernay play has been substantial with a recent crown land sale receiving approximately $22 million in bids at prices of up to $1 million per section on lands in the vicinity of InPlay's position compared to $90,000 per section InPlay has paid to date. Due to the shallow reservoir depths in the area the estimated horizontal well costs on a developmental basis are expected to be in the range of $4.0 - 5.0 million.

Capital expenditures forecast for 2017 remain at approximately $28 million which is still less than forecasted funds flow from operations, after reducing our forecasted annual average oil price by US$5 to US$50 WTI. This program is forecast to generate net debt to funds flow from operations for the fourth quarter annualized of approximately 0.9 times. At a stress tested $45 WTI price for the remainder of 2017 this program is forecast to generate fourth quarter 2017 net debt to funds flow from operations of approximately 1.0 times ensuring that the 2017 capital program can be maintained and is expected to yield top quartile production per share growth compared to our oil weighted peers. We continue to be pleased with production from the new wells and maintain our annual average production guidance of 4,000-4,200 boed (66 % light oil and liquids), while exiting the year at 4,300-4,500 boepd (68% light oil and liquids) following the planned 12 net well program in 2017. This represents 20% organic per share production growth from December 2016 to December 2017.

InPlay's low debt levels, high operating netback assets and solid set of commodity hedges will allow us to continue to develop our asset base in the current volatile commodity price environment, maintain financial strength, and is focusing on meaningful and sustainable per share growth for our shareholders.

We thank our employees and directors for their commitment and dedication through the past year, and we thank all of our shareholders for their continued interest in InPlay. We look forward to reporting our upcoming results to our shareholders.

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Reader Advisories

Non-GAAP Financial Measures

InPlay uses certain terms within this news release that do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities. The terms "Funds flow from operations", "Funds flow from operations per share", "Funds flow from operations per boe", "operating netbacks" and "netback per boe" in this news release are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance as it demonstrates its field level of profitability relative to current commodity prices and to assess leverage. Funds from operations should not be considered as an alternative to or more meaningful than cash provided by operating activities as determined in accordance with GAAP as an indicator of the Company's performance. InPlay's determination of funds flow from operations may not be comparable to that reported to other companies. Funds flow from operations is calculated by adjusting for changes in non-cash working capital from operating activities and from cashflow from operating activities. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. Users are cautioned, however, that these measures should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of InPlay's performance. The term "net debt" is not recognized under GAAP and is calculated as bank debt plus working capital deficiency adjusted for risk management derivative contract fair values deferred lease credits and flow-through share premiums. Net debt is used by management to analyze the financial position and leverage of InPlay. InPlay monitors working capital and net debt as part of its capital structure. Such terms do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable with the calculation of similar measures for other entities. InPlay also uses "netback per boe" as a key performance indicator. Netback per boe is utilized by InPlay to evaluate the operating performance of its petroleum and natural gas assets, and is determined by deducting royalties and operating and transportation expenses from petroleum and natural gas revenue (all on a per boe basis).

Forward-Looking Information and Statements

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the volume and product mix of InPlay's oil and gas production; production estimates; targeted production growth; reserve estimates; future oil and natural gas prices and InPlay's commodity risk management programs; forecasted funds flow from operations and net debt to funds flow from operations; future liquidity and financial capacity; future results from operations and operating metrics including forecasts of operating netbacks, cash flow and well payouts; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition, development and infrastructure activities and related capital expenditures, including our 2017 capital budget, and the timing thereof; the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects; and methods of funding our capital program. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of InPlay which have been used to develop such statements and information but which may prove to be incorrect. Although InPlay believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because InPlay can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which InPlay operates; the timely receipt of any required regulatory approvals; the ability of InPlay to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which InPlay has an interest in to operate the field in a safe, efficient and effective manner; the ability of InPlay to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and the ability of InPlay to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which InPlay operates; the ability of InPlay to successfully market its oil and natural gas products.

The forward-looking information and statements included herein are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the potential for variation in the quality of the reservoirs in which we operate; changes in the demand for or supply of our products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of InPlay or by third party operators of our properties, increased debt levels or debt service requirements; inaccurate estimation of our oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in InPlay's disclosure documents. The forward-looking information and statements contained in this news release speak only as of the date hereof and InPlay does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOE equivalent

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.