The following is an extract from InPlay Oil' Corp.'s ("**InPlay Oil**") annual information form dated March 29, 2018 (the "**InPlay Oil AIF**").

Exploration, Development and Production Risks

InPlay Oil's future performance may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of InPlay Oil depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, InPlay Oil's existing reserves, and the production from them, will decline over time as InPlay Oil produces from such reserves. A future increase in InPlay Oil's reserves will depend on both the ability of InPlay Oil to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that InPlay Oil will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of InPlay Oil may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that InPlay Oil will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, InPlay Oil may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to InPlay Oil.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

As is standard industry practice, InPlay Oil is not fully insured against all risks, nor are all risks insurable . Although InPlay Oil maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event InPlay Oil could incur significant costs.

Weakness in the Oil and Gas Industry

Weakness and volatility in the market conditions for the oil and gas industry may affect the value of InPlay Oil's reserves, restrict its cash flow and its ability to access capital to fund the development of it properties

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries ("**OPEC**"), slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. In addition, the inability to get the necessary approvals to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and gas industry in Western Canada has led to additional downward price pressure on oil and gas produced in Western Canada and uncertainty and reduced confidence in the oil and gas industry in Western Canada. Lower commodity prices may also affect the volume and value of InPlay Oil's reserves, rendering certain reserves uneconomic. In addition, lower commodity prices restrict InPlay Oil's cash flow resulting in less funds from operations being available to fund InPlay Oil's capital expenditure budget. Consequently, InPlay Oil may not be able to replace its production with additional reserves and both InPlay Oil's production and reserves could be reduced on a year over year basis. Any decrease in value of InPlay Oil's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of InPlay Oil's indebtedness, could result in InPlay Oil having to repay a portion of its indebtedness. In addition to possibly resulting in a decrease in the value of InPlay Oil's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of InPlay Oil's infrastructure and facilities, all of which could also have the effect of requiring a write down of the carrying value of InPlay Oil's oil and gas assets on its balance sheet and the recognition of an impairment charge in its income statement. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, InPlay Oil may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Prices, Markets and Marketing

Various factors may adversely impact the marketability of oil and natural gas, affecting net production revenue, production volumes and development and exploration activities

Numerous factors beyond InPlay Oil's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced or discovered by InPlay Oil. InPlay Oil's ability to market its oil and natural gas may depend upon its ability to acquire capacity on pipelines that deliver natural gas to commercial markets or contract for the delivery of crude oil by rail. Deliverability uncertainties related to the distance InPlay Oil's reserves are from pipelines, railway lines, processing and storage facilities, operational problems affecting pipelines, railway lines and facilities and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect InPlay Oil.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of InPlay Oil. These factors include economic and political conditions in the United States, Canada, Europe, China and emerging markets, the actions of OPEC and other oil and gas exporting nations, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets and InPlay Oil's ability to access such markets. A material decline in prices could result in a reduction of InPlay Oil's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of InPlay Oil's reserves. InPlay Oil might also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in InPlay Oil's expected net production revenue and a reduction in its oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on InPlay Oil's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, increased growth of shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Market Price

The trading price of InPlay Oil's common shares may be adversely affected by factors related and unrelated to the oil and natural gas industry

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to InPlay Oil's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. In certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the common shares of InPlay Oil could be subject to significant fluctuations in response to variations in InPlay Oil's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the common shares of InPlay Oil will trade cannot be accurately predicted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and InPlay Oil may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions

InPlay Oil considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and InPlay Oil's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of InPlay Oil. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so InPlay Oil can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of InPlay Oil may realize less on disposition than their carrying value on the financial statements of InPlay Oil.

Political Uncertainty

InPlay Oil's business may be adversely affected by recent political and social events and decisions made in Canada, the United States, Europe and elsewhere

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the 2016 presidential campaign a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. The administration has announced withdrawal of the United States from the Trans-Pacific Partnership and Congress has passed sweeping tax reform, which, among other things, significantly reduces US corporate tax rates. This may affect competitiveness of other jurisdictions, including Canada. The North American Free Trade Agreement is currently under renegotiation and the result is uncertain at this time. The administration has also taken action with respect to reduction of regulation which may also affect relative competitiveness of other jurisdictions. It is unclear exactly what other actions the administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas industry. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas companies, including InPlay Oil.

In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on InPlay Oil's ability to market its products internationally, increase costs for goods and services required for InPlay Oil's operations, reduce access to skilled labour and negatively impact InPlay Oil's business, operations, financial conditions and the market value of its common shares.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and gas industry including the balance between economic development and environmental policy such as the potential impact of the recent change of government in British Columbia and announcements and actions by the government of British Columbia that may impact the completion of the Trans-Mountain Pipeline project and other infrastructure projects.

Operational Dependence

The successful operation of a portion of InPlay Oil's properties is dependent on third parties.

Other companies operate some of the assets in which InPlay Oil has an interest. InPlay Oil has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect InPlay Oil's financial performance. InPlay Oil's return on assets operated by others depends upon a number of factors that may be outside of InPlay Oil's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which InPlay Oil has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which InPlay Oil has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations InPlay Oil may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, InPlay Oil potentially becoming subject to additional liabilities relating to such assets and InPlay Oil having difficulty collecting revenue due from such operators or recovering amounts owing to InPlay Oil from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on InPlay Oil's financial and operational results.

Project Risks

The success of InPlay Oil's operations may be negatively impacted by factors outside of its control resulting in operational delays, cost overruns and marketing challenges

InPlay Oil manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. InPlay Oil's ability to execute projects and market oil and natural gas depends upon numerous factors beyond InPlay Oil's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing and waterfloods, or the Corporation's

ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;

- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, InPlay Oil could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil and natural gas that it produces effectively.

Gathering and Processing Facilities, Pipeline Systems and Rail

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on InPlay Oil's ability to produce and sell its oil and natural gas

InPlay Oil delivers its products through gathering and processing facilities, pipeline systems and, in certain circumstances, by rail. The amount of oil and natural gas that InPlay Oil can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems and railway lines. The lack of availability of capacity in any of the gathering and processing facilities, pipeline systems and railway lines could result in InPlay Oil's inability to realize the full economic potential of its production or in a reduction of the price offered for InPlay Oil's production. The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to transport produced oil and gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect InPlay Oil's production, operations and financial results. As a result, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm InPlay Oil's business and, in turn, InPlay Oil's financial condition, operations and cash flows. Announcements and actions taken by the governments of British Columbia and Alberta relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward. In addition, while the federal government has recently introduced draft legislation to overhaul the existing environmental assessment process and replace the NEB with a new regulatory agency, the impact of the new proposed regulatory scheme on proponents and the timing of receipt of approvals of major projects remains unclear.

Following major accidents in Lac-Megantic, Quebec and North Dakota, the Transportation Safety Board of Canada and the U.S. National Transportation Board have recommended additional regulations for railway tank cars carrying crude oil. In June 2015, as a result of these recommendations, the Government of Canada passed the Safe and Accountable Rail Act which increased insurance obligations on the shipment of crude oil by rail and imposed a per tonne levy of $1.65 on crude oil shipped by rail to compensate victims and for environmental cleanup in the event of a railway accident. In addition to this legislation, new regulations have implemented the TC-117 standard for all rail tank cars carrying flammable liquids which formalized the commitment to retrofit, and eventually phase out DOT-111 tank cars carrying crude oil. The increased regulation of rail transportation may reduce the ability of railway lines to alleviate pipeline capacity issues and adds additional costs to the transportation of crude oil by rail. On July 13, 2016, the Minister of Transport (Canada) issued Protective Direction No. 38, which directed that the shipping of crude oil on DOT-111 tank cars end by November 1, 2016. Tank cars entering Canada from the United States will be monitored to ensure they are compliant with Protective Direction No. 38.

A portion of InPlay Oil's production may, from time to time, be processed through facilities owned by third parties and over which InPlay Oil does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on InPlay Oil's ability to process its production and deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Competition

InPlay Oil competes with other oil and natural gas companies, some of which have greater financial and operational resources

The petroleum industry is competitive in all of its phases. InPlay Oil competes with numerous other entities in the exploration, development, production and marketing of oil and natural gas. InPlay Oil's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of InPlay Oil. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than InPlay Oil. InPlay Oil's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, and reliability of delivery and storage.

Cost of New Technologies

InPlay Oil's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before InPlay Oil. There can be no assurance that InPlay Oil will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by InPlay Oil or implemented in the future may become obsolete. In such case, InPlay Oil's business, financial condition and results of operations could be affected adversely and materially. If InPlay Oil is unable to utilize the most advanced commercially available technology or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect InPlay Oil's financial condition, results of operations and cash flow

Full conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar affect on the demand for oil and gas products. InPlay Oil cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and cash flows by decreasing InPlay Oil's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Regulatory

Modification to current or implementation of additional regulations may reduce the demand for oil and natural gas and/or increase InPlay Oil's costs and/or delay planned operations

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase InPlay Oil's costs, either of which may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact InPlay Oil's operations, which may affect InPlay Oil's profitability. See "*Industry Conditions - Regulatory Authorities and Environmental Regulation - Climate Change Regulations*" in the InPlay Oil AIF.

In order to conduct oil and natural gas operations, InPlay Oil will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that InPlay Oil will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect InPlay Oil's business, financial condition and the market value of its common shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity.

Royalty Regimes

Changes to royalty regimes may negatively impact InPlay Oil's cash flows

There can be no assurance that the governments in the jurisdictions in which InPlay Oil has assets will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of InPlay Oil's projects. An increase in royalties would reduce InPlay

Oil's earnings and could make future capital investments, or InPlay Oil's operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017. See "*Industry Conditions - Royalties and Incentives*" in the InPlay Oil AIF.

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting InPlay Oil's financial position

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate the production of oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third party or governmental claims, and could increase InPlay Oil's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that InPlay Oil is ultimately able to produce from its reserves.

Due to seismic activity reported in the Fox Creek area of Alberta, the AER announced in February 2015, seismic monitoring and reporting requirements for hydraulic fracturing operators in the Duvernay zone in the Fox Creek area. These requirements include, among others, an assessment of the potential for seismicity prior to operations, the implementation of a response plan to address potential events, and the suspension of operations if a seismic event above a particular threshold occurs. The AER continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if necessary.

Waterflood

Regulatory water use restrictions and/or limited access to water or other fluids may impact InPlay Oil's production volumes from its waterflood

InPlay Oil undertakes or intends to undertake certain waterflooding programs which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities InPlay Oil needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that InPlay Oil will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If InPlay Oil is unable to access such water it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that InPlay Oil is ultimately able to produce from its reservoirs. In addition, InPlay Oil may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on InPlay Oil's results of operations.

Disposal of Fluids Used in Operations

Regulations regarding the disposal of fluids used in InPlay Oil's operations may increase its costs of compliance or subject it to regulatory penalties or litigation

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase InPlay Oil's costs of compliance.

Environmental

Compliance with environmental regulations requires the dedication of a portion of InPlay Oil's financial and operational resources

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require InPlay Oil to incur costs to remedy such discharge. Although InPlay Oil believes that it will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

Carbon Pricing Risk

Taxes on carbon emissions affect the demand for oil and natural gas, InPlay Oil's operating expenses and may impair InPlay Oil's ability to compete

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "*Industry Conditions - Regulatory Authorities and Environmental Regulation - Climate Change Regulation*" in the InPlay Oil AIF. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternatives fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing InPlay Oil's operating expenses, each of which may have a material adverse effect on InPlay Oil's profitability and financial condition. Further, the imposition of carbon taxes puts InPlay Oil at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Liability Management

Liability management programs enacted by regulators in the western provinces may prevent or interfere with InPlay Oil's ability to acquire properties or require a substantial cash deposit with the regulator

Alberta, Saskatchewan and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. These programs involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is generally required. Changes to the required ratio of InPlay Oil's deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to InPlay Oil's compliance obligations. In addition, the liability management regime may prevent or interfere with InPlay Oil's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. This is of particular concern to junior oil and gas companies that may be disproportionately affected by price instability. The recent Alberta Court of Queen's Bench decision, *Redwater Energy Corporation (Re)*, found an operational conflict between the *Bankruptcy and Insolvency Act* and the AER's abandonment and reclamation powers when the licensee is insolvent, which was affirmed by a majority of the Alberta Court of Appeal, and has been appealed by the AER to the Supreme Court of Canada for final determination. In response to the decision, the AER issued interim rules to administer the liability management program and until the Government of Alberta can develop new regulatory measures to adequately address environmental liabilities. There remains a great deal of uncertainty as to what new regulatory measures will be developed by the provinces or in concert with the federal government, as the final ruling will become binding in all Canadian jurisdictions. See "*Industry Conditions - Regulatory Authorities and Environmental Regulation - Liability Management Rating Programs*" in the InPlay Oil AIF.

Climate Change

Compliance with greenhouse gas emissions regulations may result in increased operational costs to InPlay Oil

InPlay Oil's exploration and production facilities and other operations and activities emit greenhouse gases which may require InPlay Oil to comply with greenhouse gas ("**GHG**") emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the *United Nations Framework Convention on Climate Change* (the "**UNFCCC**") and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by 30 per cent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of $30 per tonne. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. Some of InPlay Oil's significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the affect of increasing InPlay Oil's operating expenses and in the long-term reducing the demand for oil and gas production resulting in a decrease in InPlay Oil's profitability and a reduction in the value of its assets or asset write-offs. See "*Industry Conditions - Regulatory Authorities and Environmental Regulation - Climate Change Regulation*" in the InPlay Oil AIF.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect InPlay Oil's financial condition

World oil and natural gas prices are quoted in USD. The USD/CAD exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the CAD relative to the USD will negatively affect InPlay Oil's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of InPlay Oil's reserves as determined by independent evaluators. Although a low value of the CAD relative to the USD may positively affect the price

InPlay Oil receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for InPlay Oil's operations, which may have a negative impact on InPlay Oil's financial results**.**

To the extent that InPlay Oil engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which InPlay Oil may contract.

An increase in interest rates could result in a significant increase in the amount InPlay Oil pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends and could negatively impact the market price of the common shares of InPlay Oil.

Substantial Capital Requirements

InPlay Oil's access to capital may be limited or restricted as a result of factors related and unrelated to it, impacting its ability to conduct future operations, acquire and develop reserves

InPlay Oil anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, InPlay Oil's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- InPlay Oil's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and InPlay Oil's securities in particular.

Further, if InPlay Oil's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to InPlay Oil. InPlay Oil may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of InPlay Oil to access sufficient capital for its operations could have a material adverse effect on InPlay Oil's business financial condition, results of operations and prospects.

Additional Funding Requirements

InPlay Oil may require additional financing from time to time to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility

InPlay Oil's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, InPlay Oil may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause InPlay Oil to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and gas industry and/or global economic and political volatility, InPlay Oil may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing.

As a result of global economic and political volatility, InPlay Oil may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause InPlay Oil to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If InPlay Oil's revenues from its reserves, decrease as a result of lower oil and natural gas prices or otherwise, it will affect InPlay Oil's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, InPlay Oil's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of InPlay Oil's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for InPlay Oil's capital expenditure plans may result in a delay in development or production on InPlay Oil's properties.

Credit Facility Arrangements

Failing to comply with covenants under InPlay Oil's credit facility could result in restricted access to capital or being required to repay all amounts owing thereunder

InPlay Oil currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. InPlay Oil is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that InPlay Oil does not comply with these covenants, InPlay Oil's access to capital could be restricted or repayment could be required. Events beyond InPlay Oil's control may contribute to the failure of InPlay Oil to comply with such covenants. A failure to comply with covenants could result in default under InPlay Oil's credit facility, which could result in InPlay Oil being required to repay amounts owing thereunder. The acceleration of InPlay Oil's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, InPlay Oil's credit facility may impose operating and financial restrictions on InPlay Oil that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to InPlay Oil's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into amalgamations, mergers, take- over bids or disposition of assets, among others. As InPlay Oil's credit facilities are a demand facilities, the lenders may demand repayment by InPlay Oil at any time.

InPlay Oil's lenders use InPlay Oil's reserves, commodity prices, applicable discount rate and other factors to periodically determine InPlay Oil's borrowing base. Commodity prices continue to be depressed and have fallen dramatically since 2014, and while prices have recently increased they remain volatile as a result of various factors including actions taken to limit OPEC and non-OPEC production and increasing production by US shale producers. Depressed commodity prices could reduce InPlay Oil's borrowing base, reducing the funds available to InPlay Oil under the credit facility. This could result in the requirement to repay a portion, or all, of InPlay Oil's indebtedness.

If InPlay Oil's lenders require repayment of all or portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that InPlay Oil would be in a position to make such repayment. Even if InPlay Oil is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to InPlay Oil. If InPlay Oil is unable to repay amounts owing under credit facilities, the lenders under the credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Issuance of Debt

Increased debt levels may impair InPlay Oil's ability to borrow additional capital on a timely basis to fund opportunities as they arise

From time to time, InPlay Oil may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase InPlay Oil's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, InPlay Oil may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither InPlay Oil's articles nor its by-laws limit the amount of indebtedness that InPlay Oil may incur. The level of InPlay Oil's indebtedness from time to time could impair InPlay Oil's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

Hedging activities expose InPlay Oil to the risk of financial loss and counter-party risk

From time to time, InPlay Oil may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that InPlay Oil engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, InPlay Oil's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time InPlay Oil may enter into agreements to fix the exchange rate of CAD to USD or other currencies in order to offset the risk of revenue losses if the CAD increases in value compared to other currencies. However, if the CAD declines in value compared to such fixed currencies, InPlay Oil will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Restrictions on the availability of and access to drilling equipment may impede InPlay Oil's exploration and development activities

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel or access restrictions, may affect the availability of such equipment and skilled personnel to InPlay Oil and may delay exploration and development activities.

Title to Assets

Defects in the title to InPlay Oil's properties may result in a financial loss

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that a defect in the chain of title will not arise. The actual interest of InPlay Oil in properties may accordingly vary from InPlay Oil's records. If a title defect does exist, it is possible that InPlay Oil may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. There may be valid challenges to title or legislative changes, which affect InPlay Oil's title to the oil and natural gas properties InPlay Oil controls that could impair InPlay Oil's activities on them and result in a reduction of the revenue received by InPlay Oil.

Reserves Estimates

InPlay Oil's estimated proved and proved plus probable reserves are based on numerous factors and assumptions which may prove incorrect and which may affect InPlay Oil

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;
- production rates;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. InPlay Oil's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, InPlay Oil's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized in the InPlay Oil AIF. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from InPlay Oil's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities InPlay Oil intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in InPlay Oil's reserves since that date.

Insurance

Not all risks of conducting oil and natural gas opportunities are insurable and the occurrence of an uninsurable event may have a materially adverse effect on InPlay Oil

InPlay Oil's involvement in the exploration for and development of oil and natural gas properties may result in InPlay Oil becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although InPlay Oil maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, InPlay Oil may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to InPlay Oil. The occurrence of a significant event that InPlay Oil is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

Geopolitical Risks

Global political events may adversely affect commodity prices which in turn affect InPlay Oil's cash flow

Political events throughout the world that cause disruptions in the supply of oil continuously affect the marketability and price of oil and natural gas acquired or discovered by InPlay Oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or the parties in power, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and result in a reduction of InPlay Oil's net production revenue.

Eco-Terrorism Risks

InPlay Oil's properties may be subject to terrorist attack

InPlay Oil's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack. If any of InPlay Oil's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. InPlay Oil does not have insurance to protect against the risk from terrorism.

Reputational Risk Associated with InPlay Oil's Operations

InPlay Oil relies on its reputation to continue its operations and to attract and retain investors and employees

Any environmental damage, loss of life, injury or damage to property caused by InPlay Oil's operations could damage InPlay Oil's reputation in the areas in which InPlay Oil operates. Negative sentiment towards InPlay Oil could result in a lack of willingness of municipal authorities being willing to grant the necessary licenses or permits for InPlay Oil to operate its business and in residents in the areas where InPlay Oil is doing business opposing further operations in the area by InPlay Oil. If InPlay Oil develops a reputation of having an unsafe work site it may impact the ability of InPlay Oil to attract and retain the necessary skilled employees and consultant to operate its business. Further, InPlay Oil's reputation could be affected by actions and activities of other corporations operating in the oil and gas industry, over which InPlay Oil has no control. In addition, environmental damage, loss of life, injury or damage to property caused by InPlay Oil's operations caused by InPlay Oil's operations could result in negative investor sentiment towards InPlay Oil, which may result in limiting InPlay Oil's access to capital, increasing the cost of capital, and decreasing the price and liquidity of InPlay Oil's common shares.

Changing Investor Sentiment

Changing investor sentiment towards the oil and gas industry may impact InPlay Oil's access to, and cost of, capital

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of InPlay Oil. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in InPlay Oil or not investing in InPlay Oil at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, InPlay Oil, may result in limiting InPlay Oil's access to capital, increasing the cost of capital, and decreasing the price and liquidity of InPlay Oil's common shares.

Dilution

InPlay Oil may issue additional common shares, diluting current shareholders

InPlay Oil may make future acquisitions or enter into financings or other transactions involving the issuance of securities of InPlay Oil which may be dilutive.

Management of Growth

InPlay Oil may not be able to effectively manage the growth of its business

InPlay Oil may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of InPlay Oil to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of InPlay Oil to deal with this growth may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

Expiration of Licenses and Leases

InPlay Oil or its working interest partners may fail to meet the requirements of a licence or lease, causing its termination or expiry

InPlay Oil's properties are held in the form of licences and leases and working interests in licences and leases. If InPlay Oil or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of InPlay Oil's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects.

Dividends

InPlay Oil does not pay dividends and there is no assurance that it will do so in the future

InPlay Oil has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of InPlay Oil, the need for funds to finance ongoing operations and other considerations, as the Board of Directors of InPlay Oil considers relevant.

Litigation

InPlay Oil may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect InPlay Oil and its reputation

In the normal course of InPlay Oil's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to InPlay Oil, and as a result, could have a material adverse effect on InPlay Oil's assets, liabilities, business, financial condition and results of operations. Even if InPlay Oil prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on InPlay Oil's financial condition.

Aboriginal Claims

Aboriginal claims may affect InPlay Oil

Aboriginal peoples have claimed aboriginal title and rights in portions of Western Canada. InPlay Oil is not aware that any claims have been made in respect of its properties and assets. However, if a claim arose and was successful, such claim may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a material adverse effect on InPlay Oil's business and financial results.

Breach of Confidentiality

Breach of confidentiality by a third party could impact InPlay Oil's competitive advantage or put it at risk of litigation

While discussing potential business relationships or other transactions with third parties, InPlay Oil may disclose confidential information relating to the business, operations or affairs of InPlay Oil. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put InPlay Oil at competitive risk and may cause significant damage to its business. The harm to InPlay Oil's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, InPlay Oil will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

Taxation authorities may reassess InPlay Oil's tax returns

InPlay Oil files all required income tax returns and believes that it is in full compliance with the provisions of the *Tax Act* and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of InPlay Oil, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects InPlay Oil. Furthermore, tax authorities having jurisdiction over InPlay Oil may disagree with how InPlay Oil calculates its income for tax purposes or could change administrative practices to InPlay Oil's detriment.

Seasonality and Extreme Weather Conditions

Oil and natural gas operations are subject to seasonal and extreme weather conditions and InPlay Oil may experience significant operational delays as a result

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Roads bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of InPlay Oil's production if not otherwise tied-in. Certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict InPlay Oil's ability to access its properties, cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions.

Third Party Credit Risk

InPlay Oil is exposed to credit risk of third party operators or partners of properties in which it has an interest

InPlay Oil may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, InPlay Oil may be exposed to third party credit risk from operators of properties in which InPlay Oil has a working or royalty interest. In the event such entities fail to meet their contractual obligations to InPlay Oil, such failures may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may affect a joint venture partner's willingness to participate in InPlay Oil's ongoing capital program, potentially delaying the program and the results of such program until InPlay Oil finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in InPlay Oil being unable to collect all or portion of any money owing from such parties. Any of these factors could materially adversely affect InPlay Oil's financial and operational results.

Conflicts of Interest

Conflicts of interest may arise for InPlay Oil's directors and officers who are also involved with other industry participants

Certain directors or officers of InPlay Oil may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the *ABCA* which require a director of officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with InPlay Oil to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *ABCA*. See "*Directors and Officers - Conflicts of Interest*".

Reliance on Key Personnel

Loss of key personnel would negatively impact InPlay Oil's operations

InPlay Oil's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on InPlay Oil's business, financial condition, results of operations and prospects. InPlay Oil does not have any key personnel insurance in effect for InPlay Oil. The contributions of the existing management team to the immediate and near term operations of InPlay Oil are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that InPlay Oil will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of InPlay Oil.

Information Technology Systems and Cyber-Security

Breaches of InPlay Oil's cyber-security and loss of, or access to, electronic data may adversely impact its operations and financial position

InPlay Oil has become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. InPlay Oil depends on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, InPlay Oil is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of InPlay Oil's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If InPlay Oil becomes a victim to a cyber phishing attack it could result in a loss or theft of InPlay Oil's financial resources or critical data and information or could result in a loss of control of InPlay Oil's technological infrastructure or financial resources. InPlay Oil applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on InPlay Oil's business, financial condition and results of operations.

Expansion into New Activities

Expanding InPlay Oil's business exposes it to new risks and uncertainties

The operations and expertise of InPlay Oil's management are currently focused primarily on oil and gas production, exploration and development in the Western Canada Sedimentary Basin. In the future InPlay Oil may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets and as a result may face unexpected risks or alternatively, significantly increase InPlay Oil's exposure to one or more existing risk factors, which may in turn result in InPlay Oil's future operational and financial conditions being adversely affected.

Forward-Looking Information

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on InPlay Oil's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.