ARTIS EXPLORATION LTD

2020 Annual Report

For the Three and Twelve Months Ended

December 31, 2020

ARTIS EXPLORATION LTD.

2020 Fourth Quarter and Year-End Report
For the Three Months and Year Ended December 31, 2020

HIGHLIGHTS

	Three Months Ended December 31			Years Ended December 31		
	2020	2019	Change	**2020**	2019	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Petroleum and natural gas revenues	**32,691**	43,604	(25)	**74,094**	134,291	(45)
Cash flow from operations	**21,857**	27,248		**52,587**	76,157	
Funds flow from operations (1)	**22,571**	29,409	(23)	**52,387**	85,792	(39)
Per share – basic	**0.14**	0.18	(22)	**0.33**	0.54	(39)
– diluted	**0.14**	0.16	(22)	**0.31**	0.48	(35)
Net earnings	**1,031**	10,470	(90)	**13,263**	35,932	(63)
Per share – basic	**0.01**	0.07	(86)	**0.08**	0.22	(64)
– diluted	**0.01**	0.06	(83)	**0.08**	0.20	(60)
Net capital expenditures	**9,916**	36,737	(73)	**56,438**	238,259	(76)
Net debt (2)	**116,403**	111,717	4	**116,403**	111,717	4
Shareholders' equity	**448,672**	432,245	4	**448,672**	432,245	4
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end						
Basic	**160,197**	159,597	-	**160,197**	159,597	-
Options	**14,088**	12,963	9	**14,088**	12,963	9
Warrants	**21,765**	21,765	-	**21,765**	21,765	-
Retention awards	**308**	308	-	**308**	308	-
Weighted average						
Basic	**160,197**	160,197	-	**160,197**	160,146	-
Diluted	**165,931**	178,943	(7)	**168,517**	178,892	(6)
			(%)			*(%)*
Operating						
Production						
Crude oil *(bbls/d)*	**6,448**	6,613		**3,928**	5,159	
Natural gas *(mcf/d)*	**4,057**	4,243		**2,498**	3,449	
NGLs *(bbls/d)*	**327**	330		**167**	216	
Total *(boe/d)*	**7,451**	7,649	(3)	**4,511**	5,951	(24)
Liquids %	**91**	91		**91**	90	
Average wellhead prices						
Crude oil *($/bbl)*	**52.06**	68.37	(24)	**48.97**	68.94	(29)
Natural gas *($/mcf)*	**3.12**	3.06	2	**2.74**	2.07	32
NGLs *($/bbl)*	**21.38**	26.95	(21)	**19.56**	23.42	(16)
Total *($/boe)*	**47.69**	61.96	(23)	**44.88**	61.83	(27)
Royalties *($/boe)*	**(3.44)**	(5.03)	(32)	**(3.48)**	(5.34)	(35)
Operating cost *($/boe)*	**(6.11)**	(8.11)	(25)	**(8.82)**	(9.34)	(6)
Transportation cost *($/boe)*	**(3.89)**	(4.29)	(9)	**(3.86)**	(4.88)	(21)
Operating netback before financial derivatives *($/boe)* (3)	**34.25**	44.54	(23)	**28.72**	42.27	(32)
Realized gain (loss) on financial derivatives *($/boe)* (3)	**1.65**	(0.13)		**8.18**	(0.19)	
Operating netback after financial derivatives *($/boe)* (3)	**35.90**	44.41	(19)	**36.90**	42.08	(12)

	Three Months Ended December 31			Years Ended December 31		
	2020	2019	Change	**2020**	2019	Change
			(%)			*(%)*
Reserves (4)						
Proved developed producing *(mboe)*				**9,621**	9,040	6
Proved *(mboe)*				**75,483**	70,374	7
Proved plus probable *(mboe)*				**170,211**	168,707	1
Total net present value – proved plus probable (5) (10% discount) *($000s)*				**1,993,326**	2,914,349	(32)
Undeveloped land						
Gross *(acres)*				**189,167**	205,703	(8)
Net *(acres)*				**181,852**	198,436	(8)
Drilling activity – gross (net)						
Oil *(#)*	**-**	6 (6.0)		**4 (4.0)**	26 (26.0)	
Natural gas *(#)*	**-**	-		**-**	-	
Total *(#)*	**-**	6 (6.0)		**4 (4.0)**	26 (26.0)	(85)
Average working interest *(%)*	**-**	100		**100**	100	

(1) Non-IFRS Measure. Funds flow from operations is calculated using cash from operating activities, as presented in the statement of cash flows, before changes in non-cash working capital and settlement of decommissioning costs. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other companies. See "Non-IFRS Measurements" in the Company's MD&A.

(2) Non-IFRS Measure. Current assets less bank debt and less current liabilities excluding derivative financial instruments and lease obligations.

(3) Non-IFRS Measure. Operating netback equals petroleum and natural gas revenues including realized hedging gains or losses on financial derivative contracts less royalties, transportation and operating costs calculated on a per boe basis. Operating netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies. See "Non-IFRS Measurements" in the Company's MD&A.

(4) Based on the independent reserves evaluation prepared by GLJ Petroleum Consultants ("GLJ") effective December 31, 2020. See "Reserves Data" for details.

(5) Before income taxes and based on GLJ's future price forecast as at December 31, 2020. It should not be assumed that the future net revenues estimated by GLJ represent the fair market value of the reserves.

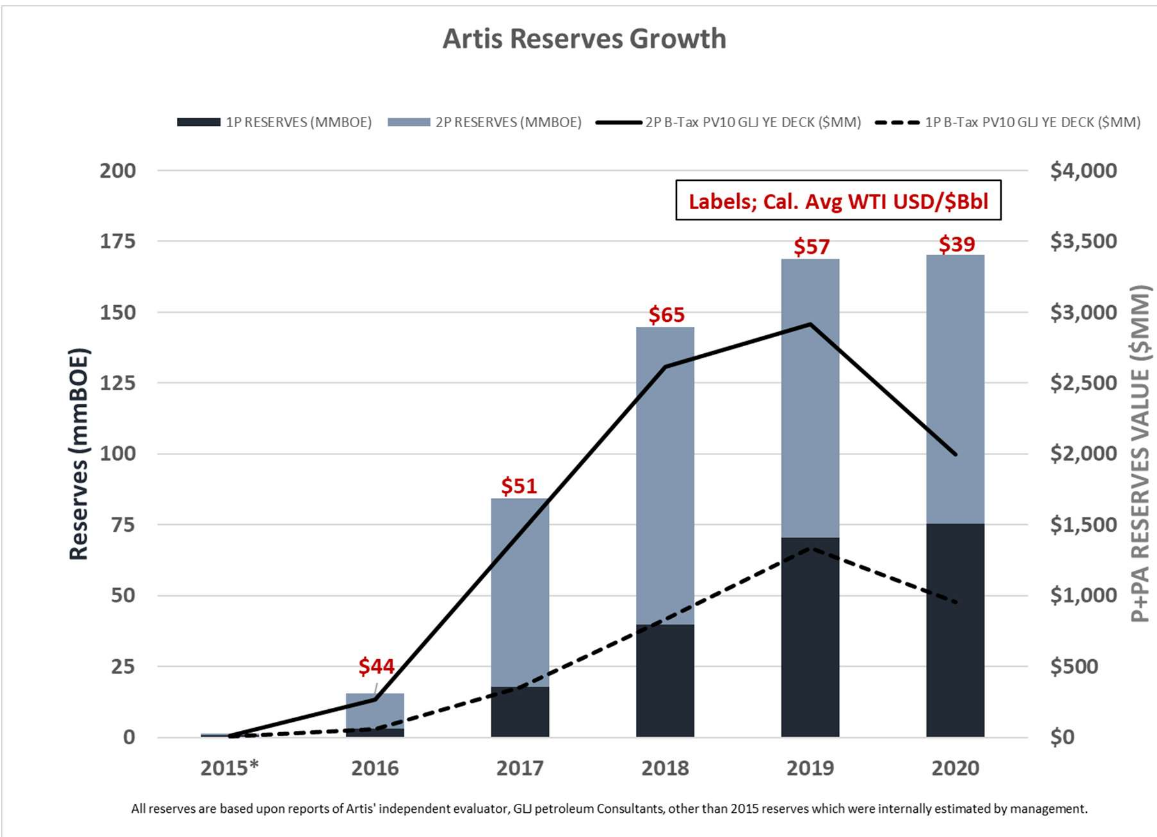
Artis Exploration Ltd. ("Artis" or the "Company") is pleased to report its financial and operating results for the three months and year ended December 31, 2020.

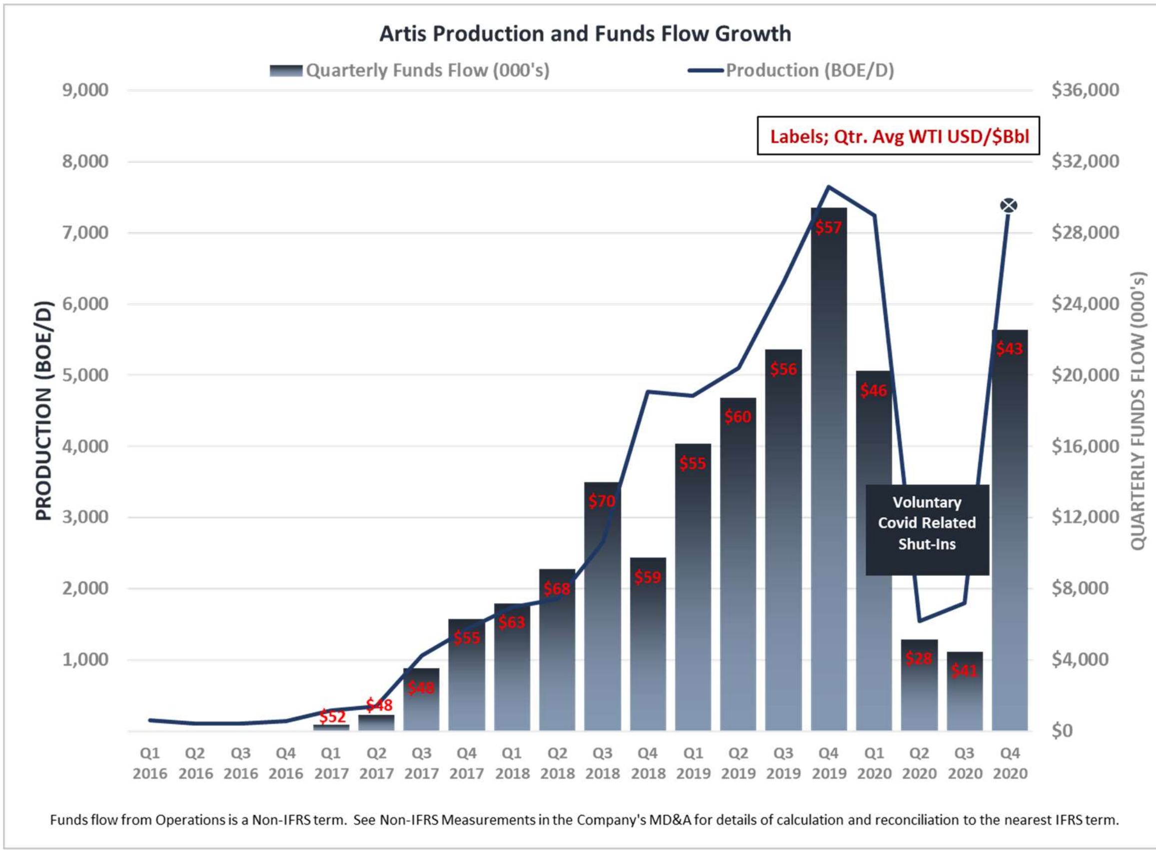
Financial and Operating Highlights

- Recorded annual average production of 4,511 boe/d (91% liquids), a decrease of 24% compared to 2019 due to the Company's decision to shut-in the majority of its production from May to August because of low crude oil prices and to preserve its reserves for anticipated better pricing. Fourth quarter average production of 7,451 boe/d (91% liquids) was back within 3% of the same period last year.
- Invested $56.4 million in capital expenditures in 2020 resulting in the drilling of 4 (4.0 net) wells and completion of 6 (6.0 net) wells in our core area of Trochu, Alberta.
- Increased proved ("1P") reserves 7% to 75.5 mmboe, which included a 6% gain in proved developed producing ("PDP") reserves to 9.6 mmboe despite the low capital expenditures and drilling of only 4 wells during the year. The Company's new development focused drilling in combination with production shut-ins was effective in preserving PDP reserves and liquidity for improved oil prices in the fourth quarter of 2020.
- Proved plus probable ("2P") reserves value ("NPV") decreased 32% to $1,933.3 million (before tax at 10% discount) based on GLJ's Dec 31/20 price deck which decreased 22% for the first 3 years for crude oil pricing.
- Recorded all-in finding and development ("F&D") costs, including future development costs ("FDC"), of $21.22/boe on 1P reserves and $25.29/boe on PDP reserves.
- Achieved a recycle ratio of 1.7 times based on 1P F&D of $21.22/boe and Artis' 2020 operating netback of $36.90/boe and 1.5 times based on PDP F&D of $25.29/boe.

President's Message

2020 was a generationally unique year in the World Energy sector as global pandemic driven demand destruction and a global commodity price war for market share combined to collapse oil and natural gas prices to their lowest levels in many years (1998 in the case of the oil price). Benchmark WTI oil prices averaged $39.40US/bbl during 2020 and Artis realized an average oil price of $48.97/bbl Cdn (before hedges) as a result. Artis entered the pandemic in January/20 with approximately $121 million in net debt and a healthy 1.2X debt to funds flow ratio, and with approximately 42% of its 2020 production hedged at over $55US/bbl, and with no material transportation or services contracts. Because of this financial strength along with our strong financial hedging position, we were able to make the strategic decision to shut-in virtually all of our production for a significant part of 2020 while commodity prices were low and preserve our proved developed producing ("PDP") reserves for better prices in the fourth quarter. Artis successfully brought its production back in the fourth quarter to achieve a near record production level averaging 7,451 boe/d (91% liquids). Our strategy resulted in 2020 exit net debt of $116.3 million and an increase to our bank credit facility to $165 million in December 2020. Artis exited the year at a very healthy debt to funds flow ratio of 1.3 times. We were able to preserve and actually grow our PDP reserves by 6%. Despite only drilling 4 wells in 2020, Artis was also able to realize a 7% increase in total proved ("1P") reserves to 75.5 mmboe at an efficient F&D cost of $21.22/boe resulting in a 2020 Recycle Ratio of 1.7 times. Total proved plus probable ("2P") reserves increased year over year by 1% to 170.2 mmboe.





Additionally, with the support of its healthy balance sheet, the Company was able to execute some strategic acquisitions. Artis acquired a medium cut natural gas plant with capacity for up to 15 mmcfpd in its core area of Twinning for a fraction of the cost to build it. By late 2021 we will be processing most of our solution gas and expect to reduce gas processing operating expenses as a result by approximately 25% to 35%. The Company was also able to acquire joint interest production and reserves in our core area from a joint venture partner for approximately $7.1 million (net of closing adjustments) at very strong acquisition metrics of approximately 3.0 times annualized funds flow, and at approximately $16.22/boe and $1.38/boe for PDP and 1P reserves, respectively. Artis also completed its own water disposal facility and began disposing of water in early 2020 further reducing its operating costs which are anticipated to be a very competitive $8.00/boe to $8.50/boe in 2021.

Over the last 18 months, Artis has further refined its completion methodology for the unique Duvernay rock of the East Shale Basin. Five out of the Company's latest six wells have made monthly top oil well lists for initial oil production ("IP") rates which have been in the 550-750 boepd range (91% oil). Artis internally estimates these wells will recover 500 mbbls of oil which is supported by our third-party evaluators 2P estimate of up to 525 mbbls per well in our core south Twinning area. Our operating team has also managed the costs for a two well pad down to below the $7 million per well range with full multi-well pads expected to be approximately $6.5 million. These capital costs and our high operating netbacks achievable at $55-$60US/bbl WTI pricing, support some of the strongest rates of return in our basin. All of these efforts have set the Company up well for the increased oil prices being realized in 2021 and ultimately for full commercial development of its high netback light oil asset.

For 2021 Artis plans to be cautious in the first half of the year while we observe ongoing developments in the pandemic, the supply versus demand for oil and their impact on commodity prices. In the $55US/bbl WTI oil price range a cash flow neutral capital investment program of approximately $80 million to $90 million is the Company's current plan. At these capital expenditure levels we expect to maintain current production levels and the health of our balance sheet. With some strategic well placements in this conservative capital program, we expect to improve and further derisk our 1P book value using our new generation completion methodology. If prices stabilize above $60US/bbl WTI, more strategic capital can be deployed to accelerate the Company's timeline to sustainable free cash flow which is potentially achievable sometime in 2022.

We look forward to reporting on our quarterly progress in 2021 in the upcoming months.

Respectfully,

[signed]

Darryl Metcalfe
President & Chief Executive Officer

March 31, 2020

RESERVES DATA

The reserves data set forth below is based on an independent reserves evaluation prepared by GLJ Petroleum Consultants ("GLJ") with an effective date of December 31, 2020 (the "GLJ Report"). The following presentation summarizes Artis' oil, gas and natural gas liquids ("NGLs") reserves and the net present values, before income tax, of future net revenue for the Company's reserves using GLJ's forecast prices and costs. The GLJ Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook and the reserves definitions contained in the Canadian Securities Administrators National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

All reserves and reserves values are stated prior to any provisions for interest costs, debt service charges, general and administrative costs, the impact of hedging activities and after the deduction of operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained, and as a result, variances could be material. The recovery and reserve estimates of the Company's oil, gas and NGLs reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual oil, gas and NGLs reserves may be greater than or less than the estimates provided herein.

Reserves Summary

During 2020, the Company's total proved reserves increased 7% to 75.5 mmboe, including proved developed producing reserves that increased 6% to 9.6 mmboe. Total proved plus probable reserves increased 1% to 170.2 mmboe.

The following table provides summary reserves information based on the GLJ Report and using the published GLJ (2021-01-01) price forecast:

	Tight Oil		Shale Gas		NGLs		Oil Equivalent	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(mbbls)	*(mbbls)*	*(mmcf)*	*(mmcf)*	*(mbbls)*	*(mbbls)*	*(mboe)*	*(mboe)*
Proved								
Developed Producing	**8,080**	**7,267**	**6,511**	**6,063**	**456**	**411**	**9,621**	**8,688**
Developed Non- Producing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Undeveloped	**56,978**	**50,021**	**37,538**	**34,959**	**2,628**	**2,287**	**65,863**	**58,135**
Total Proved	**65,058**	**57,288**	**44,050**	**41,021**	**3,084**	**2,699**	**75,483**	**66,823**
Total Probable	**83,443**	**70,421**	**47,683**	**43,658**	**3,338**	**2,789**	**94,728**	**80,485**
Total Proved plus probable	**148,501**	**127,709**	**91,733**	**84,679**	**6,421**	**5,487**	**170,211**	**147,309**

(1) *"Gross" reserves means the Company's working interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Company.*
(2) *"Net" reserves means the Company's working interest (operated and non-operated) share after deduction of royalty obligations, plus the Company's royalty interest in production or reserves.*
(3) *Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.*
(4) *May not be additive due to rounding.*

Reserves Values

The estimated before tax future net revenues associated with the Company's reserves effective December 31, 2020 and based on the published GLJ (2021-01-1) future price forecast are summarized in the following table:

	Before Income Taxes Discounted At (% per year)			
	0%	10%	15%	20%
(000s)	*(MM$)*	*(MM$)*	*(MM$)*	*(MM$)*
Proved				
Developed Producing	**289.5**	**207.6**	**182.5**	**163.4**
Developed Non-Producing	**-**	**-**	**-**	**-**
Undeveloped	**1,952.6**	**744.5**	**495.0**	**340.5**
Total Proved	**2,242.1**	**952.2**	**677.5**	**503.9**
Total Probable	**3,313.0**	**1,041.2**	**664.6**	**450.2**
Total Proved plus probable	**5,555.1**	**1,993.3**	**1,342.1**	**954.1**

(1) *The estimated future net revenues are reduced for estimated future abandonment and reclamation costs and estimated capital for future development associated with the reserves.*
(2) *Prior to provision of income taxes, interest, debt service charges and general and administrative expenses and before the impact of hedging activities. It should not be assumed that the undiscounted and discounted future net revenues estimated by GLJ represent the fair market value of the reserves.*
(3) *May not be additive due to rounding.*

Reader Advisories

The document contains forward-looking information and statements within the meaning of applicable securities laws. Readers are cautioned that actual results could differ materially from those predicted. The forward-looking information included herein are not guarantees of future performance and should not be unduly relied upon. Please see the Section entitled "Reader Advisories" at the end of this Annual Report for cautionary statements and Non-IFRS Measures and other oil and gas related information.

Forward-Looking Information and Statements

This annual report 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", "potential" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the forgoing, this annual report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of the Company's oil and gas reserves; resource estimates and volumes in respect of the Company's Duvernay lands in central Alberta (the "ESB Duvernay"); the volume and product mix of the Company's oil and gas production; production estimates and forecasts; the recognition of significant resources in the ESB Duvernay; future oil and natural gas prices and the Company's commodity risk management programs; future liquidity and financial capacity; future results from operations and operating metrics including well recovery estimates; the Company's 2021 capital program (including the base program and possible expanded programs) and associated estimates of material metrics and guidance where applicable; forecast reductions in and estimates of operating costs in 2021; estimated well costs; the continuing and uncertain potential impact of the COVID-19 pandemic on the Company's operations and results; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition and development activities, infrastructure plans and related capital expenditures and the timing thereof; the projected timeline to sustainable free cash flow; the total future capital associated with development of reserves and resources; and methods of funding our capital program.

The internal projections, expectations or beliefs underlying our currently planned 2021 capital budget and associated guidance for 2021 and beyond, are subject to change in light of the impact of the COVID-19 pandemic, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Artis' financial outlook and guidance provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods based upon the reasonable assumptions of management in preparing same. Such information reflects internal *targets used by management for the purposes of making capital investment decisions and for internal long range planning and budget preparation. Readers are cautioned that events or circumstances could cause capital plans and associated results to defer materially from those predicted and Artis' guidance for 2021 and beyond may not be appropriate for other purposes. Accordingly, undo reliance should not be placed on same.*

Forward-looking statements or information are based on a number of material factors, expectations or assumptions of management which have been used to develop such statements and information but which may prove to be incorrect. Although management 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 management 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 management operates; the timely receipt of any required regulatory approvals; the ability of the Company 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 the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms including the continued availability of its credit facilities; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; risks associated with the degree of certainty in resource assessments; the timing and cost of pipeline, storage and facility construction and expansion and the ability of the Company 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 the Company operates; and the ability of the Company to successfully market its oil and natural gas products. There are a number of assumptions associated with the potential of resource volumes assigned to lands evaluated in the Company's area of operations in the ESB Duvernay, including the quality of the reservoir, future drilling programs and the funding thereof, continued performance from existing wells and performance of new wells, the growth of infrastructure, well density per section and recovery factors and discovery and development of the lands evaluated in the ESB Duvernay necessarily involves known and unknown risks and uncertainties, including those identified in this presentation and including the business risks discussed in the Company's annual and quarterly MD&A.

The forward-looking information and statements included in this annual report 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 Duvernay formation; changes in the demand for or supply of the Company's products; unanticipated operating results or production declines; changes in type curves; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve and resource volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of inadequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in the Company's annual and quarterly MD&A.

The forward-looking information and statements contained in this annual report speak only as of the date of this annual report, and the Company 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.

Non-IFRS Measures and FOFI

References are made in this annual report to the use of terms that are commonly used in the oil and natural gas industry, but do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other entities. Management believes that the presentation of these Non-IFRS measures provide useful information to shareholders as the measures provide increased transparency and the ability to better analyze performance. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this report should not be relied upon for investment or other purposes. See "Non-IFRS Measurements" contained within the Company's MD&A for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS. The non-IFRS measures contained in this annual report include "operating netback", "funds flow from operations", and "net debt". Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

This document may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Reader Advisories – Forward-Looking Information and Statements". Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not objectively determinable. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth in this presentation, and such variation may be material.

Information Regarding Disclosure on Oil and Gas Reserves, Resources and Other Oil and Gas Metrics

Unless otherwise specified, all reserve and resource estimates disclosed in this annual report are derived from the Company's independent reserve evaluation prepared by GLJ Petroleum Consultants effective December 31, 2020 (the "Reserve Evaluation"). The reserve and resource estimates contained herein are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. Actual oil, gas, and natural gas liquids reserves may be greater than or less than the estimates that are provided herein. In relation to the disclosure of estimates for individual properties, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The Company's belief that it will establish additional reserves over time with conversion of resources into reserves and probable undeveloped reserves into proved reserves are forward-looking statements and are based on certain assumptions and is subject to certain risks, as discussed under the heading "Forward-Looking Information and Statements".

It should not be assumed that the estimates of the future net revenues presented in this presentation represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions herein will be attained and variances could be material.

References to "Estimated Ultimate Recovery" or "EUR", "Original Oil In Place" or "OOIP" in this document, where used, are not estimates of, nor indicative of reserves or resources, nor are they categories of resources as recognized by the Canadian Oil and Gas Handbook. OOIP is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered. Other than as noted in this document, all estimates of OOIP are based on management's internal estimates only and are not derived from an independent resource evaluation and are not accompanied by a discussion of the significant positive and negative factors relevant to such estimates. There may be more specific sub-categories of such resources applicable to such estimates that would provide a more accurate description of the resources and the work programs, technology and capital required to exploit such resources, but these have not been prepared by the Company. There are numerous risks and uncertainties associated with recovery of such resources, including many factors beyond the Company's control. There is no certainty that any portion of the noted volumes or resources will be discovered. If discovered, there is no certainty that the Company will ultimately recover the estimated quantity of oil or gas from such reserves, resources or wells nor that it will be commercially viable to produce any portion thereof.

Unless otherwise specified, references to type well, well decline or "type curve" production, recoveries and economics are derived from the Company's Reserves Evaluation and reflect proved plus probable reserve assignments in the Company's area of operations. Type wells and associated economic estimates are based on Artis producing wells and non-Artis wells believed to be analogous for purposes of reservoir modelling. Over time, type curves can and will change based on achieving more production history on older wells or more recent completion information on newer wells. There is no guarantee that the Company will achieve the estimated or similar results derived therefrom and variability over the Company's entire area of operations could be material and therefore undue reliance should not be placed upon same.

A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production ("IP") rates disclosed herein, particularly those of short duration may not necessarily be indicative of long term performance or of ultimate recovery. Initial Production ("IP") rates indicate the average daily production over the indicated daily period.

Certain information in this document may constitute "analogous information" as defined in NI-51-101, including but not limited to, information relating to the areas in geographical proximity to lands that are or may be held by Artis. Such information has been obtained from government sources, regulatory agencies or other industry participants. Artis believes the information is relevant as it helps to define the reservoir characteristics in which Artis holds an interest. Artis is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. There is no certainty that the reservoir data and economics information for the lands held by Artis will be similar to the analogous information presented herein.

BOE Equivalent

Natural gas and liquids reserves and volumes are converted to a common unit of measure on a basis of six Mcf of gas to one bbl of oil. Disclosure provided herein in respect of BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. 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.

ARTIS EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for Artis Exploration Ltd. ("Artis" or the "Company") reports on the financial condition and the results of operations for the years ended December 31, 2020 and December 31, 2019 and should be read in conjunction with the audited financial statements and related notes. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated March 25, 2021.

Basis of Presentation

The audited financial statements and comparative information for the years ended December 31, 2020 and December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

About Artis

Artis' primary objective is to use its strong technical expertise in its core area of Trochu, Alberta to achieve profitable per share growth in reserves, production and cash flow, complemented with opportunistic acquisitions that have drilling upside and where the Company has a competitive advantage.

1764821 Alberta Ltd. ("1764821") was incorporated on August 8, 2013 under the Business Corporations Act of Alberta (the "ABCA"). On November 3, 2015, 1764821 acquired all of the outstanding shares of Artis Exploration Ltd. and the two companies were amalgamated on November 3, 2015 under the ABCA to form Artis Exploration Ltd. ("Artis" or the "Company"). The Company's head office is located at Suite 820, 600 3rd Ave. S.W., Calgary, Alberta. Artis is engaged in the exploration and development and production of crude oil, natural gas and NGLs in Western Canada.

Current Environment

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus ("COVID-19"). The emergence of COVID-19 and the steps taken by governments to control the spread of the virus resulted in significantly instability in the global economy and a sharp decline in demand for crude oil. This combined with the increased supply of crude oil due to the Russia and Saudi Arabia price war resulted in an unprecedented collapse in global crude oil prices and significant volatility during Q2/2020. Global crude oil prices began to recover during the second half of 2020 as Russia and members of OPEC (collectively, "OPEC+") agreed to curtail production and governments began to ease restrictions which increased demand. Vaccine approval and distribution has continued in 2021 and OPEC+ has agreed to continue production curtailments which has resulted in recent improvements in crude oil prices in 2021.

During 2020, we took significant action in response to COVID-19 and the uncertain outlook for our industry. We preserved our financial liquidity by reducing exploration and development expenditures to maintenance expenditures, limited discretionary spending and shut-in our production from May to August when crude oil prices were low. As a result, 2020 production and capital spending were lower than 2019. Artis' credit facility has remained in a conforming state even though it was reduced to $155 million from $230 million on June 26, 2020. In December 2020, the Company's credit facility was increased to $165 million. The Company has adequate liquidity as its net debt at December 31, 2020 was $116.4 million. Artis decided to gradually bring its production back on starting in September 2020 and by January 2021 all wells have now been brought back on production. The Company's 2020 fourth quarter average production of 7,451 boe/d was 3% higher than its 2020 first quarter production average of 7,244 boe/d.

Artis believes the measures it has taken will provide it with the financial capability to preserve value for its shareholders, maintain it base business, deliver safe and reliable operations and continue to challenge its cost structure. The Company is confident that demand for energy will return as economies re-open for business and commodity prices will further improve. The timing of further improvement in crude oil prices is uncertain and continued volatility is expected.

Forward-Looking Statements

This document contains forward-looking statements. Statements used throughout this MD&A that are not historical facts may be considered to be "forward-looking statements". These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans including without limitation, management's assessment of the potential and uncertain impact of COVID-19 on future plans and operations and the timing thereof including our planned 2021 drilling program; anticipated commodity prices, industry outlook and volatility and their impact on the Company's operations and results; commodity mix; timing of expenditures; budgeted capital expenditures and the method of funding thereof and the nature of the expenditures; production estimates and forecasts; timing of drilling, completion and tie-in of wells; anticipated *results from wells drilled and the possible effect thereof on the Company; the expected economics of the wells to be drilled; the Company's long term model including growth to free cash flow; the expected impact of increasing oil prices on cash flow and reserve value; expected royalty rates; operating expenses; general and administrative expenses; debt levels, funds from operations; liquidity and net debt estimates including the availability of funds to finance the Company's capital expenditure program; anticipated potential hedging activity; expectations regarding the Company's credit facilities and compliance therewith; the expected levels of activities; may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; volatility of commodity prices; currency flunctuations; imprecision of reserves estimates; environmental risks; competition from other producers; incorrect assessment of the value of acquisitions; ability to access sufficient capital from internal and external sources; delays resulting from inability to obtain regulatory approvals; and, changes in the regulatory and taxation environment. Consequently, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information is based on a number of factors and assumptions that have been used to develop such statements and information, but which may prove to be incorrect. Although the Company 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 the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions that may be identified in this document, assumptions have been made regarding, among other things: the uncertain and continuing impact of COVID-19; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects that the Company has an interest in to operate the field in a safe, efficient and effective manner; the Company's ability 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 or exploration; the timing and cost of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and, the Company's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

The Company's planned 2021 capital expenditure program and related targets and forecasts disclosed herein are estimates based on certain assumptions including, without limitation, liquidity, operating results, known fiscal regimes, commodity prices and risk management activities and will be regularly scrutinized and potentially updated by management and our board of directors. Our objective will be to proactively manage our capital program as it relates to operational success and fluctuating commodity prices with a priority to maintain financial flexibility and achieve long range strategic goals. Artis will closely monitor our budget and financial situation throughout the year to assess market conditions and will quickly adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

Conversions (Barrel of Oil Equivalency)

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. For purposes of computing such units, natural gas is converted to equivalent barrels of crude oil using a conversion factor of six thousand cubic feet of gas to one barrel of oil. This conversion ratio of 6:1 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 compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.

Non-IFRS Measurements

Operating Netback

This MD&A contains the term "operating netback" which is not a measure that has any standardized meaning prescribed by IFRS and is considered a non-IFRS measure, and as a result, should not be considered an alternative to or more meaningful than net earnings or funds flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. Artis' determination of operating netback may not be comparable to that reported by other companies. The Company considers corporate netbacks a key measure as it demonstrates its profitability relative to current commodity prices. Operating netback is calculated on a per boe basis by deducting royalties, operating costs and transportation from petroleum and natural gas revenues including realized gains and losses on commodity related derivative financial instruments. See "Operating Netback" in this MD&A.

Funds Flow from Operations

One of the benchmarks that Artis uses to evaluate its performance is funds flow from operations. Funds flow from operations is a measure not defined under IFRS but is commonly used in the oil and gas industry. Funds flow from operations represents cash provided by operating activities before changes in operating non-cash working capital. The Company considers this metric to be a key measure that demonstrates the ability of the Company's continuing operations to generate the cash flow necessary to maintain production at current levels and fund future growth through capital investment and to service and repay debt. Management believes that this measure provides an insightful assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges. Funds flow from operations should not be *considered as an alternative to or more meaningful than cash provided by operating activities as determined in accordance with IFRS as an indicator of the Company's performance. Artis' determination of funds from operations may not be comparable to that reported by other companies. Artis also presents funds flow per share whereby per share amounts are calculated using the weighted average shares outstanding, consistent with the calculation of income per share.*

The following table reconciles cash provided by operating activities to funds flow from operations:

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Cash flow from operating activities	**21,857**	27,248	**52,587**	76,157
Changes in non-cash working capital	**714**	2,161	**(200)**	9,635
Funds flow from operations	**22,571**	29,409	**52,387**	85,792

Working Capital and Net Debt

The Company monitors its capital structure with a goal of maintaining a strong financial position to fund current operations and the future growth of the Company. Artis monitors working capital and net debt as part of its capital structure. Working capital and net debt do not have a standardized meaning prescribed by IFRS, and therefore, may not be comparable with the calculation of similar measures for other entities.

The following tables outline Artis' calculation of working capital and net debt:

	December 31, 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**14,868**	18,139
Current liabilities	**(13,644)**	(23,385)
Derivative financial instruments	**5,356**	1,746
Current portion of lease obligations	**583**	636
Working capital (deficiency)	**7,163**	(2,864)

	December 31, 2020	December 31, 2019
(000s)	*($)*	*($)*
Bank loan	**(123,566)**	(108,853)
Working capital (deficiency)	**7,163**	(2,864)
Net debt	**(116,403)**	(111,717)

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the periods indicated:

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
Crude oil *(bbls/d)*	**6,448**	6,613	**3,928**	5,159
Natural gas *(mcf/d)*	**4,057**	4,243	**2,498**	3,449
NGLs *(bbls/d)*	**327**	330	**167**	216
Total *(boe/d)*	**7,451**	7,649	**4,511**	5,951
Liquids *(%)*	**91**	91	**91**	90

For the three months ended December 31, 2020, production averaged 7,451 boe/d (91% weighted to crude oil and NGLs), a 3% decrease over the 7,649 boe/d (91% weighted to crude oil and NGLs) averaged during the same period of 2019. During the year ended December 31, 2020, Artis' production decreased 24% to average 4,511 boe/d versus 5,951 boe/d for the year ended December 31, 2019. In light of the weak commodity price environment, the Company decided to shut-in the majority of its production effective May 1, 2020 in order to preserve well economics, optimize pricing and reduce costs. Artis began bringing back production in September when oil prices strengthed and had 100% of its wells back on production by January 2021.

Revenue and Pricing

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Revenue				
Crude oil	**30,883**	41,591	**70,398**	129,832
Realized financial derivative gain (loss)	**1,132**	(92)	**13,501**	(410)
Total crude oil	**32,015**	41,499	**83,899**	129,422
Natural gas	**1,166**	1,196	**2,503**	2,609
NGLs	**642**	817	**1,193**	1,850
Total revenue	**33,823**	43,512	**87,595**	133,881

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Average Prices				
Crude oil *($/bbl)*	**52.06**	68.37	**48.97**	68.94
Realized derivative loss *($/bbl)*	**1.91**	(0.15)	**9.39**	(0.21)
Total crude oil sales price *($/bbl)*	**53.97**	68.21	**58.36**	68.73
Natural gas *($/mcf))*	**3.12**	3.06	**2.74**	2.07
NGLs sales price *($/bbl)*	**21.38**	26.95	**19.56**	23.42
Total sales price *($/boe)*	**49.34**	61.83	**53.06**	61.64

Artis' production is sold within Canada and the majority is marketed to significant North American purchasers. The Company's commodity prices are driven by the prevailing worldwide crude oil price and Alberta AECO spot prices applicable to its natural gas.
During the three months ended December 31, 2020, revenue decreased to $33.8 million from $43.5 million recorded in the same period of 2019. The 22% decrease was due to the lower overall realized pricing that decreased 20% to $49.34/boe from $61.83/boe recorded last year compounded by the 3% decrease in production. During the fourth quarter of 2020, Artis realized an average price of $53.97bbl for crude oil (including a $1.91/bbl realized gain from financial derivative contracts) and $3.12/mcf for natural gas and $21.38/bbl for NGLs.

For the year ended December 31, 2020, revenue decreased 35% to $87.6 million from $133.9 million last year due primarily to a 24% decrease in production and a 14% decrease in realized pricing. The Company's overall realized price decreased to $53.06/boe from $61.64/boe recorded in 2019 mainly as a result of lower crude oil prices. For the year 96% of the Company's revenue was derived from crude oil sales.

The following table summarizes the crude oil and natural gas benchmark prices:

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
Average Benchmark Prices				
Crude oil – WTI *(US$/bbl)*	**42.66**	56.96	**39.40**	57.03
MSW differential *(US$/bbl)*	**(4.07)**	(5.37)	**(5.32)**	(4.88)
Crude oil – MSW EDM par *(CDN$/bbl)*	**50.01**	67.87	**45.11**	69.01
Natural gas – AECO spot				
Daily index *($/GJ)*	**2.50**	2.35	**2.11**	1.67
Exchange rate *(CDN$/US$)*	**1.30**	1.32	**1.34**	1.33

Artis' realized corporate oil price in general tracks the posted Edmonton Light Sweet benchmark prices.

Derivative Financial Instruments

Commodities

The Company enters into derivative risk management contracts in order to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects. Artis' strategy focuses on the use of puts, costless collars and swaps to limit exposure to flunctuations in commodity prices while allowing for participation in commodity price increases. The Company's financial derivative trading activities are conducted pursuant to the Company's Risk Management Policy, approved by the Board of Directors.

These contracts had the following impact on the statements of income and comprehensive income:

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Realized gain (loss) on financial instruments	**1,132**	(93)	**13,501**	(410)
Per boe	**1.65**	(0.15)	**8.18**	(0.21)
Unrealized gain (loss) on financial instruments	**(7,520)**	(3,104)	**(3,610)**	(1,746)

The Company held the following derivative commodity contracts at December 31,2020:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	January 1, 2021 – March 31, 2021	US$ NYMEX – WTI	$47.40/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.52/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.75/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.26/bbl	Swap
Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.20/bbl	Swap
Crude oil	400 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$45.25/bbl	Swap
Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$43.45/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$43.74/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$43.65/bbl	Swap
Crude oil	1,000 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$42.55/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW differential	($5.75)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW differential	($6.10)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW differential	($6.00)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW differential	($4.65)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – December 31, 2021	US$ MSW differential	($5.75)/bbl	Swap

Subsequent to December 31, 2020, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	300 bbls/day	April 1, 2021 – June 30, 2021	US$ NYMEX - WTI	$49.95/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – September 30, 2021	US$ NYMEX - WTI	$51.64/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$54.58/bbl	Swap
Crude oil	300 bbls/day	October 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$55.61/bbl	Swap
Crude oil	200 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$60.30/bbl	Swap
Crude oil	500 bbls/day	March 1, 2021 – June 30, 2021	US$ MSW - differential	$(4.75)/bbl	Swap
Crude oil	300 bbls/day	April 1, 2021 – June 30, 2021	US$ MSW - WTI differential	$(4.45)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW - WTI differential	$(4.85)/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW - WTI differential	$(4.30)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW - WTI differential	$(4.45)/bbl	Swap
Natural gas	2,000 mmbtu/day	April 1, 2021 – October 31, 2021	AECO daily index (5A)	$2.95 CAD/mmbtu	Swap

Royalties

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Royalties				
Crown	**1,277**	2,087	**3,142**	6,468
Freehold/GORR	**1,082**	1,454	**2,611**	5,131
Total royalties	**2,359**	3,541	**5,753**	11,599
Total royalties *($/boe)*	**3.44**	5.03	**3.48**	5.34
	(%)	*(%)*	*(%)*	*(%)*
% of Revenue				
Crown	**3.9**	4.8	**4.2**	4.8
Freehold/GORR	**3.3**	3.3	**3.5**	3.8
Total	**7.2**	8.1	**7.8**	8.6

For the quarter ended December 31, 2020, the Company recorded $2.4 million in total royalties or 7.2% of revenue versus $3.5 million or 8.1% of revenue a year ago. Approximately 3.9% of total revenue paid in the fourth quarter of 2020 consisted of Crown royalties and 3.3% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 4.8% and 3.3%, respectively, in the 2019 three-month period.

For the year ended December 31, 2020, total royalties were $5.8 million or 7.8% of revenue versus $11.6 million or 8.6% of revenue a year ago.

The decrease in the crown royalty percentage compared to last year was because the Company received some transportation crown credits during the year relating to 2019 and also because 2020 crude oil prices were lower compared to 2019.

Operating Expenses

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**4,190**	5,705	**14,556**	20,285
Operating expenses *($/boe)*	**6.11**	8.11	**8.82**	9.34

Operating expenses include all costs associated with the production of oil and natural gas. The major components of production and operating costs include charges for water hauling and disposal, contract labour, equipment rentals, fuel and power as well as emulsion/oil treating charges.

Operating costs were $4.2 million for the fourth quarter of 2020 compared to $5.7 million recorded a year ago. Production and operating costs on a per boe basis decreased 25% to $6.11/boe from $8.11/boe in 2019. The large decrease in operating costs was partly a result of lower water trucking and disposal costs because of the Company's investment in a water disposal facility and lower water cuts on its production as wells were brought back on production. Also no major well workover costs were incurred in the fourth quarter.

For the year ended December 31, 2020, operating costs were $14.6 million or $8.82/boe compared to $20.3 million or $9.34/boe in 2019 which was a 6% decrease.

Transportation Expenses

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Transportation expenses	**2,666**	3,016	**6,365**	10,596
Transportation expenses *($/boe)*	**3.89**	4.29	**3.86**	4.88

Transportation costs consist of pipeline tariffs for oil and NGLs along with trucking charges as well as natural gas transportation and fuel charges on NOVA. These costs can vary depending on the type of production facilities, the method of transportation, the distances covered, the rates charged by the carriers, quantities shipped and the type of service on various pipelines (interruptible versus firm service).

For the three months ended December 31, 2020, transportation costs were $2.7 million or $3.89/boe compared to $3.0 million or $4.29/boe for the same period of 2019. During 2020, transportation costs totaled $6.4 million or $3.86/boe versus $10.6 million or $4.88/boe in 2019. The decrease per boe for both periods was because of shorter waiting times at trucking terminals and also shorter distances for trucking the crude oil as the closet terminals were able to accept deliveries during 2020.

Operating Netback

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
Revenue				
Crude oil *($/bbl)*	**52.06**	68.37	**48.97**	68.73
Natural gas *($/mcf))*	**3.12**	3.06	**2.74**	2.07
NGLs *($/bbl)*	**21.38**	26.95	**19.56**	23.42
Production revenue *($/boe)*	**47.69**	61.96	**44.88**	61.83
Expenses				
Royalties *($/boe)*	**(3.44)**	(5.03)	**(3.48)**	(5.34)
Operating *($/boe)*	**(6.11)**	(8.11)	**(8.82)**	(9.34)
Transportation *($/boe)*	**(3.89)**	(4.29)	**(3.86)**	(4.88)
Operating netback before realized gain (loss) on financial derivatives *($/boe)*	**34.25**	44.54	**28.72**	42.27
Realized gain (loss) on financial derivatives *($/boe)*	**1.65**	(0.13)	**8.18**	(0.19)
Operating netback after realized gain (loss) on financial derivatives *($/boe)*	**35.90**	44.41	**36.90**	42.08

For the fourth quarter of 2020, the Company recorded an operating netback of $34.25/boe before including financial derivatives and $35.90/boe after including financial derivatives compared to $44.41/boe in the same quarter last year. The 19% decrease was a result of the 26% decrease in crude oil prices.

During the year ended December 31, 2020, Artis' operating netback was $28.72/boe before including financial derivatives and $36.90/boe after including financial derivatives versus $42.25/boe in 2018. The 12% decrease was again due to crude oil prices being lower by 35% as the realized gain on financial derivatives was only able to partially offset the large decrease in the crude oil price.

General and Administrative ("G&A") Expenses

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Gross costs	**1,205**	1,786	**6,369**	8,189
Capitalized costs	**(433)**	(653)	**(2,262)**	(2,817)
Operator's recoveries	**(2)**	53	**(6)**	(97)
G&A expenses	**770**	1,186	**4,101**	5,275
Per unit of production *($/boe)*	**1.12**	1.69	**2.48**	2.43

For the three months ended December 31, 2020, G&A expenses totaled $0.8 million or $1.12/boe compared to $1.2 million or $1.69/boe recorded in the same period a year ago. During the fourth quarter of 2020, the Company capitalized G&A and had recoveries from operations totalling $0.4 million (2019 – $0.6 million). G&A expenses decreased to $4.1 million for the year ended December 31, 2020 or $2.48/boe compared to $5.3 million in 2019 or $2.43/boe. During 2020, $2.3 million (2019 – $2.9 million) of operator recoveries and G&A were capitalized.

2020 G&A expenses decreased 22% mainly because of reductions in employee compensation and consulting fees that were implemented beginning in the second quarter of the year because of the large decrease in crude oil prices. Employee salaries were reduced 10% for a portion of the year while crude oil prices were low. Artis also received $0.7 million under the Canada Emergency Wage Subsidy program which reduced salary expenses.

Share-Based Compensation Expense

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**1,680**	999	**3,142**	3,664
Capitalized expenses	**(419)**	(254)	**(777)**	(986)
Total share-based compensation	**1,261**	745	**2,365**	2,678

The Company recognizes share-based compensation expense for stock options issued. During the fourth quarter of 2020, Artis recorded non-cash share-based compensation expense of $1.3 million (2019 – $0.7 million) and capitalized $0.4 million (2019 – $0.3 million) for total share-based compensation of $0.5 million (2019 – $0.7 million). The increase for the fourth quarter of 2020 related to the Company extending the expiry date on 1.78 million options with an exercise price of $1.25, by two years to January 25, 2023. The Company also re-priced 1.34 million options with an original exercise price of $5.00 per share to $2.50 per share.

The Company had non-cash share-based compensation expense of $2.4 million for the year ended December 31, 2020 (2019 – $2.7 million) and capitalized $0.8 million (2019 – $1.0 million) for total share-based compensation of $2.4 million (2019 – $2.7 million).

Capitalized stock-based compensation relates to stock options of employees and service providers directly related to exploration and development activities.

The decrease for the twelve-month period is because only 18% of the total current outstanding options have been issued in the last two years.

Finance Expenses

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense on credit facility	**1,272**	673	**4,283**	912
Standby fees on credit facility	**65**	123	**344**	354
Interest expense on lease obligations	**16**	25	**63**	105
Accretion of decommissioning obligations	**45**	29	**205**	146
Finance expenses	**1,398**	850	**4,895**	1,517
Per unit of production ($/boe)	**2.04**	1.21	**2.96**	0.70

The Company incurred $1.3 million (2019 - $0.7 million) of interest expense in the fourth quarter of 2020 and $4.3 million (2019 - $0.9 million) for the year ended December 31, 2020 as the Company did not begin to draw on its bank facility till July 2019. The average interest rate for the quarter was approximately 4.0% (2019 – 3.5%) and for the year it was approximately 3.6% (2019 – 3.6%). The Company incurred credit facility stand-by fees of $0.3 million (2019 - $0.4 million) for the year ended December 31, 2020.

The Company's accretion expense for the three-month period ended December 31, 2020 was $45,000 versus $29,000 in the comparable period of 2019 and $205,000 for the year ended December 31, 2020 as compared to $146,000 for the prior period. The larger accretion expense relates to the increase in the decommissioning obligations due to the 26.0 net wells drilled in 2019 and 4.0 net wells drilled in the first quarter of 2020 and the gas plant added the third quarter of 2020.

Depletion and Depreciation ("D&D") Expense

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
D&D expense	**11,097**	11,129	**26,535**	34,087
D&D expense *($/boe)*	**16.19**	15.81	**16.07**	15.69

The Company's D&D expense for the three months ended December 31, 2020 was $11.1 million or $16.19/boe versus $11.1 million or $15.81/boe for the comparable period of 2019. For the year ended December 31, 2020, total D&D expense was $26.5 million or $16.07/boe compared to $34.1 million or $15.69/boe for the prior year. The D&D expense on a boe basis did not change significantly over the prior year.

D&D expense is computed on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserves base and in the amount of costs subject to D&D, including future development costs. The calculation of 2020 depletion and depreciation expense included an estimated $2.2 billion (2019 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.6 million (2019 – $1.4 million) for the estimated salvage value of production equipment and facilities. Such costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base. Currently Artis has one core area being Trochu/Twining.

Exploration and Evaluation Expense

For the year ended December 31, 2020, Artis recorded an exploration and evaluation expense of $1.6 million versus $1.4 million a year ago. Exploration and evaluation expenses relate to undeveloped land expiries.

Deferred Income Taxes

For the year ended December 31, 2020, Artis recorded a deferred income tax expense in the amount of $4.7 million compared to a $9.7 million expense in the prior year. The year-over-year decrease in deferred income taxes was a result of the large decrease in net income compared to the previous year. In 2020, the blended statutory tax rate was 24.0% (December 31, 201 – 26.5%). In the second quarter of 2019, the Alberta government enacted a decrease in the Alberta corporate income tax rate from 12% to 11% effective July 1, 2019, with a further reduction of 1% on January 1st for each of the years 2020, 2021 and 2022 bringing the provincial rate to 8%. In October 2020, the previously scheduled tax rate reduction was accelerated, with the tax rate reduced to 8% effective July 1, 2020.

Artis was not subject to any corporate income taxes for 2020 or 2019. Based on the Company's forecasted cash flow and capital spending and available tax pools, the Company does not expect to be taxable in 2021. The Company has approximately $480.3 million of income tax pools available for deduction against future taxable income as at December 31, 2020.

Cash, Funds Flow from Operations and Net Income

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Cash provided by operating activities	**21,857**	27,248	**52,587**	76,157
Funds flow from operations (1)	**22,571**	29,409	**52,387**	85,792
Per share (2) – basic	**0.14**	0.18	**0.33**	0.54
– diluted	**0.14**	0.16	**0.31**	0.48
Net income	**1,031**	10,470	**13,263**	35,932
Per share – basic	**0.01**	0.07	**0.08**	0.22
– diluted	**0.01**	0.06	**0.08**	0.20

(1) Non-IFRS measure. See "Non-IFRS Measurements-Funds Flow from Operations".

(2) Funds flow from operations per share has been calculated using the same denominator as was used in calculating net income per share.

In the fourth quarter and the year ended December 31, 2020, cash provided by operating activities, funds flow from operations and net income all decreased predominately due to lower production volumes and lower commodity prices as compared to the same period in 2019.

Capital Expenditures on Property, Plant and Equipment as well as Exploration and Evaluation Assets

During the three months and year ended December 31, 2020, the Company invested $9.9 million and $56.4 million, respectively, in total capital expenditures which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $36.7 million and $238.3 million in the respective periods of 2019.

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)(excluding decommissioning liabilities, capitalized share-based compensation and right-to-use assets)	*($)*	*($)*	*($)*	*($)*
Drilling and completions	**7,944**	27,919	**37,210**	165,010
Equipment and facilities	**1,328**	7,669	**14,783**	55,080
Geological and geophysical	**-**	154	**339**	2,854
Land and lease retention	**184**	322	**1,802**	12,360
Capitalized G&A	**433**	653	**2,262**	2,817
Other	**27**	20	**42**	139
Total capital expenditures	**9,916**	36,737	**56,438**	238,259

During the fourth quarter of 2020, the Company incurred $7.9 million (2019 – $27.9 million) in drilling and completion expenditures that involved the completion of 2 (2.0 net) horizontal wells as compared to the drilling and completion of 4.0 (4.0 net) wells for 2019. Equipping and facilities expenditures for the three months ended December 31, 2020 and 2019 were $1.3 million and $7.7 million, respectively. During the fourth quarter of 2020, the Company invested $0.6 million on land and seismic as well as capitalized G&A and other corporate assets versus $1.1 million in 2019.

Drilling and completion expenditures totaled $37.2 million for the year ended December 31, 2020, (2019 – $165.0 million) that involved the drilling of 4 (4.0 net) and completion of 6 (6.0 net) horizontal wells versus the drilling and completion of 26 (26.0 net) horizontal wells for the same period in 2019. Equipping and facilities expenditures for the year ended December 31, 2020 and 2019 were $14.8 million and $55.1 million, respectively. Included in the equipping and facilities expenditures for 2019 were $17.9 million of investments for major facilities and pipelines. During the year, the Company invested $4.4 million on land and seismic as well as capitalized G&A and other corporate assets versus $18.2 million for 2019.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Year Ended December 31, 2020		
Crude oil (horizontal)	**4**	**4.0**
Total wells	**4**	**4.0**
Average working interest *(%)*		**100**
Year Ended December 31, 2019		
Crude oil (horizontal)	26	26.0
Total wells	26	26.0
Average working interest *(%)*		100

Share Capital

Common Shares	Shares	Amount
(000s)	*(#)*	*($)*
Balance – December 31, 2018	**159,597**	**369,361**
Issue of common shares	600	3,000
Balance – December 31, 2019 and December 31, 2020	**160,197**	**372,361**

On February 6, 2019, Artis acquired undeveloped land in the Company's core Trochu area along with one producing oil well for total consideration of $5.4 million which consisted of 600,000 common shares and $2.4 million in cash.

	Three Months Ended December 31		Years Ended December 31	
	2020	2019	**2020**	2019
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted Average Shares Outstanding				
Basic	**160,197**	160,197	**160,197**	160,146
Diluted	**165,931**	178,943	**168,517**	178,892
Outstanding Securities				
Common shares	**160,197**	160,197	**160,197**	160,197
Options	**14,088**	12,963	**14,088**	12,963
Performance warrants	**21,765**	21,765	**21,765**	21,765
Retention awards	**308**	308	**308**	308

As at March 25, 2021, Artis had 160.2 million common shares outstanding along with 14.1 million stock options with an average exercise price of $1.83 per share, 21.8 million performance warrants with an average exercise price of $2.50 per share and 0.3 million retention awards with an average exercise price of nil to acquire the same number of common shares of the Company.

Liquidity and Capital Resources

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The financial liabilities on the statement of financial position include trade and other payables. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

Funding for 2021 capital expenditures is expected to be provided by cash generated from operating activities, current working capital and the Company's $165.0 million bank credit facility. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels an/or debt level balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At December 31, 2020 the Company remains in compliance with all terms of our Facilities and based on current available information, management expects to comply with all terms during the subsequent 12-

month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices, pipeline and transportation capacity constraints and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging and uncertain.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavours to maintain it below 2.0 to 1.0. As at December 31, 2020, Artis' ratio of net debt to annualized funds flow was 1.3:1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.71 to 1 at December 31, 2020.

Years Ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Current assets	**14,868**	18,139
Current liabilities	**(13,644)**	(23,385)
Derivative financial instruments	**5,356**	1,746
Current portion of lease obligations	**583**	636
Working capital surplus (deficiency)	**7,163**	(2,864)
Bank debt	**(123,566)**	(108,853)
Net debt	**(116,403)**	(111,717)
Fourth quarter annualized funds flow:		
Net cash from operating activities	**21,857**	27,248
Change in non-cash working capital	**714**	2,161
	22,571	29,409
Annualized funds flow	**90,285**	117,638
Net debt to annualized funds flow	**1.3**	1.0
Credit facility available	**165,000**	230,000
Net debt to credit facility available	**71%**	49%

Related-Party and Off-Balance Sheet Transactions
There were no off-balance sheet transactions or related party transactions entered into during the year ended December 31, 2020 or 2019.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	**Q4 2020**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	25,157	30,391	35,139	43,604	31,105	2,796	7,503	**32,691**
Funds flow from operations (1)	16,134	18,737	21,430	29,409	20,233	5,136	4,447	**22,571**
Per share – basic	0.10	0.12	0.13	0.18	0.13	0.03	0.03	**0.14**
– diluted	0.09	0.10	0.12	0.16	0.12	0.03	0.03	**0.14**
Net income (loss)	5,840	9,765	9,856	10,470	20,969	(7,224)	(1,513)	**1,031**
Per share – basic	0.04	0.06	0.06	0.07	0.13	(0.05)	(0.01)	**0.01**
– diluted	0.03	0.05	0.06	0.06	0.12	(0.05)	(0.01)	**0.01**
Weighted average shares								
Basic	159,991	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures	56,107	72,663	72,752	36,737	41,995	2,366	2,160	**9,916**
Net surplus (debt) (2)	1,415	(52,705)	(104,185)	(111,717)	(133,680)	(131,064)	(128,916)	**(116,403)**
Shareholders' equity	399,124	409,889	420,776	432,245	453,700	446,966	445,961	**448,672**
Production								
Crude oil *(bbls/d)*	4,188	4,434	5,374	6,613	6,324	1,309	1,626	**6,448**
Natural gas *(mcf/d)*	2,470	3,134	3,927	4,243	4,089	979	867	**4,057**
NGLs *(bbls/d)*	110	144	278	330	238	72	30	**327**
Total *(boe/d)*	4,710	5,101	6,307	7,649	7,244	1,545	1,800	**7,451**
Liquids *(%)*	91	90	90	91	91	89	92	**91**
Average wellhead prices								
Crude oil *($/bbl)*	64.15	73.73	69.40	68.37	51.70	21.08	48.47	**52.06**
Natural gas *($/mcf))*	3.05	1.20	1.09	3.06	2.49	2.50	2.35	**3.12**
NGLs *($/bbl)*	30.14	22.65	17.05	26.95	19.64	9.20	23.88	**21.38**
Total *($/boe)*	59.35	65.48	60.56	61.96	47.18	19.89	45.31	**47.69**
Royalties *($/boe)*	(4.80)	(5.74)	(5.79)	(5.03)	(3.69)	(2.76)	(3.47)	**(3.44)**
Operating costs *($/boe)*	(9.02)	(11.03)	(9.71)	(8.11)	(9.33)	(15.01)	(12.71)	**(6.11)**
Transportation costs *($/boe)*	(5.25)	(5.28)	(5.01)	(4.29)	(3.88)	(3.64)	(3.79)	**(3.89)**
Operating netback before derivatives *($/boe)* (3)	40.28	43.43	40.05	44.54	30.28	(1.52)	25.34	**34.25**
Gain (loss) on derivatives	-	-	(0.55)	(0.13)	3.94	52.01	14.85	**1.65**
Operating netback after derivatives *($/boe)* (3)	40.28	43.43	39.50	44.41	34.22	50.49	40.19	**35.90**

(1) Non-IFRS Measure, See "Non-IFRS Measurements - Funds Flow from Operations" contained in this MD&A. Funds flow from operations per share has been calculated using the same denominator as was used in calculating net earnings (loss) per share.

(2) Non-IFRS Measure. Net debt (surplus) includes cash and cash equivalents plus trade and other receivables and deposits and prepaid expenses less accounts payable and accrued liabilities and bank debt. See "Non-IFRS Measurements" contained in this MD&A.

(3) Non-IFRS Measure. See "Non-IFRS Measurements" and "Operating Netback" contained in this MD&A.

Selected Annual Information

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
(000s, except per share amounts)	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	**74,094**	134,291	57,493
Net earnings	**13,263**	35,932	14,818
Per share – basic	**0.08**	0.22	0.10
– diluted	**0.08**	0.20	0.09
Total assets	**627,167**	597,803	442,550
Net surplus (debt)	**(116,403)**	(111,717)	38,217

Artis' oil and gas revenues, funds flow from operations and net earnings are all impacted by production levels and volatile commodity pricing. From 2018 to 2020, these performance measures have fluctuated as a result of volatile oil and natural gas prices.

Significant factors and trends that have impacted the Company's results during the above periods include:

- In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The pandemic had a dramatic effect on commodity prices during 2020. Crude oil prices decreased 29% as compared to 2019.
- Revenue is directly impacted by the Company's ability to replace existing declining production and add incremental production through its ongoing capital expenditure program. As a result of the low crude oil prices the Company only drilled 4 wells in 2020. Also the Company decided to shut-in its production in May 2020 in order to preserve well economics, optimize pricing and reduce costs. Artis began bringing back production in September when oil prices strengthed and had 100% of its wells back on production by January 2021. As a result of these decisions the Company's production decreased 24% as compared to 2019.

Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires Artis' management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on the Company's management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Critical Judgements in Applying Accounting Policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The Company's assets are aggregated into cash generating units ("CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgement in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. Based on this assessment, the CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

Judgements are required to assess when impairment indicators exist and impairment testing is required.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgements as to future events and circumstances as to whether economic quantities of reserves have been found.

Judgements are made by management to determine the likelihood of whether tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these financial statements.

Estimation of recoverable quantities of proved and probable reserves include estimates and assumptions regarding future commodity prices, foreign currency exchange rates, discount rates and operating and transportation costs for future cash flows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries of reserves. The economic, geological and geophysical, and other technical factors used to estimate proved and probable reserves may change from period to period. Changes in reported reserves can affect the non-cash impairment of assets, the provision of decommissioning obligations, the economic feasibility of exploration and evaluation assets, the recognition of deferred tax assets and the amounts reported for depletion and depreciation of property, plant and equipment. These reserves estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook by independent qualified reserves engineers, who work with information provided by the Company to establish reserves determinations based on the guidance stipulated by National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost and the estimate of the liability specific discount rates to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed, which includes assessing the value of oil and gas properties based on the estimation of recoverable quantities of proved and probable reserves being acquired.

The Company's estimate of non-cash share-based compensation is dependent on estimates of stock price volatility, interest rates, expected terms to exercise and forfeiture rates.

The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

The accrual method of accounting requires management to incorporate certain estimates, including revenues, royalties, production costs and capital expenditures as at a specific reporting date but for which actual revenue and royalties have not yet been received, and estimates on capital projects that are in progress or recently completed where actual costs have not been received at a specific reporting date.

Business Risks and Risk Management

General

The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Artis attempts to reduce risk in accomplishing these goals through the combination of hiring experienced and knowledgeable personnel and careful evaluation of drilling opportunities.

Certain wells that the Company drills may be deep and may be subject to higher drilling costs than those in more shallow areas. Most wells require fracture treatment before they are capable of production, which also increases costs. Artis mitigates the additional economic pressure that this creates by carefully evaluating risk/reward scenarios for each location, by taking what management considers to be appropriate working interests after considering project risk, by practicing prudent operations so that drilling risk is decreased, by ranking and limiting the zones that the Company is willing to complete, and by drilling deep so that the multi-zone potential of the area can be accessed and potentially developed. In addition, Artis monitors capital spending on an ongoing and regular basis in order to maintain liquidity.
Commodity price fluctuations pose a risk to Artis, and as a result, the Company's management monitors these

on an ongoing basis. External factors beyond the Company's control may affect the marketability of the natural gas, crude oil and NGLs produced.

Through the first few months of 2020, oil prices deteriorated due to softening global demand caused by the COVID-19 (Coronavirus) impact. This situation was exacerbated in early March with no agreement to cut oil supply from OPEC+ and an announcement from Saudi Arabia that they intend to relax all quotas effective immediately. With the spread of COVID-19 and additional oil supply expected to come on-stream over the near term, oil prices and global equity markets have deteriorated significantly and are expected to remain under pressure. The extreme supply / demand imbalance is anticipated to cause a reduction in industry spending in 2020.

Upon the occurrence of a natural disaster, or upon an incident of war, riot or civil unrest, the impacted country, province, or region may not efficiently and quickly recover from such event, which could have a materially adverse effect on the Company, its customers, and/or either of their businesses or operations. Terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses (including, most recently, the novel coronavirus (COVID-19), civil unrest and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company, its customers, and/or either of their businesses or operations.

Attracting and retaining qualified individuals is crucial to the Company's success. Artis understands the importance of maintaining competitive compensation levels given the competitive environment in which the Company operates. The inability to attract and retain key employees could have a material adverse effect on the Company.

Artis has selected the appropriate personnel to monitor operations and has automated field information where possible so that operational issues can be assessed and dealt with on a timely basis. The Company, however, is not always the operator, and therefore, not all operational issues are within its control. Management will address them nonetheless and attempt to implement solutions, which may be longer-term by their nature.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and spills, each of which could result in damage to wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Company insures against most of these risks (although not all such risks are insurable). Artis maintains liability insurance in an amount that it considers consistent with industry practice, although the nature of these risks is such that liabilities could potentially exceed policy limits. The Company also reduces risk by operating a large percentage of its operations. As such, Artis has control over the quality of work performed and the personnel involved.

The Company's ability to move heavy equipment in the field is dependent on weather conditions. Rain and snow can affect conditions and many secondary roads and future oil and gas production sites are incapable of supporting the weight of heavy equipment until the roads are thoroughly dry. The duration of difficult conditions can have an impact on the Company's activity levels and potentially delay operations.
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. Compliance with such legislation can require significant expenditures and a breach 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.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not currently possible to predict either the nature of those requirements or the impact on the Company and its operations and financial condition. Artis optimizes its operations with respect to compressor fuel usage and natural gas flaring so that a reduction in emissions is realized.

Royalties

Artis' production is generated from properties within the province of Alberta. As a result, a significant portion of the Company's production is subject to Crown royalties, which are affected directly by the Alberta government royalty programs. Crown royalty rates are subject to change and a change may have a significant impact on Artis' cash flow.

The Alberta Government revised its royalty program in 2016 to the Modern Royalty Framework, which has been favourable to Artis; however, there is a risk that future amendments to the program could have an unfavourable impact on the Company.

Substantial Capital Requirements

Artis anticipates incurring substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As the Company's revenues may decline as a result of decreased commodity pricing, it may be required to reduce its capital spending. In addition, uncertain levels of near-term industry activity, coupled with the possible global credit crisis, exposes the Company to additional risk. 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 the Company. The inability of Artis to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Third Party Credit Risk

The Company 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. The financial capability of the Company's partners can pose increased risks to Artis, particularly during periods when access to capital is limited and prices are depressed. The Company mitigates the risk of collection by attempting to obtain the partners' share of capital expenditures in advance of a project and by monitoring receivables regularly. Artek also attempts to mitigate risks by cultivating multiple business relationships and obtaining new partners when needed and where possible.

In the event that joint venture partners fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on Artis' business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until Artis finds a suitable alternative partner.

At the present time Artis operates 100% of its capital and operating activities.

Inherent Industry Risks – Risk of Failing to Discover Economic Reserves Additions

The Company's strategies include focusing on selected oil and gas prone areas in Western Canada, utilizing a team of highly qualified professionals with expertise and experience in these areas, expanding operations in core areas, continuously assessing new exploration opportunities to complement existing activities and striving for a balance between higher risk exploratory drilling and lower risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Artis minimizes this risk by generating exploration prospects internally, targeting high quality projects and attempting to operate its projects along with access to the sales market through Company owned or mid-stream operators.

Financial, Commodity Price, Capital Expenditures, Liquidity and Environmental Risks

Commodity prices are driven by supply, demand and market conditions outside the Company's influence and control. Artis manages this risk by constantly monitoring the forecasted price given by aggregators. In addition, the Company may employ a commodity hedging program that would have a primary goal of minimizing significant downward movements in commodity prices.

Artis manages capital expenditures by two separate tracking systems: a historical accounting system that records the actual costs and a perpetual forecasting model that is constantly updated based on real-time information. Artis' capital investment process is based on risk analysis to ensure capital expenditures balance the objectives of immediate cash flow growth in development activities and future cash flow from the discovery of reserves through exploration.

It is likely that in the future, Artis will be required to raise additional capital through debt and equity financings in order to fully realize the Company's strategic goals and business plans. Artis' ability to raise additional capital will depend on a number of factors, such as general economic and market conditions that are beyond the Company's control. If the Company is unable to obtain additional financing or to obtain it on favourable terms, Artis may be required to forego attractive business opportunities. However, as Artis is the operator of virtually all of its operations at a high working interest position, the Company is able to be flexible in the timing of operations to ensure a continued strong financial position. The Company is committed to strengthening its balance sheet combined with an adaptable capital expenditure program that can be adjusted to capitalize on or reflect acquisition opportunities or a tightening of liquidity sources if necessary.

The Company manages operational risks by employing skilled professionals utilizing leading-edge technology and conducting regular maintenance and training programs. Artis has established an Environmental, Health and Safety Management Program and continually updates its operational emergency response plan and operational safety manual to address these operational issues. In addition, a comprehensive insurance program is maintained to mitigate risks and protect against significant losses where possible. Artis operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Artis Exploration Ltd.

Opinion

We have audited the financial statements of Artis Exploration Ltd. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2020 and December 31, 2019
- the statements of income and comprehensive income for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 25, 2021

STATEMENTS OF FINANCIAL POSITION

As at December 31,	**2020**	2019
(000s)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**13,903**	16,432
Prepaid expenses and deposits	**965**	1,707
	14,868	18,139
Non-current assets		
Property, plant and equipment *(note 5)*	**539,257**	499,528
Exploration and evaluation assets *(note 6)*	**73,042**	79,115
	612,299	578,643
Total assets	**627,167**	596,782
Liabilities		
Current liabilities		
Trade and other payables	**7,705**	21,003
Derivative financial instruments *(note 16)*	**5,356**	1,746
Lease obligations *(note 9)*	**583**	636
	13,644	23,385
Non-current liabilities		
Bank debt *(note 7)*	**123,566**	108,853
Decommisioning obligations *(note 8)*	**17,095**	12,297
Lease obligations *(note 9)*	**-**	519
Deferred tax liability *(note 13)*	**24,190**	19,461
	164,851	141,130
Total liabilities	**178,495**	164,515
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**16,501**	13,359
Retained earnings	**59,810**	46,547
Total equity	**448,672**	432,267
Total liabilities and equity	**627,167**	596,782

Subsequent events *(note 16)*

The notes are an integral part of these financial statements.

On behalf of the Board of Directors,

[signature]

M. Bruce Chernoff
Director

[signature]

Mark Poelzer
Director

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For year ended December 31,

	2020	2019
(000s, except per share amounts)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenues *(note 11)*	**74,094**	**134,291**
Royalties	**(5,753)**	**(11,599)**
Realized gain (loss) on derivative instruments *(note 16)*	**13,501**	**(410)**
Unrealized loss on derivative instruments *(note 16)*	**(3,610)**	**(1,746)**
Other revenue *(note 11)*	**193**	**931**
	78,425	**121,467**
Expenses		
Operating	**14,556**	**20,285**
Transportation	**6,365**	**10,596**
General and administrative	**4,101**	**5,275**
Depletion and depreciation *(note 5)*	**26,535**	**34,087**
Exploration and evaluation *(note 6)*	**1,616**	**1,412**
Share-based compensation *(note 18)*	**2,365**	**2,678**
Finance expenses *(note 12)*	**4,895**	**1,517**
	60,433	**75,850**
Income from before income taxes	**17,992**	**45,617**
Deferred income tax expense *(note 13)*	**4,729**	**9,663**
Income and comprehensive income for the year	**13,263**	**35,954**
Income per share		
Basic diluted *(note 17)*	**0.08**	**0.22**
Diluted *(note 17)*	**0.08**	**0.20**

The notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
(000s)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2020	**160,197**	**372,361**	**13,359**	**46,547**	**432,267**
Share-based compensation	**-**	**-**	**3,142**	**-**	**3,142**
Income for the year	**-**	**-**	**-**	**13,263**	**13,263**
Balance – December 31, 2020	**160,197**	**372,361**	**16,501**	**59,810**	**448,672**

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
(000s)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2019	159,597	369,361	9,695	10,593	389,649
Issue of common shares *(note 10)*	600	3,000	-	-	3,000
Share-based compensation	-	-	3,664	-	3,664
Income for the year	-	-	-	35,954	35,954
Balance – December 31, 2019	160,197	372,361	13,359	46,547	432,267

The notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For year ended December 31

	2020	2019
(000s)	*($)*	*($)*
Cash flows from operating activities		
Income for the year	**13,263**	35,954
Adjustments for:		
Depletion and depreciation *(note 5)*	**26,535**	34,087
Exploration and evaluation *(note 6)*	**1,616**	1,412
Interest on lease obligations *(note 9)*	**63**	105
Deferred income tax expense *(note 13)*	**4,729**	9,663
Unrealized loss on derivative instruments	**3,610**	1,746
Share-based compensation *(note 17)*	**2,365**	2,678
Accretion of decommissioning obligations *(note 8)*	**205**	146
Change in non-cash working capital *(note 14)*	**201**	(9,635)
Net cash from operating activities	**52,587**	76,157
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(54,705)**	(220,777)
Additions to exploration and evaluation assets *(note 6)*	**(1,732)**	(14,482)
Change in non-cash working capital *(note 14)*	**(10,228)**	(14,012)
Net cash used in investing activities	**(66,665)**	(249,271)
Cash flows from financing activities		
Increase in bank debt *(note 7)*	**14,713**	108,853
Payments on lease obligations *(note 9)*	**(635)**	(727)
Net cash from financing activities	**14,078**	108,126
Change in cash and cash equivalents	**-**	64,988
Cash and cash equivalents – beginning of year	**-**	(64,988)
Cash and cash equivalents – end of year	**-**	-

The notes are an integral part of these financial statements.

1. Reporting Entity

1764821 Alberta Ltd. ("1764821") was incorporated on August 8, 2013 under the Business Corporations Act of Alberta (the “ABCA”). On November 3, 2015, 1764821 acquired all of the outstanding shares of Artis Exploration Ltd. and the two companies were amalgamated on November 3, 2015 under the ABCA to form Artis Exploration Ltd. (“Artis” or the “Company”). The Company's head office is located at Suite 820, 600 3rd Ave. S.W., Calgary, Alberta. Artis is engaged in the exploration and development and production of crude oil, natural gas and NGLs in Western Canada.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors on March 25, 2021.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and Presentation of Currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgements

Critical Judgements in Applying Accounting Policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The Company's assets are aggregated into cash generating units ("CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgement in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. Based on this assessment, the CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

Judgements are required to assess when impairment indicators exist and impairment testing is required.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgements as to future events and circumstances as to whether economic quantities of reserves have been found.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these financial statements.

Estimation of recoverable quantities of proved and probable reserves include estimates and assumptions regarding future commodity prices, foreign currency exchange rates, discount rates and operating and transportation costs for future cash flows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries of reserves. The economic, geological and geophysical, and other technical factors used to estimate proved and probable reserves may change from period to period. Changes in reported reserves can affect the non-cash impairment of assets, the provision of decommissioning obligations, the economic feasibility of exploration and evaluation assets, the recognition of deferred tax assets and the amounts reported for depletion and depreciation of property, plant and equipment. These reserves estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook by in-house Company engineers who establish reserves determinations based on the guidance stipulated by National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost and the estimate of the liability specific discount rates to determine the present value of these cash flows.

The Company's estimate of non-cash share-based compensation is dependent on estimates of historic stock price trading volatility, interest rates, expected terms to exercise and forfeiture rates.

The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

The accrual method of accounting will require management to incorporate certain estimates, including revenues, royalties, production costs and capital expenditures as at a specific reporting date but for which actual revenue and royalties have not yet been received, and estimates on capital projects that are in progress or recently completed where actual costs have not been received at a specific reporting date.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in these financial statements.

(a) Jointly Owned Assets

Some of the Company's oil and natural gas activities involve jointly owned assets. The financial statements include the Company's share of these jointly owned assets and a proportionate share of the relevant revenue and related costs.

(b) Financial Instruments

(i) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank debt. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

These non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative Financial Instruments

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices and interest rate risk. These instruments will not be used for trading or speculative purposes. When the Company enters into these contracts, it will not designate its financial derivative contracts as effective accounting hedges, and as a result, will not apply hedge accounting, even though the Company will consider all commodity contracts to be economic hedges. Consequently, all financial derivative contracts will be classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Attributable transaction costs are recognized in earnings when incurred.

The Company will account for forward physical delivery sales contracts, which are entered into and continue to be held for the purpose of receipt or delivery of non-financial items. As such, these contracts will not be considered to be derivative financial instruments and are not recorded at fair value on the statement of financial position. Settlements on physical sales contracts will be recognized in oil and natural gas revenues.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

(iii) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Property, Plant and Equipment and Exploration and Evaluation Assets

(i) Recognition and Measurement

Exploration and Evaluation Expenditures

Pre-license costs are recognized in the statement of loss as incurred.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area, pending determination of technical feasibility and commercial viability.

The Company assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification, to property, plant and equipment. Exploration and evaluation assets are assessed for impairment if (a) sufficient data exists to determine technical feasibility and commercial viability, and (b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The impairment of exploration and evaluation assets, and any eventual reversal thereof, is recognized in the statement of profit or loss.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. A review of each exploration licence or field is carried out, at least annually, to ascertain whether proved or probable reserves have been discovered. Upon determination of proved or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment. The cost of undeveloped land that expires is recognized in profit or loss.

Development and Production Costs

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. The Company has grouped its development and production assets into the following CGU: Trochu/Twining. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

(ii) Subsequent Costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depletion and Depreciation

The net carrying value of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by Company reserves engineers at least quarterly.

Proved and probable reserves are estimated using independent reserves engineer reports and represent the estimated quantities of crude oil, natural gas and NGLs that geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and that are considered commercially producible.

For other assets, depreciation is recognized in profit or loss on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

- Office equipment and fixtures — 30% declining basis
- Computer hardware and software — 30% declining basis

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Impairment

(i) Non-Derivative Financial Assets

Impairment of financial assets is determined by measuring the assets' expected credit loss ("**ECL**"). Artis's financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the financial asset. ECL allowances have not been recognized for cash and cash equivalents due to the virtual certainty associated with their collection. The ECL pertaining to trade and other receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of all possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to Artis and the cash flows the Company expects to receive, including cash flows expected from collateral and other credit enhancements that are a part of contractual terms. In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in profit and loss.

Based on contractual terms and conditions, the Company considers its financial assets to be in default when the counterparty fails to make contractual payments as required. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, Artis derecognizes the gross carrying amount of the financial asset and the associated allowance from the statement of financial position.

(ii) Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGUs). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell oil and natural gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate, which would be applied by such a market participant to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Impairment losses, for non-financial assets other than goodwill, recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(e) Share-Based Payments

The grant date fair value of options granted to employees and consultants are recognized as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

(i) Decommissioning Obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category unless it arises from the normal course of production activities, in which case it is recognized in profit or loss.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs, whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

(g) Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when control of the product is transferred to the buyer based on the consideration specified in the contracts with customers. This usually occurs when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer.

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, is any, realized by the Company from the transaction.

Tariffs, tolls and other fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements.

(h) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Earnings Per Share

Basic earnings per share is calculated by dividing earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, such as options, performance warrants and retention awards granted.

(j) Business Combinations

Business combinations are accounted for using the acquisition method. The identifiable assets acquired, and liabilities and contingent liabilities assumed, are measured at their fair value at the acquisition date. The cost of an acquisition is measured as the aggregate consideration transferred, measured at the acquisition date fair value. Any excess of cost of the acquisition over the recognized amounts of identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in statement of earnings (loss) and comprehensive income (loss). Acquisition costs incurred are expensed.

(k) Income Statement Presentation

Expenses in the statement of income are presented as a combination of function and nature in conformity with industry practice. Share-based compensation and depletion and depreciation expenses are presented on separate lines by their nature, while operating, transportation, marketing and general and administrative expenses are presented on a functional basis.

(l) Leased Assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the minimum lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. If a grant is received but compliance with any attached condition is not received, the grant is recognized as a deferred liability until such conditions are fulflled. When the grant relates to an income or expense item, it is recognized as income or as a reduction of the related expense item in the period in which the income is earned or costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in the statements of income over the expected useful life of the related asset through lower charges to impairment and/or depletion and depreciation.

4. COVID-19 Estimation Uncertainty:

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity and has significantly reduced worldwide demand for commodities including crude oil, natural gas and natural gas liquids. The result has been a significant volatility and a decline in the near and medium term price for these commodities.

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

The Company's financial performance, operations and business are particularly sensitive to a reduction in the demand for and prices of commodities, including crude oil and natural gas which are closely linked to Artis' financial performance. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at period end and have been reflected in the Company's results with any significant changes described in the relevant financial statement note.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2021 and beyond. During 2020 Artis received $0.7 million under the Canada Emergency Wage Subsidy program which reduced salary expenses.

A full list of the key sources of estimation uncertainty can be found in note 3 of these financial statements. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the financial statements, particularly related to the following key sources of estimation uncertainty:

Recoverable Amounts

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

Decommissioning Costs

Provisions are recorded for the future decommissioning and restoration of the Company's production facilities, wells and pipelines at the end of their economic lives. Management uses judgement to assess the existence and to estimate the future liability. Market volatility at December 31, 2020 increased the measurement uncertainty inherent in determining the appropriate discount rate that is used in the estimation of decommissioning liabilities.

Accounts Receivable

The Company has increased its monitoring of receivables due from petroleum and natural gas marketers and from partners in jointly owned assets to manage credit risk. The Company historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint venture partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company continues to expect that its receivables are substantially collectible at December 31, 2020.

5. Property, Plant and Equipment

(000s)	Oil and Natural Gas Properties ($)
Cost or deemed cost	
Balance – December 31, 2018	311,007
Additions	223,777
Capitalized share-based compensation	986
Transfer from exploration and evaluation assets *(note 6)*	11,422
Change in decommissioning obligations	6,682
Increase in right-to-use assets	1,256
Balance – December 31, 2019	555,130
Additions	**54,705**
Capitalized share-based compensation	**777**
Transfer from exploration and evaluation assets *(note 6)*	**6,189**
Change in decommissioning obligations	**4,593**
Balance – December 31, 2020	**621,394**
Depletion and depreciation	
Balance – December 31, 2018	21,515
Depletion and depreciation for the year	34,087
Balance – December 31, 2019	55,602
Depletion and depreciation for the year	**26,535**
Balance – December 31, 2020	**82,137**
Carrying amounts	
December 31, 2020	**539,257**
December 31, 2019	499,528

Depletion and Depreciation

The calculation of 2020 depletion and depreciation expense included an estimated $2.2 billion (2019 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.6 million (2019 – $1.4 million) for the estimated salvage value of production equipment and facilities.

Capitalization of G&A and Share-Based Compensation

A total of $2.3 million in G&A expenditures have been capitalized and included in PP&E at December 31, 2020 (December 31, 2019 – $2.8 million). Also included in PP&E are non-cash share-based payments of $0.8 million (December 31, 2019 – $1.0 million).

Acquisition

On February 6, 2019, Artis acquired undeveloped land in the Company's core Trochu area along with one producing oil well total consideration of $5.4 million which consisted of 600,000 common shares and $2.4 million in cash.

Impairment Assessment

At December 31, 2020 the Company completed an assessment of the indicators of impairment and determined that no indicators of impairment existed at December 31, 2020.

At March 31, 2020, the significant decrease in forecast benchmark commodity prices were indicators of impairment. As a result, an impairment test was completed at March 31, 2020.

For the purpose of impairment testing, the recoverable amount of the Company's CGU is the greater of its value in use and its fair value less costs to sell. Value in use is generally the future cash flows expected to be derived from production of proven and probable reserves estimated by Company's third-party reserve evaluators. At March 31, 2020, the Company used value in use of its Trochu/Twining CGU, discounted at pre-tax rates between 10% and 25% dependent on the risk profile of the reserve category. It was determined that the recoverable amount of the Trochu/Twining CGU exceeded the carrying value and an impairment charge was not recorded.

The following estimates were used in determining whether an impairment to the carrying value of the CGU existed at March 31, 2020:

	Bank of Canada Average Noon Exchange Rate	West Texas Intermediate Crude Oil at Cushing Oklahoma	Crude Oil (40º API, 0.3%S) at Edmonton	Natural Gas (AECO)
	(US$/CDN$)	*(US$/bbl)*	*(CDN$/bbl)*	*(CDN$/mmbtu)*
2020	0.72	30.00	31.22	1.95
2021	0.73	41.00	47.95	2.25
2022	0.735	47.50	56.46	2.35
2023	0.74	52.50	64.19	2.45
2024	0.745	57.50	71.81	2.55
2025	0.75	58.95	73.27	2.65
2026	0.75	60.13	74.84	2.70
2027	0.75	61.33	76.44	2.76
2028	0.75	62.56	78.08	2.81
2029	0.75	63.81	79.75	2.87
Remainder	0.75	2.0%/year	2.0%/year	2.0%/year

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – December 31, 2018	77,467
Additions	14,482
Transfers to property, plant and equipment *(note 5)*	(11,422)
Expiries	(1,412)
Balance – December 31, 2019	79,115
Additions	**1,732**
Transfers to property, plant and equipment *(note 5)*	**(6,189)**
Expiries	**(1,616)**
Balance – December 31, 2020	**73,042**

Exploration and evaluation assets consist of the Company's exploration projects that are pending the determination of proved or probable reserves. Additions in the year are primarily made up of undeveloped land purchases. Expiries relate to undeveloped land expiries and any related seismic costs incurred on those lands.

7. Bank Loan

At December 31, 2020, the Company had a revolving line of credit of $145 million and an operating line of credit of $20 million for a total facility of $165 million (the “Facility”) of which $123.6 million (December 31, 2019 – $108.9 million) has been drawn against the facility. The Facility revolves for a 364 day period and will be subject to its next 364 day extension by May 31, 2021. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the “Borrowing Base”) are reviewed semi-annually and are based on the bank syndicate’s interpretation of the Company’s reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating (“LMR”) of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Based with-in 45 days. The Company carried a LMR of 11:1 at December 31, 2020. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before May 31, 2021. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base. A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security along with a debenture and supplemental debentures totaling $400 million.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank’s prime lending rate and bankers’ acceptances and LIBOR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated at the Company’s previous quarter end. Standby fees are charged on the undrawn Facility at rates ranging from 0.6875 percent to 1.5625 percent depending upon the net debt to cash flow ratio. As at December 31, 2020 the Company’s applicable pricing included a 3.0 percent margin on prime lending, a 4.0 percent margin on bankers’ acceptances and LIBOR loans along with a 1.0 percent per annum standby fee on the portion of the Facility that is not drawn. Borrowing margins and fees are reviewed annually as part of the bank syndicate’s annual review.

8. Decommissioning Obligations

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Balance – beginning of year	**12,297**	5,468
Liabilities incurred	**3,457**	6,940
Change in estimated future cash flows	**1,136**	(257)
Accretion of decommissioning obligation	**205**	146
Balance – end of year	**17,095**	12,297

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas wells. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $17.1 million as at December 31, 2020 (2019 – $12.3 million) based on an undiscounted inflated total future liability of $19.9 million (2019 – $15.3 million) using an assumed inflation rate of 1.49% (2019 – 1.3%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.21% (2019 – 1.7%). The $1.1 million (2019 – $0.6 million) change in estimated future cash outflows is a result of a change in the inflation rate and discount factor.

9. Leases Obligations

Right-of-use assets

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Balance – beginning of year	**812**	1,256
Additions	**-**	-
Depreciation	**(438)**	(444)
Balance – end of year	**374**	812

Lease liabilities

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Balance – beginning of year	**1,155**	1,777
Lease interest expense	**63**	105
Lease payments	**(635)**	(727)
Balance – end of year	**583**	1,155

On transition, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019 of 4.2% to calculate the lease liability. The total payments made for short-term and low value leases were less than $10,000 for the year ended December 31, 2019 so they were not included in the lease liability.

10. Share Capital

(a) Authorized

An unlimited number of voting common shares with no par value. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share.

An unlimited number of special voting shares with no par value. The holders of special voting shares are entitled to one vote per share.

An unlimited number of first preferred shares with no par value, issuable in series. Preferred shares have not been issued. The rights attaching to first preferred shares shall be determined by the Board before the issuance of each series.

(b) Share Capital issued and outstanding:

Common Shares	Shares	Amount
(000s)	*(#)*	*($)*
Balance – December 31, 2018	**159,597**	**369,361**
Issue of common shares	600	3,000
Balance – December 31, 2019 and December 31, 2020	**160,197**	**372,361**

On February 6, 2019, Artis acquired undeveloped land in the Company's core Trochu area along with one producing oil well for total consideration of $5.4 million which consisted of 600,000 common shares valued at $5.00 per Common Share and $2.4 million in cash.

11. Revenue

The Corporation sells its production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table details the Company's petroleum and natural gas sales by product:

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Oil production	**70,398**	129,832
Gas production	**2,503**	2,609
NGLs production	**1,193**	1,850
Total revenue	**74,094**	134,291

Other revenue:

The following table summarizes the Company's other revenue:

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Third party processing income	**187**	356
Interest income	**6**	575
	193	931

12. Finance Expenses

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Interest expense	**4,690**	1,371
Accretion of decommissioning obligations	**205**	146
Finance expenses	**4,895**	1,517

13. Income Taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before income taxes. These differences are explained as follows:

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Income before taxes	**17,992**	45,617
Tax rate	**24.0%**	26.5%
Computed "expected" income tax expense	**4,318**	12,089
Increase (decrease) in income taxes resulting from:		
Change in income tax rates	**(180)**	(3,048)
Non-deductible items	**591**	622
Deferred income tax expense	**4,729**	9,663

In 2020, the blended statutory tax rate was 24.0% (December 31, 2019 – 26.5%). In the second quarter of 2019, the Alberta government enacted a decrease in the Alberta corporate income tax rate from 12% to 11% effective July 1, 2019, with a further reduction of 1% on January 1st for each of the years 2020, 2021 and 2022 bringing the provincial rate to 8%. In October 2020, the previously scheduled tax rate reduction was accelerated, with the tax rate reduced to 8% effective July 1, 2020.

Recognized Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes versus the amounts used for income tax purposes. The components of the Company's net deferred income tax assets and liabilities are as follows:

As at December 31,	**2020**	2019
(000s)	*($)*	*($)*
Deferred income tax assets (liabilities)		
Share issue costs	**559**	881
Property, plant and equipment	**(40,009)**	(24,979)
Lease obligations	**134**	266
Decommissioning obligations	**3,932**	2,828
Unrealized losses on derivative financial instruments	**1,232**	402
Non-capital losses and other	**9,962**	1,141
Deferred income tax liability	**(24,190)**	(19,461)

At December 31, 2020, the Company has approximately $480.3 million (2019 – of $475.6 million) of tax pools available for deduction against future taxable income. Non-capital losses of $43.3 million will begin expiring in 2033.

14. Supplemented Cash Flow Information

Changes in non-cash working capital is comprised of:

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Trade and other receivables	**2,529**	(6,623)
Prepaid expenses and deposits	**742**	(913)
Trade and other payables	**(13,298)**	(16,111)
	(10,027)	(23,647)
Related to operating activities	**201**	(9,635)
Related to investing activities	**(10,228)**	(14,012)
	(10,027)	(23,647)

Years ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Interest paid	**4,627**	1,266

15. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Bank Debt

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2020 and December 31, 2019, the fair value of these balances approximated their carrying value due to their short-term to maturity. Bank debt bears a floating rate of interest and the margins charged by the lenders are indicative of current credit spreads and therefore carrying value approximates fair value.

(b) Derivatives

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the period-end date using the remaining contracted oil and natural gas volumes.

(c) Stock Options

The fair value of employee stock options is measured using a Black-Scholes-Merton option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, expected forfeitures and the risk-free interest rate (based on government bonds).

16. Financial Risk Management

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit Risk

The Company is subject to credit risk on its cash and cash equivalents and trade and other receivables. The Company’s cash and cash equivalents are held at major financial institutions and, as such, are subject to the credit risk of those institutions. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from partners and oil and natural gas marketers. The maximum exposure to credit risk was the outstanding trade and other receivables balance of $13.9 million as at December 31, 2020 (December 31, 2019 – $16.4 million).

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

Years ended December 31	2020	2019
(000s)	*($)*	*($)*
Oil and natural gas revenue from marketing companies	**13,100**	14,645
Partners in joint owned assets	**538**	845
Refundable GST	**217**	942
Government grants	**48**	-
Total trade and other receivables	**13,903**	16,432

The Company's trade and other receivables are aged as follows:

Years ended December 31	2020	2019
(000s)	*($)*	*($)*
Current (less than 90 days)	**13,627**	16,009
Past due (more than 90 days)	**276**	423
Total	**13,903**	16,432

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any significant losses from non-performance by these customers. As such, no provision for expected credit loss has been recorded at December 31, 2020 or at December 31, 2019.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

The financial liabilities on the statement of financial position include bank debt, trade and other payables, derivative financial instruments, lease obligations and provisions.

The following are the contractual maturities of financial liabilities, including estimated interest payments, excluding the impact of netting agreements, at December 31, 2020:

As at December 31, 2020	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1 – 2 Years	2 – 5 Years	More Than 5 Years
(000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Non-derivative financial Liabilities						
Trade and other payables	**7,705**	**7,705**	**7,705**	**-**	**-**	**-**
Bank debt (1)	**123,566**	**123,566**	**-**	**123,566**	**-**	**-**
Estimated interest payments	**-**	**9,886**	**4,943**	**4,943**	**-**	**-**
Derivative financial instruments	**5,356**	**5,356**	**5,356**	**-**	**-**	**-**
Lease obligations	**583**	**583**	**583**	**-**	**-**	**-**
Decommissioning obligations	**17,095**	**17,095**	**-**	**-**	**-**	**17,095**
	154,305	**164,191**	**18,587**	**128,509**	**-**	**17,095**

(1) Assumes the credit facilities are not extended in May 2021 (see note 7).

(d) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's earnings or the value of the financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Currency Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the price of petroleum and natural gas sold in Canada. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at December 31, 2020 or 2019.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company had no bank debt outstanding during the year.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand.

In the future, the Company may enter into various financial derivative forward sales contracts and physical sales contracts to protect its cash flow from operating activities. The Company's production is usually sold using "spot" or near-term contracts with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long-term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company's expected sales requirements.

Derivative Assets:

Derivatives will be recorded on the statement of financial position at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of income.

The Company’s derivatives will be measured in accordance with a three level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

a) Level 1: fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2: fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
c) Level 3: fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s derivative contracts will be valued using Level 2 of the hierarchy.

At December 31, 2020, the Company held the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						(000s) *($)*
Crude oil	500 bbls/day	January 1, 2021 – March 31, 2021	US$ NYMEX – WTI	$47.40/bbl	Swap	(42)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.52/bbl	Swap	(702)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.75/bbl	Swap	(676)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.26/bbl	Swap	(501)
Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.20/bbl	Swap	(305)
Crude oil	400 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$45.25/bbl	Swap	(310)
Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$43.45/bbl	Swap	(357)
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$43.74/bbl	Swap	(485)
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$43.65/bbl	Swap	(496)
Crude oil	1,000 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$42.55/bbl	Swap	(1,249)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap	(39)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.10)/bbl	Swap	(72)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.00)/bbl	Swap	(62)
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	($4.65)/bbl	Swap	23
Crude oil	500 bbls/day	January 1, 2021 – December 31, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap	(83)
Total						**(5,356)**

As at December 31, 2020, a 10% change in future commodity prices applied against these contracts would have a $4.9 million impact on net income.

Subsequent to December 31, 2020, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	300 bbls/day	April 1, 2021 – June 30, 2021	US$ NYMEX - WTI	$49.95/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – September 30, 2021	US$ NYMEX - WTI	$51.64/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$54.58/bbl	Swap
Crude oil	300 bbls/day	October 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$55.61/bbl	Swap
Crude oil	200 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX - WTI	$60.30/bbl	Swap
Crude oil	500 bbls/day	March 1, 2021 – June 30, 2021	US$ MSW - differential	$(4.75)/bbl	Swap
Crude oil	300 bbls/day	April 1, 2021 – June 30, 2021	US$ MSW – WTI differential	$(4.45)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	$(4.85)/bbl	Swap
Crude oil	300 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	$(4.30)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	$(4.45)/bbl	Swap
Natural gas	2,000 mmbtu/day	April 1, 2021 – October 31, 2021	AECO daily index (5A)	$2.95 CAD/mmbtu	Swap

(e) Capital Management

Artis actively manages its capital structure, which includes shareholders' equity and working capital. In order to maintain or adjust the capital structure, Artis considers the following: incremental investment and acquisition opportunities; the current level of working capital; the level of credit that may be obtainable from the Company's lender as a result of growth in reserves values; the availability of other sources of debt with different characteristics than potential bank debt; the sale of assets; limiting the size of the investment program; and new share issuances, if available on favourable terms. The Company's objective is to maintain a flexible structure that will allow it to execute its investment program, including exploration and development of its oil and gas properties and acquisition and disposition transactions, which all carry varying amounts of risk. Artis continually strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its investment program. Artis may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels an/or debt level balances, which may also have a direct impact on the Company’s operating results amnd financial position. These and other factors may adversely affect the Company’s liquidity and the Company’s ability to generate income and cash flows in the future. At December 31, 2020 the Company remains in compliance with all terms of our Facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and pipeline and transportation capacity constraints and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavours to maintain it below 2.0 to 1.0. As at December 31, 2020, Artis' ratio of net debt to annualized funds flow was 1.3:1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.71 to 1 at December 31, 2020.

Years Ended December 31,	**2020**	2019
(000s)	*($)*	*($)*
Current assets	**14,868**	18,139
Current liabilities	**(13,644)**	(23,385)
Derivative financial instruments	**5,356**	1,746
Current portion of lease obligations	**583**	636
Working capital surplus (deficiency)	**7,163**	(2,864)
Bank debt	**(123,566)**	(108,853)
Net debt	**(116,403)**	(111,717)
Fourth quarter annualized funds flow:		
Net cash from operating activities	**21,857**	27,248
Change in non-cash working capital	**714**	2,161
	22,571	29,409
Annualized funds flow	**90,285**	117,638
Net debt to annualized funds flow	**1.3**	1.0
Credit facility available	**165,000**	230,000
Net debt to credit facility available	**71%**	49%

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves (Bank loan – note 7).

17. Income Per Share

Basic earnings per share was calculated as follows:

Years Ended December 31,	**2020**	2019
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic		
Issued common shares – beginning year	**160,197**	159,597
Effects of shares issued	**-**	549
Weighted average number of common shares – basic	**160,197**	160,146

	2020	2019
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,146
Effects of options, performance warrants and RAs in-the-money	**8,320**	18,746
Weighted average number of common shares – diluted	**168,517**	178,892

In computing diluted earnings per share for the year ended December 31, 2020, 8,319,000 (December 31, 2019 – 18,746,000) shares were added to the basic weighted average common shares outstanding to account for the dilution of stock options, warrants and retention awards that will be settled with common shares issued from treasury. There were 7,003,000 (December 31, 2019 – 1,460,000) options and warrants that were not included in the diluted earnings per share calculation because they were anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the average exercise price for common share options issued during the period being $2.88 per Common share.

18. Share-Based Payments

The Company has a stock option plan pursuant to which options to purchase common shares of the Company may be granted to employees, directors, officers and other service providers of the Company. The maximum number of common shares issuable on exercise of options granted pursuant to the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company. Subject to the discretion of the Board, options of the Company are typically exercisable for a period of five years and vest over a period of three years commencing on the first anniversary.

The Company also grants performance warrants to employees, directors, officers and other service providers of the Company. Each performance warrant entitles the holder to purchase one common share of the Company. The maximum number of common shares issuable on exercise of warrants granted may not exceed 25% of the issued and outstanding common shares of the Company as at the date of the closing of the ELOC financing being 88,506,734 common shares. Subject to extension by the Board, outstanding performance warrants of the Company are exercisable for a period of five years and vest immediately prior to a liquidity event.

The Company also has retention awards (“RAs”) outstanding to officers and employees of the Company. The RAs are to be settled through the issuance of common shares upon vesting. Vesting occurs one business day prior to a liquidity event. The Company issued 307,500 RAs during 2016 all of which remain outstanding at December 31, 2020.

The fair value of the performance warrants and RAs has not been recognized as it is not more likely than not that they will vest.

The number and weighted average exercise prices of stock options are as follows:

Years ended December 31,	**2020**		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(#000s)	*($)*	*(#000s)*	*($)*
Outstanding – January 1	**12,963**	**2.04**	11,523	1.67
Granted	**1,190**	**2.63**	1,460	5.00
Forfeited	**(65)**	**(1.33)**	(20)	(2.75)
Outstanding – December 31	**14,088**	**1.83**	12,963	2.04
Exercisable – December 31	**10,975**	**1.61**	9,367	1.55

The range of exercise prices and weighted average contractual life of the outstanding options are as follows:

Exercise Price	Options	Weighted Average Exercise Price	Weighted Average Contractual Life
($)	*(#000s)*	*($)*	*(years)*
1.25	**7,170**	**1.25**	**1.2**
1.60	**1,418**	**1.60**	**1.4**
2.50	**2,350**	**2.50**	**3.9**
2.75	**2,850**	**2.75**	**2.0**
3.00	**300**	**3.00**	**4.6**
	14,088	**1.83**	**1.9**

During the year, the Company extended the expiry date on 1.78 million options with an exercise price of $1.25, by two years to January 25, 2023. The exercise price on these options increase by 8% beginning January 25, 2022. The Company also re-priced 1.46 million options with an original exercise price of $5.00 per share to $2.50 per share.

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average inputs:

As at December 31,	**2020**	2019
	($)	*($)*
Share price	**2.63**	5.00
Exercise price	**2.63**	5.00
Volatility *(%)*	**60**	60
Option life *(years)*	**5.0**	5.0
Risk-free interest rate *(%)*	**0.4**	1.8
Weighted average fair value of options granted during the year	**1.32**	2.60

A forfeiture rate of 0% (2019 – 0%) was used when calculating the fair value. This estimate is adjusted to the actual forfeiture rate. Share-based compensation cost of $2.4 million was expensed during 2020 (2019 – $2.7 million).

The number and weighted average exercise prices and weighted average contractual life of performance warrants are as follows:

Year ended December 31,	**2020**		2019	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	(#000s)	*($)*	*(#000s)*	*($)*
Outstanding – January 1	**21,765**	**2.50**	21,155	2.50
Granted	**-**	**-**	650	2.50
Forfeited	**-**	**-**	(40)	(2.50)
Outstanding – December 31	**21,765**	**2.50**	21,765	2.50
Exercisable – December 31	**-**	**-**	-	-

The range of exercise prices of the outstanding performance warrants are as follows:

Exercise Price	Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life
($)	*(#000s)*	*($)*	*(years)*
1.88	**4,353**	**1.88**	**2.5**
2.19	**4,353**	**2.19**	**2.5**
2.50	**4,353**	**2.50**	**2.5**
2.81	**4,353**	**2.81**	**2.5**
3.13	**4,353**	**3.13**	**2.5**
	21,765	**2.50**	**2.5**

During the year, the Company extended the expiry date on all the warrants by two years to July 7, 2023. The exercise prices on the warrants will increase by 8% beginning July 7, 2022.

19. Key Management Personnel

Transactions with Key Management Personnel

Key management personnel consist of the Company's directors and management. The key management personnel compensation is comprised of the following:

Year ended December 31	**2020**	2019
(000s)	*($)*	*($)*
Salaries and bonuses	**3,025**	3,632
Short-term employee benefits	**187**	184
Share-based payments (1)	**2,437**	3,018
Total (2)	**5,649**	6,834

(1) Represents the amortization of share-based payments expense associated with the Company's share-based compensation plans granted to key management personnel. The share-based compensation include the capitalized and non-capitalized portion of these expenditures recorded in the financial statements during the respective periods.

(2) At December 31, 2020, key management personnel included 11 (2019 – 11) employees and 11 (2019 – 11) directors.