ARTIS EXPLORATION LTD

2023 Annual Report

For the Three and Twelve Months

Ended December 31, 2023

ARTIS EXPLORATION LTD.

2023 Fourth Quarter and Year-End Report
For the Three Months and Year Ended December 31, 2023

HIGHLIGHTS

	Three Months Ended December 31			Years Ended December 31		
	2023	2022	Change	**2023**	2022	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Petroleum and natural gas revenues	**90,402**	81,851	10	**310,272**	302,625	3
Cash flow from operations	**56,913**	52,221	9	**213,943**	175,754	22
Adjusted funds flow [(1)]	**61,291**	56,828	8	**205,286**	193,462	6
Per share – basic	**0.38**	0.35	9	**1.28**	1.21	6
– diluted	**0.37**	0.34	9	**1.24**	1.16	7
Net earnings	**35,539**	28,612	24	**91,470**	105,980	(14)
Per share – basic	**0.22**	0.18	22	**0.57**	0.66	(14)
– diluted	**0.21**	0.17	24	**0.55**	0.64	(14)
Net capital expenditures [(2)]	**51,889**	40,291	29	**242,448**	195,805	24
Net debt [(1)]	**182,279**	144,356	26	**182,279**	144,356	26
Shareholders' equity	**686,082**	589,962	16	**686,082**	589,962	16
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end						
Basic	**160,197**	160,197	-	**160,197**	160,197	-
Options	**15,323**	14,748	4	**15,323**	14,748	4
Warrants	**21,685**	21,765	-	**21,685**	21,765	-
Retention awards	**308**	308	-	**308**	308	-
Weighted average						
Basic	**160,197**	160,197	-	**160,197**	160,197	-
Diluted	**165,602**	166,121	-	**165,602**	166,121	-
			(%)			*(%)*
Operating						
Production						
Crude oil *(bbls/d)*	**9,334**	7,615	23	**7,951**	6,456	23
Natural gas *(mcf/d)*	**9,512**	5,759	65	**7,397**	5,305	39
NGLs *(bbls/d)*	**990**	533	86	**680**	422	61
Total *(boe/d)*	**11,909**	9,108	31	**9,864**	7,762	27
Liquids %	**87**	89		**88**	89	
Average wellhead prices						
Crude oil *($/bbl)*	**98.37**	108.41	(9)	**100.58**	119.15	(16)
Natural gas *($/mcf)*	**2.71**	6.22	(56)	**3.10**	6.47	(52)
NGLs *($/bbl)*	**39.02**	53.28	(27)	**40.33**	60.53	(33)
Total *($/boe)*	**82.51**	97.69	(16)	**86.18**	106.81	(19)
Royalties *($/boe)*	**(9.94)**	(8.40)	18	**(10.08)**	(10.08)	-
Operating cost *($/boe)*	**(8.04)**	(9.06)	(11)	**(9.57)**	(9.59)	-
Transportation cost *($/boe)*	**(3.23)**	(3.95)	(18)	**(3.82)**	(4.08)	(6)
Operating netback before financial derivatives *($/boe)* [(3)]	**61.29**	76.27	(20)	**62.71**	83.05	(24)
Realized gain (loss) on financial derivatives *($/boe)* [(3)]	**(0.26)**	(3.34)	92	**(0.12)**	(9.68)	(99)
Operating netback after financial derivatives *($/boe)* [(3)]	**61.03**	72.94	(16)	**62.59**	73.37	(15)

	Three Months Ended December 31			Years Ended December 31		
	2023	2022	Change	**2023**	2022	Change
			(%)			*(%)*
Reserves [4]						
Proved developed producing *(mboe)*				**17,303**	14,347	21
Total Proved *(mboe)*				**108,663**	96,857	12
Total Proved plus probable *(mboe)*				**202,123**	179,700	12
Total net present value – proved plus probable [5] (10% discount) *($000s)*				**3,239,192**	2,856,100	13
Total net present value – proved [5] (10% discount) *($000s)*				**1,811,058**	1,670,000	8
Total net present value – proved developed producing [5] (10% discount) *($000s)*				**512,618**	443,700	16
Undeveloped land						
Gross *(acres)*				**86,361**	121,459	(29)
Net *(acres)*				**86,141**	119,486	(28)
Drilling activity – gross (net)						
Oil *(#)*	5 (5.0)	2 (2.0)		23 (23.0)	19 (19.0)	
Natural gas *(#)*	-	-		-	-	
Total *(#)*	5 (5.0)	2 (2.0)		23 (23.0)	19 (19.0)	21
Average working interest *(%)*	100	100		100	100	

(1) Capital management measure that does not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other entities. See "Non-GAAP and other Financial Measures" contained in the Company's MD&A.
(2) Non-GAAP Financial Measure. See "Non-GAAP and Other Financial Measures" in the Company's MD&A.
(3) Non-GAAP Financial Measure and non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in the Company's MD&A.
(4) Based on the independent reserves evaluation prepared by GLJ Petroleum Consultants ("GLJ") effective December 31, 2023. See "Reserves Data" for details.
(5) Before income taxes and based on GLJ's future price forecast as at January 1, 2024. 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, 2023.

Financial and Operating Highlights

- Achieved record fourth quarter average production of 11,909 boe/d (87% liquids), up 31% from the fourth quarter of 2022.
- Annual average production of 9,864 boe/d (88% liquids) increased 27% compared to 2022.
- Fourth quarter 2023 adjusted funds flow was also a record high at $61.3 million and was up 8% compared to the same period in 2022 despite a 16% decrease in commodity prices. For the year 2023, record adjusted funds flow of $205.3 million was up 6% compared to 2022 despite a 19% decrease in commodity prices.
- Recorded an industry leading operating netback of $62.71/boe for 2023 before including realized financial derivatives ($62.59/boe after including realized financial derivatives) based on an average crude oil WTI price of $77.62 US/bbl for the year.
- Generated 2023 net earnings of $91.5 million ($0.55 per diluted share) compared to net earnings of $106.0 million ($0.64 per diluted share) in 2022.
- Artis' net debt of $182.3 million at year end corresponded to a net debt to annualized adjusted funds flow ratio for the fourth quarter of 0.7 times. The Company's bank credit facility was increased from $250 million to $300 million.
- Artis invested $242.4 million in 2023 capital expenditures which included the drilling of 23 wells in our core area of Trochu, Alberta and which included $30.6 million for major facilities and pipeline infrastructure.

- Increased Proved Developed Producing ("PDP") reserves by 21% to 17.3 MMboe and increased Total Proved ("TP") reserves by 12% to 108.7 MMboe and increased Proved plus Probable ("2P)" reserves by 12% to 202.1 MMboe.
- PDP reserves value ("NPV") increased 16% to $512.6 million (before tax at 10% discount). Total Proved ("TP") NPV increased 8% to $1.81 billion (before tax at 10% discount). Proved plus probable ("2P") NPV increased 13% to $3.24 billion (before tax at 10% discount). All values are based on GLJ's Jan 1/24 price deck.
- Recorded all-in finding, development and acquisition ("FD&A") costs, including future development costs ("FDC"), of $16.99/boe for Total Proved reserves.
- Achieved a recycle ratio of 3.7 times on a Total Proved basis based on a 2023 operating netback of $62.71/boe (excluding hedging).

President's Message

Artis' main objectives for 2023 were to increase production (and therefore PDP Reserves) and adjusted funds flow while continuing to derisk and expand its Total Proved Reserves base. Fourth quarter average production of 11,909 boe/d was a record, and represented 31% production growth compared to the fourth quarter of 2023 This translated into PDP Reserves growth of 21% to 17.3 mmboe over the year. Over the last two years the Company has grown annual production on average 24% while investing within 10% of its adjusted funds flow over the same period. In addition to the meaningful production growth the Artis team has grown its Total Proved (TP) and Proved Plus Probable (2P) reserve base by 12% to approximately 108.7 mmboe and 202.1 mmboe respectively in 2023. Using our third-party engineering evaluator's (GLJ) pricing (approximately $72.50US/bbl WTI for 2024) TP and 2P BT NPV10% values were approximately $1.8 billion and $3.2 billion respectively. GLJ's report recognizes 350 potential drill locations in its report and the Company has internally identified an additional 320 potential drill opportunities across its 376 sections (241,480 acres) of 100% operated lands. These parameters represent one of the largest sources of contiguous light oil inventory in the Canadian energy sector.

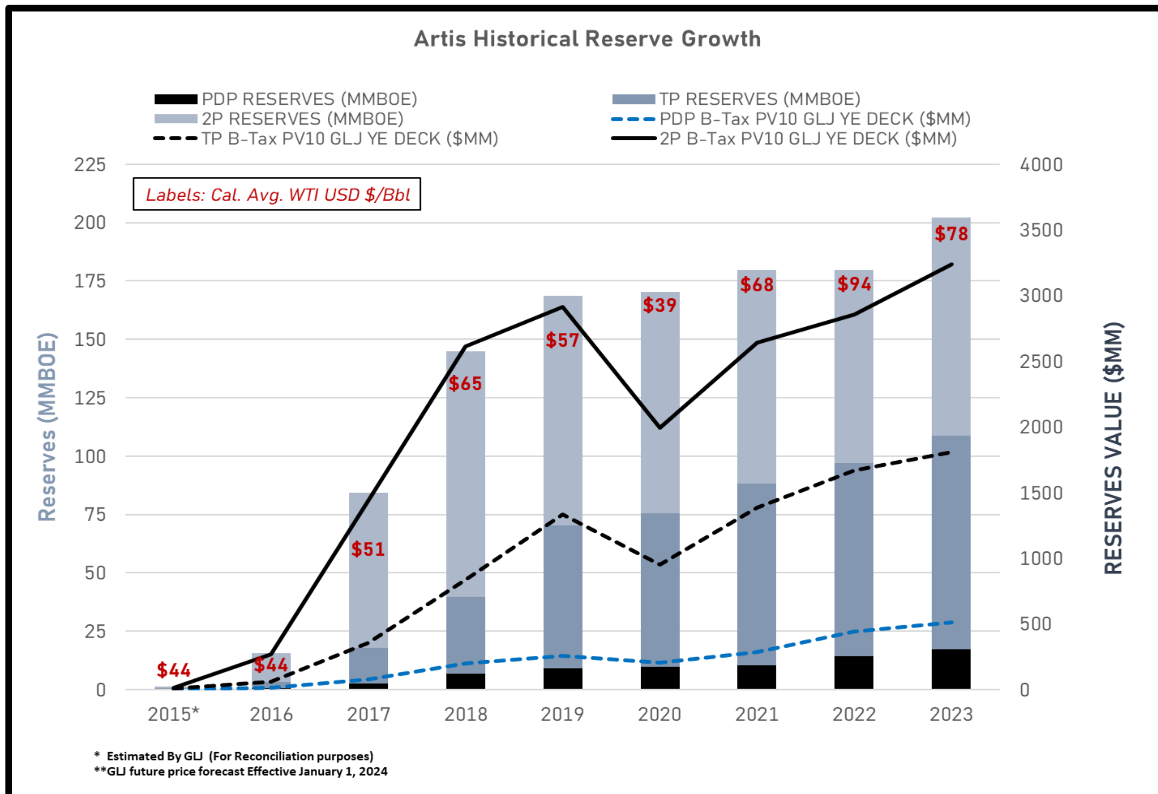
Increasingly consistent well results have driven the significant production and reserves growth over the past two years. The average of the last 40 wells in the Company's core Twining area are internally estimated to project (at 3,600 metre laterals) to approximately 480 mboe to 525 mboe recoverable reserves ("EUR"). At $80US/bbl WTI these type wells are expected to achieve on average, 0.9 year payouts and 116% rates of return ranking them amongst the top oil and gas plays in the Canadian energy sector.

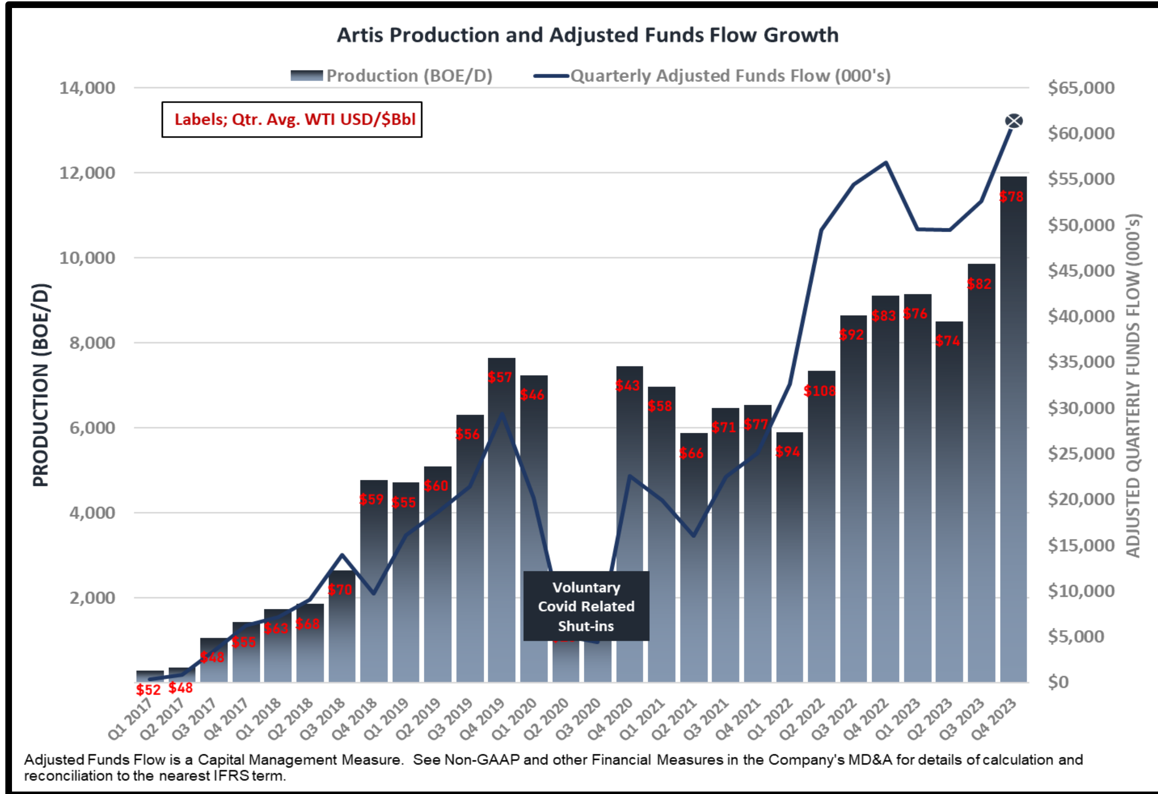
This operational success drove record fourth quarter 2023 adjusted funds flow of $61.3. million ($245.2 million annualized fourth quarter 2023 or $1.47 per diluted share), up 8% over last year despite a 16% decline in commodity prices. Adjusted funds flow growth was driven by an industry leading operating netback of $62.71/boe (before hedging) which is rooted in the Company's high-quality crude, 100% operated assets, and proximity to markets. All of the Company's assets are very accessible throughout the year within approximately 1.5 hours of major service and supply centers around Calgary and Red Deer. This combined with good operational efficiencies support operating and transportation costs of $13.39/boe combined in 2023. The Company exited the year with net debt of $182.3 million and and a strong net debt to annualized fourth quarter adjusted funds flow ratio of 0.7 times against a total bank credit facility of $300 million.

In 2023 Artis invested in a new battery providing additional crude oil capacity of 8,000 bbl/d and in upgrading owned and operated natural gas compression and processing facilities that are forecast to support growth to 20,000 boe/d. Additionally, investments in water disposal expansion and pipelines for approximately 10,000 bbl/d of capacity are expected to reduce operating costs and remove 25 trucks per day off the roads. The Company has built 3 water storage facilities and has contracted the use of municipal effluent in its project area in order to minimize its impact on surface water supply and has enough water source to triple its current rate of drilling and completions. Artis wells are typically tied in before flow-back eliminating flaring and methane emissions and wells are typically drilled and completed using fuel gas versus diesel. The Artis team is very proud of these emission-reducing and sustainable development initiatives and the Company's environmental track record in its community.

Looking forward, the Company's success and healthy balance sheet support 2024 capital investment governed by adjusted funds flow currently planned in the range of $220 - $230 million focused on the drilling

of 18-22 wells. This program is forecast to drive further average annual production growth of approximately 20% with Artis expecting the fourth quarter of 2024 to average approximately 12,500 to 13,000 boe/d.





Adjusted Funds Flow is a Capital Management Measure. See Non-GAAP and other Financial Measures in the Company's MD&A for details of calculation and reconciliation to the nearest IFRS term.

We look forward to reporting on further exceptional growth in 2024 through our upcoming quarterly communications.

Respectfully,

"Darryl Metcalfe"

Darryl Metcalfe
President & Chief Executive Officer

April 16, 2024

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, 2023 (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 2023, the Company's Total Proved reserves increased 12% to 108.7 MMboe, including Proved Developed Producing reserves that increased 21% to 17.3 MMboe. Total Proved Plus Probable reserves increased 12% to 202.1 MMboe. The Company's main focus for 2023 was converting Proved reserves to Proved Developed Producing reserves.

The following table provides summary reserves information based on the GLJ Report and using the published GLJ (2024-01-01) 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	**13,702**	**11,337**	**14,166**	**12,912**	**1,240**	**1,002**	**17,303**	**14,491**
Developed Non- Producing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Undeveloped	**72,219**	**59,126**	**75,310**	**66,740**	**6,590**	**5,241**	**91,360**	**75,490**
Total Proved	**85,921**	**70,463**	**89,476**	**79,652**	**7,829**	**6,243**	**108,663**	**89,981**
Total Probable	**78,444**	**61,875**	**59,082**	**51,005**	**5,170**	**3,916**	**93,461**	**74,292**
Total Proved plus probable	**164,364**	**132,338**	**148,559**	**130,657**	**12,999**	**10,160**	**202,123**	**164,274**

(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) While GLJ uses the technical 51-101 classification of the Companys' reserves as "tight oil", the Company refers to such reserves as light crude oil in this Annual Report.
(5) 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, 2023, and based on the published GLJ (2024-01-1) future price forecast, are summarized in the following table:

	Before Income Taxes Discounted At (% per year)			
	5%	10%	15%	20%
(000s)	*(MM$)*	*(MM$)*	*(MM$)*	*(MM$)*
Proved				
Developed Producing	**616.2**	**512.6**	**441.5**	**390.2**
Developed Non-Producing	**-**	**-**	**-**	**-**
Undeveloped	**2,059.1**	**1,298.4**	**861.0**	**590.0**
Total Proved	**2,675.3**	**1,811.1**	**1,302.5**	**980.2**
Total Probable	**2,343.1**	**1,428.1**	**950.6**	**675.3**
Total Proved plus probable	**5,018.4**	**3,239.2**	**2,253.1**	**1,655.5**

(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.

The following is the GLJ future price forecast as of January 1, 2024:

	Bank of Canada Average Noon Exchange Rate	West Texas Intermediate Crude Oil at Cushing Oklahoma	Crude Oil (40° API, 0.3%S) at Edmonton	Natural Gas (AECO)
	(US$/CDN$)	*(US$/bbl)*	*(CDN$/bbl)*	*(CDN$/mmbtu)*
2024	0.755	72.50	89.40	2.01
2025	0.755	75.00	94.04	3.42
2026	0.765	76.99	95.31	4.30
2027	0.765	78.53	97.22	4.39
2028	0.765	80.10	99.16	4.47
2029	0.765	81.70	101.14	4.56
2030	0.765	83.34	103.16	4.65
2031	0.765	85.00	105.23	4.75
2032	0.765	86.70	107.33	4.84
2033	0.765	88.44	109.48	4.94
Remainder	0.765	2.0%/year	2.0%/year	2.0%/year

Reader Advisories

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 and EUR estimates and forecasts; the type curve estimates and future associated projections and economics; the recognition of significant resources in the ESB Duvernay including potential drilling locations and opportunities; future oil and natural gas prices and the Company's commodity risk management programs; future cash flow estimates; future liquidity and financial capacity; future results from operations and operating metrics including estimated payouts, rates of return and well recovery estimates; the Company's 2024 capital program (including the base program and possible reduced or expanded programs) and associated estimates of material metrics, targets and guidance where applicable; estimated operating and well costs; the continuing and uncertain potential impact of world events including the Russia/Ukraine and Middle East conflicts 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 2024 capital budget and associated guidance for 2024 and beyond, are subject to change in light of the impact of world events including the Russia/Ukraine and Middle East conflicts, 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 and economic modeling 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 2024 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: that Artis will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities consistent with past operations; the impact of increasing competition; the general stability of the economic and political environment in which Artis 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; its accuracy of type curve estimates; 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, type wells and ultimate recoverable reserves internally estimated or 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; the early stage of development of certain evaluated areas and potential for variation in the Duverney; 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-GAAP and Other Financial 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 and other financial 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-GAAP and Other Financial Measures" contained within the Company's MD&A and incorporated herein by reference for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS. The Non-IFRS and Other Financial Measures contained in this annual report include "operating netback", "operating netback per boe", "adjusted funds flow", "funds flow", "net capital expenditures", "adjusted working capital", "net debt" and "net debt to adjusted funds flow". Non-IFRS and other Financial 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 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, 2023 (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 EUR or OOIP are based upon core estimates used for purposes of the Reserve Evaluation but are not necessarily reflective of the Company's entire land base nor are they accompanied by a discussion of the significant positive and negative factors relevant to such estimates. Variances of estimated EUR's across the Company's land base may be material. 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.

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.

Information Regarding Drilling Locations

This annual report discloses internally identified potential drilling locations or opportunities ("Drilling Locations") in the Company's core area of operations which are comprised of: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Reserve Evaluation and account for drilling inventory that have associated proved and/or probable reserves assigned by GLJ. Unbooked locations are internally identified potential drilling opportunities based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have reserves or resources attributed to them and are not estimates of drilling locations which have been evaluated by a qualified reserves evaluator performed in accordance with the COGE Handbook. There is no certainty that the Company will drill any of these potential drilling opportunities and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

The following table provides a detailed breakdown of current Artis gross potential drilling locations presented herein:

Identified Drilling Opportunities	Total Drilling	Proved Locations	Probable Locations	Unbooked Locations
Duvernay Drilling Locations	670	202	148	320

Information Regarding Type curves/Wells

Unless otherwise stated, the Artis type curves referenced herein reflect the estimated average per well proved plus probable undeveloped oil and gas assignments (EUR) for Artis' area of operations, as derived from the Company's year end

independent reserve evaluation prepared by GLJ in accordance with the definitions and standards contained in the COGE Handbook. Unless otherwise stated, the type wells are based upon all Artis producing wells in the area as well as non-Artis wells determined by the independent evaluator to be analogous for purposes of the reserve assignments. Where used and identified herein, internal forecast type curves referenced herein reflect the estimated average per well proved plus probable undeveloped oil and gas assignments (EUR) for the associated wells, as derived from internal forecasts prepared by management, and incorporate the most recent data from actual well results and would only be representative of the specific drilled locations; such a type curve does not reflect the type curves used by our independent qualified reserves evaluator in estimating our reserves volumes. There is no guarantee that Artis will achieve the estimated or similar results derived therefrom, in each case the type curve presented is that which management feels best represents the expected average drilling results based upon Artis producing wells in the area as well as non-Artis wells determined by management to be analogous for the purpose of the type curve assignments. There is no guarantee that Artis will achieve the estimates or similar results and therefore undue reliance should not be placed on them. Such information has been prepared by management, where noted, for purposes of making capital investment decisions and for internal budget preparation only.

Information Regarding Estimated Well Economics

In this annual report, Artis has included estimated well economics for selected types of wells in its core areas. These estimates have been provided for illustrative purposes and are useful in understanding management's assumptions of well performance and costs in making investment decisions in relation to future drilling and for assessing the performance of future wells. However, there is no certainty that such results will be achieved or that Artis will be able to achieve the economics, productions rates and estimated ultimate recoverable volumes assumed in the well economics described in this presentation. The estimated well economics included in this presentation are based on expected type curves that were constructed by completing appropriate reservoir and statistical analyses of analogous wells in analogous areas over the past 12 to 24 months that are most representative of the reservoirs being developed and the completion methods expected to be utilized by Artis over the next 12 to 60 months of drilling. The reserves associated with these type curves and associated estimated ultimate recoverable (EUR) volumes are proved plus probable reserves estimates. The reservoir engineering and statistical analysis methods utilized is broad and can include various methods of technical decline analyses and reservoir simulation, all of which are generally prescribed and accepted by the COGE and widely accepted reservoir engineering practices. These type curves were generated internally and, where stated as derived from the Reserve Evaluation, validated by our internal qualified reserves evaluator. Such type curves do not necessarily reflect the type curves used by our independent qualified reserves evaluator in estimating our reserves volumes. The type curves used by GLJ for Artis' most recent independent reserves evaluation as of December 31, 2023 may have different estimated ultimate recovery than the type curves upon which certain economics presented herein are based; however, this is expected as GLJ's estimates are primarily based on only historical results whereas Artis' internal type curves utilize historical and analogous information to provide an estimate of productivity and reserves in the future.

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, 2023 and December 31, 2022 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 21, 2024.

Basis of Presentation

The audited financial statements and comparative information for the years ended December 31, 2023 and December 31, 2022 have been prepared in accordance with IFRS Accounting Standards.

This MD&A contains certain specified financial measures consisting of non-GAAP financial measures, non-GAAP ratios and capital management measures. See "Non-GAAP and other Financial Measures" for information regarding the following non-GAAP financial measures, non-GAAP ratios and capital management measures used in this MD&A: "adjusted funds flow", "funds flow", "capital expenditures", "operating netback", operating netback per boe", "adjusted working capital", and "net debt" and "net debt to adjusted funds flow". Since these specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly labeled, defined, qualified and where required, reconciled with their nearest GAAP measure. See "Non-GAAP and Other Financial Measures" for further information on the definition, calculation and reconciliation of these measures.

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.

Operational and Financial Highlights

- Achieved record fourth quarter average production of 11,909 boe/d (87% liquids), up 31% from the fourth quarter of 2022 and up 21% compared to the third quarter of 2023.
- Annual average production of 9,864 boe/d (88% liquids) increased 27% compared to 2022.
- Fourth quarter 2023 adjusted funds flow(1) was $61.3 million up 8% compared to the same period in 2022 despite a 16% decrease in commodity prices. For the year 2023, adjusted funds flow of $205.3 million was up 6% compared to 2022 despite a 19% decrease in commodity prices.
- Achieved an industry leading operating netback(1) of $62.71/boe for 2023 before including realized financial derivatives ($62.59/boe after including realized financial derivatives) based on an average crude oil WTI price of $77.62 US/bbl for the year.
- Generated 2023 net earnings of $91.5 million ($0.55 per diluted share) compared to net earnings of $106.0 million ($0.64 per diluted share) in 2022.
- Artis' net debt of $182.3 million at year end corresponded to a net debt to annualized adjusted funds flow(1) ratio for the fourth quarter of 0.7 times. The Company's bank credit facility was increased from $250 million to $300 million.
- Artis invested $242.4 million in 2023 capital expenditures(1) which included the drilling of 23 gross (23.0 net) wells in its core area of Trochu, Alberta and which included $30.6 million for major facilities and pipelines.

(1) See "Non-GAAP and Other Financial Measures" contained within this MD&A.

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, our planned 2024 drilling program and management's assessment of the potential and uncertain impact of pandemics and other world events including the Russia/Ukraine and Middle East conflicts and resultant commodity price volatility on future plans and operations and the timing thereof; 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; estimates of reserves and reserves values; 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 fluctuations; 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 impacts of pandemics and world events including the Russia/Ukraine and Middle East conflicts; 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, water 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 2024 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 the continuing uncertain impact of pandemics and world events including the Russia/Ukraine and Middle East conflicts 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 may adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

Test Results and Initial Production Rates

Test results and initial production ("IP") rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long-term performance or of ultimate recovery. Readers are cautioned that short term rates should not be relied upon as indicators of future performance of these wells and therefore should not be relied upon for investment or other purposes. 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.

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.

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	
	2023	2022	**2023**	2022
Crude oil *(bbls/d)*	**9,334**	7,615	**7,951**	6,456
Natural gas *(mcf/d)*	**9,512**	5,759	**7,397**	5,305
NGLs *(bbls/d)*	**990**	533	**680**	422
Total *(boe/d)*	**11,909**	9,108	**9,864**	7,762
Liquids *(%)*	**87**	89	**88**	89

For the three months ended December 31, 2023, production averaged 11,909 boe/d (87% weighted to crude oil and NGLs), a 31% increase over the 9,108 boe/d (89% weighted to crude oil and NGLs) averaged during the same period of 2022.

During the year ended December 31, 2023, Artis' production increased 27% to average 9,864 boe/d versus 7,762 boe/d for the year ended December 31, 2022. Liquids production was 88% of total production.

The production increases were the result of 20 gross (20.0 net) new oil wells being brought on production since the start of the year.

Revenue, Realized Gains (Losses) and Unrealized Gains (Losses) and Pricing

	Three Months Ended December 31		Year Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Crude oil	**84,477**	75,943	**291,880**	280,787
Realized financial derivative loss	**(425)**	(2,849)	**(1,325)**	(26,972)
Total crude oil	**84,052**	73,094	**290,555**	253,815
Natural gas	**2,372**	3,295	**8,378**	12,525
Realized financial derivative gain (loss)	**138**	54	**875**	(457)
Total natural gas	**2,510**	3,349	**9,253**	12,068
NGLs	**3,553**	2,613	**10,014**	9,313
Total				
Sales from production	**90,402**	81,851	**310,272**	302,625
Realized financial derivative loss	**(287)**	(2,795)	**(450)**	(27,429)
Unrealized financial derivative gain	**9,748**	2,248	**4,076**	7,581
Total revenue	**99,863**	81,304	**313,898**	282,777

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Average Prices				
Crude oil *($/bbl)*	**98.37**	108.41	**100.58**	119.15
Realized derivative loss *($/bbl)*	**(0.49)**	(4.07)	**(0.46)**	(11.45)
Total crude oil sales price *($/bbl)*	**97.88**	104.34	**100.12**	107.70
Natural gas *($/mcf))*	**2.71**	6.22	**3.10**	6.47
Realized derivative gain (loss) *($/mcf)*	**0.16**	0.10	**0.33**	(0.24)
Total natural gas price *($/mcf)*	**2.87**	6.32	**3.43**	6.23
NGLs sales price *($/bbl)*	**39.02**	53.28	**40.33**	60.53
Total sales price before realized hedges *($/boe)*	**82.51**	97.69	**86.18**	106.81
Total sales price after realized hedges *($/boe)*	**82.25**	94.35	**86.05**	97.13

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, 2023, sales from production increased to $90.4 million from $81.9 million recorded in the same period of 2022. The 10% increase was due to the 31% increase in production which was partially offset by the lower overall pricing that decreased 13% to $82.51/boe from $97.69/boe recorded last year and a decrease in liquids percentage to 87% compared to 89% for the previous period. During the fourth quarter of 2023, Artis realized an average price of $97.88bbl for crude oil (including a $0.49/bbl realized loss from financial derivative contracts) and $2.87/mcf for natural gas (including a $0.16/mcf realized gain from financial derivative contracts) and $39.02/bbl for NGLs.

For the year ended December 31, 2023, sales from production increased 3% to $310.3 million from $302.6 million last year due primarily to a 27% increase in production which was partially offset by a 11% decrease in realized pricing and a decrease in liquids percentage to 88% compared to 89% for the previous year. The Company realized an average price of $100.12/bbl for crude oil (including a $0.46/bbl realized loss from financial derivative contracts) and $3.43/mcf for natural gas (including a $0.33/mcf realized gain from financial derivative contracts) and $40.33/bbl for NGLs. For the year 97% (2022 – 96%) of the Company's revenue was derived from crude oil and NGL sales.

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

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
Average Benchmark Prices				
Crude oil – WTI *(US$/bbl)*	**78.32**	82.64	**77.62**	94.23
MSW differential *(US$/bbl)*	**(5.16)**	(1.61)	**(3.20)**	(1.78)
Crude oil – MSW EDM par *(CDN$/bbl)*	**99.67**	110.03	**100.57**	120.05
Natural gas – AECO spot daily index *($/GJ)*	**2.18**	4.85	**2.50**	5.04
Exchange rate *(CDN$/US$)*	**1.36**	1.36	**1.35**	1.30

Artis' realized corporate oil price in general tracks the posted MSW 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	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Realized loss on financial instruments	**(287)**	(2,795)	**(450)**	(27,429)
Per boe	**(0.26)**	(3.34)	**(0.13)**	(9.68)
Unrealized gain on financial instruments	**9,748**	2,248	**4,076**	7,581
Per boe	**8.90**	2.68	**1.13**	2.68

The Company held the following derivative commodity contracts at December 31, 2023:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$105.70/bbl	Swap	482
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$107.00/bbl	Swap	542
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$107.55/bbl	Swap	567
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$113.15/bbl	Swap	821
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$113.93/bbl	Swap	857
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$115.10/bbl	Swap	910
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	NYMEX – WTI CAD$	$111.52/bbl	Swap	743
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	MSW – US$ WTI differential	($3.68)/bbl	Swap	146
Total						5,068

Subsequent to December 31, 2023, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI CAD$	$102.76/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI USD$	$79.70/bbl	Swap

Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI USD$	$81.00/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	NYMEX – WTI CAD$	$102.85/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	NYMEX – WTI USD$	$77.00/bbl	Swap
Crude oil	1,000 bbls/day	July 1, 2024 – September 30, 2024	NYMEX – WTI CAD$	$100.86/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	MSW – US$ WTI differential	($4.35)/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	MSW – US$ WTI differential	($3.54)/bbl	Swap

Royalties

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Royalties				
Crown	**8,345**	4,581	**26,326**	18,343
Freehold/GORR	**2,548**	2,458	**9,967**	10,227
Total royalties	**10,893**	7,038	**36,293**	28,570
Total royalties *($/boe)*	**9.94**	8.40	**10.08**	10.08
	(%)	*(%)*	*(%)*	*(%)*
% of Revenue				
Crown	**9.2**	5.6	**8.5**	6.1
Freehold/GORR	**2.8**	3.0	**3.2**	3.4
Total	**12.0**	8.6	**11.7**	9.4

For the quarter ended December 31, 2023, the Company recorded $10.9 million in total royalties or 12.0% of revenue versus $7.0 million or 8.6% of revenue a year ago. Approximately 9.2% of total revenue paid in the fourth quarter of 2023 consisted of Crown royalties and 2.8% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 5.6% and 3.0%, respectively, in the 2022 three-month period. For the year ended December 31, 2023, total royalties were $36.3 million or 11.7% of revenue versus $28.6 million and 9.4% of revenue a year ago.

The increase in the crown royalty percentages related to some of the Company's wells reaching payout for the Alberta C* royalty calculation. When wells reach payout the royalty rate goes from 5% to approximately 25-28% depending on pricing and production rates.

Operating Expenses

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**8,810**	7,590	**34,446**	27,177
Operating expenses *($/boe)*	**8.04**	9.06	**9.57**	9.59

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 $8.8 million for the fourth quarter of 2023 compared to $7.6 million recorded a year ago. Operating costs on a per boe basis decreased 11% to $8.04/boe from $9.06/boe in 2022 mainly because of a reduction in water trucking costs and a 31% increase in production which provides for better economies of scale.
For the year ended December 31, 2023, operating costs were $34.4 million or $9.57/boe compared to $27.2 million or $9.59/boe in 2022.

Transportation Expenses

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Transportation expenses	**3,544**	3,312	**13,741**	11,572
Transportation expenses *($/boe)*	**3.23**	3.95	**3.82**	4.08

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, 2023, transportation costs were $3.5 million or $3.23/boe compared to $3.3 million or $3.95/boe for the same period of 2022. Transportation costs were down 18% in the fourth quarter of 2023 mainly because of a greater blending benefit relating to crude oil that was effective October 1, 2023 on future pipeline tolls. Artis also received a $0.2 million transporation trucking credit in the fourth quarter from the Alberta Petroleum Marketing Commission ("APMC") relating to crown oil volumes taken in kind by the APMC.

During 2023, transportation costs totaled $13.7 million or $3.82/boe versus $11.6 million or $4.08/boe in 2022.

Operating Netbacks [1]

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
($/boe)	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	**82.51**	97.69	**86.18**	106.81
Royalties	**(9.94)**	(8.40)	**(10.08)**	(10.08)
Operating	**(8.04)**	(9.06)	**(9.57)**	(9.59)
Transportation	**(3.23)**	(3.95)	**(3.82)**	(4.08)
Operating netback before realized loss on derivative instruments	**61.29**	76.27	**62.71**	83.05
Realized loss on derivative Instruments	**(0.26)**	(3.34)	**(0.12)**	(9.68)
Operating netback after realized loss on financial derivatives	**61.03**	72.94	**62.59**	73.37

[1] *See "Non-GAAP and Other Financial Measures" contained within this MD&A.*

Operating netbacks for the fourth quarter of 2023 were down 16% from the fourth quarter of 2022 primarily because commodity prices were down 13% inclusive of realized losses on derivative instruments and royalties were up 40% which was partially offset by a 13% decrease in operating and transportation costs.

Operating netbacks for the year were down 15% from the previous year primarily because commodity prices were down 11% inclusive of realized losses on derivative instruments and royalties were up 24%.

General and Administrative ("G&A") Expenses

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Gross costs	**3,120**	2,345	**11,330**	8,853
Capitalized costs	**(1,030)**	(768)	**(3,809)**	(3,053)
G&A expenses	**2,090**	1,577	**7,521**	5,800
Per unit of production *($/boe)*	**1.91**	1.88	**2.09**	2.05

For the three months ended December 31, 2023, G&A expenses totaled $2.1 million or $1.91/boe compared to $1.6 million or $1.88/boe recorded in the same period a year ago. During the fourth quarter of 2023, the Company capitalized G&A totalling $1.0 million (2022 – $0.8 million) with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses increased 33% primarily because of increased employee bonuses paid out in 2023 as compared to 2022. Also consulting fees and insurance costs also increased as the Company's level of activity increased in 2023 over 2022.

For the year ended December 31, 2023, G&A expenses totaled $7.5 million compared to $5.8 million recorded last year. For the year ended December 31, 2023 and 2022, the Company capitalized $3.8 million and $3.1 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. As mentioned above the increase was because of increased employee bonuses, insurance costs, consulting fees and also bank fees.

On a per boe basis, G&A expenses remained consistent with last period as Artis' production has increased in the same relative proportion as G&A expenses.

Share-Based Compensation Expense

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**330**	3,442	**4,650**	4,979
Capitalized expenses	**(126)**	(1,358)	**(1,464)**	(1,779)
Total share-based compensation	**204**	2,084	**3,186**	3,200

The Company recognizes share-based compensation expense for stock options issued. During the fourth quarter of 2023, Artis recorded non-cash share-based compensation expense of $0.2 million (2022 – $2.1 million) and capitalized $0.1 million (2022 – $1.4 million) for total share-based compensation of $0.3 million (2022 – $3.4 million). The large amount for the fourth quarter of 2022 related to the Company extending the expiry date on 1.3 million options with an exercise price of $1.60 per option to November 23, 2023. Also the Company extended the expiry date on 2.8 million options with an exercise price of $2.75 and 1.9 million options with an exercise price of $1.35 to November 30, 2024.

The Company had non-cash share-based compensation expense of $3.2 million for the year ended December 31, 2023 (2022 – $3.2 million) and capitalized $1.5 million (2022 – $1.8 million) for total share-based compensation of $4.7 million (2022 – $5.0 million).

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

Finance Expenses

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense on credit facility	**3,288**	2,490	**11,727**	7,776
Standby fees on credit facility	**209**	220	**822**	849
Interest expense on lease obligations	**52**	11	**137**	44
Accretion of decommissioning obligations	**102**	331	**590**	584
Finance expenses	**3,650**	3,051	**13,276**	9,253
Per unit of production ($/boe)	**3.33**	3.64	**3.69**	3.27

The Company incurred $3.3 million (2022 - $2.5 million) of interest expense in the fourth quarter of 2023 and $11.7 million (2022 - $7.8 million) for the year ended December 31, 2023. The increase in interest expenses was mainly a result of increases in interest rates during the year and increased levels of net debt. The average interest rate for the quarter was approximately 8.4% (2022 – 7.1%) and for the year it was approximately 8.2% (2022 – 5.8%). The Company incurred credit facility stand-by fees of $0.8 million (2022 - $0.8 million) for the year ended December 31, 2023.

The Company's accretion expense for the three-month period ended December 31, 2023 was $102,000 versus $331,000 in the comparable period of 2022 and $590,000 for the year ended December 31, 2023 as compared to $584,000 for the prior period. Accretion expense increases as the cumulative number of wells drilled increases each year. It is also affected by changes in discount factors and inflation rates.

Depletion and Depreciation ("D&D") Expense

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
D&D expense	**23,328**	17,779	**77,108**	52,032
D&D expense *($/boe)*	**21.29**	21.22	**21.42**	18.36

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 2023 depletion and depreciation expense included an estimated $3.3 billion (2022 – $2.9 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.2 million (2022 – $2.0 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.

The Company's D&D expense for the three months ended December 31, 2023 was $23.3 million or $21.29/boe versus $17.8 million or $21.22/boe for the comparable period of 2022. For the year ended December 31, 2023, total D&D expense was $77.1 million or $21.42/boe compared to $52.0 million or $18.36/boe for the prior year. The D&D expense on a boe basis increased 17% for 2023 mainly because future development costs increased 10% compared to last year because of increased drilling and completion costs incorporated into the Company’s year-end reserve report.

Exploration and Evaluation Expense

For the year ended December 31, 2023, Artis recorded an exploration and evaluation expense of $9.6 million versus $6.7 million a year ago. The 43% increase in exploration and evaluation expenses relates to the increase in 2023 undeveloped land expiries as compared to 2022.

Deferred Income Taxes

For the year ended December 31, 2023, Artis recorded a deferred income tax expense in the amount of $27.3 million compared to a $32.6 million expense in the prior year. The year-over-year decrease in deferred income taxes was a result of the decrease in net income compared to the previous year. In 2023, the blended statutory tax rate was 23.0% (December 31, 2022 – 23%).

Artis was not subject to any corporate income taxes for 2023 or 2022. Based on the Company's forecasted cash flow and capital spending and available tax pools, the Company does not expect to be taxable in 2024. The Company has approximately $547.1 million of income tax pools available for deduction against future taxable income as at December 31, 2023.

Cash Provided by Operating Activities, Adjusted Funds Flow and Net Income

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Cash provided by operating activities	**56,913**	52,221	**213,943**	175,754
Per share – basic	**0.36**	0.33	**1.34**	1.10
– diluted	**0.34**	0.31	**1.29**	1.06
Adjusted funds flow (1) (2)	**61,291**	56,828	**205,286**	193,462
Per share (1) (2) – basic	**0.38**	0.35	**1.28**	1.21
– diluted	**0.37**	0.34	**1.24**	1.16
Net income	**35,539**	28,612	**91,470**	105,980
Per share – basic	**0.22**	0.18	**0.57**	0.66
– diluted	**0.21**	0.17	**0.55**	0.64

(1) Adjusted funds flow per share has been calculated using the same denominator as was used in calculating net income per share.

(2) See "Non-GAAP and Other Financial Measures".

Adjusted funds flow for the fourth quarter ended December 31, 2023, increased 8% compared to the previous period mainly due to production increasing 31% partially offset by realized operating netbacks decreasing 16% with commodity prices down 13% and royalties up 40%. Net income increased to $35.5 million (2022 – $28.6 million) for the fourth quarter of 2023 again because of the rise in production volumes over 2022 partially offset by decreased realized operating netbacks.

Adjusted funds flow for the year ended December 31, 2023, increased 6% compared to the previous period mainly due to production increasing 27% partially offset by realized operating netbacks decreasing 15% with realized commodity prices down 11% and royalties increasing 24%. Net income decreased to $91.5 million (2022 – $106.0 million) for the year again mainly because of higher production more than offset by lower commodity prices and higher royalty and interest expenses.

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

During the three months and year ended December 31, 2023, the Company invested $51.9 million and $242.4 million, respectively, in total capital expenditures which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $40.3 million and $195.8 million in the respective periods of 2022.

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Drilling and completions	**43,190**	30,515	**182,248**	152,834
Equipment and facilities	**4,886**	7,341	**51,481**	35,394
Land and lease retention	**2,777**	1,668	**4,865**	4,158
Capitalized G&A	**1,030**	767	**3,807**	3,050
Geological and geophysical	**-**	-	**-**	324
Other	**6**	-	**47**	45
Total capital expenditures (1)	**51,889**	40,291	**242,448**	195,805

(1) See "Non-GAAP and Other Financial Measures"

During the fourth quarter of 2023, the Company incurred $43.2 million (2022 – $30.5 million) in drilling and completion expenditures that involved the drilling and completion of 5 (5.0 net) horizontal oil wells as compared to the drill of 2 (2.0 net) oil wells and completion of 4 (4.0 net) oil wells for the prior period. Equipping and

facilities expenditures for the three months ended December 31, 2023 were $4.9 million (2022- $7.3 million), which included $2.0 million (2022 - $2.5 million) for major facilities and pipelines. During the fourth quarter of 2023, the Company invested $3.8 million on land and seismic as well as capitalized G&A and other corporate assets versus $2.4 million in 2022.

Drilling and completion expenditures totaled $182.2 million for the year ended December 31, 2023, (2022 – $152.8 million) that involved the drilling of 23 (23.0 net) horizontal oil wells and completion of 20 (20.0 net) horizontal oil wells versus the drilling and completion of 19 (19.0 net) horizontal wells for the same period in 2022. Equipping and facilities expenditures for the year ended December 31, 2023 and 2022 were $51.5 million and $35.4 million, respectively which included $30.6 million (2022 - $20.7 million) for major facilities and pipelines. During the year, the Company invested $8.7 million on land and seismic as well as capitalized G&A and other corporate assets versus $7.3 million for 2022.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Year Ended December 31, 2023		
Crude oil (horizontal)	**23**	**23.0**
Total wells	**23**	**23.0**
Average working interest *(%)*		**100**
Year Ended December 31, 2022		
Crude oil (horizontal)	19	19.0
Total wells	19	19.0
Average working interest *(%)*		100

Share Capital

Common Shares	Shares	Amount
(000s)	*(#)*	*($)*
Balance – December 31, 2023 and December 31, 2022	**160,197**	**372,361**

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted Average Shares Outstanding				
Basic	**160,197**	160,197	**160,197**	**160,197**
Diluted	**165,602**	166,121	**165,602**	**166,121**
Outstanding Securities				
Common shares	**160,197**	160,197	**160,197**	**160,197**
Options	**15,323**	14,748	**15,323**	**14,748**
Performance warrants	**21,685**	21,765	**21,685**	**21,765**
Retention awards	**308**	308	**308**	**308**

As at March 21, 2024, Artis had 160.2 million common shares outstanding along with 15.3 million stock options with an average exercise price of $1.99 per share, 21.7 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 2023 capital expenditures is expected to be provided by cash generated from operating activities, current working capital and the Company’s $300.0 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 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, 2023 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.

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 bank debt 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 1.5 to 1.0. As at December 31, 2023, Artis' ratio of net debt to annualized funds flow was 0.7:1.0 (December 31, 2022 – 0.6:1.0). 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 second net debt ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by the credit facility availability. The Company's ratio of net debt to credit facility availability was 61% at December 31, 2023 (December 31, 2022 – 58%). In November 2023, Artis’ credit facility was increased from $250 million to $300 million.

Years Ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Current assets	**35,098**	36,436
Current liabilities	**(30,802)**	(20,972)
Exclude - Derivative financial instruments	**(5,068)**	(992)
Exclude current portion of lease obligations	**686**	
Exclude - Current portion of lease obligations	**80**	319
Adjusted working capital (1)	**(6)**	14,792
Bank debt	**(182,273)**	(159,148)
Net debt (1)	**(182,279)**	(144,356)

Annualized funds flow for three months ended:	**December 31, 2023**	December 31, 2022
Net cash from operating activities	**56,913**	52,221
Change in non-cash working capital	**4,283**	4,482
Decommissioning obligations	**95**	125
Adjusted funds flow (1)	**61,291**	56,828
Annualized funds flow	**245,164**	227,310
Net debt to annualized funds flow	**0.7**	0.6
Credit facility available	**300,000**	250,000
Net debt to credit facility available	**61%**	58%

(1) See "Non-GAAP and Other Financial Measures".

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. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before May 31, 2024. 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.

Bank Debt

At December 31, 2023, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (the "Facility") of which $182.3 million (December 31, 2022 – $159.1 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, 2024. 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 17.2 at December 31, 2023. 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, 2024. 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 $700 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, 2023 the Company's applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on CORRA and SOFR loans along with a 0.75 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.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	**Q4 2023**
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	54,622	83,217	82,934	81,851	71,886	63,874	84,111	**90,115**
Cash flow from operating activities	30,323	42,224	50,985	52,221	71,533	45,865	39,632	**56,913**
Per diluted share	0.18	0.25	0.31	0.31	0.43	0.28	0.24	**0.34**
Adjusted funds flow [(1)]	32,642	49,498	54,495	56,828	49,555	41,816	52,625	**61,291**
Per diluted share	0.20	0.30	0.33	0.34	0.30	0.25	0.32	**0.37**
Net income	9,259	31,437	36,671	28,612	20,818	17,201	17,912	**35,539**
Per share – basic	0.06	0.20	0.23	0.18	0.13	0.11	0.11	**0.22**
– diluted	0.06	0.19	0.22	0.17	0.13	0.10	0.11	**0.21**
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Capital expenditures [(1)]	45,480	55,388	54,645	40,291	68,890	64,289	57,379	**51,889**
Net debt [(1)]	154,449	160,436	160,648	144,356	163,755	186,427	191,379	**182,279**
Shareholders' equity	488,587	520,846	557,935	589,962	610,986	631,966	650,212	**686,082**
Production								
Crude oil *(bbls/d)*	4,823	6,178	7,172	7,615	7,559	6,947	7,944	**9,334**
Natural gas *(mcf/d)*	4,672	4,981	5,793	5,759	6,392	6,447	7,204	**9,512**
NGLs *(bbls/d)*	300	335	514	533	529	483	713	**990**
Total *(boe/d)*	5,902	7,342	8,652	9,108	9,154	8,505	9,858	**11,909**
Liquids *(%)*	87	89	89	89	88	87	88	**87**
Average wellhead prices								
Crude oil *($/bbl)*	116.46	137.03	117.08	108.41	99.16	95.77	108.64	**98.37**
Natural gas *($/mcf))*	5.92	8.94	5.05	6.22	3.85	2.95	3.11	**2.71**
NGLs *($/bbl)*	58.59	69.94	63.09	53.28	46.36	36.38	40.43	**39.02**
Total *($/boe)*	102.83	124.55	104.19	97.69	87.26	82.53	92.74	**82.51**
Royalties *($/boe)*	(9.55)	(11.63)	(10.92)	(8.40)	(8.11)	(9.39)	(12.63)	**(9.94)**
Operating costs *($/boe)*	(10.72)	(10.19)	(8.90)	(9.06)	(10.22)	(10.52)	(10.01)	**(8.04)**
Transportation costs *($/boe)*	(3.80)	(4.65)	(3.94)	(3.95)	(4.08)	(4.18)	(3.96)	**(3.23)**
Operating netback before derivatives *($/boe)* [(1)]	78.76	98.08	80.43	76.27	64.85	58.43	66.15	**61.29**
Gain (loss) on derivatives	(12.24)	(18.93)	(6.88)	(3.34)	0.79	1.63	(2.29)	**(0.26)**
Operating netback after derivatives *($/boe)* [(1)]	66.52	79.15	73.55	72.94	65.64	60.06	63.86	**61.03**

(1) See "Non-GAAP and Other Financial Measures".

Selected Annual Information

	Year ended Dec. 31, 2023	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021
(000s, except per share amounts)	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	**310,272**	302,625	168,562
Cash provided by operating activities	**213,943**	175,754	85,250
Per share – diluted	**1.29**	1.06	0.51
Adjusted funds flow (1)	**205,286**	193,462	83,552
Per share – diluted	**1.24**	1.16	0.50
Net income	**91,470**	105,980	27,074
Per share – basic	**0.57**	0.66	0.17
– diluted	**0.55**	0.64	0.16
Daily production (boe/d)	**9,864**	7,762	6,465
Average realized commodity price ($/boe)	**86.05**	97.13	58.47
Total capital expenditures	**242,448**	195,805	108,197
Total assets	**1,013,055**	853,301	696,496

(1) See Non-GAAP and Other Financial Measures.

Over the last three years, a volatile commodity price environment has had a significant impact on revenue, cash provided by operating activities, adjusted funds flow and net income. The recovery of oil and natural gas prices, after an extended period of poor fundamentals for crude oil pricing and the initial impact of COVID-19, provided Artis with the opportunity to strategically increase capital spending to grow production and improve the Company's sustainability. The increased production which more than offset the decrease in oil and gas prices over the past year had a positive impact on petroleum and natural gas revenues, cash provided by operating activities, and adjusted funds flow for 2023 compared to 2022.

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

- The Russian/Ukraine conflict had a dramatic effect on commodity prices during 2022. Crude oil prices increased 48% in 2022 as compared to 2021 and then decreased 16% in 2023 compared to 2022.

- Revenue is directly impacted by the Company's ability to replace existing declining production and add incremental production through its ongoing capital expenditure program. The Company drilled 11 wells in 2021 when crude oil prices recovered from the effects of COVID-19. Production increased 43% in 2021 compared to 2020. In 2022 the Company drilled 18 wells when crude oil prices rose to a level where capital expenditures were almost totally funded by adjusted funds flow. Production increased 20% in 2022 compared to 2021. In 2023, Artis drilled 23 wells and completed 20 wells which resulted in production increasing 27% over 2022.

- As the Company's production has increased significantly over the last 3 years, Artis has had to increase its facility infrastructure to accommodate the increased volumes. In 2023 the Company invested $30.6 million (2022 - $20.7 million) in major facilities and pipelines.

Environmental Regulations

As a result of our involvement in the exploration for and production of oil and natural gas we are subject to various emissions, carbon and other environmental regulations. Refer to the "Business Risk and Uncertianties" section of this MD&A for a full description of the risks associated with these regulations and how they may impact our business in the future.

Reporting Regulations

In June 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* which are effective for annual reporting periods beginning on or after January 1, 2024. These

standards provide for transition relief in IFRS S1 that allow a reporting entity to report on only climate-related risks and opportunities in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standard, including the effective annual reporting dates. The CSA issued proposed National instrument *NI-51-107 – Disclosure of Climate-related Matters* in October 2021. The CSA intends to consider the ISSB standards in addition to developments in United States reporting requirements in its decision relating to development of climate-related disclosure requirements for Canadian reporting issuers. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for a combined review of the suitability of the adopting the ISSB standards in Canada. There is no requirement for public companies in Canada to adopt the ISSB standards until the CSA and CSSB have issued a decision on reporting requirements in Canada. While we are actively reviewing the ISSB standards we have not yet determined the impact on future financial statements nor have we quantified the costs to comply with such standards.

Off-Balance Sheet Transactions

The Company does not have any special purpose entities nor is it a party to any material arrangements that would be excluded from the balance sheet.

Use of Estimates and Judgements

Critical and other 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 and other 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.

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 Uncertainties

Artis' activities expose it to a variety of financial and operational risks and uncertainties that arise as a result of its exploration, development, production and financing activities. Artis' business could also be affected by additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial. If any of these risks actually occur, it could materially harm Artis' business, financial condition, results of operations, cash flows or impair the Company's ability to implement business plans or complete development activities as scheduled. While the following sections discuss some of these risks, they should not be construed as exhaustive.

General

The global economy continued to show signs of recovery from the impacts of the COVD-19 pandemic. Global spot prices for crude oil have recovered. Market events and conditions including aggression by Russia towards Ukraine, including sanctions, taken by NATO nations against this aggression have caused significant volatility in commodity prices. Since Russia's invasion of Ukraine in early 2022 and in 2023 conflicts in the Middle East, there has been emerging global concerns over oil and natural gas supply which has resulted in higher and more volatile benchmark commodity prices. Additionally, the conflict contributed to increased inflationary pressures on governments, businesses and communities which have been rising since 2021. In response to increasing inflation central banks around the globe began increasing interest rates which continued throughout 2022 and 2023.

The Company's business, financial condition, results of operations, cash flows, access to capital, cost of borrowing, access to liquidity may be adversely impacted as a result of pandemics, world geo-political events and/or decline in commodity prices.

In 2022 and 2023, industry has been impacted by significant cost inflation, rising interest rates, labour shortages and supply constraints, and the Company expects these pressures will continue through the balance of the year and into next year. The Company will continue to actively monitor inflationary pressures and supply chain constraints and their impact of the Company's business.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board ("ISSB") has issued exposure drafts for its IFRS Sustainability Disclosure Standard Disclosure with the aim to develop sustainability disclosure stabdards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators ("CSA") published for comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. The Company is awaiting further guidance in 2023 from the ISSB and CSA on their final rules. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

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.

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, 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.

Credit Facility Arrangements

Failing to comply with covenants under the Company's credit facility could result in restricted access to additional capital or being required to repay all amounts owing thereunder. The Company currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which, from time to time, either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. A failure to comply with covenants could result in default under the Company's credit facility, which could result in the Company being required to repay amounts owing thereunder.

The Company's credit facility is determined by reference to a borrowing base: The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to determine periodically the Company's borrowing base. Any decrease in commodity prices could reduce the Company's borrowing base, reducing the funds available to the Corporation under the credit facility. This could result in the requirement to repay a portion, or all, of the Company's indebtedness.

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

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. Artis 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.

Hedging

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

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

Similarly, from time to time, the Company may enter into agreements to fix the exchange rate of Canadian dollars to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Operational Risks

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

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

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

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

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

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered.

Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail

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

The Company delivers its products through gathering and processing facilities, pipeline systems and by truck. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucking and railway lines. Unexpected shut-downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results.
A portion of the Company's production may, from time to time, be processed through facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Company's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

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

The Company's estimated reserves are based on numerous factors and assumptions which may prove incorrect and which may affect the Company. There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

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

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

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

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

Actual production and cash flows derived from the Company’s oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation

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

Hydraulic Fracturing and Availability of Water

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Company's financial position. The Company's operations are dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities. Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil, liquids and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing have resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity and completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and/or third-party or governmental claims, and could increase the Company's costs of compliance and doing business, as well as delay the development of oil, liquids and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Company operates could result in the Company being unable to economically recover its oil and gas reserves, which would result in a significant decrease in the value of the Company's assets.

Water is an essential component of the Company's drilling and hydraulic fracturing processes. Limitations or restrictions on the Company's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. This winter has been unusually dry and as a result, snowpack, rivers and reservoirs around the province are low. For the first time since 2001, Alberta’s Drought Command Team has been authorized to negotiate water-sharing agreements with water license holders, including the Red Deer River, Bow River and Old Man River basins, to manage water use and mitigate the risks of drought. If the Company is unable to obtain water to use in its operations from local sources, water may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on its financial condition, results of operations, and cash flows. In addition, the Company must dispose of the fluids produced from oil, NGL and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Injection of produced water into underground formations for disposal purposes has the potential to cause seismic events. A consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Company or by commercial disposal well vendors that the Company may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Company having to limit disposal well volumes, disposal rates and pressures or locations, or require the Company to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Company's business, financial condition, and results of operations.

Financial, Commodity Price, Capital Expenditures and Liquidity

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.

Insurance

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

The Company's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Company to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Company's overall risk exposure could be increased and the Company could incur significant costs.

Expiration of Licenses and Leases

The Company may fail to meet the requirements of a licence or lease, causing its termination or expiry. The Company's properties are held in the form of licences and leases. If the Company fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases relating to a licence or lease and the associated abandonment and reclamation obligations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Environmental Risks

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

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

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.

Climate Change

Climate change concerns could result in increased operating costs and reduced demand for the Company's products and shares, while the potential physical effects of climate change could disrupt the Corporation's production and cause it to incur significant costs in preparing for or responding to those effects.

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially fossil fuel combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG, including emissions of carbon dioxide and methane from the production and use of oil and natural gas. The majority of countries, including Canada and the United States, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 United Nations Climate Change Conference, Canada's Prime Minister Justin Trudeau made several pledges regarding reducing Canada's emissions and at the 2023 United Nations Climate Change Conference, Canada renewed its commitments to transitioning away from fossil fuels and further cutting emissions. The Company faces both transition risks and physical risks associated with climate change and climate change policy and regulations.

Regulatory

The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Further, the ongoing third-party challenges to regulatory decisions or orders has reduced the efficiency of the regulatory regime, as the implementation of the decisions and orders has been delayed resulting in uncertainty and interruption to business of the oil and natural gas industry.

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

Political Uncertainty

The Company's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the

Company's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Company's activities or restrict the operation of third-party infrastructure that the Company relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation, may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Company's results.

Other government and political factors that could adversely affect the Company's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Company's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Company's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy.

The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Company's activities.

Inflation and Rising Interest Rates

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

Recently in Canada, the United States and other countries there have been high levels of inflation, supply chain disruptions, equipment limitations and escalating supply costs. These factors have resulted in the escalation of operating costs of the Corporation. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

In addition, many central banks, including the Bank of Canada and U.S. Federal Reserve, have taken steps to raise interest rates in an attempt to combat inflation. The rise in interest rates may impact the Corporation's borrowing costs. Any increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows of the Corporation. The rising interest rates could also result in a recession in Canada, the United States or other countries in the world. A recession may have a negative impact on demand for oil and natural gas which would result in a decrease in commodity prices. A decrease in commodity prices would immediately impact the Corporation's revenues and cash flows and could also reduce drilling activity on the Corporation's properties. It is unknown how long inflation will continue to impact the economies of Canada and the United States and the impact inflation and rising interest rates will have on demand for oil and gas and commodity prices.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of

oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Corporation's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Corporation's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Company's operations, which may have a negative impact on the Company's financial results. To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract.

An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, resulting in a reduced amount of funds available to fund its exploration and development activities

Non-GAAP and other Financial Measures

This MD&A contains the terms “capital expenditures” and “operating netback” which are considered “non-GAAP financial measures” and “operating netback per boe”, “net debt to adjusted funds flow”, “adjusted funds flow per basic share” and “adjusted funds flow per diluted share” which are considered “non-GAAP ratios”. These terms do not have a standardized meaning prescribed by GAAP. In addition, this MD&A contains the terms “adjusted working capital”, “net debt”, “funds flow” and “adjusted funds flow”, which are considered “capital management measures”. Accordingly, the Company’s use of these specified financial measures may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to financial measures as determined in accordance with GAAP and these measures should not be considered to be more meaningful than GAAP measures in evaluating the Company’s performance.

Non-GAAP Financial Measures

Capital Expenditures

Management uses the term “capital expenditures” as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestures and such spending is compared to the Company’s annual budgeted capital expenditures. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures, is set forth below:

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash used in investing activities (per GAAP)	**58,552**	65,308	**236,402**	192,772
Change in non-cash working capital (deficit)	**(6,663)**	(25,017)	**6,046**	3,033
Total capital expenditures	**51,889**	40,291	**242,448**	195,805

Operating Netback

Management uses the term “operating netback” as a key performance indicator and one that is commonly presented by other oil and natural gas producers. Operating netback is defined as the sum of commodity sales from production and realized gains (losses) on derivative instruments less the sum of royalties, transportation costs and operating expenses. A summary of the reconciliation of operating netback from commodity sales from production, which is a GAAP measure, is set out below:

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
Petroleum and natural gas revenues	**90,402**	81,851	**310,272**	302,625
Realized loss on derivative instruments	**(287)**	(2,795)	**(450)**	(27,429)
Royalties	**(10,893)**	(7,038)	**(36,293)**	(28,570)
Operating	**(8,810)**	(7,590)	**(34,446)**	(27,177)
Transportation	**(3,544)**	(3,312)	**(13,741)**	(11,572)
Operating netback	**66,868**	61,114	**225,342**	207,876

Non-GAAP Ratios

Operating Netback per boe

Management calculates "operating netback per boe" as operating netback divided by total production for the period. Netback per boe is a key performance indicator and measure of operational efficiency and one that is commonly presented by other oil and natural gas producers. A summary of the calculation of operating netback per boe, is set out below:

	Three Months Ended December 31		Years Ended December 31	
($/boe)	**2023**	2022	**2023**	2022
Petroleum and natural gas revenues	**82.51**	97.69	**86.18**	106.81
Royalties	**(9.94)**	(8.40)	**(10.08)**	(10.08)
Operating	**(8.04)**	(9.06)	**(9.57)**	(9.59)
Transportation	**(3.23)**	(3.95)	**(3.82)**	(4.08)
Operating netback before realized loss on financial derivatives *($/boe)*	**61.29**	76.27	**62.71**	83.05
Realized loss on derivative instruments *($/boe)*	**(0.26)**	(3.34)	**(0.12)**	(9.68)
Operating netback after realized loss on financial derivatives *($/boe)*	**61.03**	72.94	**62.59**	73.37

Net Debt to Adjusted Funds Flow

Artis utilizes net debt to adjusted funds flow to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Artis monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns. Net debt to adjusted funds flow is calculated as net debt divided by adjusted funds flow for the trailing twelve month period or annualized three month period.

Adjusted Funds Flow per basic share

Artis utilizes adjusted funds flow per share as a measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities and capital expenditures on a per basic share basis. Adjusted funds flow per basic share is calculated using adjusted funds flow divided by the weighted average basic shares outstanding.

Adjusted Funds Flow per diluted share

Artis utilizes adjusted funds flow per share as a measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities and capital expenditures on a per diluted share basis. Adjusted funds flow per basic share is calculated using adjusted funds flow divided by the weighted diluted basic shares outstanding.

Capital Management Measures

Adjusted Working Capital

Management utilizes "adjusted working capital" to monitor its capital structure, liquidity and its ability to fund current operations. Adjusted working capital is calculated as current liabilities less current assets (adjusted for fair value of derivative financial instruments and current lease liabilities). A summary of the composition of adjusted working capital is set out below:

	December 31, 2023	December 31, 2022
(000s)	*($)*	*($)*
Working capital	**4,296**	15,464
Exclude - Derivative financial instruments	**(5,068)**	(992)
Exclude – Decommissioning obligations	**80**	-
Exclude - Lease obligations	**686**	319
Adjusted working capital (deficiency)	**(6)**	14,792

Net Debt

Management utilizes "net debt" to analyze the financial position, liquidity and leverage of Artis. Net debt is calculated as bank debt plus adjusted working working capital. A summary of the composition of net debt, is set out below:

	December 31, 2023	December 31, 2022
(000s)	*($)*	*($)*
Adjusted working capital (deficiency)	**(6)**	14,792
Bank loan	**(182,273)**	(159,148)
Net debt	**(182,279)**	(144,356)

Funds Flow

Management utilizes "funds flow" as a useful measure of Artis' ability to generate cash not subject to short-term movements in non-cash operating working capital. As shown below, funds flow is calculated as cash flow from operating activities excluding change in non-cash working capital.

Adjusted funds flow

Management uses the term "adjusted funds flow" for its performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures and to repay debt. The most directly comparable GAAP measure for adjusted funds flow is net cash from operating activities. A summary of the reconciliation of cash flow from operating activities to adjusted funds flow, is set out below:

	Three Months Ended December 31		Years Ended December 31	
	2023	2022	**2023**	2022
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash from operating activities	**56,913**	52,221	**213,943**	175,754
Changes in non-cash working capital	**4,283**	4,482	**(8,752)**	17,584
Funds flow	**61,196**	56,703	**205,191**	193,338
Decommissioning obligations	**95**	124	**95**	124
Adjusted funds flow	**61,291**	56,828	**205,286**	193,462

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Artis Exploration Ltd.

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(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, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Other Information

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

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

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, other than the financial statements and the auditor's report thereon, included in the Management Discussion and Analysis document as at the date of this auditor's 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 auditor's 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 Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 21, 2024

STATEMENTS OF FINANCIAL POSITION

As at December 31,	**2023**	2022
(000s)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**27,222**	30,745
Prepaid expenses and deposits	**2,808**	4,699
Derivative financial instruments *(note 15)*	**5,068**	992
	35,098	36,436
Non-current assets		
Property, plant and equipment *(note 5)*	**945,422**	768,240
Exploration and evaluation assets *(note 6)*	**32,535**	48,625
	977,957	816,865
Total assets	**1,013,055**	853,301
Liabilities		
Current liabilities		
Trade and other payables	**30,036**	20,653
Decommisioning obligations *(note 8)*	**80**	-
Lease obligations *(note 9)*	**686**	319
	30,802	20,972
Non-current liabilities		
Bank debt *(note 7)*	**182,273**	159,148
Decommisioning obligations *(note 8)*	**20,898**	18,384
Lease obligations *(note 9)*	**865**	3
Deferred tax liability *(note 13)*	**92,135**	64,832
	296,171	242,367
Total liabilities	**326,973**	263,339
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**29,387**	24,737
Retained earnings	**284,334**	192,864
Total equity	**686,082**	589,962
Total liabilities and equity	**1,013,055**	853,301

Subsequent events *(note 15)*

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,

	2023	2022
(000s, except per share amounts)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenues *(note 11)*	**310,272**	302,625
Royalties	**(36,293)**	(28,570)
Realized loss on derivative instruments *(note 15)*	**(450)**	(27,429)
Unrealized gain (loss) on derivative instruments *(note 15)*	**4,076**	7,581
Other income *(note 11)*	**14**	91
	277,619	254,298
Expenses		
Operating	**34,446**	27,177
Transportation	**13,741**	11,572
General and administrative	**7,521**	5,800
Depletion and depreciation *(note 5)*	**77,108**	52,032
Exploration and evaluation *(note 6)*	**9,569**	6,669
Share-based compensation *(note 17)*	**3,186**	3,200
Finance expenses *(note 12)*	**13,276**	9,254
	158,847	115,704
Income from before income taxes	**118,772**	138,594
Deferred income tax expense *(note 13)*	**27,302**	32,614
Income and comprehensive income for the year	**91,470**	105,980
Income per share		
Basic diluted *(note 16)*	**0.57**	0.66
Diluted *(note 16)*	**0.55**	0.64

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	Total Equity
(000s)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2023	**160,197**	**372,361**	**24,737**	**192,864**	**589,962**
Share-based compensation	**-**	**-**	**4,650**	**-**	**4,650**
Income for the year	**-**	**-**	**-**	**91,470**	**91,470**
Balance – December 31, 2023	**160,197**	**372,361**	**29,387**	**284,334**	**686,082**

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
(000s)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2022	160,197	372,361	19,759	86,884	479,004
Share-based compensation	-	-	4,978	-	4,978
Income for the year	-	-	-	105,980	105,980
Balance – December 31, 2022	160,197	372,361	24,737	192,864	589,962

The notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For year ended December 31

(000s)	**2023** *($)*	2022 *($)*
Cash flows from operating activities		
Income for the year	**91,470**	105,980
Items not involving cash:		
Depletion and depreciation *(note 5)*	**77,108**	52,032
Exploration and evaluation *(note 6)*	**9,569**	6,669
Interest on lease obligations *(note 9)*	**137**	44
Deferred income tax expense *(note 13)*	**27,302**	32,614
Unrealized gain on derivative instruments *(note 15)*	**(4,076)**	(7,581)
Share-based compensation *(note 17)*	**3,186**	3,200
Accretion of decommissioning obligations *(note 8)*	**590**	584
Other income *(note 8)*	**-**	(80)
Decommissioning obligations settled *(note 8)*	**(95)**	(124)
Change in non-cash working capital *(note 14)*	**8,752**	(17,584)
Net cash from operating activities	**213,943**	175,754
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(238,049)**	(191,668)
Additions to exploration and evaluation assets *(note 6)*	**(4,399)**	(4,137)
Change in non-cash working capital *(note 14)*	**6,046**	3,033
Net cash used in investing activities	**(236,402)**	(192,772)
Cash flows from financing activities		
Increase in bank debt *(note 7)*	**23,125**	17,388
Payments on lease obligations *(note 9)*	**(666)**	(370)
Net cash from financing activities	**22,459**	17,018
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents – beginning of year	**-**	-
Cash and cash equivalents – end of year	**-**	-

The notes are an integral part of these financial statements.

1. Reporting Entity and Nature of Operations

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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors on March 21, 2024.

(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 and other 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 and other 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.

Matters Relating to Operating Environment

Numerous factors beyond the Company's control affect the marketability and price of crude oil, natural gas and NGL which may be volatile for a number of reasons including uncertainties over the supply and demand of these commodities due to government policies, the current state of the world economies, sanctions or import bans, reshuffling of global trade flows, global macro-economic concerns related to rising interest rates and inflation, actions of OPEC+, political and geopolitical uncertainties, ongoing wars and hostilities or other adverse economic or political development in the United States, Europe or Asia. Further, weakening global economic activity, inflation and interest rate uncertainty, and the potential for a recession remain a risk to the pace of demand growth.

Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the above related factors, the Company is unable, at this time, to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material.

See "Business Risks and Uncertainties" in this MD&A for additional information regarding certain risks which Artis and its business and operations are subject to.

Environmental Reporting Regulations

Environmental reporting for public enterprises continues to evolve and the Company may be subject to future disclosure requirements. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the objective to develop a global framework for environmental sustainability disclosure. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which sets forth additional reporting requirements for Canadian Public Companies. Artis continues to monitor developments on these reporting requirements and has not yet quantified the cost to comply with these regulations.

3. Material 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, lease obligations 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, foreign exchange 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.

(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 the 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

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. For purposes of impairment testing, E&E assets are allocated to CGUs or groups of CGUs.

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) 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.

(f) 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.

(g) 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.

(h) 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.

4. 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, 2023 and December 31, 2022, 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 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).

5. Property, Plant and Equipment

(000s)	Total ($)
Cost or deemed cost	
Balance – December 31, 2021	741,860
Additions	191,668
Capitalized share-based compensation	1,778
Transfer from exploration and evaluation assets *(note 6)*	6,879
Change in decommissioning obligations	(831)
Increase in right-to-use assets	-
Balance – December 31, 2022	941,354
Additions	**238,049**
Capitalized share-based compensation	**1,464**
Transfer from exploration and evaluation assets *(note 6)*	**10,920**
Change in decommissioning obligations	**2,099**
Increase in right-to-use assets	**1,758**
Balance – December 31, 2023	**1,195,644**
Depletion and depreciation	
Balance – December 31, 2021	121,082
Depletion and depreciation for the year	52,032
Balance – December 31, 2022	173,114
Depletion and depreciation for the year	**77,108**
Balance – December 31, 2023	**250,222**
Carrying amounts	
December 31, 2023	**945,422**
December 31, 2022	768,240

Depletion and Depreciation

The calculation of 2023 depletion and depreciation expense included an estimated $3.3 billion (2022 – $3.0 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.2 million (2022 – $2.0 million) for the estimated salvage value of production equipment and facilities.

Capitalization of G&A and Share-Based Compensation

A total of $3.8 million in G&A expenditures have been capitalized and included in PP&E at December 31, 2023 (December 31, 2022 – $3.1 million). Also included in PP&E are non-cash share-based payments of $1.5 million (December 31, 2022 – $1.8 million).

Impairment Assessment

At December 31, 2023 and 2022 the Company completed an assessment of the indicators of impairment and determined that no indicators of impairment existed at December 31, 2023 and 2022.

6. Exploration and Evaluation Assets

(000s)	($)
Cost	
Balance – December 31, 2021	58,036
Additions	4,137
Transfers to property, plant and equipment *(note 5)*	(6,879)

Expiries	(6,669)
Balance – December 31, 2022	48,625
Additions	**4,399**
Transfers to property, plant and equipment *(note 5)*	**(10,920)**
Expiries	**(9,569)**
Balance – December 31, 2023	**32,535**

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 Debt

At December 31, 2023, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (the "Facility") of which $182.3 million (December 31, 2022 – $159.1 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, 2024. 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 17.2 at December 31, 2023. 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, 2024. 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 $700 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, 2023 the Company's applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on CORRA and SOFR loans along with a 0.75 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,	**2023**	2022
(000s)	*($)*	*($)*
Balance – beginning of year	**18,384**	18,835
Liabilities incurred	**2,823**	1,758
Change in estimated future cash flows	**(724)**	(2,589)
Decommissioning expenditures	**(95)**	(124)
Government subsidy for decommissioning expenditures	**-**	(80)
Accretion of decommissioning obligation	**590**	584
Balance – end of year	**20,978**	18,384

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 $21.0 million as at December 31, 2023 (2022 – $18.4 million) based on an undiscounted inflated total future liability of $29.6 million (2022 – $26.9 million) using an assumed inflation rate of 1.62% (2022 – 2.09%) 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 3.02% (2022 – 3.28%). The $0.7 million (2022 – $2.6 million) change in estimated future cash outflows is a result of a change in the inflation rate and discount factor. The Alberta Energy Regulator mandatory decommissioning spend for Artis is $0.1 million for 2024.

9. Leases Obligations

Right-of-use assets *(included in Property, Plant and Equipment - Note 5)*

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Balance – beginning of year	**176**	416
Additions	**1,758**	-
Depreciation	**(522)**	(240)
Balance – end of year	**1,412**	176

Lease liabilities

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Balance – beginning of year	**322**	648
Additions	**1,758**	-
Lease interest expense	**137**	44
Lease payments	**(666)**	(370)
Balance – end of year	**1,551**	322

The Company leases office space, field compressor and two field vehicles. The office lease payments are discounted using the Company's incremental borrowing rate at the inception of the lease to calculate the lease liability.

The Company's lease liabilities are for periods of one to two years. The discounted cash flows relating to the lease liabilities included in the statement of financial position are as follows:

(000s)	1 year	2 years	3 years	Total
	($)	*($)*		*($)*
Lease payments including principal and interest	**686**	**762**	**103**	**1,551**

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, 2023 and December 31, 2022	**160,197**	**372,361**

11. Revenue

The Company 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,	**2023**	2022
(000s)	*($)*	*($)*
Oil production	**291,880**	280,787
Gas production	**8,378**	12,525
NGLs production	**10,014**	9,313
Total revenue	**310,272**	302,625

Other Income:

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Interest income	**12**	9
Third party processing income	**2**	2
Government subsidy for decommissioning expenditures *(note 8)*	**-**	80
	14	91

12. Finance Expenses

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Interest expense	**12,686**	8,670
Accretion of decommissioning obligations	**590**	584
Finance expenses	**13,276**	9,254

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,	**2023**	2022
(000s)	*($)*	*($)*
Income before taxes	**118,772**	138,594
Tax rate	**23.0%**	23.0%
Computed "expected" income tax expense	**27,318**	31,877
Increase (decrease) in income taxes resulting from:		
Increase in investment tax credits	**(751)**	-
Non-deductible items	**735**	737
Deferred income tax expense	**27,302**	32,614

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,	**2023**	2022
(000s)	*($)*	*($)*
Deferred income tax assets (liabilities)		
Property, plant and equipment	**(118,317)**	(89,411)
Lease obligations	**357**	74
Decommissioning obligations	**4,825**	4,228
Unrealized gains on derivative financial instruments	**(1,166)**	(228)
Non-capital losses and other	**22,166**	20,505
Deferred income tax liability	**(92,135)**	(64,832)

At December 31, 2023, the Company has approximately $547.1 million (2022 – $508.9 million) of tax pools available for deduction against future taxable income. Non-capital losses of $76.6 million will begin expiring in 2039.

14. Supplemented Cash Flow Information

Changes in non-cash working capital is comprised of:

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Trade and other receivables	**3,523**	(15,194)
Prepaid expenses and deposits	**1,891**	(2,568)
Trade and other payables	**9,384**	3,211
	14,798	(14,551)
Related to operating activities	**8,752**	(17,584)
Related to investing activities	**6,046**	3,033
	14,798	(14,551)

Years ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Interest paid	**11,727**	7,776

15. Financial Instruments and 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 $27.2 million as at December 31, 2023 (December 31, 2022 – $30.7 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	2023	2022
(000s)	*($)*	*($)*
Oil and natural gas revenue from marketing companies	**25,974**	28,900
Refundable GST	**1,075**	1,754
Partners in joint owned assets	**173**	91
Total trade and other receivables	**27,222**	30,745

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

Years ended December 31	2023	2022
(000s)	*($)*	*($)*
Current (less than 90 days)	**27,054**	30,672
Past due (more than 90 days)	**168**	73
Total	**27,222**	30,745

The Company does not anticipate any material defaults 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, 2023 or at December 31, 2022.

(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 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, 2023:

As at December 31, 2023	Carrying Amount	Contractual Cash Flows	Less than 1 Year	1 – 2 Years	2 – 5 Years	More Than 5 Years
(000s)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Trade and other payables	**30,036**	**30,036**	**30,036**	**-**	**-**	**-**
Bank debt (1)	**182,273**	**182,273**	**-**	**182,273**	**-**	**-**
Estimated interest payments	**-**	**30,986**	**15,493**	**15,493**	**-**	**-**
Lease obligations	**1,551**	**1,551**	**686**	**762**	**103**	**-**
Decommissioning obligations	**20,978**	**20,978**	**80**	**-**	**-**	**20,898**
	234,838	**265,824**	**46,295**	**198,528**	**103**	**20,898**

(1) Assumes the credit facilities are not extended in May 2024 (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.

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.

Foreign 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 is exposed to fluctuations in foreign exchange rates as a result of the U.S. dollar portion of its crude oil sales based on U.S. dollar benchmark prices and commodity financial derivative contracts that are settled in U.S. dollars.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Based on the principal outstanding on the Credit Facilities as at December 31, 2023, a change of 100 basis points in interest rates would impact net income before income taxes by approximately $1.8 million (2022 - $1.6 million).

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.

Financial Derivatives

At December 31, 2023, the Company held the following financial derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						(000s) *($)*
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$105.70/bbl	Swap	482
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$107.00/bbl	Swap	542
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$107.55/bbl	Swap	567
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$113.15/bbl	Swap	821
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$113.93/bbl	Swap	857
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD$	$115.10/bbl	Swap	910
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	NYMEX – WTI CAD$	$111.52/bbl	Swap	743
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	MSW – US$ WTI differential	($3.68)/bbl	Swap	146
Total						**5,068**

As at December 31, 2023, a 10% change in future commodity prices applied against these contracts would have a $2.3 million impact on net income.

Subsequent to December 31, 2023, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI CAD$	$102.76/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$79.70/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$81.00/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	NYMEX – WTI CAD$	$102.85/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	NYMEX – WTI USD$	$77.00/bbl	Swap
Crude oil	1,000 bbls/day	July 1, 2024 – September 30, 2024	NYMEX – WTI CAD$	$100.86/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	MSW – US$ WTI differential	($4.35)/bbl	Swap
Crude oil	500 bbls/day	April 1, 2024 – September 30, 2024	MSW – US$ WTI differential	($3.54)/bbl	Swap

(e) Capital Management

Artis actively manages its capital structure, which includes shareholders' equity, bank debt 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 ongoing volatile economic climate may lead to further adverse changes in cash flows, working capital levels and/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, 2023 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.

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 bank debt 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 1.5 to 1.0. As at December 31, 2023, Artis' ratio of net debt to annualized funds flow was 0.7:1.0. 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 second net debt ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by the credit facility availability. The Company's ratio of net debt to credit facility availability was 61% at December 31, 2023. In November 2023, Artis' credit facility was increased from $250 million to $300 million.

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Years Ended December 31,	**2023**	2022
(000s)	*($)*	*($)*
Current assets	**35,098**	36,436
Current liabilities	**(30,802)**	(20,972)
Exclude derivative financial instruments	**(5,068)**	(992)
Exclude current portion of lease obligations	**686**	319
Exclude current portion of asset retirement obligations	**80**	-
Working capital	**(6)**	14,792
Bank debt	**(182,273)**	(159,148)
Net debt	**(182,279)**	(144,356)

Annualized funds flow for three months ended:	**December 31, 2023**	December 31, 2022
Net cash from operating activities	**56,913**	52,221
Change in non-cash working capital	**4,283**	4,482
Decommissioning obligations	**95**	125
Adjusted funds flow	**61,291**	56,828
Annualized funds flow	**245,164**	227,310
Net debt to annualized funds flow	**0.7**	0.6
Credit facility available	**300,000**	250,000
Net debt to credit facility available	**61%**	58%

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 debt – note 7).

16. Income Per Share

Basic earnings per share was calculated as follows:

Years Ended December 31,	**2023**	2022
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic		
Issued common shares – beginning year	**160,197**	160,197
Weighted average number of common shares – basic	**160,197**	160,197

	2023	2022
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197
Effects of options, performance warrants and RAs in-the-money	**5,404**	5,924
Weighted average number of common shares – diluted	**165,601**	166,121

In computing diluted earnings per share for the year ended December 31, 2023, 5,404,000 (December 31, 2022 – 5,924,000) 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 15,484,000 (December 31, 2022 – 14,941,000) 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 $2.50 (December 31, 2022 - $2.50) per common share.

17. 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 and possible extension, 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 with an exercise price of zero, all of which remain outstanding as at December 31, 2023.

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,	**2023**		2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(#000s)	*($)*	*(#000s)*	*($)*
Outstanding – January 1	**14,748**	**1.92**	14,108	1.84
Granted	**575**	**2.50**	790	2.50
Forfeited	**-**	**-**	(150)	(2.50)
Outstanding – December 31	**15,323**	**1.99**	14,748	1.92
Exercisable – December 31	**14,130**	**1.94**	13,125	1.84

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)*
1.35	**1,855**	**1.35**	**0.9**
1.35	**5,315**	**1.46**	**1.9**
1.60	**1,343**	**1.73**	**1.9**
2.50	**3,680**	**2.50**	**2.6**
2.75	**2,830**	**2.75**	**0.9**
3.00	**300**	**3.00**	**1.4**
	15,323	**1.92**	**1.8**

During 2023, the Board extended the expiry date on 5.315 million options with an exercise price of $1.46, 1.343 million options with an exercise price of $1.73 and 1.16 million options with an exercise price of $2.50 all by two years to November 30, 2025. The exercise price on all these options increase by 8% on an annual basis.

During 2022, the Board extended the expiry date on 1.3 million options with an exercise price of $1.60, to November 30, 2023. The exercise price on these options increase by 8% commencing 1 year following the original expiry dates. The Board also extended the expiry date on 2.8 million options with an exercise price of $2.75, to November 30, 2024. The exercise price on these options increase by 8% beginning November 30, 2024. The Company also extended the expiry date on 1.9 million options with an exercise price of $1.35, to November 30, 2024. The exercise price on these options also increase by 8% beginning November 30, 2024.

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

As at December 31,	**2023**	2022
	($)	*($)*
Share price	**2.50**	2.50
Exercise price	**1.65**	2.11
Volatility *(%)*	**70**	71
Option life *(years)*	**2.2**	2.2
Risk-free interest rate *(%)*	**4.5**	3.5
Weighted average fair value of options granted and extended during the year	**1.39**	1.20

A forfeiture rate of 0% (2022 – 0%) was used when calculating the fair value. This estimate is adjusted to the actual forfeiture rate. Share-based compensation cost of $3.2 million was expensed during 2023 (2022 – $3.2 million).

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

Year ended December 31,	**2023**		2022	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	(#000s)	*($)*	*(#000s)*	*($)*
Outstanding – December 31	**21,685**	**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	**4,337**	**1.88**	**1.5**
2.19	**4,337**	**2.19**	**1.5**
2.50	**4,337**	**2.50**	**1.5**
2.81	**4,337**	**2.81**	**1.5**
3.13	**4,337**	**3.13**	**1.5**
	21,685	**2.50**	**1.5**

In 2023, the Board approved amendments such that the exercise prices on the warrants increase by 8% beginning July 7, 2024 rather than July 7, 2023. The Board also extended the expiry date of the warrants from July 7,2023 to July 7, 2025.

18. 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	**2023**	2022
(000s)	*($)*	*($)*
Salaries and bonuses	**4,755**	3,628
Short-term employee benefits	**227**	210
Share-based payments (1)	**3,626**	3,964
Total (2)	**8,608**	7,802

(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, 2023, key management personnel included 11 (2022 – 11) employees and 10 (2022 – 10) directors.