ARTIS EXPLORATION LTD.

2019 First Quarter
For the Three Months Ended March 31, 2019

HIGHLIGHTS

	Three Months Ended March 31		
	2019	2018	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	**25,157**	10,277	145
Funds flow from operations (1)	**16,215**	7,162	126
Per share – basic	**0.10**	0.06	67
– diluted	**0.09**	0.06	50
Net earnings	**5,840**	2,828	107
Per share – basic	**0.04**	0.02	100
– diluted	**0.03**	0.02	50
Capital expenditures	**56,107**	29,624	89
Working capital (deficiency) (2)	**500**	(4,050)	
Shareholders' equity	**399,124**	196,123	104
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	**160,197**	123,018	30
Options	**12,843**	11,523	11
Warrants	**21,765**	21,155	3
Retention awards	**308**	308	-
Weighted average			
Basic	**159,991**	123,018	30
Diluted	**178,476**	126,910	41
			(%)
Operating			
Production			
Crude oil *(bbls/d)*	**4,188**	1,563	
Natural gas *(mcf/d)*	**2,470**	837	
NGLs *(bbls/d)*	**110**	36	
Total *(boe/d)*	**4,710**	1,739	170
Liquids %	**91**	92	
Average wellhead prices			
Crude oil *($/bbl)*	**64.15**	70.69	
Natural gas *($/mcf)*	**3.05**	2.38	
NGLs *($/bbl)*	**30.14**	46.77	
Total *($/boe)*	**59.35**	65.67	(10)
Royalties *($/boe)*	**(4.80)**	(3.96)	21
Net operating cost *($/boe)*	**(8.83)**	(7.84)	13
Transportation cost *($/boe)*	**(5.25)**	(4.61)	14
Operating netback *($/boe)* (3)	**40.47**	49.25	(18)

	Three Months Ended March 31		
	2019	2018	Change
			(%)
Drilling activity – gross (net)			
Crude oil *(#)*	**10 (10.0)**	3 (3.0)	
Natural gas *(#)*	**-**	-	
Total *(#)*	**10 (10.0)**	3 (3.0)	
Average working interest *(%)*	**100**	100	

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

(2) Current assets less current liabilities.

(3) Operating netback equals petroleum and natural gas revenues including realized hedging gains or losses on financial derivative contracts less royalties, transportation and operating costs calculated on a per boe basis. Operating netback does not have a standardized meaning prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.

Artis Exploration Ltd. is pleased to report its financial and operating results for the three months ended March 31, 2019.

Financial and Operating Highlights

- Increased first quarter 2019 average production to 4,710 boe/d (91% liquids), a gain of 170% over 2018.
- Increased first quarter 2019 funds flow from operations by 126% to $16.2 million and 50% on a diluted per share basis to $0.09 per share compared to 2018.
- Achieved an operating netback of $40.47/boe in the first quarter of 2019.
- Increased first quarter 2019 net earnings by 107% to $5.8 million and 50% on a diluted per share basis to $0.03 per share compared to 2018.
- Invested $56.1 million in capital expenditures in 2019 including the drilling of 10 (10.0 net) wells in our core area of Trochu, Alberta.

President's Message

In the first quarter of 2019, Artis invested approximately $56 million drilling 10 wells as part of a forecasted $245-$250 million capital investment program for 2019 that contemplates the drilling of 30 horizontal Duvernay wells. Production was basically flat to fourth quarter 2018 at 4,710 boe/d (91% liquids) given that the majority of our completion and tie-in funds were planned post-winter to take advantage of lower capital costs incurred during milder temperatures. Artis' operating netbacks were back to an industry leading $40/boe and are currently approximately $45-$50/boe as benchmark oil prices stabilized in the $58 US/bbl range. Differentials for light sweet crude at Edmonton also settled into the $4-5 US/bbl range after the Alberta government's production curtailment program. The program is doing what it is supposed to do, namely stabilizing oil price differentials for Canadian oil producers. At the end of the quarter the Company maintained a positive working capital position and was generating run-rate annualized cash flow of approximately $70 million. The Company's credit facility has recently been expanded from $65 to $180 million.

Artis' operating team is excited about the remaining 20 horizontal wells planned to be drilled prior to year-end. Increasing production and lowering capital costs will remain a focus. The Company achieved an all-in well cost of approximately $6 million per well off a multi-well pad in 2018 and the 2019 program will have up to eight multi-well pads. The operating team plans to drill several additional 2019 wells in the Lower Duvernay which it successfully evaluated in 2018 at two locations and is nominally reflected in Artis' 2018 year-end reserve report.

The recent provincial election results are supportive of reduced regulatory hurdles for producers and are very positive for more timely oil and gas pipeline issue resolution. It is truly refreshing to have a government administration that has a focus on advocating for the Canadian energy industry's profitability and competitiveness, and the resulting job creation. Oil pipeline solutions and fair pricing for Canadians appear much more certain than 2018, and the opportunities for the light low sour crude produced by our Company in potentially an international market are very exciting.

I look forward to reporting back to you on our operational and financial results throughout the balance of 2019.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

May 30, 2019

ARTIS EXPLORATION
LTD

Financial Statements

For the quarter ended March 31, 2019

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	**March 31, 2019**	December 31, 2018
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Cash and cash equivalents	**25,999**	64,988
Trade and other receivables	**15,153**	9,809
Prepaid expenses and inventory	**1,116**	794
	42,268	75,591
Non-current assets		
Property, plant and equipment *(note 5)*	**339,175**	289,492
Exploration and evaluation assets *(note 6)*	**80,219**	77,467
	419,394	366,959
Total assets	**461,662**	442,550
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**40,853**	37,113
Derivative financial instruments *(note 4)*	**334**	-
Provisions *(note 8)*	**260**	260
Lease obligations *(note 9)*	**321**	-
	41,768	37,373
Non-current liabilities		
Provisions *(note 8)*	**7,758**	5,730
Lease obligations *(note 9)*	**893**	-
Deferred tax liability	**12,118**	9,798
	20,770	15,528
Total liabilities	**62,538**	52,901
Equity		
Share capital *(note 10)*	**372,361**	369,361
Contributed surplus	**10,330**	9,695
Retained earnings	**16,433**	10,593
Total equity	**399,124**	389,649
Total liabilities and equity	**461,662**	442,550

Subsequent event *(note 7)*
Commitment *(note 15)*

The notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Three Months Ended March 31,	**2019**	2018
(000s, except per share amounts) (unaudited)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenue *(note 11)*	**25,157**	10,277
Royalties	**(2,035)**	(620)
Unrealized loss on derivative instruments	**(334)**	-
Other revenue *(note 11)*	**460**	169
	23,248	9,826
Expenses		
Operating	**3,825**	1,285
Transportation	**2,225**	722
General and administrative	**1,294**	640
Share-based compensation	**432**	651
Exploration and evaluation	**583**	12
Depletion and depreciation	**6,646**	2,261
	15,005	5,571
Income from operations	**8,243**	4,255
Finance *(note 12)*	**83**	33
Income before income taxes	**8,160**	4,222
Deferred income tax expense	**2,320**	1,394
Net income and comprehensive income for the period	**5,840**	2,828
Net income per share *(note 13)*		
Basic	**0.04**	0.02
Diluted	**0.03**	0.02

The notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(000s) (unaudited)	Number of Common Shares *(#)*	Share Capital *($)*	Contributed Surplus *($)*	Retained Earnings *($)*	Total Equity *($)*
Balance – January 1, 2019	**159,597**	**369,361**	**9,695**	**10,593**	**389,649**
Issue of common shares *(note 10)*	**600**	**3,000**	**-**	**-**	**3,000**
Share-based payments	**-**	**-**	**635**	**-**	**635**
Income for the period	**-**	**-**	**-**	**5,840**	**5,840**
Balance – March 31, 2019	**160,197**	**372,361**	**10,330**	**16,433**	**399,124**

(000s)(unaudited)	Number of Common Shares *(#)*	Share Capital *($)*	Contributed Surplus *($)*	Deficit *($)*	Total Equity *($)*
Balance – January 1, 2018	123,018	190,865	5,716	(4,225)	192,356
Share-based payments	-	-	939	-	939
Income for the period	-	-	-	2,828	2,828
Balance – March 31, 2018	123,018	190,865	6,655	(1,397)	196,123

The notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2019**	2018
(000s) (unaudited)	*($)*	*($)*
Cash provided by (used in):		
Operating activities		
Net income	**5,840**	2,828
Adjustments for:		
Depletion and depreciation *(note 5)*	**6,646**	2,261
Exploration and evaluation *(note 6)*	**583**	12
Interest on lease obligations *(note 9)*	**23**	-
Unrealized loss on derivative instruments	**334**	-
Deferred income tax expense	**2,320**	1,394
Accretion of provisions *(note 8)*	**37**	15
Share-based compensation	**432**	651
Change in non-cash working capital	**(4,721)**	866
	11,494	8,028
Investing activities		
Property, plant and equipment expenditures *(note 5)*	**(47,268)**	(27,055)
Additions to exploration and evaluation assets *(note 6)*	**(5,839)**	(2,569)
Change in non-cash working capital	**2,794**	9,735
	(50,313)	(19,889)
Financing activities		
Payments on onerous contract	**(81)**	-
Payments on lease obligations *(note 9)*	**(89)**	-
	(170)	-
Change in cash and cash equivalents	**(38,989)**	(11,861)
Cash and cash equivalents – beginning of period	**64,988**	20,584
Cash and cash equivalents – end of period	**25,999**	8,723

The notes are an integral part of these condensed interim financial statements.

1. Reporting Entity

1764821 Alberta Ltd. ("1764821") was incorporated on August 8, 2013 under the Business Corporations Act of Alberta (the “ABCA”). On November 3, 2015, 1764821 acquired all of the outstanding shares of Artis Exploration Ltd. and the two companies were amalgamated on November 3, 2015 under the ABCA to form Artis Exploration Ltd. (“Artis” or the “Company”). The Company's registered 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

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The condensed interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2018. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the Company for the year ended December 31, 2018, except as disclosed below. The significant accounting policies are described in note 3 of the December 31, 2018 audited financial statements.

The condensed interim financial statements were authorized for issuance by the Company's Board of Directors on May 15, 2019.

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim financial statements. The areas of estimation and judgement have not changed from those described in note 2 of the December 31, 2018 audited financial statements.

3. Change in Accounting Policies

Adoption of IFRS 16 – Leases

On January 1, 2019, the Company adopted IFRS 16 Leases, which replaces IAS17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 uses a single lease accounting model for lessees, which requires the Company to recognize a right-of-use asset and lease liability on the statement of financial position, for all contracts that contain a lease.

The Company adopted IFRS 16 using the modified retrospective approach, and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initially applying the standard was recognized through $1.3 million in right-of-use assets (included in “Property, plant and equipment”) and $1.3 million in Lease obligations. The weighted average incremental borrowing rate used to calculate the lease obligation at adoption was 4.2%. The right-of-use asset and lease obligation relates primarily to the Company’s head office lease in Calgary.

The Company applied the following practical expedients as permitted under the standard. Some of these expedients are on a lease-by-lease basis and others are applicable by class of underlying assets:

- Maintain classification of contracts previously identified as leases under IAS 17 and IFRIC 4;
- Account for leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases;

- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value;
- Recognize lease liabilities at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at January 1, 2019. The associated right-of-use assets will be measured at the amount equal to the lease liability on the date of transition, with no impact to opening retained earnings.

As at December 31, 2018, the Company had operating lease commitments of $1.4 million, which would have resulted in a discounted lease obligation of $1.3 million. At January 1, 2019, the Company recognized a current and non-current lease obligation of $1.3 million.

As a result of the adoption of IFRS 16 Leases, the Company has revised its accounting policy for leases as follows:

Contracts where the Company obtains the right to control the use of an identified asset in exchange for consideration are determined to contain a lease. At commencement, a right-of-use assets is initially measured at cost, which comprises the initial amount of the lease liability, less any lease incentives received. The right-to-use asset is depreciated on a straight-line basis over the lease term. The corresponding lease liability is equal to the present value of the future lease payments. Interest expense is recognized on the lease obligations using the effective interest rate method. These payments are applied against the lease liability.

The Company is required to make judgements and assumptions on incremental borrowing rates and lease terms. The carrying balance of the right-to-use assets, lease obligations, interest and depreciation expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates are based on the Company's borrowing rate at the commencement date of the lease, the security of the asset and market conditions. Lease terms are based on management's assumptions of future market conditions and operational decisions.

4. Financial Risk Management

Derivative contracts

It is the Company's policy to hedge a portion of its crude oil sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company does not apply hedge accounting for these contracts. 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 sale requirements.

The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. 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 date of the statement of financial position, using the remaining contracted oil volumes and a risk-free interest rate (based on published government rates).

At March 31, 2019, the Company held derivative commodity contracts as follows:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						(000s) ($)
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ MSW – WTI differential	($10.75)/bbl	Swap	(124)
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ MSW – WTI differential	($10.80)/bbl	Swap	(130)
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ NYMEX - WTI	$59.35/bbl	Swap	(118)
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ NYMEX - WTI	$60.62/bbl	Swap	38
Total						**(334)**

5. Property, Plant and Equipment

(000s)	Oil and Natural Gas Properties *($)*
Cost or deemed cost	
Balance – December 31, 2018	311,007
Additions	**50,268**
Capitalized share-based compensation	**203**
Increase in right-to-use assets	**1,281**
Transfer from exploration and evaluation assets	**2,504**
Change in decommissioning obligations	**2,072**
Balance – March 31, 2019	**367,335**
Depletion and depreciation	
Balance – December 31, 2018	21,515
Depletion and depreciation for the period	**6,646**
Balance – March 31, 2019	**28,160**
Carrying amounts	
December 31, 2018	289,492
March 31, 2019	**339,175**

Depletion and Depreciation

The calculation of 2019 depletion and depreciation expense included an estimated $1.9 billion (2018 – $1.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $0.8 million (2018 – $0.4 million) for the estimated salvage value of production equipment and facilities. The depletion, depreciation and impairment of property, plant and equipment, and any eventual reversal of impairment, are recognized in depletion and depreciation in the statement of income and comprehensive income.

Capitalization of G&A and Share-Based Compensation

A total of $0.6 million in G&A expenditures have been capitalized and included in PP&E assets at March 31, 2019 (2018 – 0.3 million). Also included in PP&E are non-cash share-based payments of $0.2 million (2018 – $0.3 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At March 31, 2019, the Company determined that no indicators of impairment existed on its one CGU, therefore, no impairment test was performed.

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – December 31, 2018	77,467
Additions	**5,839**
Transfers to property, plant and equipment	**(2,504)**
Impairments	**(583)**
Balance – March 31, 2019	**80,219**

Exploration and evaluation assets consist of the Company's exploration projects that are pending the determination of proved or probable reserves. Additions in the period are made up of undeveloped land purchases. Impairments relate to undeveloped land expiries.

7. Bank Loan

At March 31, 2019, the Company had a revolving demand credit facility with a bank with a borrowing base of $65 million (2018 – $25 million), of which nil (2018 – nil) had been drawn against the credit facility.

On May 15, 2019, the Company entered into an amended and restated credit facility which consists of a revolving line of credit of $160 million and an operating line of credit of $20 million (the "Facility"). The Facility revolves for a 364 day period and will be subject to its next 364 day extension by May 31, 2020. 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. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Based review on or before November 30, 2019. The Facility is secured by a $400 million fixed and floating charge debenture.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 0.50 percent and 2.50 percent over the bank's prime lending rate and bankers' acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 1.50 percent to 3.50 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 0.3375 percent to 0.7875 percent depending upon the net debt to cash flow ratio.

8. Provisions

Three months ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Decommissioning obligations (a)	**7,573**	3,540
Onerous contract (b)	**445**	-
Total provisions	**8,018**	3,540

As reported on the statements of financial position, the Company's provisions consist of:

Three months ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Current portion	**260**	-
Long term portion	**7,758**	3,540
Total provisions	**8,018**	3,540

(a) Decommissioning obligations

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 $7.6 million as at March 31, 2019 (2018 – $3.5 million) based on an undiscounted inflated total future liability of $9.8 million (2018 – $4.4 million) using an assumed inflation rate of 2% (2018 – 2%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.9% (2018 – 2.0%).

The following table reconciles the Company's decommissioning obligations for the periods ended March 31, 2019 and 2018:

Three months ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Balance – beginning of year	**5,468**	3,222
Liabilities incurred	**2,072**	303
Accretion of decommissioning obligation	**33**	15
Balance – end of period	**7,573**	3,540

(b) Onerous contract

During the year ended December 31, 2018, Artis recognized a provision caused by the onerous portion of its Calgary head office lease contract. This provision represents the present value of the minimum future lease payments the Company is obligated to make under the estimated onerous portion of the non-cancellable lease contract less estimated recoveries. At December 31, 2018, the undiscounted amount of future cash flows to settle this provision was $0.5 million. These cash flows have been discounted using a risk-free discount rate of 1.86%. The onerous contract provision is estimated to be settled in future reporting periods through to May 2021.

The following table reconciles the Company's onerous contract for the periods ended March 31, 2019 and 2018:

Three months ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Balance – beginning of year	**522**	-
Payments	**(81)**	-
Accretion of onerous contract	**4**	-
Balance – end of period	**445**	-

9. Lease obligations

	As at March 31, 2019
(000s)	*($)*
Less than 1 year	**517**
1 – 3 years	**839**
Total undiscounted future lease payments	**1,356**
Future interest payments	**(142)**
Current portion of lease obligations	**(321)**
Long-term portion of lease obligations	**893**

10. Share Capital

(a) Authorized

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

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

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

(b) Share Capital issued and outstanding:

Common Shares

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

On February 6, 2019, Artis acquired undeveloped land in the Company's core Trochu area along with one oil well producing approximately 50 boe/d for total consideration of $5.4 million which consisted of 600,000 common shares and $2.4 million in cash.

11. Revenue

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

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

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

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Oil production	**24,180**	9,946
Gas production	**679**	179
NGLs production	**298**	152
Total revenue	**25,157**	10,277

Other revenue:

The following table summarizes the company's other revenue:

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Third party processing fee income	**83**	57
Interest income	**377**	112
	460	169

12. Financing

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Interest expense	**46**	18
Accretion of provisions	**37**	15
	83	33

13. Income Per Share

Basic income per share was calculated as follows:

Three Months Ended March 31,	**2019**	2018
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic		
Issued common shares – January 1	**159,597**	123,018
Effects of shares issued	**394**	-
Weighted average number of common shares – basic	**159,991**	123,018

Three Months Ended March 31,	**2019**	2018
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**159,991**	123,018
Effects of options in-the-money	**18,485**	3,892
Weighted average number of common shares – diluted	**178,476**	126,910

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on share prices for common shares issued during the period that the options, performance warrants and retention awards ("RAs") were outstanding.

14. 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 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. The options of the Company are 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. The 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 fair value of the performance warrants and RAs has not been recognized as it is not more likely than not that they will vest as at March 31, 2019.

At March 31, 2019, the Company has 12,843,000 options outstanding with an average exercise price of $2.01 per share.

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

Exercise Price	Performance Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life
($)	*(#000s)*	*($)*	*(years)*
1.88	**4,353**	**1.88**	**2.3**
2.19	**4,353**	**2.19**	**2.3**
2.50	**4,353**	**2.50**	**2.3**
2.81	**4,353**	**2.81**	**2.3**
3.13	**4,353**	**3.13**	**2.3**
	21,765	**2.50**	**2.3**

The Company has 307,500 Retention Awards (“RAs”) outstanding at March 31, 2019.

15. Commitment

The Company has a drilling rig contract for two rigs whereby the Company is committed to use the rigs for a minimum number of days otherwise a standby fee is charged. The minimum commitment for the remainder of 2019 is $0.9 million.

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 three months ended March 31, 2019 and 2018 and should be read in conjunction with the accompanying unaudited financial statements and related notes and the audited financial statements and related notes for the year ended December 31, 2018. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated May 15, 2019.

Basis of Presentation

The unaudited financial statements and comparative information for the three months ended March 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

Barrel of Oil Equivalency

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. For purposes of computing such units, natural gas is converted to equivalent barrels of crude oil using a conversion factor of six thousand cubic feet of gas to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.

Non-IFRS Measurements

This MD&A contains the terms "funds flow from operations" and "operating netback", which are not measures that have any standardized meaning prescribed by IFRS and are considered non-IFRS measures, and as a result, should not be considered an alternative to or more meaningful than net earnings or cash flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. Artis' determination of funds flow from operations and operating netback may not be comparable to that reported by other companies. The Company considers corporate netbacks a key measure as it demonstrates its profitability relative to current commodity prices. Operating netback is calculated on a per boe basis by deducting royalties, operating costs and transportation from petroleum and natural gas revenues. Per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

Funds flow from Operations

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

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Cash provided by operating activities	**11,494**	8,028
Change in operating non-cash working capital	**4,721**	(866)
Funds flow from operations	**16,215**	7,162

Forward-Looking Statements

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

Overview

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 registered 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.

Artis’ primary objective is to use its strong technical expertise in its core area 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.

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three months ended March 31, 2019 and 2018:

Three Months Ended March 31,	**2019**	2018
Crude oil *(bbls/d))*	**4,188**	1,563
Natural gas *(mcf/d)*	**2,470**	837
NGLs *(bbls/d)*	**110**	36
Total *(boe/d)*	**4,710**	1,739
Liquids *(%)*	**91**	92

For the three months ended March 31, 2019, production averaged 4,710 boe/d (91% weighted to crude oil and NGLs), a 170% increase from the 1,739 boe/d (92% weighted to crude oil and NGLs) averaged during the same period a year ago. The 2019 increase was the result of a successful drilling program in its core area of Trochu where it drilled 23 (21.5 net) horizontal wells in 2018 where the majority of the new production came on stream in the second half of 2018.

Revenue and Pricing

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Revenue		
Crude oil	**24,180**	9,946
Natural gas	**679**	179
NGLs	**298**	152
Total revenue before unrealized financial derivative loss	**25,157**	10,277
Unrealized financial derivative loss	**(334)**	-
Total revenue	**24,823**	10,277
Average Prices		
Crude oil *($/bbl)*	**64.15**	70.69
Natural gas *($/mcf))*	**3.05**	2.38
NGLs sales price *($/bbl)*	**30.14**	46.77
Total sales price *($/boe)* (1)	**59.35**	65.67

Artis' production is sold within Canada and the majority is marketed to four significant North American purchasers. The Company's commodity prices are driven by the prevailing worldwide crude oil price and Alberta spot prices applicable to its natural gas. The Company did not have any derivative commodity contracts in place during the period.

During the first quarter of 2019, revenue before unrealized financial derivative loss increased 145% to $25.2 million from $10.3 million recorded in the same period of 2018 due to a 170% year-over-year increase in production offset by a 10% decrease in the Company's overall realized price compared to the previous period. The Company's overall realized price decreased to $59.35/boe from $65.67/boe recorded in 2018 mainly as a result of lower crude oil and NGL prices.

The following table summarizes the natural gas and crude oil benchmark prices for the three months ended March 31, 2019 and 2018:

Three Months Ended March 31,	**2019**	2018
Average Benchmark Prices		
Crude oil – WTI *(US$/bbl)*	**54.90**	62.87
MSW differential *(US$/bbl)*	**(4.85)**	(5.89)
Crude oil – Edmonton par *(CDN$/bbl)*	**66.40**	72.23
Natural gas – AECO spot – Daily index *($/GJ)*	**2.49**	1.76
Exchange rate *(CDN$/US$)*	**1.33**	1.27

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

Derivative Financial Instruments

Commodities

The Company enters into derivative and physical 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 condensed interim statements of income and comprehensive income:

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Realized loss on financial instruments	**-**	-
Per boe	**-**	-
Unrealized loss on financial instruments	**334**	-

The Company held the following derivative commodity contracts at March 31, 2019:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ MSW – WTI differential	($10.75)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ MSW – WTI differential	($10.80)/bbl	Swap
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ NYMEX – WTI	$60.62/bbl	Swap
Crude oil	500 bbls/day	July 1, 2019 – December 31, 2019	US$ NYMEX – WTI	$59.35/bbl	Swap

Royalties

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Royalties		
Crown	**1067**	434
Freehold/GORRs	**968**	186
Total royalties	**2,035**	620
Total royalties *($/boe)*	**4.80**	3.96
	(%)	*(%)*
% of Revenue		
Crown	**4.2**	4.2
Freehold/GORRs	**3.8**	1.8
Total	**8.1**	6.0

For the quarter ended March 31, 2019, the Company recorded $2.0 million in total royalties or 8.1% of revenue versus $0.6 million or 6.0% of revenue a year ago. Approximately 4.2% of total revenue paid in the first quarter of 2019 consisted of Crown royalties and 3.8% of total revenue was paid to overriding ("GORRs") and freehold royalty owners compared to 4.2% and 1.8%, respectively, in the 2018 three-month period.

Freehold/GORR royalties as a percentage of total revenue increased in 2019 compared to 2018 as the Company drilled more of its 2018 and 2019 wells on freehold lands which has a higher royalty percentage compared to crown lands.

Operating Expenses

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Operating expenses	**3,825**	1,285
Less: Third party processing income	**(83)**	(57)
Net operating expenses	**3,741**	1,228
Per unit of production *($/boe)*	**8.83**	7.84

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 net of third-party processing income were $3.7 million for the first quarter of 2019 compared to $1.2 million recorded a year ago. Operating costs net of third-party processing income on a per boe basis increased 13% to $8.83/boe from $7.84/boe in 2018 due to higher road/lease maintenance, well workovers and equipment repairs because of the harsh weather conditions experienced in February and March 2019.

Transportation Expenses

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Transportation expenses	**2,225**	722
Transportation expenses *($/boe)*	**5.25**	4.61

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 March 31, 2019, transportation costs increased 14% on a per unit of production basis to $5.25/boe from $4.61/boe last year because of longer waiting times at trucking terminals and also longer distances for trucking the crude oil as the closet terminals were not always able to accept deliveries.

Operating Netback

Three Months Ended March 31,	**2019**	2018
Revenue		
Crude oil *($/bbl)*	**64.15**	70.69
Natural gas *($/mcf))*	**3.05**	2.38
NGLs *($/bbl)*	**30.14**	46.77
Production revenue *($/boe)* (1)	**59.35**	65.67
Expenses		
Royalty expense *($/boe)*	**(4.80)**	(3.96)
Net operating costs *($/boe)*	**(8.83)**	(7.84)
Transportation expense *($/boe)*	**(5.25)**	(4.61)
Operating netback *($/boe)*	**40.47**	49.25

For the first quarter of 2019, the Company recorded an operating netback of $40.47/boe compared to $49.25/boe in the same quarter last year. The 18% decrease was primarily a result of crude oil prices dropping 10% from first quarter 2018 levels and net operating costs and transportation costs increasing 13% and 14%, respectively.

General and Administrative ("G&A") Expenses

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Gross expenses	**1,915**	957
Capitalized expenses	**(550)**	-
Operator's recoveries	**(71)**	(317)
General and administrative expenses	**1,294**	640
Per unit of production ($/boe)	**$3.05**	4.09

For the three months ended March 31, 2019, G&A expenses totaled $1.3 million compared to $0.6 million recorded in the same period a year ago. For the periods ended March 31, 2019 and 2018, the Company capitalized G&A and had recoveries from operations totaling $0.6 million and $0.3 million. Most of the capitalized G&A relates to employee salaries related directly to exploration and development activities. G&A expenses rose 100% on a gross basis because of increases in staff levels to manage a growing Company but fell 25% on a per unit of production basis because of the 170% increase in production during the period.

Share-Based Compensation Expense

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Gross expenses	**635**	939
Capitalized expenses	**(203)**	(288)
Total share-based compensation	**432**	651

For the three months ended March 31, 2019, Artis recorded non-cash share-based compensation expense of $0.4 million compared to $0.7 million for the previous period. For the periods ended March 31, 2019 and 2018, the Company capitalized $0.2 million and $0.3 million, respectively of stock-based compensation relating to stock options of employees directly related to exploration and development activities. The year-over-year decrease related to fewer stock options being issued in the first quarter of 2019 as compared to 2018.

Finance Expenses

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
Interest expense on lease obligations	**22**	-
Standby fees on credit facility	**24**	18
Accretion of the decommissioning obligation	**33**	15
Accretion of the onerous contract	**4**	-
Total finance expenses	**83**	33

The Company did not incur any interest expenses on its credit facility in 2019 or 2018. Standby fees of $24,000 (2018 - $18,000) were incurred on the Company`s credit facility for the period.

The Company's accretion expense for the three-month period ended March 31, 2019 was $33,000 versus $15,000 or in the comparable period of 2018. The larger accretion expense relates to the increase in the decommissioning obligations due to the 21.5 net wells drilled in 2018 and the 10.0 net wells drilled in the first quarter of 2019.

There was no interest expense on lease obligations for the prior period as the Company adopted IFRS 16 at January 1, 2019 as per note 3 to the March 31, 2019 financial statements.

Depletion and Depreciation ("D&D") Expense

Three Months Ended March 31,	**2019**	2018
(000s)	*($)*	*($)*
D&D expense	**6,646**	2,261
D&D expense *($/boe)*	**15.68**	14.45

The Company's D&D expense for the three months ended March 31, 2019 was $6.6 million or $15.68/boe versus $2.3 million or $14.45/boe in the comparable period of 2018.

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 2019 depletion and depreciation expense included an estimated $1.9 billion (2018 – $1.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $0.8 million (2018 – $0.4 million) for the estimated salvage value of production equipment and facilities. Such costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base. Currently Artis has one core area being Trochu/Twining.

Exploration and Evaluation Expense

For the quarter ended March 31, 2019, Artis recorded an exploration and evaluation expense of $583,000 versus $12,000 a year ago. Exploration and evaluation expenses relate mainly to undeveloped land expiries.

Deferred Income Taxes

For the three months ended March 31, 2019, Artis recorded deferred income tax expense of $2.3 million compared to $1.4 million a year ago. The year-over-year increase in deferred income taxes was a result of the large increase in net income which was generated from the large increase in production.

Artis was not subject to any corporate income taxes for 2019 or 2018. The Company has approximately $362 million of tax pools available for deduction against future taxable income as at March 31, 2019.

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

During the first three months of 2019, the Company invested $56.1 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $29.6 million a year ago.

Three Months Ended March 31,	**2019**	2018
(000s)(excluding decommissioning liabilities)	*($)*	*($)*
Drilling and completions	**36,196**	22,868
Equipment and facilities	**13,065**	4,151
Land and lease retention	**5,886**	2,593
Geological and geophysical	**350**	-
Capitalized G&A	**550**	-
Office equipment	**60**	12
Total capital expenditures	**56,107**	29,624

During the first quarter of 2019, the Company incurred $36.2 million (2018 – $22.9 million) in drilling and completion expenditures that involved the drilling of 10 (10.0 net) horizontal oil wells and the completion of 3 (3.0) horizontal oil wells as compared to the drilling of 3 (3.0 net) horizontal oil wells and the completion of 2 (2.0) oil wells during the first quarter of 2018. Equipping and facilities expenditures for the three months ended March 31, 2019 and 2018 were $13.1 million and $4.2 million, respectively. During the 2019 three-month period, the Company invested $6.4 million on land and seismic versus $2.6 million for the same period of 2018.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Three Months Ended March 31, 2019		
Crude oil (horizontal)	**10**	**10.0**
Total wells	**10**	**10.0**
Average working interest *(%)*		**100**
Three Months Ended March 31, 2018		
Crude oil (horizontal)	3	3.0
Total wells	3	3.0
Average working interest *(%)*		100

Share Capital

Three Months Ended March 31,	**2019**	2018
(000s)	*(#)*	*(#)*
Weighted Average Shares Outstanding		
Basic	**159,991**	123,018
Diluted	**178,476**	126,910
Outstanding Securities		
Common shares	**160,197**	123,018
Performance warrants	**21,765**	21,155
Options	**12,843**	11,523
Retention awards	**308**	308

As at May 15, 2019, Artis had issued and outstanding 160,197,381 common shares and 12,963,000 stock options with an average exercise price of $2.04 per share and 21,765,000 share purchase warrants with an average exercise price of $2.50 per share and 0.3 million retention awards 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 major financial liabilities on the statement of financial position are accounts payable and accrued liabilities. 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 capital expenditures to be incurred in 2019 is expected to be provided by cash generated from operating activities and the Company’s $180 million unused bank credit facility. The Company believes that it has access to sufficient capital to meet its current spending forecasts.

The following table summarizes the change in working capital for the three month periods ended March 31:

	2019	2018
(000s)	*($)*	*($)*
Working capital – beginning of year	**38,217**	18,412
Funds flow from operations	**16,215**	7,162
Capital expenditures	**(53,107)**	(29,624)
Increase in current portion of lease obligations, derivative contracts and onerous contract less actual payments	**(825)**	-
Working capital (deficiency) – end of period	**500**	(4,050)

Commitment

The Company has a drilling rig contract covering two rigs whereby the Company is committed to use the rigs for a minimum number of days otherwise a standby fee is charged. The minimum commitment for the remainder of 2019 is $0.9 million.

Subsequent Event

On May 15, 2019, the Company entered into an amended and restated credit facility which consists of a revolving line of credit of $160 million and an operating line of credit of $20 million (the "Facility"). The Facility revolves for a 364 day period and will be subject to its next 364 day extension by May 31, 2020. 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. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Based review on or before November 30, 2019. The Facility is secured by a $400 million fixed and floating charge debenture.

Off-Balance Sheet Transactions

The Company was not involved in any off-balance-sheet transactions or related party transactions during the quarter ended March 31, 2019.

Selected Quarterly Information

Below is summarized quarterly information for the previous five quarters.

	Q2 2017	Q3 2017	Q4 2017	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Q1 2019**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	1,945	5,218	8,483	10,277	12,428	18,287	16,501	**25,157**
Funds flow from operations	893	3,514	6,287	7,162	9,078	14,005	9,725	**16,134**
Per share [1] – basic	0.01	0.04	0.06	0.06	0.07	0.09	0.06	**0.10**
– diluted	0.01	0.04	0.05	0.06	0.06	0.08	0.05	**0.09**
Net income (loss)	(153)	716	2,168	2,828	3,947	6,817	1,225	**5,840**
Per share – basic	0.00	0.01	0.02	0.02	0.03	0.04	0.01	**0.04**
– diluted	0.00	0.01	0.02	0.02	0.03	0.04	0.01	**0.03**
Weighted average shares								
Basic	79,131	91,015	114,044	123,018	137,891	159,597	159,597	**159,991**
Net capital expenditures	35,697	27,531	63,997	29,624	42,593	66,356	58,200	**56,107**
Working capital (deficiency)[2]	17,907	38,943	18,412	**(4,050)**	**139,304**	**86,952**	**38,217**	**500**
Shareholders' equity	105,712	152,240	192,356	**196,123**	**379,572**	**387,406**	**389,649**	**399,124**

Production								
Crude oil *(bbls/d)*	341	985	1,337	**1,563**	**1,656**	**2,381**	**4,284**	**4,188**
Natural gas *(mcf/d)*	40	367	488	**837**	**900**	**1,263**	**2,263**	**2,470**
NGLs *(bbls/d)*	2	9	11	**36**	**46**	**60**	**109**	**110**
Total *(boe/d)*	350	1,055	1,429	**1,739**	**1,852**	**2,651**	**4,771**	**4,710**
Liquids *(%)*	98	94	94	**92**	**92**	**92**	**92**	**91**
Average wellhead prices								
Crude oil *($/bbl)*	62.11	56.61	67.86	**70.69**	**80.57**	**81.56**	**40.02**	**64.15**
Natural gas *($/mcf))*	3.12	1.74	1.99	**2.38**	**1.45**	**1.59**	**1.83**	**3.05**
NGLs *($/bbl)*	35.41	34.90	47.48	**46.77**	**39.63**	**43.65**	**34.24**	**30.14**
Total *($/boe)*	61.13	53.76	64.53	**65.67**	**73.74**	**74.98**	**37.59**	**59.35**
Royalties *($/boe)*	(3.69)	(2.94)	(3.70)	**(3.96)**	**(4.92)**	**(5.31)**	**(2.64)**	**(4.80)**
Operating costs *($/boe)*	(9.89)	(5.26)	(5.34)	**(7.84)**	**(8.66)**	**(7.76)**	**(7.04)**	**(8.83)**
Transportation costs *($/boe)*	(3.38)	(4.30)	(4.24)	**(4.61)**	**(4.43)**	**(4.97)**	**(5.48)**	**(5.25)**
Operating netback *($/boe)*	44.16	41.27	51.25	**49.25**	**55.73**	**56.94**	**22.44**	**40.47**

(1) Adjusted funds flow from operations per share has been calculated using the same denominator as was used in calculating net earnings per share. Adjusted funds flow from operations is a non-IFRS measure. See "Non-IFRS Measurements" in this MD&A.

(2) Current assets less current liabilities.

New Accounting Pronouncements

Adoption of IFRS 16 – Leases

On January 1, 2019, the Company adopted IFRS 16 Leases, which replaces IAS17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 uses a single lease accounting model for lessees, which requires the Company to recognize a right-of-use asset and lease liability on the statement of financial position, for all contracts that contain a lease.

The Company adopted IFRS 16 using the modified retrospective approach, and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initially applying the standard was recognized through $1.3 million in right-of-use assets (included in "Property, plant and equipment") and $1.3 million in Lease obligations. The weighted average incremental borrowing rate used to calculate the lease obligation at adoption was 4.2%. The right-of-use asset and lease obligation relates primarily to the Company's head office lease in Calgary.

The Company applied the following practical expedients as permitted under the standard. Some of these expedients are on a lease-by-lease basis and others are applicable by class of underlying assets:

- Maintain classification of contracts previously identified as leases under IAS 17 and IFRIC 4;
- Account for leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value;
- Recognize lease liabilities at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at January 1, 2019. The associated right-of-use assets will be measured at the amount equal to the lease liability on the date of transition, with no impact to opening retained earnings.

As at December 31, 2018, the Company had operating lease commitments of $1.4 million, which would have resulted in a discounted lease obligation of $1.3 million. At January 1, 2019, the Company recognized a current and non-current lease obligation of $1.3 million.

As a result of the adoption of IFRS 16 Leases, the Company has revised its accounting policy for leases as follows:
Contracts where the Company obtains the right to control the use of an identified asset in exchange for consideration are determined to contain a lease. At commencement, a right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, less any lease incentives received. The right-to-use asset is depreciated on a straight-line basis over the lease term. The corresponding lease liability is equal to the present value of the future lease payments. Interest expense is recognized on the lease obligations using the effective interest rate method. These payments are applied against the lease liability.

The Company is required to make judgements and assumptions on incremental borrowing rates and lease terms. The carrying balance of the right-to-use assets, lease obligations, interest and depreciation expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates are based on the Company’s borrowing rate at the commencement date of the lease, the security of the asset and market conditions. Lease terms are based on management’s assumptions of future market conditions and operational decisions.

Critical Estimates

Certain of the Company's accounting policies require subjective judgement about uncertain circumstances. The potential effects of these estimates, as described in the Company's MD&A for the year ended December 31, 2018, have not changed during the current period. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.