ARTIS EXPLORATION LTD

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED

MARCH 31, 2020

ARTIS EXPLORATION LTD.

2020 First Quarter
For the Three Months Ended March 31, 2020

HIGHLIGHTS

	Three Months Ended March 31		
	2020	2019	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	**31,105**	25,157	24
Funds flow from operations [(1)]	**20,233**	16,215	25
Per share – basic	**0.13**	0.10	30
– diluted	**0.12**	0.09	33
Net earnings	**20,969**	5,840	259
Per share – basic	**0.13**	0.04	225
– diluted	**0.12**	0.03	300
Capital expenditures	**41,995**	56,107	(25)
Net debt (surplus) [(2)]	**133,680**	(1,415)	
Shareholders' equity	**453,700**	399,124	
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	**160,197**	160,197	
Options	**12,963**	12,843	
Warrants	**21,765**	21,765	
Retention awards	**308**	308	
Weighted average			
Basic	**160,197**	159,991	
Diluted	**169,295**	178,476	
			(%)
Operating			
Production			
Crude oil *(bbls/d)*	**6,324**	4,188	51
Natural gas *(mcf/d)*	**4,089**	2,470	66
NGLs *(bbls/d)*	**238**	110	116
Total *(boe/d)*	**7,244**	4,710	54
Liquids %	**91**	91	
Average wellhead prices			
Crude oil *($/bbl)*	**56.21**	64.15	(12)
Natural gas *($/mcf)*	**2.49**	3.05	(18)
NGLs *($/bbl)*	**19.64**	30.14	(35)
Total *($/boe)*	**51.12**	59.35	(14)
Royalties *($/boe)*	**(3.69)**	(4.80)	(23)
Net operating cost *($/boe)*	**(9.23)**	(8.83)	5
Transportation cost *($/boe)*	**(3.88)**	(5.25)	(26)
Operating netback *($/boe)* [(3)]	**34.32**	40.47	(15)

	Three Months Ended March 31		
	2020	2019	Change
			(%)
Drilling activity – gross (net)			
Crude oil *(#)*	**4 (4.0)**	10 (10.0)	
Natural gas *(#)*	**-**	-	
Total *(#)*	**4 (4.0)**	10 (10.0)	
Average working interest *(%)*	**100**	100	

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

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

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

Artis Exploration Ltd. is pleased to report its financial and operating results for the three months ended March 31, 2020.

Financial and Operating Highlights

- Increased first quarter 2020 average production to 7,244 boe/d (91% liquids), a gain of 54% over 2019.
- Increased first quarter 2020 funds flow from operations by 25% to $20.2 million and 30% on a per share basis to $0.13 per share compared to 2019.
- Achieved an operating netback of $34.32/boe in the first quarter of 2020 despite a 14% decrease in commodity prices compared to last year.
- Increased first quarter 2020 net earnings by 259% to $21.0 million which included a $18 million unrealized gain on crude oil hedges.
- Invested $42.0 million in capital expenditures in 2020 including the drilling of 4 (4.0 net) wells in our core area of Trochu, Alberta.

President's Message

Production during the first quarter averaged 7,244 boepd (91% liquids) and was as high as 8,000 boe/d in early March before the Company began shutting production in due to low oil prices as a result of the collapse of Global oil demand caused by the Covid-19 outbreak and resulting shut-downs and the OPEC+ price war. Operating netbacks decreased to $34.32/boe during the quarter from our Q4 19 average of just over $44/boe on the back of a $27US/bbl collapse in WTI to a March average of $30US/bbl due to these combined negative factors. Although cash flow was higher in the first quarter compared to the same period last year, lower oil prices resulted in first quarter cash flow decreasing from a record high of $29.4 million in Q4 19 to $20.2 million during the first quarter of 2020. The Company invested $42 million in drilling, facilities, pipelines and land in the first quarter prior to reigning in expenditures starting in April. Debt at the end of March was $133.6 million resulting in a net debt to annualized Q1 cash flow of 1.65 times. The Company's bank credit facility was $230 million and is scheduled for re-determination in June 2020. Artis estimates that it will remain comfortably conforming with respect to its re-determined credit facility.

Operationally Artis entered this world crisis on a very positive note. In March we executed some of our best well results in the Company's history. We flowed back a two well pad in the Twining area at a combined rate of 1,785 bbl/d of oil at over 10Mpa casing and 8-9Mpa tubing pressure at 65-72% watercuts and still cleaning up after 11 days. These are anticipated to be exceptional wells and bode well for the Company's future. Artis drilled two additional wells in the immediate area that are waiting on completion. The Company expects to complete the wells later in the year when oil prices recover.

Despite being capable of delivering positive cash flow from most of our production from as low as $18 US/bbl WTI (-$5US/bbl SW differential) the Company made the decision to shut in 100% of its production to preserve its producing reserves for better pricing and value. Artis has strong hedge coverage on 31% of its production declining to 18% in Q4 2020 at over $56 US/bbl WTI and light differentials hedged on a majority of the hedge volumes in the range of -$5.76 to -$6.35 US/bbl. From May onwards, gains from these financial hedges are anticipated to cover virtually all of the Company's maintenance capital, fixed operating costs, G&A and interest expenses until year end if it is necessary for production to remain shut-in for that duration. Artis will consider bringing its production volumes back when it sees sustainable net oil pricing (after differentials) of approximately $30-$35 US/bbl. In the interim, the Company has reduced its total G&A by approximately 16% and is focused on planning for recovery and on sharpening its technical operational axe, so to speak. The Artis team is excited about delivering even better new well results.

Given its current hedge position and exciting recent test results, and two uncompleted wells, Artis anticipates it could deliver, in short order, over 9,000 boe/d of production momentum into a recovering commodity price environment. We look forward to reporting on expected commodity price improvements and renewed production and investment activity in the upcoming months.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

May 21, 2020

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, 2020 and 2019 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, 2019. 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 21, 2020.

Basis of Presentation

The unaudited financial statements and comparative information for the three months ended March 31, 2020 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.

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 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.

Responding to the Novel Coronavirus ("COVID-19")

During the first quarter, COVID-19 reached a pandemic state. Measures taken by governments around the world to contain the virus significantly reduced demand for commodities, along with other products and services. This caused a significant slowdown in the global economy and a crash of global financial markets. At the same time, the cooperation between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia, to manage global crude oil production levels broke down and each party increased their daily crude oil production, increasing overall global supply. The combination of these events resulted in a one-day decline in benchmark crude oil prices of 24% on March 9, 2020, the biggest one-day decline on record since 1991. Average benchmark crude oil prices in March declined approximately 50% compared with average prices in December 2019. In general, the oil and gas industry has reacted with reductions to capital and other spending, as well as production shut-ins, to try to manage through this price environment. The duration of the current commodity price volatility is uncertain.

Artis is dedicated to ensuring the health, safety and security of employees, contractors, partners and residents within its operating areas and communities. In response to the COVID-19 pandemic, the Company mobilized quickly to implement response plans and procedures that would protect the health and well-being of all stakeholders. Artis established work from home protocols in mid-March and rolled out new technologies and programs to facilitate remote working across the Company. Due to Artis' rapid and effective mitigation actions, 100% of the Company's head office employees were able to work remotely within days of the Company's local schools closing, having minimal impact on operations or productivity. The Company also implemented social distancing protocols throughout its field operations that help to protect field staff and contractors.

Artis' flexible business plan and financial structure provide the Company with the flexibility to manage through these uncertain times. In light of the prevailing weak commodity price environment, the Company has shut-in 100% of its production effective May 1, 2020 in order to preserve well economics, optimize pricing and reduce costs. Artis continues to manage capital expenditures, limiting expenditures for the next few months to maintenance expenditures and cost savings initiatives. Artis remains well positioned from a liquidity perspective with less than 60% drawn on its $230 million credit facility at March 31, 2020. Artis's strong crude oil hedge position will allow it to cover its nominal planned capital expenditures and fixed operating and general and administrative and interest expenses until approximately the end of the year.

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

Forward-Looking Statements

This document contains forward-looking statements. Statements used throughout this MD&A that are not historical facts may be considered to be "forward-looking statements". These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans including without limitation, management's assessment of the potential and uncertain impact of COVID-19 on future plans and operations and the timing thereof including planned 2020 drilling program and curtailments thereto; anticipated commodity prices, 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, estimates of shut-in production and the impact and 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; liquidity estimates including the availability of funds to finance the Company's capital expenditure program; expectations regarding the Company's credit facilities and compliance therewith; the expected levels of activities; may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; volatility of commodity prices; currency flunctuations; imprecision of reserves estimates; environmental risks; competition from other producers; incorrect assessment of the value of acquisitions; ability to access sufficient capital from internal and external sources; delays resulting from inability to obtain regulatory approvals; and, changes in the regulatory and taxation environment. Consequently, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information is based on a number of factors and assumptions that have been used to develop such statements and information, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions that may be identified in this document, assumptions have been made regarding, among other things: the uncertain and continuing impact of COVID-19; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects that the Company has an interest in to operate the field in a safe, efficient and effective manner; the Company's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and cost of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and, the Company's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measurements

Operating Netback

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

Funds flow from Operations

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

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

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Cash provided by operating activities	**27,505**	11,494
Change in operating non-cash working capital	**(7,272)**	4,721
Funds flow from operations	**20,233**	16,215

Working Capital and Net Debt

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

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

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Current assets	**28,932**	42,268
Current liabilities	**(32,200)**	(41,768)
Derivative financial instruments	**(16,239)**	334
Current portion of lease obligations	**625**	581
Working capital (deficiency)	**(18,882)**	1,415

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Bank loan	**(114,798)**	-
Working capital (deficiency)	**(18,882)**	1,415
Net surplus (debt)	**(133,680)**	1,415

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three months ended March 31, 2020 and 2019:

Three Months Ended March 31,	**2020**	2019
Crude oil *(bbls/d))*	**6,324**	4,188
Natural gas *(mcf/d)*	**4,089**	2,470
NGLs *(bbls/d)*	**238**	110
Total *(boe/d)*	**7,244**	4,710
Liquids *(%)*	**91**	91

For the three months ended March 31, 2020, production averaged 7,244 boe/d (91% weighted to crude oil and NGLs), a 54% increase from the 4,710 boe/d (91% weighted to crude oil and NGLs) averaged during the same period a year ago. The 2020 increase was the result of a successful drilling program in its core area of Trochu where it drilled 26 (26.0 net) horizontal crude oil wells in 2019 and an additional 4 gross (4.0 net) horizontal crude oil wells in the first quarter of 2020.

Revenue and Pricing

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Revenue		
Crude oil	**29,752**	24,180
Realized financial derivative gain	**2,597**	-
Total crude oil	**32,349**	24,180
Natural gas	**927**	679
NGLs	**426**	298
Total revenue before unrealized financial derivative gain (loss)	**33,702**	25,157
Unrealized financial derivative gain (loss)	**17,985**	(334)
Total revenue	**51,687**	24,823
Average Prices		
Crude oil *($/bbl)*	**51.70**	64.15
Realized derivative gain *($/bbl)*	**4.51**	-
Total crude oil sales price *($/bbl)*	**56.21**	64.15
Natural gas *($/mcf))*	**2.49**	3.05
NGLs sales price *($/bbl)*	**19.64**	30.14
Total sales price *($/boe)*	**51.12**	59.35

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.

During the first quarter of 2020, revenue before unrealized financial derivative gain increased 34% to $33.7 million from $25.2 million recorded in the same period of 2019 due to a 54% year-over-year increase in production offset by a 14% decrease in the Company's overall realized price compared to the previous period. The Company's overall realized price decreased to $56.21/boe from $64.15/boe recorded in 2019 mainly because of lower crude oil and NGL prices.

The following table summarizes the crude oil and natural gas benchmark prices for the three months ended March 31, 2020 and 2019:

Three Months Ended March 31,	**2020**	2019
Average Benchmark Prices		
Crude oil – WTI *(US$/bbl)*	**46.17**	54.90
MSW differential *(US$/bbl)*	**(7.58)**	(4.85)
Crude oil – Edmonton par *(CDN$/bbl)*	**51.21**	66.40
Natural gas – AECO spot – Daily index *($/GJ)*	**1.93**	2.49
Exchange rate *(CDN$/US$)*	**1.35**	1.33

Artis' realized corporate crude 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 swaps, costless collars and puts 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,	**2020**	2019
(000s)	*($)*	*($)*
Realized gain on financial instruments	**2,597**	-
Per boe	**4.51**	-
Unrealized gain (loss) on financial instruments	**17,985**	(334)

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

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	January 1, 2020 – June 30, 2020	US$ NYMEX – WTI	$55.40/bbl	Swap
Crude oil	500 bbls/day	January 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$55.00/bbl	Swap
Crude oil	400 bbls/day	January 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$58.18/bbl	Swap
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ NYMEX – WTI	$55.91/bbl	Swap
Crude oil	500 bbls/day	July 31, 2020 – September 30, 2020	US$ NYMEX – WTI	$59.16/bbl	Swap
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($6.40)/bbl	Swap
Crude oil	400 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($4.90)/bbl	Swap
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($5.90)/bbl	Swap
Crude oil	500 bbls/day	July 31, 2020 – September 30, 2020	US$ MSW – WTI differential	($6.35)/bbl	Swap
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($5.65)/bbl	Swap

Subsequent to March 31, 2020, 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, 2020 – April 30, 2020	US$ NYMEX - WTI	$27.65/bbl	Swap
Crude oil	400 bbls/day	May 1, 2020 – May 31, 2020	US$ NYMEX - WTI	$26.60/bbl	Swap

Royalties

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Royalties		
Crown	**1,438**	1,067
Freehold/GORRs	**995**	968
Total royalties	**2,433**	2,035
Total royalties *($/boe)*	**3.69**	4.80
	(%)	*(%)*
% of Revenue		
Crown	**4.6**	4.2
Freehold/GORRs	**3.2**	3.8
Total	**7.8**	8.1

For the quarter ended March 31, 2020, the Company recorded $2.4 million in total royalties or 7.8% of revenue versus $2.0 million or 8.1% of revenue a year ago. Approximately 4.6% of total revenue paid in the first quarter of 2020 consisted of Crown royalties and 3.2% of total revenue was paid to overriding ("GORRs") and freehold royalty owners compared to 4.2% and 3.8%, respectively, in the 2019 three-month period.

Operating Expenses

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Operating expenses	**6,152**	3,825
Less: Third party processing income	**(65)**	(83)
Net operating expenses	**6,087**	3,741
Per unit of production *($/boe)*	**9.23**	8.83

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 $6.1 million for the first quarter of 2020 compared to $3.7 million recorded a year ago. Operating costs net of third-party processing income on a per boe basis increased 4.5% to $9.23/boe from $8.83/boe in 2020 due to increased charges for water hauling and salt-water disposal fees. The Company has set up water disposal facilities beginning in the second quarter of 2020 which should reduce water trucking and disposal costs for the remainder of the year.

Transportation Expenses

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Transportation expenses	**2,560**	2.225
Transportation expenses *($/boe)*	**3.88**	5.25

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, 2020, transportation costs decreased 26% on a per unit of production basis to $3.88/boe from $5.25/boe last year because of shorter waiting times at trucking terminals and also shorter distances for trucking the crude oil as the closet terminals were able to accept deliveries in the first quarter of 2020.

Operating Netback

Three Months Ended March 31,	**2020**	2019
Revenue		
Crude oil *($/bbl)*	**56.21**	64.15
Natural gas *($/mcf))*	**2.49**	3.05
NGLs *($/bbl)*	**19.64**	30.14
Production revenue *($/boe)*	**51.12**	59.35
Expenses		
Royalty expense *($/boe)*	**(3.69)**	(4.80)
Net operating costs *($/boe)*	**(9.23)**	(8.83)
Transportation expense *($/boe)*	**(3.88)**	(5.25)
Operating netback *($/boe)*	**34.32**	40.47

For the first quarter of 2020, the Company recorded an operating netback of $34.32/boe compared to $40.47/boe in the same quarter last year. The 15% decrease was primarily a result of commodity prices dropping 14% from first quarter 2019 levels.

General and Administrative ("G&A") Expenses

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Gross expenses	**2,180**	1,915
Capitalized expenses	**(847)**	(550)
Operator’s recoveries	**(2)**	(71)
General and administrative expenses	**1,331**	1,294
Per unit of production ($/boe)	**$2.02**	$3.05

For the three months ended March 31, 2020, G&A expenses totaled $1.3 million compared to $1.3 million recorded in the same period a year ago. For the periods ended March 31, 2020 and 2019, the Company capitalized G&A and had recoveries from operations totaling $0.8 million and $0.6 million. Most of the capitalized G&A relates to employee salaries related directly to exploration and development activities. G&A on a per unit of production basis decreased 44% because of the 54% increase in production during the period.

Share-Based Compensation Expense

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Gross expenses	**463**	635
Capitalized expenses	**(106)**	(203)
Total share-based compensation	**357**	432

For the three months ended March 31, 2020, Artis recorded non-cash share-based compensation expense of $0.4 million compared to $0.4 million for the previous period. For the periods ended March 31, 2020 and 2019, the Company capitalized $0.1 million and $0.2 million, respectively of stock-based compensation relating to stock options of employees directly related to exploration and development activities. The year-over-year decrease is because no material options have been issued by the Company since the first quarter of 2019.

Finance Expenses

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Interest expense on credit facility	**944**	-
Standby fees on credit facility	**118**	24
Interest expense on lease obligations	**16**	26
Accretion of the decommissioning obligation	**53**	33
Total finance expenses	**1,131**	83
Per unit of production ($/boe)	**1.72**	0.20

The Company incurred $0.9 million of interest expense in the first quarter of 2020 as the Company began to draw on its $230 million bank facility for the first time in July 2019. The Company incurred credit facility stand-by fees of $0.1 million (2019 - $24,000) for the quarter ended March 31, 2020. The standby fees increased because the size of the credit facility increased from $65 million to $180 million in mid-May of 2019 and then to $230 million in mid-December of 2019.

The Company's accretion expense for the three-month period ended March 31, 2020 was $53,000 versus $33,000 in the comparable period of 2019. The larger accretion expense relates to the increase in the decommissioning obligations due to the 26.0 net wells drilled in 2019 and the 4.0 net wells drilled in the first quarter of 2020.

Depletion and Depreciation ("D&D") Expense

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
D&D expense	**10,390**	6,646
D&D expense *($/boe)*	**15.76**	15.68

The Company's D&D expense for the three months ended March 31, 2020 was $10.4 million or $15.76/boe versus $6.6 million or $15.68/boe in the comparable period of 2019.

D&D expense is computed on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserves base and in the amount of costs subject to D&D, including future development costs. The calculation of 2020 depletion and depreciation expense included an estimated $2.1 billion (2019 – $1.9 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.4 million (2019 – $0.8 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, 2020, Artis recorded an exploration and evaluation expense of $62,000 versus $583,000 a year ago. Exploration and evaluation expenses relate to undeveloped land expiries.

Deferred Income Taxes

For the three months ended March 31, 2020, Artis recorded deferred income tax expense of $6.4 million compared to $2.3 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 increase in production and the large unrealized gain on derivative instruments.

Artis was not subject to any corporate income taxes for 2020 or 2019. The Company has approximately $497 million of tax pools available for deduction against future taxable income as at March 31, 2020.

Cash, Funds Flow from Operations and Net Income

Three Months Ended March 31,		**2020**	2019
(000s, except per share amounts)		*($)*	*($)*
Cash provided by operating activities		**27,505**	11,494
Funds flow from operations		**20,233**	16,215
Per share [(1)]	– basic	**0.13**	0.10
	– diluted	**0.12**	0.09
Net income		**20,969**	5,840
Per share [(1)]	– basic	**0.13**	0.04
	– diluted	**0.12**	0.03

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

For the first quarter ended March 31, 2020 funds flow from operations increased predominately due to higher production volumes and net income increased mainly because of the large gain in the unrealized derivative instruments as compared to the same period in 2019.

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

During the first three months of 2020, the Company invested $42.0 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $56.1 million a year ago.

Three Months Ended March 31,	**2020**	2019
(000s)(excluding decommissioning liabilities)	*($)*	*($)*
Drilling and completions	**29,278**	36,196
Equipment and facilities	**10,230**	13,065
Land and lease retention	**1,337**	5,886
Geological and geophysical	**292**	350
Capitalized G&A	**847**	550
Office equipment	**11**	60
Total capital expenditures	**41,995**	56,107

During the first quarter of 2020, the Company incurred $29.3 million (2019 – $36.2 million) in drilling and completion expenditures that involved the drilling of 4 (4.0 net) horizontal oil wells and the completion of 4 (4.0) horizontal oil wells as compared to the drilling of 10 (10.0 net) horizontal oil wells and the completion of 3 (3.0) oil wells during the first quarter of 2019. Equipping and facilities expenditures for the three months ended March 31, 2020 and 2019 were $10.2 million and $13.1 million, respectively. During the 2020 three-month period, the Company invested $1.6 million on land and seismic versus $6.4 million for the same period of 2019.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Three Months Ended March 31, 2020		
Crude oil (horizontal)	**4**	**4.0**
Total wells	**4**	**4.0**
Average working interest *(%)*		**100**
Three Months Ended March 31, 2019		
Crude oil (horizontal)	10	10.0
Total wells	10	10.0
Average working interest *(%)*		100

Share Capital

Three Months Ended March 31,	**2020**	2019
(000s)	*(#)*	*(#)*
Weighted Average Shares Outstanding		
Basic	**160,197**	159,991
Diluted	**169,295**	178,476
Outstanding Securities		
Common shares	**160,197**	160,197
Performance warrants	**21,765**	21,765
Options	**12,963**	12,843
Retention awards	**308**	308

As at May 21, 2020, 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 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 2020 capital expenditures is expected to be provided by cash generated from operating activities and the Company’s $230.0 million bank credit facility. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, 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 March 31, 2020 the Company remains in compliance with all terms of our credit facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging and uncertain.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavours to maintain it below 2.0 to 1.0. As at March 31, 2020, Artis' ratio of net debt to annualized funds flow was 1.65 :1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.58 to 1 at March 31, 2020.

	March 31 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**28,932**	18,139
Current liabilities	**(32,200)**	(23,385)
Derivative financial instruments	**(16,239)**	1,746
Current portion of lease obligations	**625**	636
Working capital deficiency	**(18,882)**	(2,864)
Bank debt	**(114,798)**	(108,853)
Net debt	**(133,680)**	(111,717)

Annualized funds flow for three months ended:	**March 31, 2020**	December 31, 2019
Net cash from operating activities	**27,233**	27,248
Change in non-cash working capital	**7,272**	2,161
	20,233	29,409
Annualized funds flow	**80,932**	117,638
Net debt to annualized funds flow	**1.65**	0.95
Credit facility available	**230,000**	230,000
Net debt to credit facility available	**58%**	49%

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. 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, 2020. 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.

Related-Party and 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, 2020.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**Q1 2020**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	12,428	18,287	16,501	25,157	30,391	35,139	43,604	**31,105**
Funds flow from operations	9,078	14,005	9,725	16,134	18,737	21,430	29,409	**20,233**
Per share [(1)] – basic	0.07	0.09	0.06	0.10	0.12	0.13	0.18	**0.13**
– diluted	0.06	0.08	0.05	0.09	0.10	0.12	0.16	**0.12**
Net income	3,947	6,817	1,225	5,840	9,765	9,856	10,470	**20,969**
Per share – basic	0.03	0.04	0.01	0.04	0.06	0.06	0.07	**0.13**
– diluted	0.03	0.04	0.01	0.03	0.05	0.06	0.06	**0.12**
Weighted average shares								
Basic	137,891	159,597	159,597	159,991	160,197	160,197	160,197	**160,197**
Net capital expenditures	42,593	66,356	58,200	56,107	72,663	72,752	36,737	**41,995**
Net surplus (debt) [(2)]	139,304	86,952	38,217	1,415	(52,705)	(104,185)	(111,717)	**(133,680)**
Shareholders' equity	379,572	387,406	389,649	399,124	409,889	420,776	432,245	**453,700**
Production								
Crude oil *(bbls/d)*	1,656	2,381	4,284	4,188	4,434	5,374	6,613	**6,324**
Natural gas *(mcf/d)*	900	1,263	2,263	2,470	3,134	3,927	4,243	**4,089**
NGLs *(bbls/d)*	46	60	109	110	144	278	330	**238**
Total *(boe/d)*	1,852	2,651	4,771	4,710	5,101	6,307	7,649	**7,244**
Liquids *(%)*	92	92	92	91	90	90	91	**91**
Average wellhead prices								
Crude oil *($/bbl)*	80.57	81.56	40.02	64.15	73.73	68.76	68.21	**56.21**
Natural gas *($/mcf))*	1.45	1.59	1.83	3.05	1.20	1.09	3.06	**2.49**
NGLs *($/bbl)*	39.63	43.65	34.24	30.14	22.65	17.05	26.95	**19.64**
Total *($/boe)*	73.74	74.98	37.59	59.35	65.48	60.01	61.83	**51.12**
Royalties *($/boe)*	(4.92)	(5.31)	(2.64)	(4.80)	(5.48)	(5.79)	(5.03)	**(3.69)**
Operating costs *($/boe)*	(8.66)	(7.76)	(7.04)	(8.83)	(10.91)	(9.58)	(7.91)	**(9.23)**
Transportation costs *($/boe)*	(4.43)	(4.97)	(5.48)	(5.25)	(5.28)	(5.01)	(4.29)	**(3.88)**
Operating netback [(3)] *($/boe)*	55.73	56.94	22.44	40.47	43.81	39.63	44.60	**34.32**

(1) Funds flow from operations per share has been calculated using the same denominator as was used in calculating net income per share.
(2) Non-IFRS Measure. Net debt (surplus) includes cash and cash equivalents plus trade and other receivables and deposits and prepaid expenses less accounts payable and accrued liabilities and bank debt. See "Non-IFRS Measures" contained within Artis' MD&A.
(3) Non-IFRS Measure. See "Non-IFRS Measures" and "Operating Netback" contained within Artis' MD&A.

Critical Estimates

Certain of the Company's accounting policies require subjective judgement about uncertain circumstances. The potential effects of these estimates are described in the Company's MD&A for the year ended December 31, 2019 and Note 3 of the March 31, 2020 financial statements. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	**March 31, 2020**	December 31, 2019
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**11,506**	16,432
Derivative financial instruments *(note 4)*	**16,239**	-
Prepaid expenses and deposits	**1,187**	1,707
	28,932	18,139
Non-current assets		
Property, plant and equipment *(note 5)*	**530,357**	499,528
Exploration and evaluation assets *(note 6)*	**80,333**	79,115
	610,690	578,643
Total assets	**639,622**	596,782
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**31,575**	21,003
Derivative financial instruments *(note 4)*	**-**	1,746
Lease obligations *(note 9)*	**625**	636
	32,200	23,385
Non-current liabilities		
Bank debt *(note 7)*	**114,798**	108,853
Decommissioning obligations *(note 8)*	**12,748**	12,297
Lease obligations *(note 9)*	**345**	519
Deferred tax liability	**25,831**	19,461
	153,722	141,130
Total liabilities	**185,922**	164,515
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**13,823**	13,359
Retained earnings	**67,516**	46,547
Total equity	**453,700**	432,267
Total liabilities and equity	**639,622**	596,782

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,	**2020**	2019
(000s, except per share amounts) (unaudited)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenue *(note 11)*	**31,105**	25,157
Royalties	**(2,433)**	(2,035)
Realized gain on derivative instruments	**2,597**	-
Unrealized gain (loss) on derivative instruments	**17,985**	(334)
Other revenue *(note 11)*	**69**	460
	49,323	23,248
Expenses		
Operating	**6,152**	3,825
Transportation	**2,560**	2,225
General and administrative	**1,331**	1,294
Share-based compensation	**357**	432
Exploration and evaluation	**62**	583
Depletion and depreciation	**10,390**	6,646
Finance *(note 12)*	**1,131**	83
	21,983	15,088
Income before income taxes	**27,340**	8,160
Deferred income tax expense	**6,371**	2,320
Net income and comprehensive income for the period	**20,969**	5,840
Net income per share *(note 13)*		
Basic	**0.13**	0.04
Diluted	**0.12**	0.03

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
(000s) (unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2020	**160,197**	**372,361**	**13,359**	**46,547**	**432,267**
Share-based payments	**-**	**-**	**463**	**-**	**463**
Income for the period	**-**	**-**	**-**	**20,969**	**20,969**
Balance – March 31, 2020	**160,197**	**372,361**	**13,823**	**67,516**	**453,700**

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
(000s)(unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
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

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2020**	2019
(000s) (unaudited)	*($)*	*($)*
Cash flows from operating activities		
Net income	**20,969**	5,840
Adjustments for:		
Depletion and depreciation *(note 5)*	**10,390**	6,646
Exploration and evaluation *(note 6)*	**62**	583
Interest on lease obligations *(note 9)*	**16**	23
Unrealized loss (gain) on derivative instruments	**(17,985)**	334
Deferred income tax expense	**6,371**	2,320
Accretion of decommissioning obligations *(note 8)*	**53**	37
Share-based compensation	**357**	432
Change in non-cash working capital	**7,272**	(4,721)
Net cash from operating activities	**27,505**	11,494
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(40,440)**	(47,268)
Additions to exploration and evaluation assets *(note 6)*	**(1,555)**	(5,839)
Change in non-cash working capital	**8,746**	2,794
Net cash used in investing activities	**(33,249)**	(50,313)
Cash flows from financing activities		
Increase in bank debt *(note 7)*	**5,945**	-
Payments on lease obligations *(note 9)*	**(201)**	(170)
Net cash from financing activities	**5,744**	(170)
Change in cash and cash equivalents	**-**	(38,989)
Cash and cash equivalents – beginning of period	**-**	64,988
Cash and cash equivalents – end of period	**-**	25,999

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

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2020
(unaudited)
(Tabular amounts are stated in thousands of dollars, except share and per share amounts)

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, 2019. 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, 2019, except as disclosed below. The significant accounting policies are described in note 3 of the December 31, 2019 audited financial statements.

The condensed interim financial statements were authorized for issuance by the Company's Board of Directors on May 21, 2020.

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, 2019 audited financial statements.

3. COVID-19 estimation uncertainty:

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries (“OPEC”) and non-OPEC members, primarily Saudi Arabia and Russia.

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

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

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact the Company's financial statements in fiscal 2020.

A full list of the key sources of estimation uncertainty can be found in the Company's annual financial statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the financial statements, particularly related to the following key sources of estimation uncertainty:

Recoverable Amounts

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

Decommissioning Costs

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

Income Tax Provisions

Income taxes on earnings in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings. In the current economic environment the expected total annual earnings or expected earnings is subject to measurement uncertainty. Changes to these assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and the utilization of deferred tax assets, along with sufficient profit that will be realized to utilize these assets.

Accounts Receivable

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

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, 2020, the Company held derivative commodity contracts as follows:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						(000s) ($)
Crude oil	500 bbls/day	January 1, 2020 – June 30, 2020	US$ NYMEX – WTI	$55.40/bbl	Swap	1,932
Crude oil	500 bbls/day	January 1, 2020 –December 31, 2020	US$ NYMEX – WTI	$55.00/bbl	Swap	4,801
Crude oil	400 bbls/day	January 1, 2020 –December 31, 2020	US$ NYMEX – WTI	$58.18/bbl	Swap	4,331
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ NYMEX – WTI	$55.91/bbl	Swap	1,965
Crude oil	500 bbls/day	July 31, 2020 – September 30, 2020	US$ NYMEX – WTI	$59.16/bbl	Swap	**1,795**
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($6.40)/bbl	Swap	**273**
Crude oil	400 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($4.90)/bbl	Swap	**270**
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($5.90)/bbl	Swap	**294**
Crude oil	500 bbls/day	July 31, 2020 – September 30, 2020	US$ MSW – WTI differential	($6.35)/bbl	Swap	**274**
Crude oil	500 bbls/day	April 30, 2020 – June 30, 2020	US$ MSW – WTI differential	($5.65)/bbl	Swap	**305**
Total						**16,239**

Subsequent to March 31, 2020, 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, 2020 – April 30, 2020	US$ NYMEX - WTI	$27.65/bbl	Swap
Crude oil	400 bbls/day	May 1, 2020 – May 31, 2020	US$ NYMEX - WTI	$26.60/bbl	Swap

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 financial liabilities consist of accounts payable, lease obligations and the bank loan. Accounts payable and lease obligations consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains a revolving credit facility, as outlined in note 7, which is subject to annual renewal by the lenders and has a contractual maturity in 2021 if not extended. The Company maintains and monitors cash flow which is used to partially finance operating and capital expenditures. The Company does not pay dividends.

Capital management

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

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels 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 March 31, 2020 the Company remains in compliance with all terms of its credit facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, 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 endeavors to maintain it below 2.0 to 1.0. As at March 31, 2020, Artis' ratio of net debt to annualized funds flow was 1.65 :1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.58 to 1 at March 31, 2020.

	March 31 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**28,932**	18,139
Current liabilities	**(32,200)**	(23,385)
Derivative financial instruments	**(16,239)**	1,746
Current portion of lease obligations	**625**	636
Working capital deficiency	**(18,882)**	(2,864)
Bank debt	**(114,798)**	(108,853)
Net debt	**(133,680)**	(111,717)

Annualized funds flow for three months ended:	March 31, 2020	December 31, 2019
Net cash from operating activities	**27,505**	27,248
Change in non-cash working capital	**(7,272)**	2,161
	20,233	29,409
Annualized funds flow	**80,932**	117,638
Net debt to annualized funds flow	**1.65**	0.95
Credit facility available	**230,000**	230,000
Net debt to credit facility available	**58%**	49%

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

5. Property, Plant and Equipment

	Oil and Natural Gas Properties
(000s)	*($)*
Cost or deemed cost	
Balance – January 1, 2019	311,307
Additions	**223,777**
Capitalized share-based compensation	**986**
Transfer from exploration and evaluation assets	**11,422**
Change in decommissioning obligations	**6,682**
Increase in right-to-use assets	**1,256**
Balance – December 31, 2019	555,130
Additions	**40,440**
Capitalized share-based compensation	**106**
Transfer from exploration and evaluation assets	**274**
Change in decommissioning obligations	**398**
Balance – March 31, 2020	**596,348**

Depletion and depreciation	
Balance – January 1, 2019	21,514
Depletion and depreciation for the year	34,087
Balance – December 31, 2019	55,601
Depletion and depreciation for the period	**10,390**
Balance – March 31, 2020	**65,991**

Carrying amounts	
December 31, 2019	499,528
March 31, 2020	**530,357**

Depletion and Depreciation

The calculation of 2020 depletion and depreciation expense included an estimated $1.9 billion (2019 – $1.9 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $0.8 million (2019 – $0.8 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 $0.8 million in G&A expenditures have been capitalized and included in PP&E assets at March 31, 2020 (2019 – 0.6 million). Also included in PP&E are non-cash share-based payments of $0.1 million (2019 – $0.2 million).

Impairment Assessment

At March 31, 2020 the Company completed an assessment of the indicators of impairment. As a result of indicators being present, the Company tested its one CGU being Trochu/Twining for impairment. The Company determined that no indicators of impairment existed at March 31, 2019 and so no impairment test was completed at March 31, 2019.

For the purpose of impairment testing, the recoverable amount of the Company's CGU is the greater of its value in use and its fair value less costs to sell. Value in use is generally the future cash flows expected to be derived from production of proven and probable reserves estimated by Company's third-party reserve evaluators and the internally estimated future cash flows of undeveloped lands. At March 31, 2020, the Company used value in use, discounted at pre-tax rates between 10% and 25% dependent on the risk profile of the reserve category.

Results of 2020 assessment

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

	Bank of Canada Average Noon Exchange Rate	West Texas Intermediate Crude Oil at Cushing Oklahoma	Crude Oil (40º API, 0.3%S) at Edmonton	Natural Gas (AECO)
	(US$/CDN$)	*(US$/bbl)*	*(CDN$/bbl)*	*(CDN$/mmbtu)*
2020	0.727	34.20	36.68	1.98
2021	0.730	41.00	47.95	2.25
2022	0.735	47.50	56.46	2.35
2023	0.740	52.50	64.19	2.45
2024	0.745	57.50	71.81	2.55
2025	0.750	58.95	73.27	2.65
2026	0.750	60.13	74.84	2.70
2027	0.750	61.33	76.44	2.76
2028	0.750	62.56	78.08	2.81
2029	0.750	63.81	79.75	2.87
Remainder	0.750	2.0%/year	2.0%/year	2.0%/year

At March 31, 2020, due to the weakening in the Canadian commodity price environment, the Company tested its Trochu/Twining CGU for impairment. It was determined that the recoverable amount of the Trochu/Twining CGU exceeded the carrying value and an impairment charge was not recorded.

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – January 1, 2019	77,467
Additions	**14,482**
Transfers to property, plant and equipment	**(11,422)**
Expiries	**(1,412)**
Balance – December 31, 2019	**79,115**
Additions	**1,555**
Transfers to property, plant and equipment	**(274)**
Impairments	**(62)**
Balance – March 31, 2020	**80,333**

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, 2020, the Company had a revolving line of credit of $210 million and an operating line of credit of $20 million for a total facility of $230 million (collectively, the "Facility") of which $114.8 million (December 31, 2019 – $108.9 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 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. 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 Base with-in 45 days. The Company carried an LMR of 26:1 at March 31, 2020. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before May 31, 2020. 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.

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 based 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.

A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security along with a debenture and supplemental debentures totaling $400 million.

8. Decommissioning obligations

(000s)	*($)*
Cost	
Balance – January 1, 2019	5,468
Liabilities incurred	**6,940**
Change in estimated future cash flows	**(257)**
Accretion of decommissioning obligation	**146**
Balance – December 31, 2019	**12,297**
Liabilities incurred	**398**
Accretion of decommissioning obligation	**53**
Balance – March 31, 2020	**12,748**

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 $12.8 million as at March 31, 2020 (December 31, 2019 – $12.3 million) based on an undiscounted inflated total future liability of $15.8 million (December 31, 2019 – $15.3 million) using an assumed inflation rate of 1.3% (2019 – 1.3%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.7% (2019 – 1.7%).

9. Lease obligations

Right-of-use assets

(000s)

	($)
As at January 1, 2019	**1,256**
Depreciation	**(444)**
As at December 31, 2019	**812**
Additions	**-**
Depreciation	**(109)**
As at March 31, 2020	**703**

Lease liabilities

(000s)

	($)
As at January 1, 2019	**1,777**
Lease interest expense	**105**
Lease payments	**(727)**
As at December 31, 2019	**1,155**
Lease interest expense	**16**
Lease payments	**(201)**
As at March 31, 2020	**970**

The Company leases office space and field vehicles. The 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 three years. The undiscounted cash flows relating to the lease liabilities included in the statement of financial position are as follows:

(000s)	1 year	2-3 years	Total
	($)	*($)*	*($)*
Lease payments including principal and interest	**625**	**345**	**970**

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 – January 1, 2019	**159,597**	**369,361**
Issue of common shares	**600**	**3,000**
Balance – December 31, 2019 and March 31, 2020	**160,197**	**372,361**

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

11. Revenue

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

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

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

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Oil production	**29,752**	24,180
Gas production	**927**	679
NGLs production	**426**	298
Total revenue	**31,105**	25,157

Other revenue:

The following table summarizes the company's other revenue:

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Third party processing fee income	**65**	83
Interest income	**4**	377
	69	460

12. Financing

Three Months Ended March 31,	**2020**	2019
(000s)	*($)*	*($)*
Interest expense	**1,078**	46
Accretion of decommissioning obligations	**53**	37
	1,131	83

13. Income Per Share

Basic income per share was calculated as follows:

Three Months Ended March 31,	**2020**	2019
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic		
Issued common shares – January 1	**160,197**	159,597
Effects of shares issued	**-**	394
Weighted average number of common shares – basic	**160,197**	159,991

Three Months Ended March 31,	**2020**	2019
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	159,991
Effects of options in-the-money	**9,098**	18,485
Weighted average number of common shares – diluted	**169,295**	178,476

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, 2020.

At March 31, 2020, the Company has 12,963,000 options outstanding with an average exercise price of $2.04 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**	**1.3**
2.19	**4,353**	**2.19**	**1.3**
2.50	**4,353**	**2.50**	**1.3**
2.81	**4,353**	**2.81**	**1.3**
3.13	**4,353**	**3.13**	**1.3**
	21,765	**2.50**	**1.3**

The Company has 307,500 Retention Awards (“RAs”) outstanding at March 31, 2020.