ARTIS EXPLORATION LTD

FIRST QUARTER REPORT
FOR THE THREE MONTHS
ENDED MARCH 31, 2021

ARTIS EXPLORATION LTD.

2021 First Quarter
For the Three Months Ended March 31, 2021

HIGHLIGHTS

	Three Months Ended March 31		
	2021	2020	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	**37,490**	31,105	21
Funds flow from operations (1)	**19,959**	20,233	(1)
Per share – basic	**0.12**	0.13	(8)
– diluted	**0.12**	0.12	-
Net earnings	**1,426**	20,969	(93)
Per share – basic	**0.01**	0.13	(92)
– diluted	**0.01**	0.12	(92)
Capital expenditures	**18,289**	41,995	(25)
Net debt (2)	**114,840**	133,680	(14)
Shareholders' equity	**450,572**	453,700	(1)
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	**160,197**	160,197	
Options	**14,088**	12,963	
Warrants	**21,765**	21,765	
Retention awards	**308**	308	
Weighted average			
Basic	**160,197**	160,197	
Diluted	**166,220**	169,295	
			(%)
Operating			
Production			
Crude oil *(bbls/d)*	**5,810**	6,324	(8)
Natural gas *(mcf/d)*	**4,712**	4,089	15
NGLs *(bbls/d)*	**378**	238	59
Total *(boe/d)*	**6,973**	7,244	(4)
Liquids %	**89**	91	
Average wellhead prices			
Crude oil *($/bbl)*	**66.48**	51.70	29
Natural gas *($/mcf)*	**3.77**	2.49	51
NGLs *($/bbl)*	**33.22**	19.64	69
Total *($/boe)*	**59.74**	47.18	27
Royalties *($/boe)*	**(5.24)**	(3.69)	42
Net operating cost *($/boe)*	**(7.71)**	(9.33)	(17)
Transportation cost *($/boe)*	**(3.98)**	(3.88)	3
Operating netback before financial derivatives *($/boe)* (3)	**42.81**	30.28	41
Realized gain (loss) on financial derivatives *($/boe)* (3)	**(7.20)**	3.94	
Operating netback after financial derivatives *($/boe)* (3)	**35.61**	34.22	4

	Three Months Ended March 31		
	2021	2020	Change
			(%)
Drilling activity – gross (net)			
Crude oil *(#)*	**2 (2.0)**	4 (4.0)	
Natural gas *(#)*	**-**	-	
Total *(#)*	**2 (2.0)**	4 (4.0)	
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, 2021.

Financial and Operating Highlights

- First quarter 2021 production averaged 6,973 boe/d (89% liquids), only 4% lower than the same period in 2020 despite drilling only two wells in 2021 which did not come on production till second quarter 2021.
- First quarter 2021 funds flow from operations was $20.0 mm, effectively flat to the same period in 2020.
- Achieved an operating netback of $42.81/boe in the first quarter of 2021 before including financial derivatives ($35.61/boe after including financial derivatives).
- Operating costs decreased a significant 17% to $7.71/boe compared to $9.33/boe for first quarter 2020.
- First quarter 2021 net earnings were positive but decreased to $1.4 million which included $11.7 million of unrealized and realized losses incurred on crude oil hedges.
- Invested $18.3 million in capital expenditures (including $7.1 million acquisition) in 2021 comprising the drilling of 2 (2.0 net) wells in our core area of Twinning, Alberta.
- Consolidated interests in production and reserves in our Core area at Twining via the strategic acquisition of approximately 195 boe/d of production and internally estimated 438,000 boe of proved producing developed (PDP) reserves and 5.2 million boe of proved (1P) reserves for $7.1 million, from a joint venture partner (the "Twining Acquisition").
- Artis' net debt decreased 14% to $114.8 million finishing the first quarter at a healthy 1.4 X debt to funds flow from operations ratio after realized hedging losses and the Twining Acquisition.
- Realized an increase in the Company's credit facility through its lending syndicate from $165 million to $200 million.

President's Message

During the first quarter of 2021, production averaged 6,973 boe/d (89% liquids) which was down 6% from the fourth quarter of 2020 high of 7,400 boe/d when we brought all of our flush production back on stream. The Company will not see production additions from our 2021 drilling program until late in the second quarter. Artis targets 2021 exit production of approximately 7,400-7,500 boe/d depending on ultimate capital expenditures over the year which are currently estimated to be approximately $90 million and encompasses a planned 9 gross (9.0 net) wells. Funds from operations of approximately $20 million or $0.12 per share were generated in the quarter, net of realized hedging losses of approximately $4.5 million. Artis had an operating netback of $35.61/boe after realized hedging loss ($42.81/boe before realized hedging loss) and funds flow provided by operations of $31.73/boe after realized hedge loss ($39.00/boe before realizewd hedge loss) based on a first quarter WTI price of $57.84 US/bbl. These metrics place us in the top tier relative to our industry peers. Operating costs decreased a significant 17% to $7.71/boe compared to $9.33/boe in 2020 mainly due to decreased charges for water hauling and disposal fees attributed to the Company's strategic investment in its own water disposal facility in 2020.

Capital expenditures for the quarter amounted to $18.3 million which included the $7.1 million Twining Acquisition asset. This acquisition not only consolidates working interests on core producing wells and reserves in the Twining area where some of our best wells reside but removes a potential operating obstacle for full commercial development in this important area. Artis commenced its 2021 drilling program with the drilling of 2 gross (2.0 net) wells in its core Twinning area. The wells were completed in the second quarter of 2021 and realized combined initial production rates of 1,550 bopd at over 5,000 kPa after approximately 18-21 days. These rates rank favorably with some of our best wells over the past year, and in fact our last eight wells validate management's belief that its New Generation operational methodology utilized for completing wells over the past 18 months has been nearly optimized and is consistently delivering oil production test rates in the 500-750 bopd range. These latest results continue to be supportive of reserve estimates of up to 525 mbbls of oil per well by our third-party evaluator on a proved plus probable basis in our core South Twining area, and top tier rates of return at operating netbacks greater than $42/boe and capital costs of approximately $6.8-$7.2 million.

The Company exited the quarter with net debt of $114.8 million and a financially healthy net debt to funds flow from operations ratio of 1.4x based on annualized first quarter funds flow from operations. While maintaining relatively flat production and its healthy balance sheet, Artis is focused on applying its New Generation completion methodology across its reserve book to strategically enhance the value of its total proved and proved plus probable reserves. In May 2021, Artis' banking syndicate increased its bank facility from $165 million to $200 million because of improved commodity prices and increased proved developed producing reserves through operational activities and the closing of the Twining Acquisition.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

May 28, 2021

Cautionary statements:

Please see the section entitled "Reader Advisories" at the end this Quarterly Interim Report for detailed cautionary statements in regards to forward looking information and statements, reserve and resource information and other oil and gas metrics and estimates used by Artis herein.

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, 2021 and 2020 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, 2020. 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 20, 2021.

Basis of Presentation

The unaudited financial statements and comparative information for the three months ended March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

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.

Quarterly Overview

During the first quarter of 2021, Artis commenced its 2021 drilling program with the drilling of 2 gross (2.0 net) wells in our core Twinning area. The wells were completed and brought on production in the second quarter of 2021. Production for the quarter averaged 6,973 boe/d (89% liquids) which was down 6% from the fourth quarter of 2020 as no new wells were brought on production during the first quarter. The Company generated funds from operations of approximately $20 million or $0.12 per share. Artis had an operating netback of $35.61/boe after hedge loss ($42.81/boe before hedge loss) and funds flow provided by operations of $31.73/boe after hedge loss ($39.00/boe before hedge loss) based on a first quarter WTI price of $57.84 US/bbl. Operating costs decreased 17% to $7.71/boe compared to $9.33/boe in 2020 mainly due to decreased charges for water hauling and disposal fees because of the Company's investment in a water disposal facility in the second quarter of last year.

Capital expenditures for the quarter amounted to $18.3 million which included a $7.1 million acquisition, from a joint venture partner, of approximately 195 boe/d of production and an internally estimated 438,000 boe of proved developed producing reserves and 5.2 million boe of proved reserves in our Trochu/Twinning core area ("Twining Acquisition"). The Company exited the quarter with net debt of $114.8 million and a net debt to funds flow ratio of 1.4x based on annualized first quarter funds flow. In May 2021, Artis' banking syndicate increased the Company's credit facility from $165 million to $200 million because of improved commodity prices and increased proved developed producing reserves through operational activities and the closing of the Twining Acquisition.

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

The full extent of the impact of the COVID-19 pandemic 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 effectiveness of available vaccines and the severity and spread of the virus and its variants. The pandemic 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. Artis believes the measures it has taken will provide it with the financial capability to execute on its business plan, deliver safe and reliable operations and continue to build its sustainable business.

Forward-Looking Statements

This document contains forward-looking statements. Statements used throughout this MD&A that are not historical facts may be considered to be "forward-looking statements". These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the

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

The Company's planned 2021 capital expenditure program and related targets and forecasts disclosed herein are estimates based on certain assumptions including, without limitation, liquidity, operating results, known fiscal regimes, commodity prices and risk management activities and the continuing uncertain impact of COVID-19 and will be regularly scrutinized and potentially updated by management and our board of directors. Our objective will be to proactively manage our capital program as it relates to operational success and fluctuating commodity prices with a priority to maintain financial flexibility and achieve long range strategic goals. Artis will closely monitor our budget and financial situation throughout the year to assess market conditions and will quickly adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

Conversions (Barrel of Oil Equivalency)

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

Non-IFRS Measurements

Operating Netback

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

Funds flow from Operations

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

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

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Cash provided by operating activities	**24,918**	27,505
Change in operating non-cash working capital	**(4,960)**	(7,272)
Funds flow from operations	**19,959**	20,233

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,	**2021**	2020
(000s)	*($)*	*($)*
Current assets	**14,731**	28,932
Current liabilities	**(31,109)**	(32,200)
Derivative financial instruments	**12,538**	(16,239)
Current portion of lease obligations	**511**	625
Working capital deficiency	**(3,329)**	(18,882)

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Bank loan	**111,511**	114,798
Working capital deficiency	**3,329**	18,882
Net debt	**114,840**	133,680

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three months ended March 31, 2021 and 2020:

Three Months Ended March 31,	**2021**	2020
Crude oil *(bbls/d))*	**5,810**	6,324
Natural gas *(mcf/d)*	**4,712**	4,089
NGLs *(bbls/d)*	**378**	238
Total *(boe/d)*	**6,973**	7,244
Liquids *(%)*	**89**	91

For the three months ended March 31, 2021, production averaged 6,973 boe/d (89% weighted to crude oil and NGLs), a 4% decrease from the 7,244 boe/d (91% weighted to crude oil and NGLs) averaged during the same period a year ago. The 2021 decrease was the result of reduced drilling and completion activities for the first quarter of 2021. Artis drilled two wells in the first quarter of 2021 compared to 4 wells for the same period last year. The Company did not complete the first quarter drills till the second quarter of 2021. Last year Artis completed and brought on production four wells in the first quarter of 2020.

Revenue and Pricing

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Revenue		
Crude oil	**34,761**	**29,752**
Realized financial derivative gain (loss)	**(4,520)**	**2,597**
Total crude oil	**30,241**	**32,349**
Natural gas	**1,599**	**927**
NGLs	**1,130**	**426**
Total revenue before unrealized financial derivative gain (loss)	**32,970**	**33,702**
Unrealized financial derivative gain (loss)	**(7,182)**	**17,985**
Total revenue	**25,788**	**51,687**
Average Prices		
Crude oil *($/bbl)*	**66.48**	**51.70**
Realized derivative gain (loss) *($/bbl)*	**(8.65)**	**4.51**
Total crude oil sales price *($/bbl)*	**57.83**	**56.21**
Natural gas *($/mcf))*	**3.77**	**2.49**
NGLs sales price *($/bbl)*	**33.22**	**19.64**
Total sales price *($/boe)*	**52.53**	**51.12**

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 2021, revenue before unrealized financial derivative gain decreased 2% to $33.0 million from $33.7 million recorded in the same period of 2020 due to a 4% year-over-year decrease in production offset by a 3% increase in the Company's overall realized price compared to the previous period. The Company's overall realized price increased to $52.53/boe from $51.12/boe recorded in 2020 because of higher crude oil, NGL and natural gas prices.

The following table summarizes the crude oil and natural gas benchmark prices for the three months ended March 31, 2021 and 2020:

Three Months Ended March 31,	**2021**	2020
Average Benchmark Prices		
Crude oil – WTI *(US$/bbl)*	**57.84**	46.17
MSW differential *(US$/bbl)*	**(5.24)**	(7.58)
Crude oil – Edmonton par *(CDN$/bbl)*	**66.44**	51.21
Natural gas – AECO spot – Daily index *($/GJ)*	**2.99**	1.93
Exchange rate *(CDN$/US$)*	**1.27**	1.35

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 and costless collars 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, *(000s)*	**2021** *($)*	2020 *($)*
Realized gain (loss) on financial instruments	**(4,520)**	2,597
Per boe	**(7.20)**	4.51
Unrealized gain (loss) on financial instruments	**(7,182)**	17,985

The Company held the following derivative commodity contracts at March 31, 2021:

a) WTI Crude Oil Derivative Contracts

Type	Volume (bbls/d)	Term	Bought Put Price (US$/bbl)	Sold Call Price (US$/bbl)	Swap Price (US$/bbl) (1)
Swap	2800	2021 April – June	-	-	$44.34
Swap	300	2021 July – September	-	-	$51.64
Swap	300	2021 October – December	-	-	$55.61
Swap	2500	2021 July– December	-	-	$45.87

(1) Prices reported are the weighted average prices for the period

b) WTI Crude Oil Differential Derivative Contracts

Type	Volume (bbls/d)	Term	Basis (2)	Swap Price (US$/bbl) (1)
Swap	2300	2021 April – June	MSW	($5.49)
Swap	1800	2021 July – September	MSW	($4.59)
Swap	500	2021 April – December	MSW	($5.75)

(1) Prices reported are the weighted average prices for the period
(2) Mixed Sweet Blend ("MSW")

c) Natural Gas Derivative Contract

Type	Volume (mmbtu/d)	Term	Basis	Swap Price (CAD/bbl)
Swap	2000	2021 April - October	AECO 5A	$2.95

Subsequent to March 31, 2021, the Company entered into the following derivative commodity contracts:

WTI Crude Oil Derivative Contracts

Type	Volume (bbls/d)	Term	Bought Put Price (US$/bbl)	Sold Call Price (US$/bbl)	Swap Price (US$/bbl)
Collar	500 bbls/day	2022 January – March	$55.00 US/bbl	$64.15 US/bbl	-
Collar	500 bbls/day	2022 January – March	$55.00 US/bbl	$67.50 US/bbl	-

Royalties

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Royalties		
Crown	**1,954**	1,438
Freehold/GORRs	**1,333**	995
Total royalties	**3,287**	2,433
Total royalties *($/boe)*	**5.24**	3.69
	(%)	*(%)*
% of Revenue		
Crown	**5.2**	4.6
Freehold/GORRs	**3.6**	3.2
Total	**8.8**	7.8

For the quarter ended March 31, 2021, the Company recorded $3.3 million in total royalties or 8.8% of revenue versus $2.4 million or 7.8% of revenue a year ago. Approximately 5.2% of total revenue paid in the first quarter of 2021 consisted of Crown royalties and 3.6% of total revenue was paid to overriding ("GORRs") and freehold royalty owners compared to 4.6% and 3.2%, respectively, in the 2020 three-month period.

Operating Expenses

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Operating expenses	**4,837**	6,152
Per unit of production *($/boe)*	**7.71**	9.33

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

Operating costs were $4.8 million for the first quarter of 2021 compared to $6.2 million recorded a year ago. Operating costs on a per boe basis decreased 17% to $7.71/boe from $9.33/boe in 2020 mainly due to decreased charges for water hauling and disposal fees because of the Company’s investment in a water disposal facility in the second quarter of last year.

Transportation Expenses

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Transportation expenses	**2,496**	2,560
Transportation expenses *($/boe)*	**3.98**	3.88

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

For the three months ended March 31, 2021, transportation costs remained fairly consistent with last year on a per unit of production basis.

Operating Netback (1)

Three Months Ended March 31,	**2021**	2020
Revenue		
Crude oil *($/bbl)*	**66.48**	51.70
Natural gas *($/mcf))*	**3.77**	2.49
NGLs *($/bbl)*	**33.22**	19.64
Production revenue *($/boe)*	**59.74**	47.18
Expenses		
Royalty expense *($/boe)*	**(5.24)**	(3.69)
Operating costs *($/boe)*	**(7.71)**	(9.33)
Transportation expense *($/boe)*	**(3.98)**	(3.88)
Operating netback before realized gain (loss) on financial derivatives *($/boe)*	**42.81**	30.28
Realized gain (loss) on financial derivatives *($/boe)*	**(7.20)**	3.94
Operating netback after realized gain (loss) on financial derivatives *($/boe)*	**35.61**	34.22

(1) Non-IFRS measure. See "Non-IFRS Measurements - Operating Netback"

For the first quarter of 2021, the Company recorded an operating netback of $42.81/boe before including financial derivatives and $35.61/boe after including financial derivatives compared to $34.22/boe after including financial derivatives for the same quarter last year. The 4% increase was primarily a result of commodity prices increasing 3% (after including financial derivative gains/losses) and operating costs decreasing 17% from first quarter 2020 levels.

General and Administrative ("G&A") Expenses

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Gross expenses	**1,633**	2,180
Capitalized expenses	**(592)**	(847)
Operator's recoveries	**(1)**	(2)
Net G&A expenses	**1,040**	1,331
Per unit of production ($/boe)	**1.66**	2.02

For the three months ended March 31, 2021, gross G&A expenses totaled $1.6 million compared to $2.2 million recorded in the same period a year ago. The 25% reduction in gross G&A expenses was mainly because of no employee bonuses and a large reduction in consulting fees for the current quarter. For the periods ended March 31, 2021 and 2020, the Company capitalized G&A and had recoveries from operations totaling $0.6 million and $0.8 million. Most of the capitalized G&A relates to employee salaries related directly to exploration and development activities. Net G&A expenses decreased 22% to $1.0 million compared to $1.3 million for the previous quarter.

Artis received approximately $42,000 under the Canada Emergency Wage Subsidy program which reduced G&A expenses.

Share-Based Compensation Expense

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Gross expenses	**474**	463
Capitalized expenses	**(139)**	(106)
Total share-based compensation	**334**	357

The Company recognizes share-based compensation expense for stock options issued. During the first quarter of 2021, Artis recorded non-cash share-based compensation expense of $0.5 million (2020 – $0.5 million) and capitalized $0.1 million (2020 – $0.1 million) for total share-based compensation of $0.3 million (2020 – $0.4 million).

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

Finance Expenses

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Interest expense on credit facility	**1,276**	944
Standby fees on credit facility	**122**	118
Interest expense on lease obligations	**6**	16
Accretion of the decommissioning obligation	**52**	53
Total finance expenses	**1,456**	1,131
Per unit of production ($/boe)	**2.32**	1.72

The Company incurred $1.3 million (2020 - $0.9 million) of interest expense in the first quarter of 2021. The average interest rate for the quarter was approximately 4.2% (2020 – 3.7%). The Company incurred credit facility stand-by fees of $0.1 million (2020 - $0.1 million) for the quarter ended March 31, 2021.

The Company's accretion expense for the three-month period ended March 31, 2021 was $52,000 versus $53,000 in the comparable period of 2020.

Depletion and Depreciation ("D&D") Expense

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
D&D expense	**10,176**	10,390
D&D expense *($/boe)*	**16.21**	15.76

The Company's D&D expense for the three months ended March 31, 2021 was $10.2 million or $16.21/boe versus $10.4 million or $15.76/boe in the comparable period of 2020. The D&D expense on a boe basis did not change significantly over the prior period.

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 2021 depletion and depreciation expense included an estimated $2.2 billion (2020 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.6 million (2020 – $1.4 million) for the estimated salvage value of production equipment and facilities. Such costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base. Currently Artis has one core area being Trochu/Twining.

Exploration and Evaluation Expense

For the quarter ended March 31, 2021, Artis recorded an exploration and evaluation expense of $256,000 versus $62,000 a year ago. Exploration and evaluation expenses related to undeveloped land expiries.

Deferred Income Taxes

For the quarter ended March 31, 2021, Artis recorded a deferred income tax expense in the amount of $0.5 million compared to a $6.4 million expense in the prior period. The period-over-period decrease in deferred income taxes was a result of the large decrease in net income compared to the previous period. In 2021, the blended statutory tax rate is 23.0 (2020 - 24%). In the second quarter of 2019, the Alberta government enacted a decrease in the Alberta corporate income tax rate from 12% to 11% effective July 1, 2019, with a further reduction of 1% on January 1st for each of the years 2020, 2021 and 2022 bringing the provincial rate to 8%. In October 2020, the previously scheduled tax rate reduction was accelerated, with the tax rate reduced to 8% effective July 1, 2020.

Artis was not subject to any corporate income taxes for 2021 or 2020. The Company has approximately $479 million of tax pools available for deduction against future taxable income as at March 31, 2021.

Cash, Funds Flow from Operations and Net Income

Three Months Ended March 31,		**2021**	2020
(000s, except per share amounts)		*($)*	*($)*
Cash provided by operating activities		**24,918**	27,505
Funds flow from operations (1)		**19,959**	20,233
Per share (2)	– basic	**0.12**	0.13
	– diluted	**0.12**	0.12
Net income		**1,426**	20,969
Per share (2)	– basic	**0.01**	0.13
	– diluted	**0.01**	0.12

(1) Non-IFRS measure. See "Non-IFRS Measurements-Funds Flow from Operations".
(2) Funds flow from operations per share has been calculated using the same denominator as was used in calculating net income per share.

For the first quarter ended March 31, 2021 net income decreased mainly because of the large loss in the unrealized derivative instruments as compared to the same period in 2020.

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

During the first three months of 2021, the Company invested $18.3 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $42.0 million a year ago.

Three Months Ended March 31,	**2021**	2020
(000s)(excluding decommissioning liabilities)	*($)*	*($)*
Drilling and completions	**6,284**	29,278
Equipment and facilities	**4,162**	10,230
Acquisition	**7,107**	-
Land and lease retention	**144**	1,337
Geological and geophysical	**-**	292
Capitalized G&A	**592**	847
Office equipment	**-**	11
Total capital expenditures	**18,289**	41,995

During the first quarter of 2021, the Company incurred $6.3 million (2020 – $29.3 million) in drilling and completion expenditures that involved the drilling of 2 (2.0 net) horizontal oil wells and no completions as compared to the drilling of 4 (4.0 net) horizontal oil wells and the completion of 4 (4.0) oil wells during the first quarter of 2020. Equipping and facilities expenditures for the three months ended March 31, 2021 and 2020 were $4.2 million and $10.2 million, respectively. During the 2020 three-month period, the Company invested $0.1 million on land and seismic versus $1.6 million for the same period of 2020.

In the first quarter of 2021, Artis acquired from a joint venture partner approximately 195 boe/d of production and an internally estimated 438,000 boe of proved developed producing reserves and an internally estimated 5.2 million boe of proved reserves in our Trochu/Twinning core area for $7.1 million.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Three Months Ended March 31, 2021		
Crude oil (horizontal)	**2**	**2.0**
Total wells	**2**	**2.0**
Average working interest *(%)*		**100**
Three Months Ended March 31, 2020		
Crude oil (horizontal)	4	4.0
Total wells	4	4.0
Average working interest *(%)*		100

Share Capital

Three Months Ended March 31,	**2021**	2020
(000s)	*(#)*	*(#)*
Weighted Average Shares Outstanding		
Basic	**160,197**	160,197
Diluted	**166,220**	169,295
Outstanding Securities		
Common shares	**160,197**	160,197
Performance warrants	**21,765**	21,765
Options	**14,088**	12,963
Retention awards	**308**	308

As at May 20, 2021, Artis had issued and outstanding 160,197,381 common shares and 14,088,000 stock options with an average exercise price of $1.83 per share and 21,765,000 performance warrants with an average exercise price of $2.50 per share and 0.3 million retention awards with an average exercise price of nil to acquire the same number of common shares of the Company.

Liquidity and Capital Resources

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

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

Funding for 2021 capital expenditures is expected to be provided by cash generated from operating activities and the Company's $200 million bank credit facility which was increased from $165 million on May 25, 2021. 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, 2021 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 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, 2021, Artis' ratio of net debt to annualized funds flow was 1.4 :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 0.70 to 1 at March 31, 2021.

	March 31 2021	December 31, 2020
(000s)	*($)*	*($)*
Current assets	**14,731**	14,868
Current liabilities	**(31,109)**	(13,644)
Derivative financial instruments	**12,538**	5,356
Current portion of lease obligations	**511**	583
Working capital deficiency	**(3,329)**	7,163
Bank debt	**(111,511)**	(123,566)
Net debt	**(114,840)**	(116,403)

Annualized funds flow for three months ended:	**March 31, 2021**	December 31, 2020
Net cash from operating activities	**24,918**	21,857
Change in non-cash working capital	**(4,960)**	714
	19,959	22,571
Annualized funds flow	**79,835**	90,285
Net debt to annualized funds flow	**1.4**	1.3
Credit facility available (1)	**165,000**	165,000
Net debt to credit facility available	**70%**	71%

(1) Credit facility was increased to $200 million on May 25, 2021

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 November 30, 2021. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

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, 2021.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	**Q1 2021**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	30,391	35,139	43,604	31,105	2,796	7,503	32,691	**37,490**
Funds flow from operations	18,737	21,430	29,409	20,233	5,136	4,447	22,571	**19,959**
Per share [(1)] – basic	0.12	0.13	0.18	0.13	0.03	0.03	0.14	**0.12**
– diluted	0.10	0.12	0.16	0.12	0.03	0.03	0.14	**0.12**
Net income (loss)	9,765	9,856	10,470	20,969	(7,224)	(1,513)	1,031	**1,426**
Per share – basic	0.06	0.06	0.07	0.13	(0.05)	(0.01)	0.01	**0.01**
– diluted	0.05	0.06	0.06	0.12	(0.05)	(0.01)	0.01	**0.01**
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures	72,663	72,752	36,737	41,995	2,366	2,160	9,916	**18,289**
Net debt [(2)]	52,705	104,185	111,717	133,680	131,064	128,916	116,403	**114,840**
Shareholders' equity	409,889	420,776	432,245	453,700	446,966	445,961	448,672	**450,572**

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	**Q1 2021**
Production								
Crude oil *(bbls/d)*	4,434	5,374	6,613	6,324	1,309	1,626	6,448	**5,810**
Natural gas *(mcf/d)*	3,134	3,927	4,243	4,089	979	867	4,057	**4,712**
NGLs *(bbls/d)*	144	278	330	238	72	30	327	**378**
Total *(boe/d)*	5,101	6,307	7,649	7,244	1,545	1,800	7,451	**6,973**
Liquids *(%)*	90	90	91	91	89	92	91	**89**
Average wellhead prices								
Crude oil *($/bbl)*	73.73	69.40	68.37	51.70	21.08	48.47	52.06	**66.48**
Natural gas *($/mcf))*	1.20	1.09	3.06	2.49	2.50	2.35	3.12	**3.77**
NGLs *($/bbl)*	22.65	17.05	26.95	19.64	9.20	23.88	21.38	**33.22**
Total *($/boe)*	65.48	60.56	61.96	47.18	19.89	45.31	47.69	**59.74**
Royalties *($/boe)*	(5.74)	(5.79)	(5.03)	(3.69)	(2.76)	(3.47)	(3.44)	**(5.24)**
Operating costs *($/boe)*	(11.03)	(9.71)	(8.11)	(9.33)	(15.01)	(12.71)	(6.11)	**(7.71)**
Transportation costs *($/boe)*	(5.28)	(5.01)	(4.29)	(3.88)	(3.64)	(3.79)	(3.89)	**(3.98)**
Operating netback before derivatives *($/boe)* [(3)]	43.43	40.05	44.54	30.28	(1.52)	25.34	34.25	**42.81**
Gain (loss) on derivatives	-	(0.55)	(0.13)	3.94	52.01	14.85	1.65	**(7.20)**
Operating netback after derivatives *($/boe)* [(3)]	43.43	39.50	44.41	34.22	50.49	40.19	35.90	**35.61**

(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 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".
(3) Non-IFRS Measure. See "Non-IFRS Measures" and "Operating Netback" contained within this 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, 2020 and Note 3 of the March 31, 2021 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, 2021**	December 31, 2020
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**13,585**	13,903
Prepaid expenses and deposits	**1,146**	965
	14,731	14,868
Non-current assets		
Property, plant and equipment *(note 5)*	**547,721**	539,257
Exploration and evaluation assets *(note 6)*	**72,813**	73,042
	620,534	612,299
Total assets	**635,265**	627,167
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**18,061**	7,705
Derivative financial instruments *(note 4)*	**12,538**	5,356
Lease obligations *(note 9)*	**511**	583
	31,109	13,644
Non-current liabilities		
Bank debt *(note 7)*	**111,511**	123,566
Decommissioning obligations *(note 8)*	**17,357**	17,095
Deferred tax liability	**24,716**	24,190
	153,584	164,851
Total liabilities	**184,693**	178,495
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**16,975**	16,501
Retained earnings	**61,236**	59,810
Total equity	**450,572**	448,672
Total liabilities and equity	**635,265**	627,167

Subsequent events *(notes 4 and 7)*

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,	**2021**	2020
(000s, except per share amounts) (unaudited)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenue *(note 11)*	**37,490**	31,105
Royalties	**(3,287)**	(2,433)
Realized gain (loss) on derivative instruments *(note 4)*	**(4,520)**	2,597
Unrealized gain (loss) on derivative instruments *(note 4)*	**(7,182)**	17,985
Other revenue *(note 11)*	**46**	69
	22,547	49,323
Expenses		
Operating	**4,837**	6,152
Transportation	**2,496**	2,560
General and administrative	**1,040**	1,331
Share-based compensation	**334**	357
Exploration and evaluation	**256**	62
Depletion and depreciation	**10,176**	10,390
Finance *(note 12)*	**1,456**	1,131
	20,595	21,983
Income before income taxes	**1,952**	27,340
Deferred income tax expense	**526**	6,371
Net income and comprehensive income for the period	**1,426**	20,969
Net income per share *(note 13)*		
Basic	**0.01**	0.13
Diluted	**0.01**	0.12

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, 2021	**160,197**	**372,361**	**16,501**	**59,810**	**448,672**
Share-based payments	**-**	**-**	**474**	**-**	**474**
Income for the period	**-**	**-**	**-**	**1,426**	**1,426**
Balance – March 31, 2021	**160,197**	**372,361**	**16,975**	**61,236**	**450,572**

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	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

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2021**	2020
(000s) (unaudited)	*($)*	*($)*
Cash flows from operating activities		
Net income	**1,426**	20,969
Adjustments for:		
Depletion and depreciation *(note 5)*	**10,176**	10,390
Exploration and evaluation *(note 6)*	**256**	62
Interest on lease obligations *(note 9)*	**6**	16
Unrealized loss (gain) on derivative instruments	**7,182**	(17,985)
Deferred income tax expense	**526**	6,371
Accretion of decommissioning obligations *(note 8)*	**52**	53
Share-based compensation	**334**	357
Change in non-cash working capital	**4,960**	7,272
Net cash from operating activities	**24,918**	27,505
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(12,635)**	(40,440)
Additions to exploration and evaluation assets *(note 6)*	**(5,654)**	(1,555)
Change in non-cash working capital	**5,533**	8,746
Net cash used in investing activities	**(12,756)**	(33,249)
Cash flows from financing activities		
Increase (decrease) in bank debt *(note 7)*	**(12,055)**	5,945
Payments on lease obligations *(note 9)*	**(107)**	(201)
Net cash from financing activities	**(12,162)**	5,744
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents – beginning of period	**-**	-
Cash and cash equivalents – end of period	**-**	-

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, 2020. These financial statements are presented in Canadian dollars (“CDN”), which is the functional currency of the Company.

The condensed interim financial statements were authorized for issuance by the Company's Board of Directors on May 20, 2021.

3. Current Environment and Estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity and has significantly reduced worldwide demand for commodities including crude oil, natural gas and natural gas liquids. The result has been significant volatility and a decline in the price for these commodities through most of 2020. While the price for crude oil, natural gas and NGL has recovered to pre-pandemic levels in early 2021, the full extent of the impact of COVID-19 on the Company’s operations and future performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance and estimates and assumptions used by Management in the preparation of its financial results.

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

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company’s business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact the Company’s financial statements in fiscal 2021 and beyond. A full list of the key sources of estimation uncertainty can be found in note 3 of the annual financial statements. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the financial statements, particularly related to the following key sources of estimation uncertainty:

Recoverable Amounts

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

Decommissioning Costs

Provisions are recorded for the future decommissioning and restoration of the Company's production facilities, wells and pipelines at the end of their economic lives. Management uses judgement to assess the existence and to estimate the future liability. Market volatility at March 31, 2021 increased the measurement uncertainty inherent in determining the appropriate discount rate that is used in the estimation of decommissioning liabilities.

Accounts Receivable

The Company has increased its monitoring of receivables due from petroleum and natural gas marketers and from partners in jointly owned assets to manage credit risk. The Company historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint venture partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company continues to expect that its receivables are substantially collectible at March 31, 2021.

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).

The Company held the following derivative commodity contracts at March 31, 2021:

a) WTI Crude Oil Derivative Contracts

Type	Volume (bbls/d)	Term	Bought Put Price (US$/bbl)	Sold Call Price (US$/bbl)	Swap Price (US$/bbl) [(1)]
Swap	2800	2021 April – June	-	-	$44.34
Swap	300	2021 July – September	-	-	$51.64
Swap	300	2021 October – December	-	-	$55.61
Swap	2500	2021 July– December	-	-	$45.87

Note:

(1) Prices reported are the weighted average prices for the period

b) WTI Crude Oil Differential Derivative Contracts

Type	Volume (bbls/d)	Term	Basis [(2)]	Swap Price (US$/bbl) [(1)]
Swap	2300	2021 April – June	MSW	($5.49)
Swap	1800	2021 July – September	MSW	($4.59)
Swap	500	2021 April – December	MSW	($5.75)

Notes:
(1) Prices reported are the weighted average prices for the period
(2) Mixed Sweet Blend ("MSW")

c) Natural Gas Derivative Contract

Type	Volume (mmbtu/d)	Term	Basis	Swap Price (CAD/bbl)
Swap	2000	2021 April – October	AECO 5A	$2.95

Subsequent to March 31, 2021, the Company entered into the following derivative commodity contracts:

WTI Crude Oil Derivative Contract

Type	Volume (bbls/d)	Term	Bought Put Price (US$/bbl)	Sold Call Price (US$/bbl)	Swap Price (US$/bbl)
Collar	500	2022 January – March	$55.00 US/bbl	$64.15 US/bbl	-
Collar	500	2022 January – March	$55.00 US/bbl	$67.50 US/bbl	-

The following table sets forth the realized and unrealized gains and losses recorded on financial derivatives:

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Realized financial derivatives gain (loss)	**(4,520)**	2,597
Unrealized financial derivatives gain (loss)	**(7,182)**	17,985
Financial derivatives gain (loss)	**(11,702)**	20,582

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 2022 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, 2021 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, 2021, Artis' ratio of net debt to annualized funds flow was 1.4 :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 0.70 to 1 at March 31, 2021.

	March 31 2021	December 31, 2020
(000s)	*($)*	*($)*
Current assets	**14,731**	14,868
Current liabilities	**(31,109)**	(13,644)
Derivative financial instruments	**12,538**	5,356
Current portion of lease obligations	**511**	583
Working capital deficiency	**(3,329)**	7,163
Bank debt	**(111,511)**	(123,566)
Net debt	**(114,840)**	(116,403)

Annualized funds flow for three months ended:	**March 31, 2020**	December 31, 2020
Net cash from operating activities	**24,918**	21,857
Change in non-cash working capital	**(4,960)**	714
	19,959	22,571
Annualized funds flow	**79,835**	90,285
Net debt to annualized funds flow	**1.4**	1.3
Credit facility available (1)	**165,000**	165,000
Net debt to credit facility available	**70%**	71%

(1) The Credit facility was increased to $200 million on May 25, 2021.

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 – December 31, 2019	555,130
Additions	54,705
Capitalized share-based compensation	777
Transfer from exploration and evaluation assets	6,189
Change in decommissioning obligations	4,593
Balance – December 31, 2020	**621,394**
Additions	**12,635**
Increase in right-to-use assets	**28**
Capitalized share-based compensation	**139**
Transfer from exploration and evaluation assets	**5,627**
Change in decommissioning obligations	**211**
Balance – March 31, 2021	**640,034**
Depletion and depreciation	
Balance – December 31, 2019	55,602
Depletion and depreciation for the year	26,535
Balance – December 31, 2020	**82,137**
Depletion and depreciation for the period	**10,176**
Balance – March 31, 2021	**92,313**
Carrying amounts	
March 31, 2021	547,721
December 31, 2020	**539,257**

Depletion and Depreciation

The calculation of 2021 depletion and depreciation expense included an estimated $2.2 billion (2020 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.6 million (2020 – $1.4 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, 2021 (2020 – 0.8 million). Also included in PP&E are non-cash share-based payments of $0.1 million (2020 – $0.1 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At March 31, 2021, 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, 2019	79,115
Additions	1,732
Transfers to property, plant and equipment	(6,189)
Expiries	(1,616)
Balance – December 31, 2020	**73,042**
Additions	**5,654**
Transfers to property, plant and equipment	**(5,627)**
Impairments	**(256)**
Balance – March 31, 2021	**72,813**

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, 2021, the Company had a revolving line of credit of $145 million and an operating line of credit of $20 million for a total facility of $165 million (collectively, the “Facility”) of which $111.5 million (December 31, 2020 – $123.6 million) has been drawn against the Facility. The Facility was increased to $200 million on May 25, 2021. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 2022. 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 10.5:1 at March 31, 2021. 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 November 30, 2021. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank’s prime lending rate and bankers’ acceptances and LIBOR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated at the Company’s previous quarter end. Standby fees are charged on the undrawn Facility at rates ranging from 0.6875 percent to 1.5625 percent depending upon the net debt to cash flow ratio. As at March 31, 2021 the Company’s applicable pricing included a 3.0 percent margin on prime lending, a 4.0 percent margin on bankers’ acceptances and LIBOR loans along with a 1.0 percent per annum standby fee on the portion of the Facility that is not drawn. Borrowing margins and fees are reviewed annually as part of the bank syndicate’s annual review.

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 – December 31, 2020	12,297
Liabilities incurred	3,457
Change in estimated future cash flows	1,136
Accretion of decommissioning obligation	205
Balance – December 31, 2020	**17,095**
Liabilities incurred	**211**
Accretion of decommissioning obligation	**52**
Balance – March 31, 2021	**17,357**

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas wells. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $17.4 million as at March 31, 2021 (December 31, 2020 – $17.1 million) based on an undiscounted inflated total future liability of $20.2 million (December 31, 2020 – $19.9 million) using an assumed inflation rate of 1.49% (2020 – 1.49%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.21% (2020 – 1.21%).

9. Lease obligations

Right-of-use assets

(000s)

	($)
As at January 1, 2020	**812**
Depreciation	**(438)**
As at December 31, 2020	**374**
Additions	**28**
Depreciation	**(107)**
As at March 31, 2021	**295**

Lease liabilities

(000s)

	($)
As at January 1, 2020	**1,155**
Lease interest expense	**63**
Lease payments	**(635)**
As at December 31, 2020	**583**
Addition	**28**
Lease interest expense	**6**
Lease payments	**(107)**
As at March 31, 2021	**511**

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, 2020 and March 31, 2021	**160,197**	**372,361**

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,	**2021**	2020
(000s)	*($)*	*($)*
Oil production	**34,761**	29,752
Gas production	**1,599**	927
NGLs production	**1,130**	426
Total revenue	**37,490**	31,105

Other revenue:

The following table summarizes the company's other revenue:

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Third party processing fee income	**25**	65
Canada Emergency Rent subsidy	**20**	-
Interest income	**1**	4
	46	69

12. Financing

Three Months Ended March 31,	**2021**	2020
(000s)	*($)*	*($)*
Interest expense	**1,404**	1,078
Accretion of decommissioning obligations	**52**	53
Finance expenses	**1,456**	1,131

13. Income Per Share

Basic income per share was calculated as follows:

Three Months Ended March 31,	**2021**	2020
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic		
Issued common shares – January 1	**160,197**	160,197
Effects of shares issued	**-**	-
Weighted average number of common shares – basic	**160,197**	160,197

Three Months Ended March 31,	**2021**	2020
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197
Effects of options in-the-money	**6,023**	9,098
Weighted average number of common shares – diluted	**166,220**	169,295

In computing diluted earnings per share for the year ended March 31, 2021, 6,023,000 (March 31, 2020 – 9,098,000) shares were added to the basic weighted average common shares outstanding to account for the dilution of stock options, warrants and retention awards that will be settled with common shares issued from treasury. There were 3,128,000 (March 31, 2020 – 1,683,000) options and warrants that were not included in the diluted earnings per share calculation because they were anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the average exercise price for common share options last issued being $2.50 per Common share.

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, 2021, the Company has 14,088,000 options outstanding with an average exercise price of $1.83 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**

In 2020, the Company extended the expiry date on all the warrants by two years to July 7, 2023. The exercise prices on the warrants will increase by 8% beginning July 7, 2022.

The Company has 307,500 Retention Awards ("RAs") outstanding at March 31, 2021.

Reader Advisories

The document contains forward-looking information and statements within the meaning of applicable securities laws. Readers are cautioned that actual results could differ materially from those predicted. The forward-looking information included herein are not guarantees of future performance and should not be unduly relied upon.

Forward-Looking Information and Statements

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

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

Forward-looking statements or information are based on a number of material factors, expectations or assumptions of management which have been used to develop such statements and information but which may prove to be incorrect. Although management believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because management can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which management operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms including the continued availability of its credit facilities; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; risks associated with the degree of certainty in resource assessments; the timing and cost of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. There are a number of assumptions associated with the potential of resource and recovery volumes assigned to lands evaluated in the Company's area of operations in the ESB Duvernay, including the quality of the reservoir, future drilling programs and the funding thereof, continued performance from existing wells and performance of new wells, the growth of infrastructure, well density per section and recovery factors and discovery and development of the lands evaluated in the ESB Duvernay necessarily involves known and unknown risks and uncertainties, including those identified in this presentation and including the business risks discussed in the Company's annual and quarterly MD&A.

The forward-looking information and statements included in this quarterly report are not guarantees of future performance and should not be unduly relied upon. Such information and statements; including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the potential for variation in the quality of the Duvernay formation; changes in the demand for or supply of the Company's products; unanticipated operating results or production declines; changes in type curves; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of the Company or by third party operators of the Company's properties, increased debt levels or debt service requirements; inaccurate estimation of the Company's oil and gas reserve and resource volumes; limited, unfavourable or a lack of access to capital markets;

increased costs; a lack of inadequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in the Company's annual and quarterly MD&A.

The forward-looking information and statements contained in this quarterly report speak only as of the date of this quarterlyl report, and the Company does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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

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

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

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

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

BOE Equivalent

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