ARTIS EXPLORATION LTD

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED

MARCH 31, 2022

ARTIS EXPLORATION LTD.

2022 First Quarter
For the Three Months Ended March 31, 2022

HIGHLIGHTS

	Three Months Ended March 31		
	2022	2021	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	**54,622**	37,490	46
Cash flow from operations	**30,324**	24,918	22
Adjusted funds flow (1)	**32,641**	19,959	64
Per share – basic	**0.20**	0.12	67
– diluted	**0.20**	0.12	67
Net earnings	**9,259**	1,426	549
Per share – basic	**0.06**	0.01	500
– diluted	**0.06**	0.01	500
Net capital expenditures (2)	**45,480**	18,289	149
Net debt (1)	**154,449**	114,840	34
Shareholders' equity	**488,587**	450,572	8
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	**160,197**	160,197	
Options	**14,088**	14,088	
Warrants	**21,765**	21,765	
Retention awards	**308**	308	
Weighted average			
Basic	**160,197**	160,197	
Diluted	**166,121**	166,220	
			(%)
Operating			
Production			
Crude oil *(bbls/d)*	**4,823**	5,810	
Natural gas *(mcf/d)*	**4,672**	4,712	
NGLs *(bbls/d)*	**300**	378	
Total *(boe/d)*	**5,902**	6,973	(15)
Liquids %	**87**	89	
Average wellhead prices			
Crude oil *($/bbl)*	**116.46**	66.48	
Natural gas *($/mcf)*	**5.92**	3.77	
NGLs *($/bbl)*	**58.59**	33.22	
Total *($/boe)*	**102.83**	59.74	72
Royalties *($/boe)*	**(9.55)**	(5.24)	82
Net operating cost *($/boe)*	**(10.72)**	(7.71)	39
Transportation cost *($/boe)*	**(3.80)**	(3.98)	(5)
Operating netback before financial derivatives *($/boe)* (3)	**78.76**	42.81	84
Realized gain (loss) on financial derivatives *($/boe)* (3)	**(12.24)**	(7.20)	
Operating netback after financial derivatives *($/boe)* (3)	**66.52**	35.61	87

	Three Months Ended March 31		
	2022	2021	Change
			(%)
Drilling activity – gross (net)			
Crude oil *(#)*	**7 (7.0)**	2 (2.0)	
Natural gas *(#)*	**-**	-	
Total *(#)*	**7 (7.0)**	2 (2.0)	
Average working interest *(%)*	**100**	100	

(1) Capital management measure that does not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other entities. See "Non-GAAP and other Financial Measures" contained in the Company's MD&A.

(2) Non-GAAP Financial Measure. See "Non-GAAP and Other Financial Measures" in the Company's MD&A.

(3) Non-GAAP Financial Measure and non-GAAP ratio. See "Non-GAAP and Other Financial Measures" in the Company's MD&A.

Artis Exploration Ltd. is pleased to report its financial and operating results for the three months ended March 31, 2022.

Financial and Operating Highlights

- First quarter average production of 5,902 boe/d (87% liquids) was down 15% for the same period in 2021 which benefited from flush production from restarting wells that were shut-in for much of 2020 due to low pricing.
- First quarter 2022 adjusted funds flow was up 64% to $32.6 million ($0.20 per diluted share) as compared to the same period in 2021.
- Achieved an operating netback of $78.76/boe in the first quarter of 2022 before including financial derivatives ($66.52/boe after including financial derivatives).
- First quarter 2022 net earnings increased to $9.3 million ($0.06 per diluted share) in spite of $17.3 million of unrealized and realized losses incurred on crude oil hedges.
- Invested $45.5 million in capital expenditures in 2022 including the drilling of 7 (7.0 net) and completion of 4 (4.0 net) wells in our core area of Trochu, Alberta. Only 2 (2.0 net) wells came on production in the first quarter of 2022 with the remainder coming on stream in the second quarter.
- The Company's banking syndicate increased Artis' credit facility from $220 million to $250 million.

President's Message

During the first quarter of 2022, production averaged 5,902 boe/d (87% liquids) which was down 15% from the first quarter of 2021. The decrease related to the fact that the first quarter of 2021 was a non-representative quarter given that the Company's production was shut-in during most of 2020 and then brought on late in that year resulting in first quarter of 2021 being "flush" production from the high pressures from the restarted wells. Typical for Aris' production build profile, only two wells were brought on production during the first quarter of 2022 while the Company awaits results from its first quarter capital expenditures of $45.5 million. In the month of May, Artis' production was over 7,500 boe/d (88% liquids) as we begin to reap the benefits of the first quarter capital investments. We are already at our 2022 forecast average production of approximately 7,500 boe/d and anticipate exceeding that forward estimate due to strong early operational results. The Company is targeting a fourth quarter exit production level of over 8,500 boe/d which would represent over 30% growth from the fourth quarter of 2021 as we focus on converting our large booked oil inventory into production in 2022.

Adjusted funds flow increased 64% to approximately $32.6 million or $0.20 per diluted share in spite of realized hedging losses of approximately $6.5 million. Artis had an operating netback of $66.52/boe after hedging loss ($78.76/boe before hedging loss) and adjusted funds flow of $61.44/boe after hedge loss ($73.68/boe before hedge loss) based on a first quarter WTI price of $94.29 US/bbl. These will rank very high relative to our industry peers. The Company's Board of Directors has approved increasing its capital investment for the year to approximately $173 million. At our forecast average of 7,500 boe/d Artis estimates generating adjusted funds flow of over $210 million at an average WTI oil price of $95US/bbl WTI for the remainder of the year. This is expected to generate free cash flow after capital investment.

Capital expenditures for the first quarter amounted to $45.5 million which were predominantly related to the drilling of six horizontal wells and the completion of four horizontal wells. Our first 4 wells of the year were drilled to just under 3,200 metres lateral length and executed at an average all-in well cost of approximately $6.9 million which represent the lowest well costs in the Duvernay play for two-mile horizontal wells based on publicly available data. The four early wells are tracking or above our forecast production volumes. At these average all-in costs a 400 mboe type well (350 mbbl of estimated ultimate recoverable oil) would payout in approximately 11 months and generate rates of return of approximately 170% at $95US/bbl WTI.

The Company exited the quarter with net debt of approximately $154 million and a financially healthy net debt to adjusted funds flow ratio of 1.2x based on annualized first quarter adjusted funds flow. At 7,500 boe/d average production for 2022 and capital expenditures of approximately $173 million, fourth quarter 2022 net debt is forecast to be approximately $130 million with exit debt to funds flow of 0.5X using $95.00 US/bbl WTI. At our bank renewal date of May 31, 2022, Artis' banking syndicate have increased our credit facility from $220 million to $250 million.

Artis is excited about our forecast production ramp up in 2022 and the estimated 150% growth in adjusted funds flow this would represent (at $95US/bbl WTI to year end) and the implications for the Company's approximately 180 million boe of proved plus probable predominantly light oil reserves

I look forward to reporting back to you on our operations and financials throughout 2022.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

June 10, 2022

Reader Advisories

The document contains forward-looking information and statements within the meaning of applicable securities laws. Readers are cautioned that actual results could differ materially from those predicted. The forward-looking information included herein are not guarantees of future performance and should not be unduly relied upon. Please see the Section entitled "Non-GAAP and other Financial Measures" in the Company's MD&A.

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 annual report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of the Company's oil and gas reserves; resource estimates and volumes in respect of the Company's Duvernay lands in central Alberta (the "ESB Duvernay"); the volume and product mix of the Company's oil and gas production; production estimates and forecasts; the recognition of significant resources in the ESB Duvernay; future oil and natural gas prices and the Company's commodity risk management programs; future liquidity and financial capacity; future results from operations and operating metrics including well recovery estimates; the Company's 2022 capital program (including the base program and possible reduced or expanded programs) and associated estimates of material metrics, targets and guidance where applicable; estimated operating and well costs; the continuing and uncertain potential impact of 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 2022 capital budget and associated guidance for 2022 and beyond, are subject to change in light of the impact of the COVID-19 pandemic and the

Russia/Ukraine conflict, 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 2022 and beyond may not be appropriate for other purposes. Accordingly, undo reliance should not be placed on same.

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

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

Non-GAAP and Other Financial Measures and FOFI

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

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

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.

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, 2022 and 2021 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, 2021. 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 19, 2022.

Basis of Presentation

The unaudited financial statements and comparative information for the three months ended March 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

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

About Artis

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

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

Operational and Financial Highlights

- First quarter average production of 5,902 boe/d (87% liquids) was down 15% for the same period last year as only 2 (2.0 net) wells came on production in the first quarter of 2022. (Note: First quarter 2021 is a non-representative reference quarter given all corporate production that was shut-in due to very low oil prices and was brought back on-stream at high flush rates during the October 2020 to March 2021 time period)
- First quarter 2022 adjusted funds flow was up 64% to $32.6 million ($0.20 per diluted share) as compared to the same period in 2021.
- Achieved an operating netback of $78.76/boe in the first quarter of 2022 before including financial derivatives ($66.52/boe after including financial derivatives).
- First quarter 2022 net earnings increased to $9.3 million ($0.06 per diluted share) in spite of $17.3 million of unrealized and realized losses incurred on crude oil hedges.
- Invested $45.5 million in capital expenditures in 2022 including the drilling of 7 (7.0 net) and completion of 4 (4.0 net) wells in our core area of Trochu, Alberta. Only 2 (2.0 net) wells came on production in the first quarter of 2022 with the remainder coming on stream in the second quarter.

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 2022 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 fluctuations; imprecision of reserves estimates; environmental risks; competition from other producers; incorrect assessment of the value of acquisitions; ability to access sufficient capital from internal and external sources; delays resulting from inability to obtain regulatory approvals; and, changes in the regulatory and taxation environment. Consequently, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information is based on a number of factors and assumptions that have been used to develop such statements and information, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions that may be identified in this document, assumptions have been made regarding, among other things: the uncertain and continuing impact of COVID-19 and the Russia/Ukraine conflict; 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 2022 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 the Russia/Ukraine conflict 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.

Test Results and Initial Production Rates

Test results and initial production ("IP") rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long-term performance or of ultimate recovery. Readers are cautioned that short term rates should not be relied upon as indicators of future performance of these wells and therefore should not be relied upon for investment or other purposes. A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed.

Conversions (Barrel of Oil Equivalency)

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

Sustainability Reporting

The Company publishes an annual Environment, Social, Governance and Sustainability Report containing comprehensive information relating to ESG performance which can be found on the Company's website at www.artisexp.com.

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three months ended March 31, 2022 and 2021:

Three Months Ended March 31,	**2022**	2021
Crude oil *(bbls/d))*	**4,823**	5,810
Natural gas *(mcf/d)*	**4,672**	4,712
NGLs *(bbls/d)*	**300**	378
Total *(boe/d)*	**5,902**	6,973
Liquids *(%)*	**87**	89

For the three months ended March 31, 2022, production averaged 5,902 boe/d (87% weighted to crude oil and NGLs), a 15% decrease from the 6,973 boe/d (89% weighted to crude oil and NGLs) averaged during the same period a year ago. The decrease related to the fact that the first quarter of 2021 still had flush production coming back on since the majority of the Company's production was shut-in from May to August 2020 because of low commodity prices. Artis gradually brought its production back on production during the fourth quarter of 2020 and thus the first quarter of 2021 still had the benefit of flush production. Only two wells were brought on production during the first quarter of 2022. Artis anticipates bringing on 18 new drills through-out 2022 with the majority of the wells coming on stream during the second half of the year. The Company is forecasting production to increase greater than 35% from first quarter to fourth quarter this year.

***Revenue*, Realized Losses and Unrealized Losses and Pricing**

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Revenue		
Crude oil	**50,551**	34,761
Realized financial derivative loss	**(6,503)**	(4,520)
Total crude oil	**44,049**	30,241
Natural gas	**2,487**	1,599
NGLs	**1,584**	1,130
Total		
Sales from production	**54,622**	37,490
Realized financial derivative loss	**(6,503)**	(4,520)
Unrealized financial derivative loss	**(10,822)**	(7,182)
Total revenue	**37,297**	25,788
Average Prices		
Crude oil *($/bbl)*	**116.46**	66.48
Realized derivative gain (loss) *($/bbl)*	**(14.98)**	(8.65)
Total crude oil sales price *($/bbl)*	**101.48**	57.83
Natural gas *($/mcf))*	**5.92**	3.77
NGLs sales price *($/bbl)*	**58.59**	33.22
Total sales price before realized hedges *($/boe)*	**102.83**	59.74
Total sales price after realized hedges *($/boe)*	**90.59**	52.53

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 2022, sales from production increased 46% to $54.6 million from $37.5 million recorded in the same period of 2021 due to a 72% year-over-year increase in overall pricing offset by a 15% decrease in the Company's production compared to the previous period. During the first quarter of 2022, Artis realized an average price of $101.48/bbl for crude oil (including a $14.98/bbl realized loss from financial derivative contracts) and $5.92/mcf for natural gas and $58.59/bbl for NGLs.

The following table summarizes the crude oil and natural gas benchmark prices for the three months ended March 31, 2022 and 2021:

Three Months Ended March 31,	**2022**	2021
Average Benchmark Prices		
Crude oil – WTI *(US$/bbl)*	**94.29**	57.84
MSW differential *(US$/bbl)*	**(2.96)**	(5.24)
Crude oil – Edmonton par *(CDN$/bbl)*	**115.57**	66.44
Natural gas – AECO spot – Daily index *($/GJ)*	**4.49**	2.99
Exchange rate *(CDN$/US$)*	**1.27**	1.27

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)*	**2022** *($)*	2021 *($)*
Realized loss on financial instruments	**(6,503)**	(4,520)
Per boe	**(12.24)**	(7.20)
Unrealized loss on financial instruments	**(10,822)**	(7,182)
Per boe	**(20.37)**	(11.44)

The Company held the following derivative commodity contracts at March 31, 2022:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI US$	$61.04/bbl	Swap	(2,099)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$84.08/bbl	Swap	(2,189)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$90.05/bbl	Swap	(1,749)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$106.25/bbl	Swap	(556)

Crude oil	400 bbls/day	April 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$80.41/bbl	Swap	(3,986)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI US$	$60.00-65.73/bbl	Collar	(1,842)
Crude oil	300 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$73.00-84.00/bbl	Collar	(1,054)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$70.00-78.10/bbl	Collar	(2,019)
Crude oil	500 bbls/day	July 1, 2022 –Sept. 30, 2022	NYMEX – WTI CAD$	$75.50-87.65/bbl	Collar	(1,115)
Crude oil	400 bbls/day	April 1, 2022 –June 30, 2022	MSW – US$ WTI differential	($3.50)/bbl	Swap	(150)
Crude oil	600 bbls/day	April 1, 2022 –June 30, 2022	MSW – US$ WTI differential	($3.68)/bbl	Swap	(189)
Crude oil	500 bbls/day	April 1, 2022 – June 30, 2022	MSW – US$ WTI differential	$(2.98)/bbl	Swap	(164)
Crude oil	500 bbls/day	July 1, 2022 – Sept. 30, 2022	MSW – US$ WTI differential	$(2.90)/bbl	Swap	(30)
Natural gas	2000 GJ/day	April 1, 2022 – October 31, 2022	AECO CAD$ daily Index (5A)	4.00/GJ	Swap	(468)
Total						(17,610)

Subsequent to March 31, 2022, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	400 bbls/day	July 1, 2022 – September 30, 2022	NYMEX – WTI CAD$	$113.00-143.00/bbl	Collar
Crude oil	300 bbls/day	June 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$117.00-150.00/bbl	Collar
Crude oil	140 bbls/day	July 1, 2022 –July 31, 2022	NYMEX – WTI CAD$	$117.00-146.00/bbl	Collar
Crude oil	300 bbls/day	August 1, 2022 – August 31, 2022	NYMEX – WTI CAD$	$117.00-141.00/bbl	Collar
Crude oil	500 bbls/day	Sept. 1, 2022 – Sept. 30, 2022	NYMEX – WTI CAD$	$117.00-135.85/bbl	Collar
Crude oil	500 bbls/day	October 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$113.00-133.47/bbl	Collar
Crude oil	500 bbls/day	October 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$113.00-136.00/bbl	Collar
Crude oil	500 bbls/day	July 1, 2022 – Sept. 30, 2022	MSW – US$ WTI differential	$(2.25)/bbl	Swap

Foreign currency contracts

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign exchange rates as a result of the U.S. dollar portion of its crude oil sales based on U.S. dollar benchmark prices and commodity financial derivative contracts that are settled in U.S. dollars. The Company held the following foreign exchange contracts at March 31, 2022 to protect a portion its commodity financial derivative contracts that will settle in U.S. dollars.

Settlement Period	Option Traded	Notional Principal (000's) (US$)	Forward Rate (CDN per USD)	Fair value (000's) (CAD$)
April 2022	Swap	1,816	1.28	66
May 2022	Swap	1,876	1.28	68
June 2022	Swap	1,816	1.28	65
Total				199

Royalties

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Royalties		
Crown	**2,942**	1,954
Freehold/GORRs	**2,131**	1,333
Total royalties	**5,073**	3,287
Total royalties *($/boe)*	**9.55**	5.24
	(%)	*(%)*
% of Revenue		
Crown	**5.4**	5.2
Freehold/GORRs	**3.9**	3.6
Total	**9.3**	8.8

For the quarter ended March 31, 2022, the Company recorded $5.1 million in total royalties or 9.3% of revenue versus $3.3 million or 8.8% of revenue a year ago. Approximately 5.4% of total revenue paid in the first quarter of 2022 consisted of Crown royalties and 3.9% of total revenue was paid to overriding ("GORRs") and freehold royalty owners compared to 5.2% and 3.6%, respectively, in the 2021 three-month period.

Operating Expenses

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Operating expenses	**5,694**	4,837
Per unit of production *($/boe)*	**10.72**	7.71

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 $5.7 million for the first quarter of 2022 compared to $4.8 million recorded a year ago. Operating costs on a per boe basis increased 39% to $10.72/boe from $7.71/boe in 2021 partly as a result of higher workovers and higher water disposal costs due to frac mitigation. The increase also related to the fact that the first quarter of 2021 still had significant flush production coming back on since the majority of the Company's production was shut-in from May to September 2020 because of low commodity prices. Artis gradually brought its production back on production during the fourth quarter of 2020 and thus the first quarter of 2021 still had the benefit of some flush production which helped reduce operating costs per boe below what they had been historically.

Transportation Expenses

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Transportation expenses	**2,017**	2,496
Transportation expenses *($/boe)*	**3.80**	3.98

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, 2022, transportation costs remained fairly consistent with last year on a per unit of production basis.

General and Administrative ("G&A") Expenses

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Gross expenses	**1,798**	1,633
Capitalized expenses	**(631)**	(593)
Net G&A expenses	**1,167**	1,040
Per unit of production ($/boe)	**2.20**	1.66

For the three months ended March 31, 2022, net G&A expenses totaled $1.2 million or $2.20 per boe compared to $1.0 million or $1.66 per boe recorded in the same period a year ago. For the periods ended March 31, 2022 and 2021, the Company capitalized G&A totaling $0.6 million for both periods. G&A expenses increased 33% on a boe basis partly because production decreased 15%. Artis also received less in 2022 under the Canada Emergency Wage Subsidy ("CEWS") program as it received $42,000 in the first quarter of 2021 as compared to $nil this year which reduces salary expenses. Also bank fees were higher this year as the bank credit facility was increased to $220 million during the year and consulting fees also increased as the Company's level of activity increased in 2022 over 2021.

Share-Based Compensation Expense

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Gross expenses	**324**	474
Capitalized expenses	**(70)**	(139)
Total share-based compensation	**254**	334

The Company recognizes share-based compensation expense for stock options issued. During the first quarter of 2022, Artis recorded non-cash share-based compensation expense of $0.3 million (2021 – $0.5 million) and capitalized $70,000 (2021 – $0.1 million) for total share-based compensation of $0.3 million (2021 – $0.3 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,	**2022**	2021
(000s)	*($)*	*($)*
Interest expense on credit facility	**1,334**	1,276
Standby fees on credit facility	**197**	122
Interest expense on lease obligations	**11**	6
Accretion of the decommissioning obligation	**81**	52
Total finance expenses	**1,623**	1,456
Per unit of production ($/boe)	**3.05**	2.32

The Company incurred $1.3 million (2021 - $1.3 million) of interest expense in the first quarter of 2022. The average interest rate for the quarter was approximately 3.9% (2021 – 4.2%). The Company incurred credit facility stand-by fees of $0.2 million (2021 - $0.1 million) for the quarter ended March 31, 2022. Standby fees increased as the Company's credit facility increased to $220 million in May 2022 compared to $200 million last year.

The Company's accretion expense for the three-month period ended March 31, 2022 was $81,000 versus $52,000 in the comparable period of 2021. Accretion expense increases as the cumulative number of wells drilled increases each year. It is also affected by changes in discount factors and inflation rates.

Depletion and Depreciation ("D&D") Expense

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
D&D expense	**9,069**	10,176
D&D expense *($/boe)*	**17.07**	16.21

The Company's D&D expense for the three months ended March 31, 2022 was $9.1 million or $17.07/boe versus $10.2 million or $16.21/boe in the comparable period of 2021. 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 2022 depletion and depreciation expense included an estimated $2.4 billion (2021 – $2.2 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.8 million (2021 – $1.6 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, 2022, Artis recorded an exploration and evaluation expense of $304,000 versus $256,000 a year ago. Exploration and evaluation expenses related to undeveloped land expiries.

Deferred Income Taxes

For the quarter ended March 31, 2022, Artis recorded a deferred income tax expense in the amount of $2.8 million compared to a $0.5 million expense in the prior period. The period-over-period increase in deferred income taxes was a result of the large increase in net income compared to the previous period. In 2022, the blended statutory tax rate is 23.0 (2021 - 23%).

Artis was not subject to any corporate income taxes for 2022 or 2021. The Company has approximately $519 million of tax pools available for deduction against future taxable income as at March 31, 2022.

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

Three Months Ended March 31,		2022	2021
(000s, except per share amounts)		*($)*	*($)*
Cash provided by operating activities		**30,324**	24,918
Per share – basic		**0.19**	0.16
– diluted		**0.18**	0.16
Adjusted funds flow (1) (2)		**32,641**	19,959
Per share (1) (2)	– basic	**0.20**	0.12
	– diluted	**0.20**	0.12
Net income		**9,259**	1,426
Per share	– basic	**0.06**	0.01
	– diluted	**0.06**	0.01

(1) Adjusted funds flow per share has been calculated using the same denominator as was used in calculating net income per share.
(2) See "Non-GAAP and Other Financial Measures".

Adjusted funds flow for the first quarter ended March 31, 2022, increased 64% compared to the previous period mainly due to commodity prices rising 72% partially offset by production decreasing 15%. Net income increased significantly to $9.3 million (2021 – $1.4 million) for the first quarter of 2022 again because of the large increase in commodity prices.

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

During the first three months of 2022, the Company invested $45.5 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $18.3 million a year ago.

Three Months Ended March 31,	2022	2021
(000s) (excluding decommissioning liabilities)	*($)*	*($)*
Drilling and completions	**33,608**	6,284
Equipment and facilities	**10,535**	4,162
Acquisition	**-**	7,107
Land and lease retention	**677**	144
Capitalized G&A	**630**	592
Other	**30**	-
Total capital expenditures (1)	**45,480**	18,289

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

During the first quarter of 2022, the Company incurred $33.6 million (2021 – $6.3 million) in drilling and completion expenditures that involved the drilling of 7 (7.0 net) horizontal oil wells and 4 (4.0 net) completions as compared to the drilling of 2 (2.0 net) horizontal oil wells and no completions during the first quarter of 2021. Equipping and facilities expenditures for the three months ended March 31, 2022 were $10.5 million (2021 – $4.2 million), which included $7.2 million (2021 - $2.8 million) for major facilities and pipelines. During the 2022 three-month period, the Company invested $1.3 million on land as well as capitalized G&A and other corporate assets versus $0.7 million for the same period of 2021.

In the first quarter of 2021, Artis consolidated working interests in the Company's core Twinning area from a joint venture partner which included 7 producing oil wells for total consideration of $7.1 million in cash, net of adjustments.

Drilling Activity

	Total Gross	Total Net
	(#)	*(#)*
Three Months Ended March 31, 2022		
Crude oil (horizontal)	**7**	**7.0**
Total wells	**7**	**7.0**
Average working interest *(%)*		**100**
Three Months Ended March 31, 2021		
Crude oil (horizontal)	2	2.0
Total wells	2	2.0
Average working interest *(%)*		100

Share Capital

Three Months Ended March 31,	**2022**	2021
(000s)	*(#)*	*(#)*
Weighted Average Shares Outstanding		
Basic	**160,197**	160,197
Diluted	**166,121**	166,220
Outstanding Securities		
Common shares	**160,197**	160,197
Performance warrants	**21,765**	21,765
Options	**14,088**	14,088
Retention awards	**308**	308

As at May 19, 2022, Artis had issued and outstanding 160,197,381 common shares and 14,088,000 stock options with an average exercise price of $1.85 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 2022 capital expenditures is expected to be provided by cash generated from operating activities and the Company's $220 million bank credit facility. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At March 31, 2022 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.

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, 2022, Artis' ratio of net debt to annualized funds flow was 1.2 :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, 2022.

	March 31 2022	December 31, 2021
(000s)	*($)*	*($)*
Current assets	**27,468**	17,682
Current liabilities	**(56,199)**	(24,350)
Exclude - Derivative financial instruments	**17,411**	6,589
Exclude - Current portion of lease obligations	**329**	319
Working capital (deficiency) (1)	**(10,991)**	240
Bank debt	**(143,458)**	(141,760)
Net debt (1)	**(154,449)**	(141,520)

Annualized funds flow for three months ended:	**March 31, 2022**	December 31, 2021
Net cash from operating activities	**30,324**	21,491
Change in non-cash working capital	**2,318**	3,597
Adjusted funds flow (1)	**32,642**	25,088
Annualized adjusted funds flow	**130,565**	100,350
Net debt to annualized adjusted funds flow	**1.2**	1.4
Credit facility available	**220,000**	220,000
Net debt to credit facility available	**70%**	64%

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

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before May 31, 2022. 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, 2022.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	**Q1 2022**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	2,796	7,503	32,691	37,490	36,712	44,298	50,062	**54,622**
Cash flow from operating activities	5,678	(2,454)	21,857	24,918	23,353	15,488	21,491	**30,323**
Per diluted share	0.03	(0.01)	0.13	0.16	0.14	0.09	0.13	**0.18**
Adjusted funds flow [(1)]	5,136	4,447	22,571	19,959	16,016	22,490	25,087	**32,642**
Per share – diluted	0.03	0.03	0.14	0.12	0.10	0.14	0.15	**0.20**
Net income (loss)	(7,224)	(1,513)	1,031	1,426	1,150	8,261	16,237	**9,259**
Per share – basic	(0.05)	(0.01)	0.01	0.01	0.01	0.05	0.10	**0.06**
– diluted	(0.05)	(0.01)	0.01	0.01	0.01	0.05	0.10	**0.06**
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures [(1)]	2,366	2,160	9,916	18,289	37,041	36,679	16,188	**45,480**
Net debt [(1)]	130,064	128,916	116,403	114,840	136,015	150,315	141,520	**154,449**
Shareholders' equity	446,966	445,961	448,672	450,572	452,163	460,867	479,004	**488,587**
Production								
Crude oil *(bbls/d)*	1,309	1,626	6,448	5,810	4,822	5,233	5,308	**4,823**
Natural gas *(mcf/d)*	979	867	4,057	4,712	4,435	5,174	5,207	**4,672**
NGLs *(bbls/d)*	72	30	327	378	313	378	367	**300**
Total *(boe/d)*	1,545	1,800	7,451	6,973	5,874	6,474	6,543	**5,902**
Liquids *(%)*	89	92	91	89	87	87	87	**87**
Average wellhead prices								
Crude oil *($/bbl)*	21.08	48.47	52.06	66.48	78.00	84.44	93.36	**116.46**
Natural gas *($/mcf))*	2.50	2.35	3.12	3.77	3.87	4.45	5.71	**5.92**
NGLs *($/bbl)*	9.20	23.88	21.38	33.22	32.32	43.77	51.45	**58.59**
Total *($/boe)*	19.89	45.31	47.69	59.74	68.68	74.38	83.17	**102.83**
Royalties *($/boe)*	(2.76)	(3.47)	(3.44)	(5.24)	(6.92)	(6.79)	(8.08)	**(9.55)**
Operating costs *($/boe)*	(15.01)	(12.71)	(6.11)	(7.71)	(9.47)	(8.73)	(8.83)	**(10.72)**
Transportation costs *($/boe)*	(3.64)	(3.79)	(3.89)	(3.98)	(3.59)	(3.23)	(3.60)	**(3.80)**
Operating netback before derivatives *($/boe)* [(1)]	(1.52)	25.34	34.25	42.81	48.70	55.62	62.65	**78.76**
Gain (loss) on derivatives	52.01	14.85	1.65	(7.20)	(14.32)	(13.66)	(17.07)	**(12.24)**
Operating netback after derivatives *($/boe)* [(1)]	50.49	40.19	35.90	35.61	34.38	41.95	45.58	**66.52**

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

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, 2021 and Note 3 of the March 31, 2022 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.

Non-GAAP and other Financial Measures

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

Non-GAAP Financial Measures

Capital Expenditures

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Net cash used in investing activities (per GAAP)	**31,931**	12,756
Change in non-cash working capital (deficit)	**13,549**	5,533
Total capital expenditures	**45,480**	18,289

Operating Netback

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Petroleum and natural gas revenues	**54,622**	37,490
Realized loss on derivative instruments	**(6,503)**	(4,520)
Royalties	**(5,073)**	(3,287)
Operating	**(5,694)**	(4,837)
Transportation	**(2,017)**	(2,496)
Operating netback	**35,335**	22,350

Capital Management Measures

Net Debt

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Adjusted working capital (deficiency)	**(10,991)**	240
Bank loan	**(143,458)**	(141,760)
Net debt	**(154,449)**	(141,520)

Adjusted Working Capital

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Working capital	**(28,731)**	(6,668)
Exclude -Derivative financial instruments	**17,411**	6,589
Exclude - Lease obligations	**329**	319
Adjusted working capital	**(10,991)**	240

Funds Flow

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

Adjusted funds flow

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Net cash from operating activities	**30,324**	24,918
Changes in non-cash working capital	**2,318**	(4,960)
Adjusted funds flow	**32,642**	19,959

<u>Non-GAAP Ratios</u>

Operating Netback per boe

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

Three Months Ended March 31,	**2022**	2021
($/boe)	*($)*	*($)*
Petroleum and natural gas revenues	**102.83**	59.74
Royalties	**(9.55)**	(5.24)
Operating	**(10.72)**	(7.71)
Transportation	**(3.80)**	(3.98)
Operating netback before realized loss on financial derivatives	**78.76**	42.81
Realized loss on derivative instruments	**(12.24)**	(7.20)
Operating netback after realized loss on financial derivatives	**66.52**	35.61

Net Debt to Adjusted Funds Flow

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

Adjusted Funds Flow per basic share

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

Adjusted Funds Flow per diluted share

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

Supplementary Financial Measures

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

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	**March 31, 2022**	December 31, 2021
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**25,790**	15,551
Prepaid expenses and deposits	**1,678**	2,131
	27,468	17,682
Non-current assets		
Property, plant and equipment *(note 5)*	**657,379**	620,778
Exploration and evaluation assets *(note 6)*	**58,363**	58,036
	715,742	678,814
Total assets	**743,210**	696,496
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**38,459**	17,442
Derivative financial instruments *(note 4)*	**17,411**	6,589
Lease obligations *(note 9)*	**329**	319
	56,199	24,350
Non-current liabilities		
Bank debt *(note 7)*	**143,457**	141,760
Decommissioning obligations *(note 8)*	**19,667**	18,835
Lease obligations *(note 9)*	**240**	329
Deferred tax liability	**35,060**	32,218
	198,424	193,142
Total liabilities	**254,623**	217,492
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**20,083**	19,759
Retained earnings	**96,143**	86,884
Total equity	**488,587**	479,004
Total liabilities and equity	**743,210**	696,496

Subsequent events *(note 4)*

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,	**2022**	2021
(000s, except per share amounts) (unaudited)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenue *(note 11)*	**54,622**	37,490
Royalties	**(5,073)**	(3,287)
Realized loss on derivative instruments *(note 4)*	**(6,503)**	(4,520)
Unrealized loss on derivative instruments *(note 4)*	**(10,822)**	(7,182)
Other revenue *(note 11)*	**5**	46
	32,229	22,547
Expenses		
Operating	**5,694**	4,837
Transportation	**2,017**	2,496
General and administrative	**1,167**	1,040
Share-based compensation	**254**	334
Exploration and evaluation	**304**	256
Depletion and depreciation	**9,069**	10,176
Finance *(note 12)*	**1,623**	1,456
	20,128	20,595
Income before income taxes	**12,101**	1,952
Deferred income tax expense	**2,842**	526
Net income and comprehensive income for the period	**9,259**	1,426
Net income per share *(note 13)*		
Basic	**0.06**	0.01
Diluted	**0.06**	0.01

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(000s) (unaudited)	Number of Common Shares (#)	Share Capital ($)	Contributed Surplus ($)	Retained Earnings ($)	Total Equity ($)
Balance – January 1, 2022	**160,197**	**372,361**	**19,759**	**86,884**	**479,004**
Share-based payments	**-**	**-**	**324**	**-**	**324**
Income for the period	**-**	**-**	**-**	**9,259**	**9,259**
Balance – March 31, 2022	**160,197**	**372,361**	**20,083**	**96,143**	**488,587**

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

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2022**	2021
(000s) (unaudited)	*($)*	*($)*
Cash flows from operating activities		
Net income	**9,259**	1,426
Adjustments for:		
Depletion and depreciation *(note 5)*	**9,069**	10,176
Exploration and evaluation *(note 6)*	**304**	256
Interest on lease obligations *(note 9)*	**11**	6
Unrealized loss on derivative instruments	**10,822**	7,182
Deferred income tax expense	**2,842**	526
Accretion of decommissioning obligations *(note 8)*	**81**	52
Share-based compensation	**254**	334
Change in non-cash working capital	**(2,318)**	4,960
Net cash from operating activities	**30,324**	24,918
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(44,849)**	(12,635)
Additions to exploration and evaluation assets *(note 6)*	**(631)**	(5,654)
Change in non-cash working capital	**13,549**	5,533
Net cash used in investing activities	**(31,931)**	(12,756)
Cash flows from financing activities		
Increase (decrease) in bank debt *(note 7)*	**1,697**	(12,055)
Payments on lease obligations *(note 9)*	**(90)**	(107)
Net cash from financing activities	**1,607**	(12,162)
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.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2022
(unaudited)
(Tabular amounts are stated in thousands of dollars, except share and per share amounts)

1. Reporting Entity

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

2. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The condensed interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2021. 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 19, 2022.

3. COVID-19 estimation uncertainty:

Management makes judgments and assumptions about the future in deriving estimates used in the preparation of these financial statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine economically recoverable oil, natural gas and natural gas liquids reserves, the recoverable amount of long-lived assets or cash-generating unit, the fair value of financial derivatives, the provision for decommissioning obligations and the provision for income taxes and the related deferred tax assets and liabilities.

During the three months ended March 31, 2022, demand for oil and natural gas improved as the global economy continued to recover from the novel strain of the coronavirus (“COVID-19”) pandemic. Energy prices strengthened to multi-year highs due to elevated uncertainty of global oil and natural gas supply after Russia’s invasion of Ukraine, in addition to restricted oil and gas investment globally. While the Company has benefited from these improvements in commodity prices, there is a degree of uncertainty related to COVID-19 and geopolitical events that have been considered in our estimates as at and for the period ended March 31, 2022.

A full list of key sources of estimation uncertainty can be found in note 2 of the annual financial statements for the year ended December 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, 2022:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI US$	$61.04/bbl	Swap	(2,099)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$84.08/bbl	Swap	(2,189)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$90.05/bbl	Swap	(1,749)
Crude oil	400 bbls/day	July 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$106.25/bbl	Swap	(556)
Crude oil	400 bbls/day	April 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$80.41/bbl	Swap	(3,986)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI US$	$60.00-65.73/bbl	Collar	(1,842)
Crude oil	300 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$73.00-84.00/bbl	Collar	(1,054)
Crude oil	500 bbls/day	April 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$70.00-78.10/bbl	Collar	(2,019)
Crude oil	500 bbls/day	July 1, 2022 –Sept. 30, 2022	NYMEX – WTI CAD$	$75.50-87.65/bbl	Collar	(1,115)
Crude oil	400 bbls/day	April 1, 2022 –June 30, 2022	MSW – US$ WTI differential	($3.50)/bbl	Swap	(150)
Crude oil	600 bbls/day	April 1, 2022 –June 30, 2022	MSW – US$ WTI differential	($3.68)/bbl	Swap	(189)
Crude oil	500 bbls/day	April 1, 2022 – June 30, 2022	MSW – US$ WTI differential	$(2.98)/bbl	Swap	(164)
Crude oil	500 bbls/day	July 1, 2022 – Sept. 30, 2022	MSW – US$ WTI differential	$(2.90)/bbl	Swap	(30)
Natural gas	2000 GJ/day	April 1, 2022 – October 31, 2022	AECO CAD$ daily Index (5A)	4.00/GJ	Swap	(468)
Total						(17,610)

Subsequent to March 31, 2022, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	400 bbls/day	July 1, 2022 – September 30, 2022	NYMEX – WTI CAD$	$113.00-143.00/bbl	Collar
Crude oil	300 bbls/day	June 1, 2022 –June 30, 2022	NYMEX – WTI CAD$	$117.00-150.00/bbl	Collar
Crude oil	140 bbls/day	July 1, 2022 –July 31, 2022	NYMEX – WTI CAD$	$117.00-146.00/bbl	Collar
Crude oil	300 bbls/day	August 1, 2022 – August 31, 2022	NYMEX – WTI CAD$	$117.00-141.00/bbl	Collar
Crude oil	500 bbls/day	Sept. 1, 2022 – Sept. 30, 2022	NYMEX – WTI CAD$	$117.00-135.85/bbl	Collar
Crude oil	500 bbls/day	October 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$113.00-133.47/bbl	Collar
Crude oil	500 bbls/day	October 1, 2022 – December 31, 2022	NYMEX – WTI CAD$	$113.00-136.00/bbl	Collar
Crude oil	500 bbls/day	July 1, 2022 – Sept. 30, 2022	MSW – US$ WTI differential	$(2.25)/bbl	Swap

Foreign currency contracts

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign exchange rates as a result of the U.S. dollar portion of its crude oil sales based on U.S. dollar benchmark prices and commodity financial derivative contracts that are settled in U.S. dollars. The Company held the following foreign exchange contracts at March 31, 2022 to protect a portion its commodity financial derivative contracts that will settle in U.S. dollars.

Settlement Period	Option Traded	Notional Principal (000's) (US$)	Forward Rate (CDN per USD)	Fair value (000's) (CAD$)
April 2022	Swap	1,816	1.28	66
May 2022	Swap	1,876	1.28	68
June 2022	Swap	1,816	1.28	65
Total				199

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

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Realized financial derivatives loss	**(6,503)**	(4,520)
Unrealized financial derivatives loss	**(10,822)**	(7,182)
Financial derivatives loss	**(17,325)**	(11,702)

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 2023 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 favorable terms. The Company's objective is to maintain a flexible structure that will allow it to execute its investment program, including exploration and development of its oil and gas properties and acquisition and disposition transactions, which all carry varying amounts of risk. Artis continually strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its investment program. Artis may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

The ongoing volatile economic climate may lead to further adverse changes in cash flows, working capital levels an/or debt level balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At March 31, 2022 the Company remains in compliance with all terms of our Facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding 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, 2022, Artis' ratio of net debt to annualized funds flow was 1.2 :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, 2022.

	March 31 2022	December 31, 2021
(000s)	*($)*	*($)*
Current assets	**27,468**	17,682
Current liabilities	**(56,199)**	(24,350)
Exclude - Derivative financial instruments	**17,411**	6,589
Exclude - Current portion of lease obligations	**329**	319
Adjusted working capital (deficiency) (1)	**(10,991)**	240
Bank debt	**(143,458)**	(141,760)
Net debt (1)	**(154,449)**	(141,520)

Annualized funds flow for three months ended:	**March 31, 2022**	December 31, 2021
Net cash from operating activities	**30,324**	21,491
Change in non-cash working capital	**2,318**	3,597
Adjusted funds flow (1)	**32,642**	25,088
Annualized funds flow	**130,565**	100,350
Net debt to annualized funds flow	**1.2**	1.4
Credit facility available	**220,000**	220,000
Net debt to credit facility available	**70%**	64%

(1) See "Capital Management Measures" in the Company's MD&A.

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, 2020	621,394
Additions	101,059
Capitalized share-based compensation	1,087
Transfer from exploration and evaluation assets	16,240
Change in decommissioning obligations	1,587
Increase in right-to-use assets	493
Balance – December 31, 2021	741,860
Additions	**44,849**
Capitalized share-based compensation	**70**
Transfer from exploration and evaluation assets	**-**
Change in decommissioning obligations	**751**
Balance – March 31, 2022	**787,530**

Depletion and depreciation	
Balance – December 31, 2020	82,137
Depletion and depreciation for the year	38,945
Balance – December 31, 2021	121,082
Depletion and depreciation for the period	**9,069**
Balance – March 31, 2022	**130,151**

Carrying amounts	
March 31, 2022	657,379
December 31, 2021	**620,778**

Depletion and Depreciation

The calculation of 2022 depletion and depreciation expense included an estimated $2.4 billion (2021 – $2.2 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.8 million (2021 – $1.6 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, 2022 (2021 – 0.6 million). Also included in PP&E are non-cash share-based payments of $0.1 million (2021 – $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, 2022, 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, 2020	73,042
Additions	7,139
Transfers to property, plant and equipment	(16,240)
Expiries	(5,905)
Balance – December 31, 2021	**58,036**
Additions	**631**
Transfers to property, plant and equipment	**-**
Impairments	**(304)**
Balance – March 31, 2022	**58,363**

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, 2022, the Company had a revolving line of credit of $200 million and an operating line of credit of $20 million for a total facility of $220 million (collectively, the "Facility") of which $143.5 million (December 31, 2021 – $141.8 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 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 13.4:1 at March 31, 2022. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before May 31, 2022. 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, 2022 the Company's applicable pricing included a 2.5 percent margin on prime lending, a 3.5 percent margin on bankers' acceptances and LIBOR loans along with a 0.875 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	17,095
Liabilities incurred	1,772
Change in estimated future cash flows	(185)
Decommissioning expenditures	(13)
Government subsidy for decommissioning expenditures	(139)
Accretion of decommissioning obligation	305
Balance – December 31, 2021	**18,835**
Liabilities incurred	**751**
Accretion of decommissioning obligation	**81**
Balance – March 31, 2022	**19,666**

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 $19.7 million as at March 31, 2021 (December 31, 2021 – $18.8 million) based on an undiscounted inflated total future liability of $24.1 million (December 31, 2021 – $23.1 million) using an assumed inflation rate of 1.82% (2021 – 1.82%) 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 1.68% (2021 – 1.68%).

9. Lease obligations

Right-of-use assets

(000s)	
	($)
As at January 1, 2021	**374**
Additions	**493**
Depreciation	**(451)**
As at December 31, 2021	**417**
Depreciation	**(60)**
As at March 31, 2022	**357**

Lease liabilities

(000s)	
	($)
As at January 1, 2021	**583**
Additions	**493**
Lease interest expense	**30**
Lease payments	**(458)**
As at December 31, 2021	**648**
Lease interest expense	**11**
Lease payments	**(90)**
As at March 31, 2021	**569**

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

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

(000s)	1 year	2 years	Total
	($)	*($)*	*($)*
Lease payments including principal and interest	**329**	**240**	**569**

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 – March 31, 2022 and December 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,	**2022**	2021
(000s)	*($)*	*($)*
Oil production	**50,551**	34,761
Gas production	**2,487**	1,599
NGLs production	**1,584**	1,130
Total revenue	**54,622**	37,490

Other revenue:

The following table summarizes the company's other revenue:

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Interest income	**5**	1
Third party processing fee income	**-**	25
Canada Emergency Rent subsidy	**-**	20
	5	46

12. Financing

Three Months Ended March 31,	**2022**	2021
(000s)	*($)*	*($)*
Interest expense	**1,542**	1,404
Accretion of decommissioning obligations	**81**	52
Finance expenses	**1,623**	1,456

13. Income Per Share

Basic income per share was calculated as follows:

Three Months Ended March 31,	**2022**	2021
(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,	**2022**	2021
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197
Effects of options in-the-money	**5,924**	6,023
Weighted average number of common shares – diluted	**166,121**	166,220

In computing diluted earnings per share for the year ended March 31, 2022, 5,924,000 (March 31, 2021 – 6,023,000) 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 14,301,000 (March 31, 2021 – 14,206,000) 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 (March 31, 2021 - $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, 2022.

At March 31, 2022, the Company has 14,088,000 options outstanding with an average exercise price of $1.85 per share.

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

Exercise Price	Performance Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life
($)	*(#000s)*	*($)*	*(years)*
1.88	**4,353**	**1.88**	**1.3**
2.19	**4,353**	**2.19**	**1.3**
2.50	**4,353**	**2.50**	**1.3**
2.81	**4,353**	**2.81**	**1.3**
3.13	**4,353**	**3.13**	**1.3**
	21,765	**2.50**	**1.3**

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, 2022.