ARTIS EXPLORATION LTD

FIRST QUARTER REPORT
FOR THE THREE MONTHS ENDED
MARCH 31, 2024

ARTIS EXPLORATION LTD.

2024 First Quarter
For the Three Months Ended March 31, 2024

HIGHLIGHTS

	Three Months Ended March 31		
	2024	2023	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*
Financial			
Petroleum and natural gas revenues	**71,579**	71,886	-
Cash flow from operations	**55,104**	71,533	(23)
Adjusted funds flow (1)	**47,088**	49,555	(5)
Per share – basic	**0.29**	0.31	(6)
– diluted	**0.28**	0.30	(7)
Net earnings	**14,991**	20,819	(28)
Per share – basic	**0.09**	0.13	(31)
– diluted	**0.09**	0.13	(31)
Net capital expenditures (2)	**78,582**	68,890	14
Net debt (1)	**214,004**	163,755	31
Shareholders' equity	**701,226**	610,986	15
(000s)	*(#)*	*(#)*	*(%)*
Share Data			
At period-end			
Basic	**160,197**	160,197	-
Options	**15,003**	14,748	2
Warrants	**21,485**	21,765	(1)
Retention awards	**308**	308	-
Weighted average			
Basic	**160,197**	160,197	-
Diluted	**165,587**	165,906	-
			(%)
Operating			
Production			
Crude oil *(bbls/d)*	**7,829**	7,559	
Natural gas *(mcf/d)*	**8,674**	6,392	
NGLs *(bbls/d)*	**845**	529	
Total *(boe/d)*	**10,120**	9,154	11
Liquids %	**86**	88	
Average wellhead prices			
Crude oil *($/bbl)*	**92.83**	99.16	
Natural gas *($/mcf)*	**2.92**	3.85	
NGLs *($/bbl)*	**40.76**	46.36	
Total *($/boe)*	**77.73**	87.26	(11)
Royalties *($/boe)*	**(9.27)**	(8.11)	14
Net operating cost *($/boe)*	**(9.73)**	(10.22)	(5)
Transportation cost *($/boe)*	**(3.70)**	(4.08)	(9)
Operating netback before financial derivatives *($/boe)* (3)	**55.02**	64.85	(15)
Realized gain on financial derivatives *($/boe)* (3)	**2.25**	0.79	
Operating netback after financial derivatives *($/boe)* (3)	**57.28**	65.64	(13)

	Three Months Ended March 31		
	2024	2023	Change
			(%)
Drilling activity – gross (net)			
Crude oil *(#)*	**6.5 (6.5)**	8 (8.0)	
Natural gas *(#)*	**-**	-	
Total *(#)*	**6.5 (6.5)**	8 (8.0)	
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, 2024.

Financial and Operating Highlights

- First quarter average production of 10,120 boe/d (86% liquids) was up 11% from the same period in 2023.
- First quarter 2024 adjusted funds flow was $47.1 million ($0.28 per diluted share) 5% lower than last year as commodity pricing was down 11% as compared to the same period in 2023.
- Achieved an industry leading operating netback of $55.02/boe in the first quarter of 2024 before including financial derivatives ($57.28/boe after including financial derivatives) based on an average crude oil WTI price of $76.96/bbl for the quarter.
- Generated first quarter 2024 net earnings of $15.0 million ($0.09 per diluted share) compared to $20.8 million ($0.13 per diluted share) in the same period of 2023.
- Invested $78.6 million in net capital expenditures in the first quarter of 2024 which included the drilling of 6.5 (6.5 net) and completion of 6 (6.0 net) wells in our core area of Trochu, Alberta and also included $13.2 million for major facilities, pipelines and water management.
- Artis' net debt at period end was $214.0 million which corresponded to a net debt to annualized adjusted funds flow ratio for the first quarter of 1.1 times. The Company has a total bank credit facility of $300 million.

Message to Shareholders

The Company's first quarter production averaged 10,120 boe/d (86% liquids), which was 11% higher than the same period in 2023. Artis' production field estimate for the month of May/2024 is 12,565 boe/d (87% liquids) which is a record production month for the Company. These production volumes are supportive of the Company's 2024 forecast to average approximately 12,000 boe/d and exit the year between 12,500-13,000 boe/d. Artis had an industry leading operating netback of $57.28/boe after realized hedging gain ($55.02/boe before realized hedging gain) based on a first quarter WTI price of $76.96 US/bbl which drove adjusted funds flow of $47.1 million or $0.28 per diluted share for the quarter. Adjusted funds flow was only down 5% compared to the same period last year as decreased commodity prices of 11% was partially offset by the production increase. Artis was able to generate net earnings of $15.0 million or $0.09 per diluted share for the quarter.

Net capital expenditures for the first quarter amounted to $78.6 million, which were predominantly related to the successful drilling of 6.5 (6.5 net) oil wells and completion of 6 (6.0) oil wells. The Company continues to deliver impactful wells that regularly make industry top oil wells lists for the Duvernay play, with three (3- well) pads in the first quarter of 2024 achieving peak pad rates in excess of 2,000 bbls/d of oil (approximately 2,500 boe/d). Artis' latest three well pad incurred average all-in well costs of approximately $8.6 million, which are the lowest the Company can find through public records for an Alberta Duvernay well.

Artis also invested $13.2 million for major facilities, pipelines and water management which included expanding its water pit storage capacity. The Company now has approximately 700,000m3 of water storage plus long-term licenses or contracts for over four million m3 of water per year which would support three times the Company's current rate of drilling. The use of proprietary storage and municipal effluent helps the

Company manage and minimize pressure on seasonal water demand in the areas that it operates, which is particularly helpful in these drier years.

The Company exited the quarter with net debt of $214.0 million and a net debt to adjusted funds flow ratio of 1.1 times based on annualized first quarter adjusted funds flow. Artis' capital program is front end of the year loaded, and as a result, the Company forecasts net debt declining to approximately $185 million or 0.7 times debt to adjusted funds flow by year end assuming commodity prices of $80US/bbl for WTI. The Company has a total bank credit facility of $300 million.

We look forward to reporting back to you on our operations and financials throughout 2024.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

May 31, 2024

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 also 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 quarterly report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of the Company's oil and gas reserves; resource estimates and volumes in respect of the Company's Duvernay lands in central Alberta (the "ESB Duvernay"); the volume and product mix of the Company's oil and gas production; production and EUR estimates and forecasts; the type curve estimates and future associated projections and economics; the recognition of significant resources in the ESB Duvernay including potential drilling locations and opportunities; future oil and natural gas prices and the Company's commodity risk management programs; future cash flow estimates; future liquidity and financial capacity; future results from operations and operating metrics including estimated payouts, rates of return and well recovery estimates; the Company's 2024 capital program (including the base program and possible reduced or expanded programs) and associated estimates of material metrics, targets and guidance where applicable; estimated operating and well costs; the continuing and uncertain potential impact of world events including the Russia/Ukraine and Middle East conflicts on the Company's operations and results; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition and development activities, infrastructure plans and related capital expenditures and the timing thereof; the projected timeline to sustainable free cash flow; the total future capital associated with development of reserves and resources; and methods of funding our capital program.

The internal projections, expectations or beliefs underlying our currently planned 2024 capital budget and associated guidance for 2024 and beyond, are subject to change in light of the impact of world events including the Russia/Ukraine and Middle East conflicts, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Artis' financial outlook and guidance provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods based upon the reasonable assumptions of management in preparing same. Such information reflects internal targets and economic modeling used by management for the purposes of making capital investment decisions and for internal long-range planning and budget preparation. Readers are cautioned that events or circumstances could cause capital plans and associated results to defer materially from those predicted and Artis' guidance for 2024 and beyond may not be appropriate for other purposes. Accordingly, undo reliance should not be placed on same.

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

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

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

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

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, 2024 and 2023 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, 2023. 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 28, 2024.

Basis of Presentation

The unaudited financial statements and comparative information for the three months ended March 31, 2024 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", "net debt" and "net debt to adjusted funds flow". Since these specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly 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 2400, 525 8th 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 10,120 boe/d (86% liquids) was up 11% from the same period in 2023.
- First quarter 2024 adjusted funds flow was only down 5% to $47.1 million ($0.28 per diluted share) as commodity pricing was down 11% as compared to the same period in 2023.
- Achieved an operating netback of $55.02/boe in the first quarter of 2024 before including financial derivatives ($57.28/boe after including financial derivatives) based on an average crude oil WTI price of $76.96/bbl for the quarter.
- Generated first quarter 2024 net earnings of $15.0 million ($0.09 per diluted share) compared to $20.8 million ($0.13 per diluted share) in the same period of 2023.
- Invested $78.6 million in net capital expenditures in the first quarter of 2024 which included the drilling of 6.5 (6.5 net) and completion of 6 (6.0 net) wells in our core area of Trochu, Alberta and also included $13.2 million for major facilities, pipelines and water management.
- Artis' net debt at period end was $214.0 million which corresponded to a net debt to annualized adjusted funds flow ratio for the first quarter of 1.1 times. The Company has a total bank credit facility of $300 million.

Forward-Looking Statements

This document contains forward-looking statements. Statements used throughout this MD&A that are not historical facts may be considered to be "forward-looking statements". These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans including without limitation, our planned 2024 drilling program and management's assessment of the potential and uncertain impact of pandemics and other world events including the Russia/Ukraine and Middle East conflicts and resultant commodity price volatility on future plans and operations and the timing thereof; anticipated commodity prices, industry outlook and volatility and their impact on the Company's operations and results; commodity mix; timing of expenditures; budgeted capital expenditures and the method of funding thereof and the nature of the expenditures; production estimates and forecasts; timing of drilling, completion and tie-in of wells;

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

The Company's planned 2024 capital expenditure program and related targets and forecasts disclosed herein are estimates based on certain assumptions including, without limitation, liquidity, operating results, known fiscal regimes, commodity prices and risk management activities and the continuing uncertain impact of pandemics and world events including the Russia/Ukraine and Middle East conflicts and will be regularly scrutinized and potentially updated by management and our board of directors. Our objective will be to proactively manage our capital program as it relates to operational success and fluctuating commodity prices with a priority to maintain financial flexibility and achieve long range strategic goals. Artis will closely monitor our budget and financial situation throughout the year to assess market conditions and may adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

Test Results and Initial Production Rates

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

Conversions (Barrel of Oil Equivalency)

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

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31,	**2024**	2023
Crude oil *(bbls/d))*	**7,829**	7,559
Natural gas *(mcf/d)*	**8,674**	6,392
NGLs *(bbls/d)*	**845**	529
Total *(boe/d)*	**10,120**	9,154
Liquids *(%)*	**86**	88

For the three months ended March 31, 2024, production averaged 10,120 boe/d (86% weighted to crude oil and NGLs), an 11% increase from the 9,154 boe/d (88% weighted to crude oil and NGLs) averaged during the same period a year ago. The increase was driven by the successful execution of drilling and completion activities that included the addition of 23 gross (23.0 net) new oil wells in the Trochu/Twining area over the previous twelve months.

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

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Revenue		
Crude oil	**66,142**	67,463
Realized financial derivative gain	**2,074**	651
Total crude oil	**68,216**	68,114
Natural gas	**2,303**	2,215
NGLs	**3,134**	2,208
Total		
Sales from production	**71,579**	71,886
Realized financial derivative gain	**2,074**	651
Unrealized financial derivative loss	**(7,446)**	(288)
Total revenue	**66,207**	72,249
Average Prices		
Crude oil *($/bbl)*	**92.83**	99.16
Realized derivative gain *($/bbl)*	**2.92**	0.96
Total crude oil sales price *($/bbl)*	**95.75**	100.12
Natural gas *($/mcf))*	**2.92**	3.85
NGLs sales price *($/bbl)*	**40.76**	46.36
Total sales price before realized hedges *($/boe)*	**77.73**	87.26
Total sales price after realized hedges *($/boe)*	**79.98**	88.05

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 2024, sales from production decreased less than 1% to $71.6 million from $71.9 million recorded in the same period of 2023 due to a 11% increase in the Company's production fully offset by a 11% year-over-year decrease in overall pricing before realized hedges compared to the previous period. During the first quarter of 2024, Artis realized an average price of $95.75/bbl for crude oil (including a $2.92/bbl realized gain from financial derivative contracts) and $2.92/mcf for natural gas and $40.76/bbl for NGLs. For the three month period, 92% of the Company's revenue was derived from crude oil sales.

The following table summarizes the crude oil and natural gas benchmark prices for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31,	**2024**	2023
Average Benchmark Prices		
Crude oil – WTI *(US$/bbl)*	**76.96**	76.13
MSW differential *(US$/bbl)*	**(8.64)**	(2.86)
Crude oil – Edmonton par *(CDN$/bbl)*	**92.26**	99.23
Natural gas – AECO spot – Daily index *($/GJ)*	**2.36**	3.05
Exchange rate *(CDN$/US$)*	**1.35**	1.35

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

Derivative Financial Instruments

Commodities

The Company enters into derivative and physical risk management contracts in order to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects. Artis' strategy focuses on the use of swaps and costless collars to limit exposure to flunctuations in commodity prices while allowing for participation in commodity price increases. The Company's financial derivative trading activities are conducted pursuant to the Company's Risk Management Policy, as 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)*	**2024** *($)*	2023 *($)*
Realized gain on financial instruments	**2,074**	651
Per boe	**2.25**	0.79
Unrealized loss on financial instruments	**(7,446)**	(288)
Per boe	**(8.09)**	(0.35)

The Company held the following derivative commodity contracts at March 31, 2024:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	NYMEX – WTI CAD$	$111.52/bbl	Swap	14
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI CAD$	$102.76/bbl	Swap	(385)
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$79.70/bbl	Swap	(113)
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$81.00/bbl	Swap	(54)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	NYMEX – WTI CAD$	$102.85/bbl	Swap	(612)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	NYMEX – WTI US$	$77.00/bbl	Swap	(367)
Crude oil	1,000 bbls/day	July 1, 2024 – Sept. 30, 2024	NYMEX – WTI CAD$	$100.86/bbl	Swap	(677)
Crude oil	500 bbls/day	July 1, 2024 – Sept. 30, 2024	NYMEX – WTI US$	$79.37/bbl	Swap	(22)

Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	MSW- US$ WTI differential	(4.35)/bbl	Swap	(59)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	MSW- US$ WTI differential	(3.54)/bbl	Swap	(104)
Total						(2,379)

Subsequent to March 31, 2024, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	July 1, 2024 – September 30, 2024	NYMEX – WTI US$	$83.23/bbl	Swap

Royalties

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Royalties		
Crown	**6,484**	4,719
Freehold/GORRs	**2,056**	1,959
Total royalties	**8,540**	6,679
Total royalties *($/boe)*	**9.27**	8.11
	(%)	*(%)*
% of Revenue		
Crown	**9.1**	6.6
Freehold/GORRs	**2.8**	2.7
Total	**11.9**	9.3

For the quarter ended March 31, 2024, the Company recorded $8.5 million in total royalties or 11.9% of revenue versus $6.7 million or 9.3% of revenue a year ago. Approximately 9.1% of total revenue paid in the first quarter of 2024 consisted of Crown royalties and 2.8% of total revenue was paid to overriding ("GORRs") and freehold royalty owners compared to 6.6% and 2.7%, respectively, in the 2023 three-month period.

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

Operating Expenses

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Operating expenses	**8,958**	8,416
Per unit of production *($/boe)*	**9.73**	10.22

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 $9.0 million for the first quarter of 2024 compared to $8.4 million recorded a year ago. Operating costs on a per boe basis decreased 5% to $9.73/boe from $10.22/boe in 2023 mainly because of a reduction in water trucking and disposal costs.

Transportation Expenses

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Transportation expenses	**3,410**	3,365
Transportation expenses *($/boe)*	**3.70**	4.08

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

For the three months ended March 31, 2024, transportation costs were $3.4 million or $3.70/boe compared to $3.4 million or $4.08/boe for the same period of 2023. Transportation costs were down 9% on a boe basis mainly because of a greater blending benefit relating to crude oil that was effective October 1, 2023 on future pipeline tolls.

Operating Netbacks(1)

Three Months Ended March 31,	**2024**	2023
($/boe)	*($)*	*($)*
Petroleum and natural gas revenues	**77.73**	87.26
Royalties	**(9.27)**	(8.11)
Operating	**(9.73)**	(10.22)
Transportation	**(3.70)**	(4.08)
Operating netback before realized gain on financial derivatives	**55.02**	64.85
Realized gain on derivative instruments	**2.25**	0.79
Operating netback after realized gain on financial derivatives	**57.28**	65.64

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

Operating netbacks before realized gains on financial derivatives were down 15% compared to the first quarter of 2023, primarily due to commodity prices being down 11% and royalties being up 28% in 2024 versus 2023.

General and Administrative ("G&A") Expenses

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Gross expenses	**2,847**	2,520
Capitalized expenses	**(952)**	(850)
Net G&A expenses	**1,895**	1,670
Per unit of production ($/boe)	**2.06**	2.03

For the three months ended March 31, 2024, net G&A expenses totaled $1.9 million or $2.06 per boe compared to $1.7 million or $2.03 per boe recorded in the same period a year ago. During the first quarter of 2024, the Company capitalized G&A totaling $1.0 million (2023 – $0.9 million) with regards to administrative overhead and employee compensation directly related to exploration and development activities. Net G&A expenses increased 13% mainly because of increased employee compensation and higher bank fees as the bank credit facility was increased to $300 million. Insurance costs and consulting fees have also increased as the Company's level of activity has increased. On a per boe basis, G&A expenses has remained relatively consistent with last year as Artis' production has increased close to the same relative proportion as G&A expenses.

Share-Based Compensation Expense

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Gross expenses	**153**	205
Capitalized expenses	**(57)**	(70)
Total share-based compensation	**96**	135

The Company recognizes share-based compensation expense for stock options issued. During the first quarter of 2024, Artis recorded non-cash share-based compensation expense of $0.1 million (2023 – $0.1 million) and capitalized $57,000 (2023 – $70,000) for total share-based compensation of $0.2 million (2023 – $0.2 million). The decrease in share-based compensation was because the Company issued fewer options over the past year compared to the prior period. As at March 31, 2024 Artis has 15,003,000 options outstanding.

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,	**2024**	2023
(000s)	*($)*	*($)*
Interest expense on credit facility	**3,526**	2,643
Standby fees on credit facility	**242**	209
Interest expense on lease obligations	**52**	3
Accretion of the decommissioning obligation	**174**	155
Total finance expenses	**3,994**	3,011
Per unit of production ($/boe)	**4.34**	3.65

The Company incurred $3.5 million (2023 - $2.6 million) of interest expense in the first quarter of 2024. The increase in interest expenses was mainly a result of increased debt levels along with increased interest rates compared to the previous period. The average interest rate for the quarter was approximately 8.3% (2023 – 7.8%). The Company incurred credit facility stand-by fees of $0.2 million (2023 - $0.2 million) for the quarter ended March 31, 2024.

The Company's accretion expense for the three-month period ended March 31, 2024 was $174,000 versus $155,000 in the comparable period of 2023. 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,	**2024**	2023
(000s)	*($)*	*($)*
D&D expense	**19,421**	17,557
D&D expense *($/boe)*	**21.09**	21.31

The Company's D&D expense for the three months ended March 31, 2024 was $19.4 million or $21.09/boe versus $17.6 million or $21.31/boe for the comparable period of 2023. 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 2024 depletion and depreciation expense included an estimated $3.2 billion (2023 – $2.9 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.3 million (2023 – $2.0 million) for the estimated salvage value of production equipment and facilities. Such costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base. Currently Artis has one core area being Trochu/Twining.

Exploration and Evaluation Expense

For the quarter ended March 31, 2024, Artis recorded an exploration and evaluation expense of $0.4 million versus $4.3 million a year ago. Exploration and evaluation expenses relate to undeveloped land expiries.

Deferred Income Taxes

For the quarter ended March 31, 2024, Artis recorded a deferred income tax expense in the amount of $4.5 million compared to a $6.3 million expense in the prior period. The period-over-period decrease in deferred income taxes was a result of the decrease in net income compared to the previous period. In 2024, the blended statutory tax rate is 23.0 (2023 - 23%).

Artis was not subject to any corporate income taxes for 2024 or 2023. The Company has approximately $579 million of tax pools available for deduction against future taxable income as at March 31, 2024.

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

Three Months Ended March 31,		**2024**	2023
(000s, except per share amounts)		*($)*	*($)*
Cash provided by operating activities		**55,104**	71,533
Per share	– basic	**0.34**	0.45
	– diluted	**0.33**	0.43
Adjusted funds flow (1) (2)		**47,088**	49,555
Per share (1) (2)	– basic	**0.29**	0.31
	– diluted	**0.28**	0.30
Net income		**14,991**	21,818
Per share	– basic	**0.09**	0.13
	– diluted	**0.09**	0.13

(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, 2024, decreased 5% compared to the previous period mainly due to commodity prices being down 11% and royalties being up 28% partially offset by production increasing 11%.

Net income decreased to $15.0 million (2023 – $21.3 million) for the first quarter of 2024 again because of the decrease in operating netbacks and the higher unrealized loss on derivative instruments.

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

During the first three months of 2024, the Company invested $78.6 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $68.9 million a year ago.

Three Months Ended March 31,	**2024**	2023
(000s) (excluding decommissioning liabilities)	*($)*	*($)*
Drilling and completions	**56,622**	45,631
Equipment and facilities	**19,306**	21,066
Land and lease retention	**1,698**	1,335
Capitalized G&A	**952**	850
Other	**4**	8
Total capital expenditures (1)	**78,582**	68,890

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

During the first quarter of 2024, the Company incurred $56.6 million (2023 – $45.6 million) in drilling and completion expenditures that involved the drilling of 6.5 (6.5 net) horizontal oil wells and 6 (6.0 net) completions as compared to the drilling of 8 (8.0 net) horizontal oil wells and 4 (4.0) completions during the first quarter of 2023 all in the Company's Twinning/Trochu core area. Equipping and facilities expenditures for the three months ended March 31, 2024 were $19.3 million (2023 – $21.1 million), which included $13.2 million (2023 - $12.3 million) for major facilities, pipelines and water management. During the 2024 three-month period, the Company invested $2.7 million on land as well as capitalized G&A and other corporate assets versus $2.2 million for the same period of 2023.

Drilling Activity

	Total Gross	Total Net
	(#)	*(#)*
Three Months Ended March 31, 2024		
Crude oil (horizontal)	**6.5**	**6.5**
Total wells	**6.5**	**6.5**
Average working interest *(%)*		**100**
Three Months Ended March 31, 2023		
Crude oil (horizontal)	8	8.0
Total wells	8	8.0
Average working interest *(%)*		100

Share Capital

Three Months Ended March 31,	**2024**	2023
(000s)	*(#)*	*(#)*
Weighted Average Shares Outstanding		
Basic	**160,197**	160,197
Diluted	**165,587**	165,906
Outstanding Securities		
Common shares	**160,197**	160,197
Performance warrants	**21,485**	21,765
Options	**15,003**	14,748
Retention awards	**308**	308

As at May 28, 2024, Artis had issued and outstanding 160,197,381 common shares and 15,003,000 stock options with an average exercise price of $1.99 per share and 21,485,000 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 2024 capital expenditures is expected to be provided by cash generated from operating activities and the Company's $300 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, 2024 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 1.5 to 1.0. As at March 31, 2024, Artis' ratio of net debt to annualized funds flow was 1.1 to 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, asset retirement obligations 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 0.71 to 1 at March 31, 2024. In November 2023, Artis' credit facility was increased from $250 million to $300 million.

	March 31 2024	December 31, 2023
(000s)	*($)*	*($)*
Current assets	**30,869**	35,098
Current liabilities	**(58,841)**	(30,802)
Exclude - Derivative financial instruments	**2,379**	(5,068)
Exclude - Current portion of lease obligations	**820**	686
Exclude current portion of asset retirement obligations	**79**	80
Working capital (deficiency) (1)	**(24,694)**	(6)
Bank debt	**(189,310)**	(182,273)
Net debt (1)	**(214,004)**	(182,279)

Annualized funds flow for three months ended:	**March 31, 2024**	December 31, 2023
Net cash from operating activities	**55,104**	56,913
Change in non-cash working capital	**(8,016)**	4,283
Decommissioning obligations	**-**	95
Adjusted funds flow (1)	**47,088**	61,291
Annualized adjusted funds flow	**188,351**	245,164
Net debt to annualized adjusted funds flow	**1.1**	0.7
Credit facility available	**300,000**	300,000
Net debt to credit facility available	**71%**	61%

(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 November 30, 2024. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

Bank Loan

At March 31, 2024, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (collectively, the “Facility”) of which $189.3 million (December 31, 2023 – $182.3 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, 2025. 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 within 45 days. The Company carried a LMR of 17:1 at March 31, 2024. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before November 30, 2024. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

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 CORRA and SOFR 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, 2024 the Company’s applicable pricing included a 2.25 percent margin on prime lending, a 3.25 percent margin on CORRA and SOFR loans along with a 0.8125 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.

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, 2024.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	**Q1 2024**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	83,217	82,934	81,851	71,886	63,874	84,111	90,115	**71,579**
Cash flow from operating activities	42,224	50,985	52,221	71,533	45,865	39,632	56,913	**55,104**
Per diluted share	0.25	0.31	0.31	0.43	0.28	0.24	0.34	**0.33**
Adjusted funds flow [1]	49,498	54,495	56,828	49,555	41,816	52,625	61,291	**47,088**
Per share – diluted	0.30	0.33	0.34	0.30	0.25	0.32	0.37	**0.28**
Net income	31,437	36,671	28,612	20,818	17,201	17,912	35,539	**14,991**
Per share – basic	0.20	0.23	0.18	0.13	0.11	0.11	0.22	**0.09**
– diluted	0.19	0.22	0.17	0.13	0.10	0.11	0.21	**0.09**
Weighted average shares Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures [1]	55,388	54,645	40,291	68,890	64,289	57,379	51,889	**78,582**
Net debt [1]	160,436	160,648	144,356	163,755	186,427	191,379	182,279	**214,004**
Shareholders' equity	520,846	557,935	589,962	610,986	631,966	650,212	686,082	**701,226**

Production								
Crude oil *(bbls/d)*	6,178	7,172	7,615	7,559	6,947	7,944	9,334	**7,829**
Natural gas *(mcf/d)*	4,981	5,793	5,759	6,392	6,447	7,204	9,512	**8,674**
NGLs *(bbls/d)*	335	514	533	529	483	713	990	**845**
Total *(boe/d)*	7,342	8,652	9,108	9,154	8,505	9,858	11,909	**10,120**
Liquids *(%)*	89	89	89	88	87	88	87	**86**
Average wellhead prices								
Crude oil *($/bbl)*	137.03	117.08	108.41	99.16	95.77	108.64	98.37	**92.83**
Natural gas *($/mcf))*	8.94	5.05	6.22	3.85	2.95	3.11	2.71	**2.92**
NGLs *($/bbl)*	69.94	63.09	53.28	46.36	36.38	40.43	39.02	**40.76**
Total *($/boe)*	124.55	104.19	97.69	87.26	82.53	92.74	82.51	**77.73**
Royalties *($/boe)*	(11.63)	(10.92)	(8.40)	(8.11)	(9.39)	(12.63)	(9.94)	**(9.27)**
Operating costs *($/boe)*	(10.19)	(8.90)	(9.06)	(10.22)	(10.52)	(10.01)	(8.04)	**(9.73)**
Transportation costs *($/boe)*	(4.65)	(3.94)	(3.95)	(4.08)	(4.18)	(3.96)	(3.23)	**(3.70)**
Operating netback before derivatives *($/boe)* [1]	98.08	80.43	76.27	64.85	58.43	66.15	61.29	**55.02**
Gain (loss) on derivatives	(18.93)	(6.88)	(3.34)	0.79	1.63	(2.29)	(0.26)	**2.25**
Operating netback after derivatives *($/boe)* [1]	79.15	73.55	72.94	65.64	60.06	63.86	61.03	**57.28**

(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, 2023 and Note 3 of the March 31, 2024 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,	**2024**	2023
(000s)	*($)*	*($)*
Net cash used in investing activities (per GAAP)	**61,911**	47,346
Change in non-cash working capital	**16,671**	21,544
Total capital expenditures	**78,582**	68,890

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,	**2024**	2023
(000s)	*($)*	*($)*
Petroleum and natural gas revenues	**71,579**	71,886
Realized gain on derivative instruments	**2,074**	651
Royalties	**(8,540)**	(6,679)
Operating	**(8,958)**	(8,416)
Transportation	**(3,410)**	(3,365)
Operating netback	**52,746**	54,077

Non-GAAP Ratios

Operating Netback per boe

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

Three Months Ended March 31,	**2024**	2023
($/boe)	*($)*	*($)*
Petroleum and natural gas revenues	**77.73**	87.26
Royalties	**(9.27)**	(8.11)
Operating	**(9.73)**	(10.22)
Transportation	**(3.70)**	(4.08)
Operating netback before realized gain on financial derivatives	**55.02**	64.85
Realized gain on derivative instruments	**2.25**	0.79
Operating netback after realized gain on financial derivatives	**57.28**	65.64

Net Debt to Adjusted Funds Flow

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

Adjusted Funds Flow per basic share

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

Adjusted Funds Flow per diluted share

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

Capital Management Measures

Adjusted Working Capital

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

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Working capital deficiency	**27,972**	28,289
Exclude -Derivative financial instruments	**(2,379)**	704
Exclude - Lease obligations	**(820)**	(262)
Exclude – Decomissioning obligations	**(79)**	-
Adjusted working capital deficiency	**24,694**	28,731

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,	**2024**	2023
(000s)	*($)*	*($)*
Adjusted working capital deficiency	**24,694**	28,731
Bank loan	**189,310**	135,024
Net debt	**214,004**	163,755

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,	**2024**	2023
(000s)	*($)*	*($)*
Net cash from operating activities	**55,104**	71,533
Changes in non-cash working capital	**(8,016)**	(21,979)
Adjusted funds flow	**47,088**	49,555

<u>Supplementary Financial Measures</u>

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, 2024**	December 31, 2023
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**28,108**	27,222
Prepaid expenses and deposits	**2,761**	2,808
Derivative financial instruments *(note 4)*	**-**	5,068
	30,869	35,098
Non-current assets		
Property, plant and equipment *(note 5)*	**1,003,949**	945,422
Exploration and evaluation assets *(note 6)*	**33,645**	32,535
	1,037,594	977,957
Total assets	**1,068,463**	1,013,055
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**55,563**	30,036
Derivative financial instruments *(note 4)*	**2,379**	-
Decommissioning obligations *(note 8)*	**79**	80
Lease obligations *(note 9)*	**820**	686
	58,841	30,802
Non-current liabilities		
Bank debt *(note 7)*	**189,310**	182,273
Decommissioning obligations *(note 8)*	**21,670**	20,898
Lease obligations *(note 9)*	**774**	865
Deferred tax liability	**96,642**	92,135
	308,396	296,171
Total liabilities	**367,237**	326,973
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**29,540**	29,387
Retained earnings	**299,325**	284,334
Total equity	**701,226**	686,082
Total liabilities and equity	**1,068,463**	1,013,055

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,	**2024**	2023
(000s, except per share amounts) (unaudited)	*($)*	*($)*
Revenue		
Petroleum and natural gas revenue *(note 11)*	**71,579**	71,886
Royalties	**(8,540)**	(6,679)
Realized gain on derivative instruments *(note 4)*	**2,074**	651
Unrealized loss on derivative instruments *(note 4)*	**(7,446)**	(288)
Interest and other income	**5**	-
	57,672	65,570
Expenses		
Operating	**8,958**	8,416
Transportation	**3,410**	3,365
General and administrative	**1,895**	1,670
Share-based compensation	**96**	135
Exploration and evaluation	**400**	4,338
Depletion and depreciation	**19,421**	17,557
Finance *(note 12)*	**3,994**	3,011
	38,174	38,492
Income before income taxes	**19,498**	27,078
Deferred income tax expense	**4,507**	6,260
Net income and comprehensive income for the period	**14,991**	20,818
Net income per share *(note 13)*		
Basic	**0.09**	0.13
Diluted	**0.09**	0.13

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, 2024	**160,197**	**372,361**	**29,387**	**284,334**	**686,082**
Share-based payments	**-**	**-**	**153**	**-**	**153**
Income for the period	**-**	**-**	**-**	**14,991**	**14,991**
Balance – March 31, 2024	**160,197**	**372,361**	**29,540**	**299,325**	**701,226**

(000s) (unaudited)	Number of Common Shares *(#)*	Share Capital *($)*	Contributed Surplus *($)*	Deficit *($)*	Total Equity *($)*
Balance – January 1, 2023	160,197	372,361	24,737	192,864	589,962
Share-based payments	-	-	205	-	205
Income for the period	-	-	-	20,818	20,818
Balance – March 31, 2023	160,197	372,361	24,943	213,682	610,986

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	**2024**	2023
(000s) (unaudited)	*($)*	*($)*
Cash flows from operating activities		
Net income	**14,991**	20,818
Adjustments for:		
Depletion and depreciation *(note 5)*	**19,421**	17,557
Exploration and evaluation *(note 6)*	**400**	4,338
Interest on lease obligations *(note 9)*	**52**	3
Unrealized loss on derivative instruments	**7,446**	288
Deferred income tax expense	**4,507**	6,260
Accretion of decommissioning obligations *(note 8)*	**174**	155
Share-based compensation	**96**	135
Change in non-cash working capital	**8,016**	21,979
Net cash from operating activities	**55,104**	71,533
Cash flows from investing activities		
Property, plant and equipment expenditures *(note 5)*	**(77,072)**	(67,604)
Additions to exploration and evaluation assets *(note 6)*	**(1,510)**	(1,286)
Change in non-cash working capital	**16,671**	21,544
Net cash used in investing activities	**(61,911)**	(47,346)
Cash flows from financing activities		
Increase (decrease) in bank debt *(note 7)*	**7,038**	(24,123)
Payments on lease obligations *(note 9)*	**(231)**	(64)
Net cash from financing activities	**6,807**	(24,187)
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents – beginning of period	**-**	-
Cash and cash equivalents – end of period	**-**	-

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

1. Reporting Entity and Nature of Operations

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

The Company's head office is located at Suite 820, 600 3rd Avenue 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, 2023. 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 28, 2024.

3. 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.

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, 2023.

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, 2024:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	April 1, 2024 –June 30, 2024	NYMEX – WTI CAD$	$111.52/bbl	Swap	14
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI CAD$	$102.76/bbl	Swap	(385)
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$79.70/bbl	Swap	(113)
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI US$	$81.00/bbl	Swap	(54)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	NYMEX – WTI CAD$	$102.85/bbl	Swap	(612)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	NYMEX – WTI US$	$77.00/bbl	Swap	(367)
Crude oil	1,000 bbls/day	July 1, 2024 – Sept. 30, 2024	NYMEX – WTI CAD$	$100.86/bbl	Swap	(677)
Crude oil	500 bbls/day	July 1, 2024 – Sept. 30, 2024	NYMEX – WTI US$	$79.37/bbl	Swap	(22)
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	MSW- US$ WTI differential	(4.35)/bbl	Swap	(59)
Crude oil	500 bbls/day	April 1, 2024 – Sept. 30, 2024	MSW- US$ WTI differential	(3.54)/bbl	Swap	(104)
Total						(2,379)

Subsequent to March 31, 2024, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	July 1, 2024 – September 30, 2024	NYMEX – WTI US$	$83.23/bbl	Swap

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial liabilities consist of accounts payable, lease obligations and the bank loan. Accounts payable and lease obligations consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains a revolving credit facility, as outlined in note 7, which is subject to annual renewal by the lenders and has a contractual maturity in 2025 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, 2023 the Company remains in compliance with all terms of our Facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding 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 1.5 to 1.0. As at March 31, 2024, Artis' ratio of net debt to annualized funds flow was 1.1 to 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, asset retirement obligations 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 0.71 to 1 at March 31, 2024.

	March 31 2024	December 31, 2023
(000s)	*($)*	*($)*
Current assets	**30,869**	35,098
Current liabilities	**(58,841)**	(30,802)
Exclude derivative financial instruments	**2,379**	(5,068)
Exclude current portion of lease obligations	**820**	686
Exclude current portion of asset retirement obligations	**79**	80
Adjusted working capital deficiency [1]	**(24,694)**	(6)
Bank debt	**(189,310)**	(182,273)
Net debt [1]	**(214,004)**	(182,279)

Annualized funds flow for three months ended:	**March 31, 2024**	December 31, 2023
Net cash from operating activities	**55,104**	56,913
Change in non-cash working capital	**(8,016)**	4,283
Decommissioning obligations	**-**	95
Adjusted funds flow [1]	**47,088**	61,291
Annualized funds flow	**188,351**	245,164
Net debt to annualized funds flow	**1.1**	0.7
Credit facility available	**300,000**	300,000
Net debt to credit facility available	**71%**	61%

(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, 2022	**941,354**
Additions	238,049
Capitalized share-based compensation	1,464
Transfer from exploration and evaluation assets	10,920
Change in decommissioning obligations	2,099
Increase in right-to-use assets	1,758
Balance – December 31, 2023	**1,195,644**
Additions	77,072
Capitalized share-based compensation	57
Change in decommissioning obligations	598
Increase in right-to-use assets	221
Balance – March 31, 2024	**1,273,592**

Depletion and depreciation	
Balance – December 31, 2022	**173,114**
Depletion and depreciation for the year	77,108
Balance – December 31, 2023	**250,222**
Depletion and depreciation for the period	19,421
Balance – March 31, 2024	**269,643**

Carrying amounts	
March 31, 2024	**1,003,949**
December 31, 2023	945,422

Depletion and Depreciation

The calculation of 2024 depletion and depreciation expense included an estimated $3.2 billion (2023 – $2.9 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.3 million (2023 – $2.0 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 $1.0 million in G&A expenditures have been capitalized and included in PP&E assets at March 31, 2024 (2023 – 0.9 million). Also included in PP&E are non-cash share-based payments of $57,000 (2023 – $70,000).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At March 31, 2024, 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, 2022	**48,625**
Additions	4,399
Transfers to property, plant and equipment	(10,920)
Expiries	(9,569)
Balance – December 31, 2023	**32,535**
Additions	1,510
Impairments	(400)
Balance – March 31, 2024	**33,645**

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, 2024, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (collectively, the "Facility") of which $189.3 million (December 31, 2023 – $182.3 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, 2025. 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 a LMR of 17:1 at March 31, 2024. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before November 30, 2024. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

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 CORRA and SOFR 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, 2024 the Company's applicable pricing included a 2.25 percent margin on prime lending, a 3.25 percent margin on CORRA and SOFR loans along with a 0.8125 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, 2022	**18,384**
Liabilities incurred	2,823
Change in estimated future cash flows	(724)
Decommissioning expenditures	(95)
Government subsidy for decommissioning expenditures	-
Accretion of decommissioning obligation	590
Balance – December 31, 2023	**20,978**
Liabilities incurred	598
Accretion of decommissioning obligation	174
Balance – March 31, 2024	**21,749**

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas wells. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $21.7 million as at March 31, 2024 (December 31, 2023 – $21.0 million) based on an undiscounted inflated total future liability of $30.4 million (December 31, 2023 – $29.6 million) using an assumed inflation rate of 1.62% (2023 – 1.62%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 3.02% (2023 – 3.02%).

9. Lease obligations

Right-of-use assets

(000s)	*($)*
As at December 31, 2022	**176**
Additions	1,758
Depreciation	(522)
As at December 31, 2023	**1,412**
Additions	221
Depreciation	(186)
As at March 31, 2024	**1,447**

Lease liabilities

(000s)	*($)*
As at December 31, 2022	**322**
Additions	1,758
Lease interest expense	137
Lease payments	(666)
As at December 31, 2023	**1,551**
Additions	221
Lease interest expense	52
Lease payments	(231)
As at March 31, 2024	**1,594**

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

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

(000s)	1 year	2 years	3 years	Total
	($)	*($)*	*($)*	*($)*
Lease payments including principal and interest	**820**	**760**	**14**	**1,594**

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, 2024 and December 31, 2023	**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,	**2024**	2023
(000s)	*($)*	*($)*
Oil production	**66,142**	67,463
Gas production	**2,303**	2,215
NGLs production	**3,134**	2,208
Total revenue	**71,579**	71,886

12. Financing

Three Months Ended March 31,	**2024**	2023
(000s)	*($)*	*($)*
Interest expense	**3,820**	2,856
Accretion of decommissioning obligations	**174**	155
Finance expenses	**3,994**	3,011

13. Income Per Share

Basic income per share was calculated as follows:

Three Months Ended March 31,	**2024**	2023
(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,	**2024**	2023
(000s)	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197
Effects of options in-the-money	**5,390**	5,709
Weighted average number of common shares – diluted	**165,587**	165,906

In computing diluted earnings per share for the year ended March 31, 2024, 5,390,000 (March 31, 2023 – 5,709,000) shares were added to the basic weighted average common shares outstanding to account for the dilution of stock options, warrants and retention awards that will be settled with common shares issued from treasury. There were 15,084,000 (March 31, 2023 – 13,781,000) 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, 2023 - $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 an initial 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 Company’s initial ELOC financing being 88,506,734 common shares. The outstanding performance warrants of the Company are exercisable for an initial 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, 2024.

At March 31, 2024, the Company has 15,003,000 options outstanding with an average exercise price of $1.99 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	**4,297**	**1.88**	**1.3**
2.19	**4,297**	**2.19**	**1.3**
2.50	**4,297**	**2.50**	**1.3**
2.81	**4,297**	**2.81**	**1.3**
3.13	**4,297**	**3.13**	**1.3**
	21,485	**2.50**	**1.3**

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

The Company has 307,500 Retention Awards ("RAs") outstanding at March 31, 2024.