ARTIS EXPLORATION LTD

THIRD QUARTER REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

ARTIS EXPLORATION LTD.

2020 Third Quarter
For the Three and Nine Months Ended September 30, 2020

HIGHLIGHTS

	Three Months Ended September 30			Nine months Ended September 30		
	2020	2019	Change	**2020**	2019	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Petroleum and natural gas revenues	**7,503**	35,139	(79)	**41,404**	90,687	(54)
Funds flow from operations [1]	**4,447**	21,430	(79)	**29,816**	56,382	(47)
Per share – basic	**0.03**	0.13	(77)	**0.19**	0.35	(46)
– diluted	**0.03**	0.12	(75)	**0.18**	0.32	(44)
Net earnings (loss)	**(1,513)**	9,856		**12,233**	25,462	(52)
Per share – basic	**(0.01)**	0.06		**0.08**	0.16	(50)
– diluted	**(0.01)**	0.06		**0.07**	0.14	(50)
Net capital expenditures	**2,160**	72,752	(97)	**46,521**	201,522	(77)
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Capital Structure						
Total Net Debt [2]	**128,916**	104,185	24	**128,916**	104,185	24
Current Debt Capacity	**155,000**	180,000	(14)	**155,000**	180,000	(14)
Shareholders' equity	**445,961**	420,776	6	**445,961**	420,776	6
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end						
Basic	**160,197**	160,197	-	**160,197**	160,197	-
Options	**13,198**	12,963	2	**13,198**	12,963	2
Warrants	**21,765**	21,765	-	**21,765**	21,765	-
Retention awards	**308**	308	-	**308**	308	-
Weighted average						
Basic	**160,197**	160,197	-	**160,129**	160,129	14
Diluted	**169,345**	178,860	(5)	**169,345**	178,792	(5)
			(%)			*(%)*
Operating						
Production						
Crude oil *(bbls/d)*	**1,626**	5,374		**3,081**	4,670	
Natural gas *(mcf/d)*	**867**	3,927		**1,974**	3,182	
NGLs *(bbls/d)*	**30**	278		**113**	178	
Total *(boe/d)*	**1,800**	6,307	(71)	**3,523**	5,378	(34)
Liquids %	**92**	90		**91**	90	
Average wellhead prices						
Crude oil *($/bbl)*	**48.47**	68.12	(29)	**46.80**	68.72	(32)
Natural gas *($/mcf)*	**2.35**	1.09	116	**2.47**	1.63	52
NGLs *($/bbl)*	**23.88**	17.05	40	**17.81**	21.22	(16)
Total *($/boe)*	**45.31**	60.56	(25)	**42.89**	61.77	(31)
Royalties *($/boe)*	**(3.47)**	(5.79)	(40)	**(3.52)**	(5.49)	(36)
Operating cost *($/boe)*	**(12.53)**	(9.58)	31	**(10.62)**	(9.78)	9
Transportation cost *($/boe)*	**(3.79)**	(5.01)	(24)	**(3.83)**	(5.16)	(26)
Operating netback financial derivatives *($/boe)* [3]	**25.52**	40.18	(36)	**24.93**	41.34	(40)
Realized gain on financial derivatives *($/boe)* [3]	**14.85**	(0.55)		**12.81**	(0.22)	

	Three Months Ended December 31			Years Ended December 31		
	2020	2019	Change	**2020**	2019	Change
			(%)			*(%)*
Operating netback after financial derivatives *($/boe)* [(3)]	**40.38**	39.63	2	**37.74**	41.12	(8)
Drilling activity – gross (net)						
Crude oil *(#)*	**-**	7 (7.0)		**4 (4.0)**	23 (23.0)	
Natural gas *(#)*	**-**	-		**-**	-	
Total *(#)*	**-**	7 (7.0)	(22)	**4 (4.0)**	23 (23.0)	(83)
Average working interest *(%)*	**-**	100		**100**	100	

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

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

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

Artis Exploration Ltd. is pleased to report its financial and operating results for the three and nine months ended September 30, 2020.

President's Message

Throughout the third quarter of 2020, the Company began to bring back on-stream its temporarily curtailed production. Production for this partial quarter averaged 1,800 boepd for the period (92% liquids) with September 2020 production averaging 4,556 boe/d. To reiterate our strategy going into the second quarter, Artis shut in the majority of its production to preserve reserve value for a higher commodity price environment and because we had strong financial crude oil hedge gains to cover all fixed maintenance capital and cash costs incurred during the period. Throughout the third quarter, benchmark WTI recovered from its April lows averaging US $40.93/bbl resulting in an operating netback of CAD $25.52/boe prior to hedging gains. Our strong hedge position provided an additional $2.5 million in revenue throughout the period for an overall operating netback of CAD $40.38/boe. Capital expenditures were minimal throughout the quarter at $2.2 million comprised of facility maintenance and minor restart capital, exiting the third quarter with $128.9 million of net debt. Current production is over 7,000 boe/d (91% liquids) as we continue our ramp up to a 2020 exit of approximately 7,800 to 7,900 boe/d. This is expected to translate into exit net debt of under $125 million on our existing $155 million bank credit facility providing ample liquidity to manage through the volatility we may face in the near term.

The Company has been actively managing oil price risk going into 2021 by initially hedging enough volumes to meet our fixed maintenance capital obligations and cash cost requirements for 2021. To date we have put into place hedges for 2,500 bbl/d for the first half of 2021 at an average of USD $43.66/bbl and 2,000 bbl/d for the second half of 2021 at an average of USD $43.12/bbl. We have also locked in the Edmonton light sweet differential on 2,000 bbl/d for the first half of 2021 at an average of USD -$5.90/bbl, 1,000 bbl/d for Q3, 2021 at USD -$5.20 and 500 bbl/d for Q4, 2021 at USD -$5.75/bbl. We will continue to take advantage of windows of opportunity to strategically increase our hedge book to cover up to 40% to 50% of our overall crude oil production in the near term providing both downside protection but also leaving exposure to future oil price improvements.

Artis recently completed two wells in the Twinning area and early indications are supportive of these wells being among our best wells to date. During the 10-day production testing period, these wells were flowing back at significantly restricted rates of approximately 600 bopd at 10-12 Mpa flowing pressures and at very low drawdown. The Company's last 10 well results have been very strong and benchmark as top wells for the Duvernay oil play. These results support management's belief that during the last three years and 50 plus wells, Artis has largely optimized its operational methodology for the play. The positive implications for our up-coming year-end reserves evaluation, vast potential drilling inventory and long-term sustainability are considerable. Artis is in an enviable position with conforming bank line liquidity and a long-term model that supports growth to free cash flow and self-sustainability at oil prices greater than USD $45/bbl WTI. More importantly, the Company has a substantial inventory of 338 Proved plus Probable drilling locations assigned by our independent reserves evaluators representing only about 30% of Artis' land base. On the remaining lands, management internally estimates there is potential for up to an additional 1,100 drill locations.

2020 has been a challenging year for the oil & gas sector so far with pandemic demand destruction and historical "made-in-Canada" market egress issues. Artis has been in a fortunate position during this uncertain period, with essentially no transportation commitments or contractual obligations providing a great deal of flexibility in terms of managing its production volumes, reserve value and liquidity. As we see greater supply-demand fundamentals emerging, and increased Canadian pipeline capacity (TMX and ENB Line 3) on the horizon, the Company anticipates investing approximately $55 million to $80 million and drilling 6 to 9 wells in 2021 using commodity prices and our balance sheet as our governor. Positive press around Covid-19 vaccine progress is expected to lead to a gradual return to more positive oil price levels as 2021 future oil prices have increased to the $45US/bbl WTI level from the spring lows of $20US/bbl WTI. Artis has industry leading torque to oil price appreciation with every $5/bbl WTI increasing 2021 cash flow by approximately 15% and proved plus probable reserve value by over $370 million (before tax at 10% discount) or approximately 23%. The Company will be well-positioned to take advantage of commodity price upside heading into 2021.

We appreciate your continued support and look forward to reporting our 2020-year end results in the New Year.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

November 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for Artis Exploration Ltd. ("Artis" or the "Company") reports on the financial condition and the results of operations for the three and nine months ended September 30, 2020 and 2019 and should be read in conjunction with the accompanying unaudited financial statements and related notes and the audited financial statements and related notes for the year ended December 31, 2019. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated November 18, 2020.

Basis of Presentation

The unaudited financial statements and comparative information for the three and nine months ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

About Artis

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

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

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

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). Measures taken by governments around the world to contain the virus significantly reduced demand for commodities including crude oil, natural gas and natural gas liquids. This caused a significant slowdown in the global economy. In general, the oil and gas industry has reacted with reductions to capital and other spending, as well as production shut-ins, to try to manage through this price environment. The duration of the current commodity price volatility is uncertain.

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

Artis is dedicated to ensuring the health, safety and security of employees, contractors, partners and residents within its operating areas and communities. In response to the COVID-19 pandemic, the Company mobilized quickly to implement response plans and procedures that would protect the health and well-being of all stakeholders. Artis established work from home protocols in mid-March and rolled out new technologies and programs to facilitate remote working across the Company. Due to Artis' rapid and effective mitigation actions, 100% of the Company's head office employees were able to work remotely within days of the Company's local schools closing, having minimal impact on operations or productivity. The Company also implemented social distancing protocols throughout its field operations that help to protect field staff and contractors. With the aid of new safety protocols, Artis transitioned employees back to its head office for approximately 40%-50% of the time in June 2020 and currently it is 60%-80% of the time.

The Company has adequate liquidity as it continues to manage capital expenditures, limiting expenditures for the fourth quarter 2020 to maintenance expenditures, cost saving initiatives and the completion of two wells that were drilled in the first quarter of 2020. Artis' credit facility has remained in a conforming state even though it was reduced to $155 million from $230 million on June 26, 2020. The Company has adequate liquidity as its net debt at September 30, 2020 was $128.9 million. Artis decided to gradually bring its production back on starting in September 2020. Artis' strong crude oil hedge position along with production gradually coming back on stream will more than cover its nominal planned capital expenditures and general and administrative and interest expenses for the remainder of the year.

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

Forward-Looking Statements

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

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

Test Results and Initial Production Rates

A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein, particularly those short in duration, may not necessarily be indicative of long term performance or of ultimate recovery.

Drilling Locations

The Company discloses undeveloped potential drilling locations in the Company's core area of operations which are comprised of proved and probable locations and unbooked locations. Proved and probable locations are derived from the Company's 2019 year ended independent reserves evaluation and account for drilling inventory that have associated proved and/or probable reserves assigned by the independent evaluator. Unbooked locations are internally identified potential drilling opportunities based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have reserves or resources assigned to them and are not estimates of drilling locations which have been evaluated by a qualified reserves evaluator performed in accordance with the COGE Handbook. There is no certainty that the Company will drill any of these potential drilling opportunities and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Conversions (Barrel of Oil Equivalency)

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

Non-IFRS Measurements

Operating Netback

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

Funds flow from Operations

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash provided by operating activities	**(2,454)**	19,370	**30,730**	48,908
Changes in operating non-cash working capital	**6,901**	2,061	**(914)**	7,474
Funds flow from operations	**4,447**	21,430	**29,816**	56,382

Working Capital and Net Debt

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

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

	September 30, 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**12,024**	18,139
Current liabilities	**(4,935)**	(23,385)
Derivative financial instruments	**(2,164)**	1,746
Current portion of lease obligations	**569**	636
Working capital (deficiency)	**5,494**	(2,864)

	September 30, 2020	December 31, 2019
(000s)	*($)*	*($)*
Bank loan	**(134,410)**	(108,853)
Working capital (deficiency)	**5,494**	(2,864)
Net debt	**(128,916)**	(111,717)

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Crude oil *(bbls/d)*	**1,626**	5,374	**3,081**	4,670
Natural gas *(mcf/d)*	**867**	3,927	**1,974**	3,182
NGLs *(bbls/d)*	**30**	278	**113**	178
Total *(boe/d)*	**1,800**	6,307	**3,523**	5,378
Liquids *(%)*	**92**	90	**91**	90

For the three months ended September 30, 2020, production averaged 1,800 boe/d (92% weighted to crude oil and NGLs), a 71% decrease from the 6,307 boe/d (90% weighted to crude oil and NGLs) averaged during the same period a year ago. In light of the prevailing weak commodity price environment, the Company decided to shut-in the majority of its production effective May 1, 2020 in order to preserve well economics, optimize pricing and reduce costs.

During the nine months ended September 30, 2020, Artis' production decreased 34% to average 3,523 boe/d versus 5,378 boe/d a year ago. During the first nine months of 2020, production consisted of 3,194 bbls/d of crude oil and NGLs and 1,974 mcf/d of natural gas. Liquids production was 91% of total production. Again, the production decrease for the current year was because Artis decided to shut-in the majority of its production on May 1, 2020.

Artis started to gradually bring back production in September 2020. Production for the month of September 2020 averaged 4,556 boe/d (92% liquids).

Revenue and Pricing

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Revenue				
Crude oil	**7,251**	34,310	**39,515**	88,241
Realized financial derivative gain (loss)	**2,460**	(317)	**12,368**	(317)
Total crude oil	**9,711**	33,993	**51,883**	87,924
Natural gas	**187**	392	**1,338**	1,413
NGLs	**65**	437	**551**	1,033
Total revenue before unrealized financial derivative loss	**9,963**	34,822	**53,772**	90,370
Unrealized financial derivative gain (loss)	**(2,824)**	1,750	**3,909**	1,358
Total revenue	**7,139**	36,572	**57,681**	91,728

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Average Prices				
Crude oil *($/bbl)*	**48.47**	69.40	**46.80**	69.22
Realized derivative gain (loss) *($/bbl)*	**16.44**	(0.64)	**14.65**	(0.25)
Total crude oil sales price *($/bbl)*	**64.91**	68.76	**61.45**	68.97
Natural sales gas *($/mcf)*	**2.35**	1.09	**2.47**	1.63
NGLs sales price *($/bbl)*	**23.88**	17.05	**17.81**	21.22
Total sales price *($/boe)* (1)	**60.16**	60.01	**55.70**	61.55

Artis' production is sold within Canada and the majority is marketed to three 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 three months ended September 30, 2020, revenue before unrealized derivative gain decreased to $10.0 million from $34.8 million recorded in the same period of 2019. The 71% decrease was due to the 71% year-over-year decrease in production. During the third quarter of 2020, Artis realized an average price of $64.91bbl for crude oil (including a $16.44/bbl realized gain from financial derivative contracts) and $2.35/mcf for natural gas and $23.88/bbl for NGLs.

For the nine months ended September 30, 2020, revenue before unrealized financial derivative gain decreased 40% to $53.8 million from $90.4 million last year due primarily to a 34% decrease in production plus a 10% decrease in lower overall realized pricing. The Company's overall realized price decreased to $55.70/boe from $61.55/boe recorded in 2019 mainly as a result of lower crude oil prices.

The following table summarizes the natural gas and crude oil benchmark prices for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Average Benchmark Prices				
Crude oil – WTI *(US$/bbl)*	**40.93**	56.45	**38.32**	57.06
MSW (Edm) differential *(US$/bbl)*	**(3.51)**	(4.66)	**(5.74)**	(4.71)
Crude oil – MSW (Edm) par *(CDN$/bbl)*	**49.61**	68.17	**43.48**	69.39
Natural gas – AECO spot Daily index *(CDN$/GJ)*	**2.12**	0.86	**1.98**	1.44
Exchange rate *(CDN$/US$)*	**1.33**	1.32	**1.35**	1.33

Artis has been receiving close to posted MSW (Edmonton) light par prices for its crude oil volumes.

Derivative Financial Instruments

Commodities

The Company enters into derivative and physical risk management contracts in order to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects. Artis' strategy focuses on the use of puts, costless collars and swaps to limit exposure to fluctuations 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 September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Realized gain (loss) on financial Instruments	**2,460**	**(317)**	**12,368**	**(317)**
Per boe	**14.85**	**(0.64)**	**12.81**	**(0.25)**
Unrealized gain (loss) on financial instruments	**(2,824)**	**1,750**	**3,909**	**1,358**

The Company held the following derivative commodity contracts at September 30, 2020:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$55.00/bbl	Swap
Crude oil	400 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$58.18/bbl	Swap
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$42.27/bbl	Swap
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.95)/bbl	Swap
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.70)/bbl	Swap
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.75)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 –	US$ NYMEX – WTI	$42.52/bbl	Swap

		June 30, 2021			
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.75/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.26/bbl	Swap
Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.20/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.10)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.00)/bbl	Swap
Crude oil	500 bbls/day	January 1, 2021 – December 31, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap

Subsequent to September 30, 2020, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	1,000 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$42.55/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$43.65/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	($4.65)/bbl	Swap

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Royalties				
Crown	**205**	1,867	**1,866**	4,381
Freehold/GORR	**369**	1,493	**1,528**	3,678
Total royalties	**574**	3,360	**3,394**	8,059
Total royalties *($/boe)*	**3.47**	5.79	**3.52**	5.49
	(%)	*(%)*	*(%)*	*(%)*
% of Revenue				
Crown	**2.7**	5.3	**4.5**	4.8
Freehold/GORR	**4.9**	4.2	**3.7**	4.1
Total	**7.6**	9.6	**8.2**	8.9

For the quarter ended September 30, 2020, the Company recorded $0.6 million in total royalties or 7.6% of revenue versus $3.4 million or 9.6% of revenue a year ago. Approximately 2.7% of total revenue paid in the third quarter of 2020 consisted of Crown royalties and 4.9% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 5.3% and 4.2%, respectively, in the 2019 three-month period. The decrease in the crown royalty percentage compared to last year was because the Company received some transportation crown credits in the third quarter relating to 2019.

For the first nine months of 2020, total royalties were $3.4 million or 8.2% of revenue versus $8.1 million or 8.9% of revenue a year ago.

Operating Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**2,105**	5,634	**10,366**	14,580
Less: Third party processing income	**(29)**	(76)	**(118)**	(218)
Net operating expenses	**2,076**	5,558	**10,248**	14,362
Per unit of production *($/boe)*	**12.53**	9.58	**10.62**	9.78

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

Operating costs net of third-party processing income were $2.1 million for the third quarter of 2020 compared to $5.6 million recorded a year ago. Operating costs net of third-party processing income on a per boe basis increased 31% to $12.53/boe from $9.58/boe in 2019. For the first nine months of 2020, operating costs were $10.2 million or $10.62/boe compared to $14.4 million or $9.78/boe in the same period of 2019 which was a 9% increase on a boe basis.

Operating costs on a per boe basis increased in 2020 due to incremental costs to shut-in production in May 2020 and also incremental costs to re-start production in September 2020 along with fixed monthly operating costs during the months that production was shut-in from May 2020 to August 2020.

Transportation Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Transportation expenses	**627**	2,907	**3,699**	7,580
Transportation expenses *($/boe)*	**3.79**	5.01	**3.83**	5.16

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 September 30, 2020, transportation costs decreased to $0.6 million or $3.79/boe from $2.9 million or $5.01/boe last year. For the first nine months of 2020, transportation costs were $3.7 million or $3.83/boe versus $7.6 million or $5.16/boe a year ago. The decrease per boe for both periods was because of shorter waiting times at trucking terminals and also shorter distances for trucking the crude oil as the closet terminals were able to accept deliveries for the first nine months of 2020.

Operating Netback

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Revenue				
Crude oil *($/bbl)*	**48.47**	68.76	**46.80**	68.97
Natural gas *($/mcf))*	**2.35**	1.09	**2.47**	1.63
NGLs *($/bbl)*	**23.88**	17.05	**17.81**	21.22
Production revenue *($/boe)*	**45.31**	60.01	**42.89**	61.55
Expenses				
Royalties *($/boe)*	**(3.47)**	(5.79)	**(3.52)**	(5.49)
Operating *($/boe)*	**(12.53)**	(9.58)	**(10.62)**	(9.78)
Transportation *($/boe)*	**(3.79)**	(5.01)	**(3.83)**	(5.16)
Operating netback before realized gain on financial derivatives *($/boe)*	**25.52**	40.18	**24.93**	41.34
Realized gain (loss) on financial derivatives *($/boe)*	**14.85**	(0.55)	**12.81**	(0.22)
Operating netback after realized gain on financial derivatives *($/boe)*	**40.38**	39.63	**37.74**	41.12

For the third quarter of 2020, the Company recorded an operating netback of $25.52/boe before including financial derivatives and $40.38/boe after including financial derivatives compared to $39.63/boe for the same quarter last year. The 2% increase was a result of the large realized gain on financial derivatives for crude oil which added $14.85/boe which helped offset the much lower crude oil price along with lower transportation and royalty expenses for the quarter.

During the nine months ended September 30, 2020, Artis' operating netback was $24.93/boe before including financial derivatives and $37.74/boe after including financial derivatives versus $41.12/boe in the same period of 2020. The 8% decrease was due to lower crude oil prices of 13% even after including the realized gain on financial derivatives for crude oil which added $12.81/boe.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**1,256**	1,753	**5,164**	6,403
Capitalized expenses	**(399)**	(533)	**(1,829)**	(2,164)
Operator's recoveries	**(1)**	(3)	**(4)**	(150)
General and administrative expenses	**857**	1,217	**3,331**	4,089
Per unit of production ($/boe)	**5.17**	$2.10	**3.45**	2.78

For the three months ended September 30, 2020, G&A expenses totaled $0.9 million compared to $1.2 million recorded in the same period a year ago. For the periods ended September 30, 2020 and 2019, the Company capitalized G&A and had recoveries from operations totaling $0.4 million and $0.5 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses decreased 30% mainly because of reductions in employee compensation and consulting fees that were implemented in the second quarter because of the large decrease in crude oil prices. Employee salaries were reduced 10% effective May 1. Artis also received $0.2 million under the Canada Emergency Wage Subsidy program which reduced salary expenses. Comparisons on a per unit of production basis are not relevant since Artis shut-in the majority of its production from May 2020 to August 2020.

For the nine months ended September 30, 2020, G&A expenses totaled $3.3 million compared to $4.1 million recorded in the same period a year ago. For the periods ended September 30, 2020 and 2019, the Company capitalized $1.8 million and $2.2 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses decreased 19% on a gross basis because of the expense reductions enacted in the second and third quarters as mentioned above.

Share-Based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**509**	1,031	**1,462**	2,665
Capitalized expenses	**(133)**	(266)	**(358)**	(732)
Total share-based compensation	**376**	765	**1,103**	1,933

For the three months ended September 30, 2020, Artis recorded non-cash share-based compensation expense of $0.4 million compared to $0.8 million for the previous period. For the periods ended September 30, 2020 and 2019, the Company capitalized $0.1 million and $0.3 million, respectively of stock-based compensation relating to stock options of employees and service providers directly related to exploration and development activities.

The Company had non-cash share-based compensation expense of $1.1 million for the first nine months of 2020 (2019 – $1.9 million) which was net of capitalized stock-based compensation of $0.4 million (2019 - $0.7 million).

The decrease for the three and nine-month periods related to 80% fewer stock options being issued in 2020 as compared to 2019.

Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense on credit facility	**1,331**	239	**3,011**	239
Standby fees on credit facility	**52**	117	**279**	231
Interest expense on lease obligations	**16**	27	**47**	80
Accretion of decommissioning obligations	**54**	44	**160**	117
Finance expenses	**1,453**	427	**3,497**	667

The Company incurred $1.3 million of interest expense in the third quarter of 2020 and $3.0 million for the nine months ended September 30, 2020 as the Company began to draw on its bank facility for the first time in July 2019. The average interest rate for the quarter was approximately 4.0%. The Company incurred credit facility stand-by fees of $52,000 (2019 - $117,000) for the quarter ended September 30, 2020 and $0.3 million (2019 - $0.2 million) for the nine months ended September 30, 2020. The credit facility was reduced from $230 million to $155 million on June 26, 2020.

The Company's accretion expense for the three-month period ended September 30, 2020 was $54,000 versus $44,000 in the comparable period of 2019 and $160,000 for the nine-month period ended September 30, 2020 as compared to $117,000 for the prior period. The larger accretion expense relates to the increase in the decommissioning obligations due to the 26.0 net wells drilled in 2019 and the 4.0 net wells drilled in the first quarter of 2020.

Depletion and Depreciation ("D&D") Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
D&D expense	**2,721**	9,054	**15,438**	22,958
D&D expense *($/boe)*	**16.43**	15.61	**15.99**	15.64

The Company's D&D expense for the nine months ended September 30, 2020 was $15.4 million or $15.99/boe versus $23.0 million or $15.64/boe for the comparable period of 2019.

D&D expense is computed on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserves base and in the amount of costs subject to D&D, including future development costs. The calculation of 2020 depletion and depreciation expense included an estimated $2.1 billion (2019 – $1.7 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.4 million (2019 – $1.2 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 nine months ended September 30, 20120 Artis recorded an exploration and evaluation expense of $759,000 versus $891,000 a year ago. Exploration and evaluation expenses relate mainly to undeveloped land expiries.

Deferred Income Taxes

For the third quarter and the first nine months of 2020, Artis recorded a deferred income tax expense (recovery) of $(0.3) million and $4.0 million, respectively, compared to $3.2 million and $6.3 million, respectively, for the same periods in 2019. The recovery of deferred income tax in the third quarter of 2020 related to the unrealized loss on derivative instruments of 2.8 million. The reduction in the deferred income tax rate in 2019 relates to the reduction of the Alberta corporate tax rate from 12% to 8% by 2022, which was substantially enacted as at June 30, 2019 with an effective date of July 1, 2019.

Artis was not subject to any corporate income taxes for 2020 or 2019. The Company has approximately $493 million of tax pools available for deduction against future taxable income as at September 30, 2020.

Cash, Funds Flow from Operations and Net Income (loss)

	Three Months Ended September 30		Nine months Ended September 30	
	2020	2019	**2020**	2019
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Cash provided (used) by operating activities	**(2,454)**	19,370	**30,730**	48,908
Funds flow from operations	**4,447**	21,430	**29,816**	56,382
Per share [(1)] – basic	**0.03**	0.13	**0.19**	0.35
– diluted	**0.03**	0.12	**0.18**	0.32
Net income (loss)	**(1,513)**	9,856	**12,233**	25,462
Per share – basic	**(0.01)**	0.06	**0.08**	0.16
– diluted	**(0.01)**	0.06	**0.07**	0.14

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

Funds flow from operations for the third quarter ended September 30, 2020 decreased compared to the previous period due to Artis shutting in the majority of its production on May 1, 2020 because of low crude oil prices. The Company gradually brought production back starting in September 2020. The net loss of $1.5 million for the third quarter of 2020 was because of the $2.8 million unrealized loss incurred on the financial derivative instruments.

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

During the third quarter of 2020, the Company invested $2.2 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $72.8 million in the same period of 2019.

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
000s)(excluding decommissioning liabilities capitalized share-based compensation, and Right-to-use Assets)	*($)*	*($)*	*($)*	*($)*
Drilling and completions	**-**	46,091	**29,267**	137,091
Equipment and facilities	**1,617**	21,726	**13,454**	47,411
Geological and geophysical	**-**	205	**339**	2,700
Land and lease retention	**141**	4,171	**1,618**	12,038
Capitalized G&A and other	**402**	559	**1,843**	2,282
Total capital expenditures	**2,160**	72,752	**46,521**	201,522

During the third quarter of 2020, the Company incurred $nil (2019 – $46.1 million) in drilling and completion expenditures as no wells were drilled or completed in the current quarter compared to the drilling and completion of 7 (7.0 net) horizontal crude oil wells during the third quarter of 2019. Equipping and facilities expenditures for the three months ended September 30, 2020 and 2019 were $1.6 million and $21.7 million, respectively. Included in the equipping and facilities expenditures for 2019 were $9.0 million for major facilities and pipelines. During the 2020 three-month period, the Company invested $0.1 million on land and seismic versus $4.4 million for the same period of 2019. Artis shut down its drilling and completion program beginning in the second quarter of 2020 because of low crude oil prices and only incurred necessary maintenance capital on its equipment and facilities and land retention costs.

Drilling and completion expenditures totaled $29.3 million for the nine months ended September 30, 2020, (2019 – $137.1 million) that involved participation in 4 (4.0 net) horizontal wells versus 23 (23.0 net) horizontal wells for the same period in 2019. Equipping and facilities expenditures for the nine months ended September 30, 2019 and 2018 were $13.5 million and $47.4 million, respectively. Included in the equipping and facilities expenditures for 2019 were $16.1 million of investments for major facilities and pipelines. During the 2020 nine-month period, the Company invested $2.0 million on land and seismic versus $14.7 million for the same period of 2019.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Nine Months Ended September 30, 2020		
Crude oil (horizontal)	**4**	**4.0**
Total wells	**4**	**4.0**
Average working interest *(%)*		**100**
Nine Months Ended September 30, 2019		
Crude oil (horizontal)	23	23.0
Total wells	23	23.0
Average working interest *(%)*		100

Share Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted Average Shares Outstanding				
Basic	**160,197**	160,197	**160,129**	160,129
Diluted	**169,345**	178,860	**169,345**	178,792
Outstanding Securities				
Common shares	**160,197**	160,197	**160,197**	160,197
Performance warrants	**21,765**	21,765	**21,765**	21,765
Options	**13,198**	12,963	**13,198**	12,963
Retention awards	**308**	308	**308**	308

As at November 18, 2020, Artis had outstanding 160,197,381 common shares and 13,198,000 stock options with an average exercise price of $2.07 per share and 21,765,000 share purchase warrants with an average exercise price of $2.50 per share and 0.3 million retention awards to acquire the same number of common shares of the Company.

Liquidity and Capital Resources

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

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

Funding for 2020 capital expenditures is expected to be provided by cash generated from operating activities and the Company’s $155.0 million bank credit facility. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, which may also have a direct impact on the Company’s operating results and financial position. These and other factors may adversely affect the Company’s liquidity and the Company’s ability to generate income and cash flows in the future. At September 30, 2020 the Company remains in compliance with all terms of its credit facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging and uncertain.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period that it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2020, Artis' ratio of net debt to annualized funds flow was 7.2 to 1.0. The ratio is below the Company’s preferred range because Artis chose to shut-in the majority of its production May 1, 2020 because of low crude oil prices in order to preserve well economics, optimize pricing and reduce costs. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.83 to 1 as at September 30, 2020. The Company has adequate liquidity as it continues to manage capital expenditures, limiting expenditures for the next few months to maintenance expenditures, cost saving initiatives and the completion of two wells that were drilled in the first quarter of 2020. Artis' credit facility has remained in a conforming state even though it was reduced to $155 million from $230 million on June 26, 2020. Artis decided to gradually bring its production back on starting in September 2020. Artis' strong crude oil hedge position along with production gradually coming back on stream will more than cover its nominal planned capital expenditures and general and administrative and interest expenses.

	September 30, 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**12,024**	18,139
Current liabilities	**(4,935)**	(23,385)
Derivative financial instruments	**(2,164)**	1,746
Current portion of lease obligations	**569**	636
Working capital deficiency	**5,494**	(2,864)
Bank debt	**(134,410)**	(108,853)
Net debt	**(128,916)**	(111,717)

Annualized funds flow for three months ended:	**September 30, 2020**	December 31, 2019
(000s)	*($)*	*($)*
Net cash from operating activities	**(2,454)**	27,248
Change in non-cash working capital	**6,901**	2,161
	4,447	29,409
Annualized funds flow	**17,788**	117,638
Net debt to annualized funds flow	**7.2**	0.95
Credit facility available	**155,000**	230,000
Net debt to credit facility available	**83%**	49%

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before November 30, 2020. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

Related Party and Off-Balance Sheet Transactions

The Company was not involved in any off-balance-sheet transactions or related party transactions during the quarter ended September 30, 2020.

Outlook

2020 has been a challenging year for the oil & gas sector so far with pandemic demand destruction and historical "made-in-Canada" market egress issues. Artis has been in a fortunate position during this uncertain period, with essentially no transportation commitments or contractual obligations providing a great deal of flexibility in terms of managing its production volumes, reserve value, and liquidity. As we see greater supply-demand fundamentals emerging, and increased Canadian pipeline capacity (TMX and ENB Line 3 replacement) on the horizon, the Company anticipates investing approximately $60 million to $80 million and drilling 6 to 9 wells in 2021 using commodity prices and our balance sheet as our governor. Positive press around Covid-19 vaccine progress are expected to lead to a gradual return to more positive oil price levels, and 2021 future oil prices have increased to the $45US/bbl WTI level from the spring lows of $20US/bbl WTI. Artis has industry leading torque to oil price appreciation with every $5/bbl WTI increasing 2021 cash flow by approximately 15% and proved plus probable reserve value by over $370 million (before tax at 10% discount) or approximately 23%. The Company will be well-positioned to take advantage of commodity price upside heading into 2021.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	**Q3 2020**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	16,501	25,157	30,391	35,139	43,604	31,105	2,796	**7,503**
Funds flow from operations operations (1)	9,725	16,134	18,737	21,430	29,409	20,233	5,136	**4,447**
Per share – basic	0.06	0.10	0.12	0.13	0.18	0.13	0.03	**0.03**
– diluted	0.05	0.09	0.10	0.12	0.16	0.12	0.03	**0.03**
Net income (loss)	1,225	5,840	9,765	9,856	10,470	20,969	(7,224)	**(1,513)**
Per share – basic	0.01	0.04	0.06	0.06	0.07	0.13	(0.05)	**(0.01)**
– diluted	0.01	0.03	0.05	0.06	0.06	0.12	(0.05)	**(0.01)**
Weighted average shares								
Basic	159,597	159,991	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures	58,200	56,107	72,663	72,752	36,737	41,995	2,366	**2,160**
Net surplus (debt) (2)	38,217	1,415	(52,705)	(104,185)	(111,717)	(133,680)	(131,064)	**(128,916)**
Shareholders' equity	389,649	399,124	409,889	420,776	432,245	453,700	446,966	**445,961**
Production								
Crude oil *(bbls/d)*	4,284	4,188	4,434	5,374	6,613	6,324	1,309	**1,626**
Natural gas *(mcf/d)*	2,263	2,470	3,134	3,927	4,243	4,089	979	**867**
NGLs *(bbls/d)*	109	110	144	278	330	238	72	**30**
Total *(boe/d)*	4,771	4,710	5,101	6,307	7,649	7,244	1,545	**1,800**
Liquids *(%)*	92	91	90	90	91	91	89	**92**
Average wellhead prices								
Crude oil *($/bbl)*	40.02	64.15	73.73	69.40	68.37	51.70	21.08	**48.47**
Natural gas *($/mcf))*	1.83	3.05	1.20	1.09	3.06	2.49	2.50	**2.35**
NGLs *($/bbl)*	34.24	30.14	22.65	17.05	26.95	19.64	9.20	**23.88**
Total *($/boe)*	37.59	59.35	65.48	60.56	61.96	47.18	19.89	**45.31**
Royalties *($/boe)*	(2.64)	(4.80)	(5.48)	(5.79)	(5.03)	(3.69)	(2.76)	**(3.47)**
Operating costs *($/boe)*	(7.04)	(8.83)	(10.91)	(9.58)	(7.91)	(9.23)	(14.84)	**(12.53)**
Transportation costs *($/boe)*	(5.48)	(5.25)	(5.28)	(5.01)	(4.29)	(3.88)	(3.64)	**(3.79)**
Operating netback before derivatives *($/boe)* (3)	22.44	40.47	43.81	40.18	44.73	30.38	(1.35)	**25.52**
Gain (loss) on derivatives	-	-	-	(0.55)	(0.13)	3.94	52.01	**14.85**
Operating netback after derivatives *($/boe)* (3)	22.44	40.47	43.81	39.63	44.60	34.32	50.66	**40.38**

(1) Non-IFRS Measure, See “Non-IFRS Measurements” and “Funds Flow from Operations” contained in this MD&A. Funds flow from operations per share has been calculated using the same denominator as was used in calculating net earnings (loss) per share.

(2) Non-IFRS Measure. Net debt (surplus) includes cash and cash equivalents plus trade and other receivables and deposits and prepaid expenses less accounts payable and accrued liabilities and bank debt. See “Non-IFRS Measurements” contained in this MD&A.

(3) Non-IFRS Measure. See “Non-IFRS Measurements” and “Operating Netback” contained in this MD&A.

Critical Estimates

Certain of the Company's accounting policies require subjective judgement about uncertain circumstances. The potential effects of these estimates are described in the Company's MD&A for the year ended December 31, 2019 and Note 3 of the September 30, 2020 financial statements. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	**September 30, 2020**	December 31, 2019
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**7,686**	16,432
Derivative financial instruments *(note 4)*	**2,164**	-
Prepaid expenses and deposits	**2,174**	1,707
	12,024	18,139
Non-current assets		
Property, plant and equipment *(note 5)*	**530,072**	499,528
Exploration and evaluation assets *(note 6)*	**79,651**	79,115
	609,723	578,643
Total assets	**621,747**	596,782
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**4,366**	21,003
Derivative financial instruments *(note 4)*	**-**	1,746
Lease obligations *(note 9)*	**569**	636
	4,935	23,385
Non-current liabilities		
Bank debt *(note 7)*	**134,410**	108,853
Decommissioning obligations *(note 8)*	**12,856**	12,297
Lease obligations *(note 9)*	**140**	519
Deferred tax liability	**23,445**	19,461
	170,851	141,130
Total liabilities	**175,786**	164,515
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**14,821**	13,359
Retained earnings	**58,779**	46,547
Total equity	**445,961**	432,267
Total liabilities and equity	**621,747**	596,782

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*
Revenue				
Petroleum and natural gas revenues *(note 11)*	**7,503**	35,139	**41,404**	90,687
Royalties	**(574)**	(3,360)	**(3,394)**	(8,059)
Realized gain (loss) on derivative Instruments	**2,460**	(317)	**12,368**	(317)
Unrealized gain (loss) on derivative instruments	**(2,824)**	1,750	**3,909**	1,358
Other revenue *(note 11)*	**29**	82	**123**	790
	6,594	33,294	**54,410**	84,459
Expenses				
Operating	**2,105**	5,634	**10,366**	14,580
Transportation	**627**	2,907	**3,699**	7,580
General and administrative	**857**	1,217	**3,331**	4,089
Depletion and depreciation *(note 5)*	**2,721**	9,054	**15,438**	22,958
Share-based compensation	**376**	765	**1,103**	1,933
Exploration and evaluation *(note 6)*	**308**	261	**759**	891
Finance expenses *(note 12)*	**1,453**	427	**3,497**	667
	8,447	20,265	**38,193**	52,698
Income (loss) before income taxes	**(1,853)**	13,029	**16,217**	31,761
Deferred income tax expense (recovery)	**(340)**	3,173	**3,984**	6,299
Income and comprehensive income (loss) for the period	**(1,513)**	9,856	**12,233**	25,462
Income (loss) per share *(note 13)*				
Basic	**(0.01)**	0.06	**0.08**	0.16
Diluted	**(0.01)**	0.06	**0.07**	0.14

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
(000s)(unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2020	**160,197**	**372,361**	**13,359**	**46,547**	**432,267**
Share-based payments	**-**	**-**	**1,462**	**-**	**1,462**
Income for the period	**-**	**-**	**-**	**12,233**	**12,233**
Balance – September 30, 2020	**160,197**	**372,361**	**14,821**	**58,779**	**445,961**

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
(000s)(unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2019	159,597	369,361	9,695	10,593	389,649
Issue of common shares *(note 10)*	600	3,000	-	-	3,000
Share-based payments	-	-	2,665	-	2,665
Income for the period	-	-	-	25,462	25,462
Balance – September 30, 2019	160,197	372,361	12,360	36,055	420,776

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s) (unaudited)	*($)*	*($)*	*($)*	*($)*
Cash flows from operating activities				
Net income (loss)	**(1,513)**	9,856	**12,233**	25,462
Adjustments for:				
Depletion and depreciation (*note 5)*	**2,721**	9,054	**15,438**	22,958
Exploration and evaluation *(note 6)*	**308**	261	**759**	891
Interest on lease obligations *(note 12)*	**16**	23	**47**	68
Unrealized loss (gain) on derivative instruments	**2,824**	(1,750)	**(3,909)**	(1,358)
Deferred income taxes (recovery)	**(340)**	3,173	**3,984**	6,299
Accretion of decommissioning obligations *(note 8)*	**54**	49	**160**	129
Share-based compensation	**376**	765	**1,103**	1,933
Change in non-cash working capital	**(6,901)**	(2,061)	**914**	(7,474)
Net cash (used) from operating activities	**(2,454)**	19,370	**30,730**	48,908
Cash flows from investing activities				
Property, plant and equipment expenditures *(note 5)*	**(2,153)**	(68,668)	**(44,874)**	(186,798)
Additions to exploration and evaluation assets *(note 6)*	**(7)**	(4,084)	**(1,647)**	(11,724)
Change in non-cash working capital	**846**	(1,899)	**(9,272)**	19,486
Net cash used in investing activities	**(1,314)**	(74,651)	**(55,793)**	(179,036)
Cash flows from financing activities				
Increase in bank debt *(note 7)*	**3,907**	55,439	**25,557**	65,662
Payments on lease obligations *(note 9)*	**(139)**	(158)	**(494)**	(522)
Net cash from financing activities	**3,768**	55,281	**25,063**	65,140
Change in cash and cash equivalents	**-**	-	**-**	(64,988)
Cash and cash equivalents – beginning of period	**-**	-	**-**	64,988
Cash and cash equivalents – end of period	**-**	-	**-**	-

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

1. Reporting Entity

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

2. Basis of Preparation

(a) Statement of compliance:

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The condensed interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2019. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the Company for the year ended December 31, 2019, except as disclosed below. The significant accounting policies are described in note 3 of the December 31, 2019 audited financial statements. 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 November 18, 2020.

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim financial statements. The areas of estimation and judgement have not changed from those described in note 2 of the December 31, 2019 audited financial statements.

(b) Government grants accounting policy:

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be met. If a grant is received but compliance with any attached condition is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an income or expense item, it is recognized as income or a reduction of the related expense item in the period in which the income is earned or costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in the statements of income over the expected useful life of the related asset through lower charges to impairment and/or depletion and depreciation.

3. COVID-19 estimation uncertainty:

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity and has significantly reduced worldwide demand for commodities including crude oil, natural gas and natural gas liquids. The result has been a significant volatility and a decline in the near and medium term price for these commodities.

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

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

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

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

Recoverable Amounts

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

Decommissioning Costs

Provisions are recorded for the future decommissioning and restoration of the Company's production facilities, wells and pipelines at the end of their economic lives. Management uses judgement to assess the existence and to estimate the future liability. Market volatility at September 30, 2020 increased the measurement uncertainty inherent in determining the appropriate discount rate that is used in the estimation of decommissioning liabilities.

Income Tax Provisions

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

Accounts Receivable

The Company has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint venture partners to manage credit risk. The Company historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint venture partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company continues to expect that its receivables are substantially collectible at September 30, 2020.

4. Financial Risk Management

Derivative contracts

It is the Company's policy to hedge a portion of its crude oil sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company does not apply hedge accounting for these contracts. The Company's production is usually sold using "spot" or near-term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company's expected sale requirements.

The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the date of the statement of financial position, using the remaining contracted oil volumes and a risk-free interest rate (based on published government rates).

At September 30, 2020, the Company held derivative commodity contracts as follows:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						(000s) ($)
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$55.00/bbl	Swap	882
Crude oil	400 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$58.18/bbl	Swap	862
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ NYMEX – WTI	$42.27/bbl	Swap	103
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.95)/bbl	Swap	(14)
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.70)/bbl	Swap	(4)
Crude oil	500 bbls/day	October 1, 2020 – December 31, 2020	US$ MSW – WTI differential	($5.75)/bbl	Swap	(5)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.52/bbl	Swap	70
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$42.75/bbl	Swap	97
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.26/bbl	Swap	278

Crude oil	300 bbls/day	January 1, 2021 – June 30, 2021	US$ NYMEX – WTI	$44.20/bbl	Swap	163
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap	(45)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.10)/bbl	Swap	(87)
Crude oil	500 bbls/day	January 1, 2021 – June 30, 2021	US$ MSW – WTI differential	($6.00)/bbl	Swap	(75)
Crude oil	500 bbls/day	January 1, 2021 – December 31, 2021	US$ MSW – WTI differential	($5.75)/bbl	Swap	(61)
Total						2,164

Subsequent to September 30, 2020, the Company entered into the following derivative commodity contracts:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	1,000 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$42.55/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – December 31, 2021	US$ NYMEX – WTI	$43.65/bbl	Swap
Crude oil	500 bbls/day	July 1, 2021 – September 30, 2021	US$ MSW – WTI differential	($4.65)/bbl	Swap

Liquidity risk

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

Capital management

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

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt level balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At September 30, 2020 the Company remains in compliance with all terms of its credit facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2020, Artis' ratio of net debt to annualized funds flow was 7.2 to 1.0. The ratio is below the Company's preferred range because Artis chose to shut-in the majority of its production May 1, 2020 because of low crude oil prices in order to preserve well economics, optimize pricing and reduce costs. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.83 to 1 as at September 30, 2020. The Company has adequate liquidity as it continues to manage capital expenditures, limiting expenditures for the next few months to maintenance expenditures, cost saving initiatives and the completion of two wells that were drilled in the first quarter of 2020. Artis' credit facility has remained in a conforming state even though it was reduced to $155 million from $230 million on June 26, 2020. Artis decided to gradually bring its production back on starting in September 2020. Artis' strong crude oil hedge position along with production gradually coming back on stream will more than cover its nominal planned capital expenditures and general and administrative and interest expenses.

	September 30, 2020	December 31, 2019
(000s)	*($)*	*($)*
Current assets	**12,024**	18,139
Current liabilities	**(4,935)**	(23,385)
Derivative financial instruments	**(2,164)**	1,746
Current portion of lease obligations	**569**	636
Working capital (deficiency)	**5,494**	(2,864)
Bank debt	**(134,410)**	(108,853)
Net debt	**(128,916)**	(111,717)

Annualized funds flow for three months ended:	**September 30, 2020**	December 31, 2019
Net cash from operating activities	**(2,454)**	27,248
Change in non-cash working capital	**6,901**	2,161
	4,447	29,409
Annualized funds flow	**17,788**	117,638
Net debt to annualized funds flow	**7.2**	0.95
Credit facility available	**155,000**	230,000
Net debt to credit facility available	**83%**	49%

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

5. Property, Plant and Equipment

	Oil and Natural Gas Properties
(000s)	*($)*
Cost or deemed cost	
Balance – January 1, 2019	311,307
Additions	223,777
Capitalized share-based compensation	986
Transfer from exploration and evaluation assets	11,422
Change in decommissioning obligations	6,682
Increase in right-to-use assets	1,256
Balance – December 31, 2019	555,130
Additions	44,874
Capitalized share-based compensation	358
Transfer from exploration and evaluation assets	351
Change in decommissioning obligations	398
Balance – September 30, 2020	**601,111**

Depletion and depreciation	
Balance – January 1, 2019	21,514
Depletion and depreciation for the year	34,087
Balance – December 31, 2019	55,601
Depletion and depreciation for the period	15,438
Balance – September 30, 2020	**71,039**

Carrying amounts	
September 30, 2020	**530,072**
December 31, 2019	499,528

Depletion and Depreciation

The calculation of 2020 depletion and depreciation expense included an estimated $2.1 billion (2019 – $1.7 billion million) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.4 million (2019 – $1.2 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.

Capitalization of G&A and Share-Based Compensation

A total of $1.8 million in G&A expenditures have been capitalized and included in PP&E assets at September 30, 2020 (2019 – $2.2 million). Also included in PP&E are non-cash share-based payments of $0.4 million (2019 – $0.7 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At March 31, 2020, due to the weakening in the Canadian commodity price environment, the Company tested its Trochu/Twining CGU for impairment. It was determined that the recoverable amount of the Trochu/Twining CGU exceeded the carrying value and an impairment charge was not recorded at March 31, 2020. At September 30, 2020, the Company determined that no further indicators of impairment existed on its one CGU, therefore, no impairment test was performed at September 30, 2020.

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – January 1, 2019	77,467
Additions	**14,482**
Transfers to property, plant and equipment	**(11,422)**
Expiries	**(1,412)**
Balance – December 31, 2019	**79,115**
Additions	**1,647**
Transfers to property, plant and equipment	**(351)**
Impairments	**(759)**
Balance – September 30, 2020	**79,651**

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 primarily made up of undeveloped land purchases and seismic acquisitions. Impairments related to undeveloped land expiries.

7. Bank Loan

At September 30, 2020, the Company had a revolving line of credit of $135 million and an operating line of credit of $20 million for a total facility of $155 million (collectively, the "Facility") (December 31, 2019 - $230 million) of which $134.4 million (December 31, 2019 – $108.9 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 2021. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the "Borrowing Base") are reviewed semi-annually and are based on the bank syndicate's interpretation of the Company's reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating ("LMR") of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 16:1 at September 30, 2020. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before November 30, 2020. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank's prime lending rate and bankers' acceptances and LIBOR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated using the Company's trailing four quarters basis for cash flow. 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.

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

8. Decommissioning obligations

(000s)	*($)*
Cost	
Balance – January 1, 2019	5,468
Liabilities incurred	**6,940**
Change in estimated future cash flows	**(257)**
Accretion of decommissioning obligation	**146**
Balance – December 31, 2019	**12,297**
Liabilities incurred	**398**
Accretion of decommissioning obligation	**160**
Balance – September 30, 2020	**12,856**

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas wells. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $12.9 million as at September 30, 2020 (December 31, 2019 – $12.3 million) based on an undiscounted inflated total future liability of $15.8 million (December 31, 2019 – $15.3 million) using an assumed inflation rate of 1.3% (2019 – 1.3%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.7% (2019 – 1.7%).

9. Lease obligations

Right-of-use assets

(000s)	
	($)
As at January 1, 2019	**1,256**
Depreciation	**(444)**
As at December 31, 2019	**812**
Additions	**-**
Depreciation	**(328)**
As at Sept 30, 2020	**484**

Lease liabilities

(000s)	
	($)
As at January 1, 2019	**1,777**
Lease interest expense	**105**
Lease payments	**(727)**
As at December 31, 2019	**1,155**
Lease interest expense	**47**
Lease payments	**(493)**
As at September 30, 2020	**709**

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

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

(000s)	1 year	2-3 years	Total
	($)	*($)*	*($)*
Lease payments including principal and interest	**569**	**140**	**709**

10. Share Capital

(a) Authorized

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

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

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

(b) Share Capital issued and outstanding:

Common Shares

	Shares	Amount
(000s)	*(#)*	*($)*
Balance – January 1, 2019	**159,597**	**369,361**
Issue of common shares	600	3,000
Balance – December 31, 2019 and September 30, 2020	**160,197**	**372,361**

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

11. Revenue

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

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Oil production	**7,251**	34,310	**39,515**	88,241
Gas production	**187**	392	**1,338**	1,413
NGLs production	**65**	437	**551**	1,033
Total revenue	**7,503**	35,139	**41,404**	90,687

Other revenue:

The following table summarizes the Corporation's other revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Third party processing income	**29**	76	**118**	218
Interest income	**-**	6	**5**	572
	29	82	**123**	790

12. Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense	**1,399**	378	**3,337**	538
Accretion of decommissioning obligations	**54**	49	**160**	129
	1,453	427	**3,497**	667

13. Income (loss) Per Share

Basic income (loss) per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic				
Issued common shares – beginning of period	**160,197**	160,197	**160,197**	**159,597**
Effects of shares issued	**-**	-	**-**	**532**
Weighted average number of common shares – basic	**160,197**	160,197	**160,197**	**160,129**

Diluted earnings per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197	**160,197**	160,129
Effects of options in-the-money	**9,148**	18,663	**9,148**	18,663
Weighted average number of common shares – diluted	**169,345**	178,860	**169,345**	178,792

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

14. Share-Based Payments

The Company has a stock option plan pursuant to which options to purchase common shares of the Company may be granted to employees, directors, officers and other service providers of the Company. The maximum number of common shares issuable on exercise of options granted pursuant to the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company. The options of the Company are exercisable for a period of five years and vest over a period of three years commencing on the first anniversary.

The Company also grants performance warrants to employees, directors, officers and other service providers of the Company. Each performance warrant entitles the holder to purchase one common share of the Company. The maximum number of common shares issuable on exercise of warrants granted may not exceed 25% of the issued and outstanding common shares of the Company as at the date the Company closed its initial line of credit financing being 88,506,734 common shares. The outstanding performance warrants of the Company are exercisable for a period of five years and vest immediately prior to a liquidity event.

The Company also has retention awards (“RAs”) outstanding to officers and employees of the Company. The retention awards 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 September 30, 2020.

At September 30, 2020, the Company has 13,198,000 options outstanding with an average exercise price of $2.07 per share. The weighted average contractual life is 1.7 years. At September 30, 2020, 11.0 million options are exercisable.

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	**4,231**	**1.88**	**0.8**
2.19	**4,231**	**2.19**	**0.8**
2.50	**4,231**	**2.50**	**0.8**
2.81	**4,231**	**2.81**	**0.8**
3.13	**4,231**	**3.13**	**0.8**
	21,765	**2.50**	**0.8**

The Company has 307,500 RAs outstanding at September 30, 2020.