ARTIS EXPLORATION LTD

THIRD QUARTER REPORT

FOR THE THREE AND NINE MONTHS

ENDED SEPTEMBER 2021

ARTIS EXPLORATION LTD.

2021 Third Quarter
For the Three and Nine Months Ended September 30, 2021

HIGHLIGHTS

	Three Months Ended September 30			Nine months Ended September 30		
	2021	2020	Change	**2021**	2020	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Petroleum and natural gas revenues	**44,298**	7,503	490	**118,500**	41,404	186
Adjusted funds flow (1)	**22,490**	4,447	406	**58,451**	29,816	96
Per share – basic	**0.14**	0.03	367	**0.36**	0.19	89
– diluted	**0.14**	0.03	367	**0.35**	0.18	94
Net income (loss)	**8,261**	(1,513)	566	**10,837**	12,233	(11)
Per share – basic	**0.05**	(0.01)	500	**0.07**	0.08	(13)
– diluted	**0.05**	(0.01)	500	**0.07**	0.07	-
Net capital expenditures	**36,679**	2,160	1598	**92,010**	46,521	98
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Capital Structure						
Total Net Debt (2)	150,315	128,916	*17*	*150,315*	128,916	17
Current Debt Capacity	200,000	155,000	*29*	*200,000*	155,000	29
Shareholders' equity	460,867	445,961	*3*	*460,867*	445,961	3
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end						
Basic	**160,197**	160,197	-	**160,197**	160,197	-
Options	**13,833**	13,198	5	**13,833**	13,198	5
Warrants	**21,765**	21,765	-	**21,765**	21,765	-
Retention awards	**308**	308	-	**308**	308	-
Weighted average						
Basic	**160,197**	160,197	-	**160,197**	160,197	-
Diluted	**166,193**	169,345	(2)	**166,193**	169,345	(2)
			(%)			*(%)*
Operating						
Production						
Crude oil *(bbls/d)*	**5,233**	1,626		**5,286**	3,081	
Natural gas *(mcf/d)*	**5,174**	867		**4,775**	1,974	
NGLs *(bbls/d)*	**378**	30		**356**	113	
Total *(boe/d)*	**6,474**	1,800	260	**6,439**	3,523	83
Liquids %	**87**	92		**88**	91	
Average wellhead prices						
Crude oil *($/bbl)*	**84.44**	48.47		**75.98**	46.80	
Natural gas *($/mcf)*	**4.45**	2.35		**4.05**	2.47	
NGLs *($/bbl)*	**43.77**	23.88		**36.73**	17.81	
Total *($/boe)*	**74.38**	45.31	64	**67.42**	42.89	57
Royalties *($/boe)*	**(6.79)**	(3.47)	96	**(6.28)**	(3.52)	78
Operating cost *($/boe)*	**(8.73)**	(12.53)	(30)	**(8.59)**	(10.62)	(19)
Transportation cost *($/boe)*	**(3.23)**	(3.79)	(15)	**(3.61)**	(3.83)	(6)
Operating netback before financial derivatives *($/boe)* (3)	**55.62**	25.52	118	**48.94**	24.93	96
Realized gain (loss) on financial derivatives	**(13.66)**	14.85		**(11.56)**	12.81	
Operating netback after financial derivatives *($/boe)* (3)	**41.95**	40.38	4	**37.39**	37.74	(1)

	Three Months Ended December 31			Years Ended December 31		
	2021	2020	Change	**2021**	2020	Change
			(%)			*(%)*
Drilling activity – gross (net)						
Crude oil *(#)*	**4 (4.0)**	- (-)		**10 (10.0)**	4 (4.0)	
Natural gas *(#)*	**-**	-		**-**	-	
Total *(#)*	**4 (4.0)**	- (-)		**10 (10.0)**	4 (4.0)	150
Average working interest *(%)*	**100**	-		**100**	100	

(1) Non-IFRS Measure. Adjusted 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. Adjusted funds flow from operations is used to analyze the Company's operating performance and leverage. Adjusted 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, 2021.

Financial and Operating Highlights

- Third quarter 2021 production averaged 6,474 boe/d (87% liquids), 260% higher than the same period in 2020 and up 10% from the second quarter of 2021.
- Third quarter 2021 adjusted funds flow was $22.5 million, up 406% compared to the same period in 2020 and up 40% from the second quarter of 2021.
- Achieved an operating netback of $55.62/boe in the third quarter of 2021 before including financial derivatives ($41.95/boe after including financial derivatives) based on an average crude oil WTI price of $70.56 US/bbl for the quarter.
- Generated third quarter net earnings of $8.3 million compared to a net loss of 1.5 million for the same period last year.
- Artis invested $36.7 million in third quarter capital expenditures comprised mainly of the drilling and completion of 4 (4.0 net) Duvernay horizontal wells in our core area of Twinning, Alberta.

President's Message

During the third quarter of 2021, production averaged 6,474 boe/d (87% liquids) which was up 10% compared to the second quarter of 2021. Artis shut-in several wells late in third quarter and early fourth quarter for optimization drill-outs which impacted production in the short term. These optimizations were successful with production volumes reaching approximately 7,200 boe/d in late November. Artis invested approximately $36.6 million during the quarter out of an estimated $106 million budgeted for the 2021 year which will see a total of 11 Duvernay horizontal wells drilled, the acquisition of approximately 200 boepd of Duvernay oil production and 5.1 million barrels of estimated total proved reserves from a third party, and some facilities expansion.

Adjusted funds flow from operations of $22.5 million or $0.14 per share were generated in the third quarter, net of realized hedging losses of approximately $8.1 million, which was up 40% compared to the second quarter of 2021. Artis had an operating netback of $55.62/boe before realized hedging loss ($41.95/boe after realized hedging loss) and adjusted funds flow provided by operations of $51.40/boe before realized hedge loss ($37.74/boe after realized hedge loss) based on a third quarter WTI price of $70.56 US/bbl. These netbacks are some of the highest observed in industry based on public data. Artis is targeting exit forward funds flow unhedged of $135-$140 million, assuming crude oil prices in the $75-$78US/bbl range for WTI and net debt of approximately $142-$144 million at year-end. As a result, the Company's exit debt to forward funds flow ratio is targeted at approximately 1.0-1.1 times entering 2022.

If prices stabilize near $75US/bbl WTI for crude oil the Company is targeting the investment of $135-$145 million for 2022 encompassing the drilling of 14-15 Duvernay wells. Targets and strategic goals for 2022 include the consistent achievement of all-in well costs for multi-well pads in the $6.5-$6.9 million range, production growth of 15%-20% exit to exit, and to continue to enhance the core area well type curve along with our total proved reserve inventory which was estimated at approximately 75 million barrels of oil equivalent at year end 2020 as evaluated by the Company’s third-party reserve evaluators.

We look forward to reporting on our fourth quarter 2021 and year end results in the new year.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

November 23, 2021

Cautionary statements:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for Artis Exploration Ltd. ("Artis" or the "Company") reports on the financial condition and the results of operations for the three and nine months ended September 30, 2021 and 2020 and should be read in conjunction with the accompanying unaudited financial statements and related notes and the audited financial statements and related notes for the year ended December 31, 2020. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated November 23, 2021.

Basis of Presentation

The unaudited financial statements and comparative information for the three and nine months ended September 30, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

About Artis

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

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

Operational and Financial Highlights

- Third quarter 2021 production averaged 6,474 boe/d (87% liquids), 260% higher than the same period in 2020 and up 10% from the second quarter of 2021.
- Third quarter 2021 adjusted funds flow was $22.5 million up 406% compared to the same period in 2020 and up 40% from the second quarter of 2021.
- Achieved an operating netback of $55.62/boe in the third quarter of 2021 before including financial derivatives ($41.95/boe after including financial derivatives) based on an average crude oil WTI price of $70.56 US/bbl for the quarter.
- Generated third quarter net earnings of $8.3 million compared to a net loss of 1.5 million for the same period last year.
- Artis invested $36.7 million in third quarter capital expenditures which included the drilling and completion of 4 (4.0 net) wells in our core area of Twinning, Alberta.

Responding to "COVID-19"

The full extent of the impact of the COVID-19 pandemic on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on financial markets on a macro-scale and any new information that may emerge concerning the effectiveness of available vaccines and the severity and spread of the virus and its variants. The pandemic presents uncertainty and risk with respect to the Company, its performance and the estimates and assumptions used by management in the preparation of its financial results. The crude oil market, as evidenced by the increases in benchmark crude oil pricing, has responded positively to the OPEC+ alliance largely maintaining production restrictions in conjunction with the global economic recovery, but the potential for volatility in crude demand and supply remains. Management continues to monitor commodity prices and currency exchange rates and incorporates these factors into the Company's capital expenditure plans for the remainder of 2021 and beyond. Artis believes the measures it has taken will provide it with the financial capability to execute on its business plan, deliver safe and reliable operations and continue to build its sustainable business.

Forward-Looking Statements

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

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

Test Results and Initial Production Rates

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

Conversions (Barrel of Oil Equivalency)

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

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 and Adjusted Funds Flow

Funds flow and adjusted funds flow from operations are measures not defined under IFRS but are 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. Adjusted funds flow represents funds from operations before decommissioning obligations settled. The Company considers these metrics to be key measures 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 these measures provide an insightful assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges. Funds flow and adjusted 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 flow and adjusted funds flow from operations may not be comparable to that reported by other companies. Artis also presents adjusted 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	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash from operating activities	**15,488**	(2,454)	**63,759**	30,730
Changes in non-cash working capital	**7,003**	6,901	**(5,308)**	(914)
Funds flow	**22,490**	4,447	**58,451**	29,816
Decommissioning obligations	**-**	-	**13**	-
Adjusted funds flow	**22,490**	4,447	**58,464**	29,816

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, 2021	December 31, 2020
(000s)	*($)*	*($)*
Current assets	**18,516**	14,868
Current liabilities	**(48,895)**	(13,644)
Exclude - Derivative financial instruments	**14,617**	5,356
Exclude - Current portion of lease obligations	**384**	583
Working capital (deficiency)	**(15,378)**	7,163

	September 30, 2021	December 31, 2020
(000s)	*($)*	*($)*
Bank loan	**(134,937)**	(123,566)
Working capital (deficiency)	**(15,378)**	7,163
Net debt	**(150,315)**	(116,403)

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, 2021 and 2020:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Crude oil *(bbls/d)*	**5,233**	1,626	**5,286**	3,081
Natural gas *(mcf/d)*	**5,174**	867	**4,775**	1,974
NGLs *(bbls/d)*	**378**	30	**356**	113
Total *(boe/d)*	**6,474**	1,800	**6,439**	3,523
Liquids *(%)*	**87**	92	**88**	91

For the three months ended September 30, 2021, production averaged 6,474 boe/d (87% weighted to crude oil and NGLs), a 260% increase from the 1,800 boe/d (92% weighted to crude oil and NGLs) averaged during the same period a year ago and also up 10% from the second quarter of 2021. The large increase was because Company had the majority of its production shut-in for July and August last year because of the weak crude oil prices that occurred in 2020.

During the nine months ended September 30, 2021, Artis' production increased 83% to average 6,439 boe/d versus 3,523 boe/d a year ago. During the first nine months of 2021, production consisted of 5,642 bbls/d of crude oil and NGLs and 4,775 mcf/d of natural gas. Liquids production was 88% of total production. Again, the production increase for the current year was because Artis decided to shut-in the majority of its production on May 1, 2020 because of weak crude oil prices.

Revenue and Pricing

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Revenue				
Crude oil	**40,656**	7,251	**109,646**	39,515
Realized financial derivative gain (loss)	**(8,018)**	2,460	**(20,168)**	12,368
Total crude oil	**32,638**	9,711	**89,478**	51,883
Natural gas	**2,119**	187	**5,280**	1,338
Realized financial derivative gain (loss)	**(119)**	-	**(145)**	-
Total natural gas	**2,000**	187	**5,135**	1,338
NGLs	**1,523**	65	**3,574**	551
Total revenue before unrealized financial derivative loss	**36,161**	9,963	**98,187**	53,772
Unrealized financial derivative gain (loss)	**3,304**	(2,824)	**(9,261)**	3,909
Total revenue	**39,465**	7,139	**88,926**	57,681

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Average Prices				
Crude oil *($/bbl)*	**84.44**	48.47	**75.98**	**46.80**
Realized derivative gain (loss) *($/bbl)*	**(16.65)**	16.44	**(13.98)**	**14.65**
Total crude oil sales price *($/bbl)*	**67.79**	64.91	**62.00**	**61.45**
Natural sales gas *($/mcf)*	**4.45**	2.35	**4.05**	**2.47**
Realized derivative loss *($/mcf)*	**(0.25)**	-	**(0.11)**	-
Total natural gas price *($/mcf)*	**4.20**	2.35	**3.94**	2.47
NGLs sales price *($/bbl)*	**43.77**	23.88	**36.73**	**17.81**
Total sales price *($/boe)* (1)	**60.71**	60.16	**55.86**	**55.70**

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, 2021, revenue before unrealized derivative gain increased to $36.2 million from $10.0 million recorded in the same period of 2020. The 263% increase was due to the 260% year-over-year increase in production. During the third quarter of 2021, Artis realized an average price of $67.79bbl for crude oil (including a $16.65/bbl realized loss from financial derivative contracts) and $4.20/mcf (including a $0.25/mcf realized loss from financial derivative contracts) for natural gas and $43.77/bbl for NGLs. The Company's overall realized price increased marginally to $60.71/boe from $60.16/boe recorded in 2021.

For the nine months ended September 30, 2021, revenue before unrealized financial derivative gain increased 83% to $98.2 million from $53.8 million last year due primarily to a 83% decrease in production. The Company's overall realized price increased marginally to $55.86/boe from $55.70/boe recorded in 2020.

The following table summarizes the natural gas and crude oil benchmark prices for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Average Benchmark Prices				
Crude oil – WTI *(US$/bbl)*	**70.56**	40.93	**64.82**	38.32
MSW (Edm) differential *(US$/bbl)*	**(4.07)**	(3.51)	**(4.14)**	(5.74)
Crude oil – MSW (Edm) par *(CDN$/bbl)*	**83.68**	49.61	**75.77**	43.48
Natural gas – AECO spot Daily index *(CDN$/GJ)*	**3.41**	2.12	**3.11**	1.98
Exchange rate *(CDN$/US$)*	**1.26**	1.33	**1.25**	1.35

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	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Realized gain (loss) on financial Instruments	**(8,137)**	2,460	**(20,313)**	12,368
Per boe	**(13.67)**	14.85	**(11.56)**	12.81
Unrealized gain (loss) on financial instruments	**3,304**	(2,824)	**(9,261)**	3,909

The Company held the following derivative commodity contracts at September 30, 2021:

a) WTI Crude Oil Derivative Contracts

Type	Volume (bbls/d)	Term	Bought Put Price ($/bbl)	Sold Call Price ($/bbl)	Swap Price ($/bbl) (1)
Swap	2500	2021 October – December	-	-	45.87 US
Swap	300	2021 October – December	-	-	55.61 US
Swap	500	2022 January – March	-	-	62.00 US
Swap	500	2022 April – June	-	-	61.04 US
Swap	800	2022 July – December	-	-	82.25 CAD
Collar	500	2022 January – March	55.00 US	64.15 US	-
Collar	500	2022 January – March	55.00 US	67.50 US	-
Collar	500	2022 April – June	60.00 US	65.73 US	-
Collar	300	2022 April – June	73.00 CAD	84.00 CAD	-
Collar	500	2022 April – June	70.00 CAD	78.10 CAD	-
Collar	500	2022 July – September	75.50 CAD	87.65 CAD	-

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

b) WTI Crude Oil Differential Derivative Contracts

Type	Volume (bbls/d)	Term	Basis (2)	Swap Price (US$/bbl) (1)
Swap	500	2021 October – December	MSW	($5.75)
Swap	1000	2022 January – June	MSW	($3.61)

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

c) Natural Gas Derivative Contract

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

Subsequent to September 30, 2021, the Company entered into the following derivative commodity contract:

WTI Crude Oil Derivative Contract

Type	Volume (bbls/d)	Term	Bought Put Price (/bbl)	Sold Call Price (/bbl)	Swap Price ($/bbl)
Swap	400 bbls/day	2022 July - December	-	-	90.05 CAD

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Royalties				
Crown	**2,465**	**205**	**6,706**	1,866
Freehold/GORR	**1,581**	**369**	**4,329**	1,528
Total royalties	**4,046**	**574**	**11,035**	3,394
Total royalties *($/boe)*	**6.79**	**3.47**	**6.28**	3.52
	(%)	*(%)*	*(%)*	*(%)*
% of Revenue				
Crown	**5.6**	2.7	**5.7**	4.5
Freehold/GORR	**3.6**	4.9	**3.7**	3.7
Total	**9.1**	7.6	**9.3**	8.2

For the quarter ended September 30, 2021, the Company recorded $4.0 million in total royalties or 9.1% of revenue versus $0.6 million or 7.6% of revenue a year ago. Approximately 5.6% of total revenue paid in the third quarter of 2021 consisted of Crown royalties and 3.6% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 2.7% and 4.9%, respectively, in the 2020 three-month period. The increase in the crown royalty percentage compared to last year was because of the increase in the crude oil prices this year.

For the first nine months of 2021, total royalties were $11.0 million or 9.3% of revenue versus $3.4 million or 8.2% of revenue a year ago.

Operating Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**5,202**	2,105	**15,100**	10,366
Per unit of production *($/boe)*	**8.73**	12.71	**8.59**	10.74

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

Operating costs were $5.2 million for the third quarter of 2021 compared to $2.1 million recorded a year ago. Operating costs on a per boe basis decreased 31% to $8.73/boe from $12.71/boe in 2020. The large amount per boe last year was a result of Artis incurring fixed monthly operating and shut down costs as the majority of its production was shut-in for July and August last year.

For the first nine months of 2021, operating costs were $15.1 million or $8.59/boe compared to $10.4 million or $10.74/boe in the same period of 2020 which was a 20% decrease on a boe basis. Again the prior period was higher because of the production shut-in period.

Transportation Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Transportation expenses	**1,926**	627	**6,339**	3,699
Transportation expenses *($/boe)*	**3.23**	3.79	**3.61**	3.83

Transportation costs consist of pipeline tariffs for oil and NGLs along with trucking charges as well as natural gas transportation. 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, 2021, transportation costs were $1.9 million or $3.23/boe as compared to $0.6 million or $3.79/boe last year. For the first nine months of 2021, transportation costs were $6.3 million or $3.61/boe versus $3.7 million or $3.83/boe a year ago. Transportation costs have decreased on a per unit of production basis mainly because of shorter trucking distances for a portion of Artis' crude oil deliveries.

Operating Netback (1)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
Revenue				
Crude oil *($/bbl)*	**84.44**	48.47	**75.98**	46.80
Natural gas *($/mcf))*	**4.45**	2.35	**4.05**	2.47
NGLs *($/bbl)*	**43.77**	23.88	**36.73**	17.81
Production revenue *($/boe)*	**74.38**	45.31	**67.42**	42.89
Expenses				
Royalties *($/boe)*	**(6.79)**	(3.47)	**(6.28)**	(3.52)
Operating *($/boe)*	**(8.73)**	(12.71)	**(8.59)**	(10.74)
Transportation *($/boe)*	**(3.23)**	(3.79)	**(3.61)**	(3.83)
Operating netback before realized gain on financial derivatives *($/boe)*	**55.62**	25.35	**48.94**	24.80
Realized gain (loss) on financial derivatives *($/boe)*	**(13.66)**	14.85	**(11.56)**	12.81
Operating netback after realized gain on financial derivatives *($/boe)*	**41.95**	40.20	**37.39**	37.62

(1) Non-IFRS Measure. See "Non-IFRS Measurements" in this MD&A.

For the third quarter of 2021, the Company recorded an operating netback of $55.62/boe before including financial derivatives and $41.95/boe after including financial derivatives compared to $40.20/boe for the same quarter last year. The 4% increase was mainly a result of the decrease in operating and transportation costs.

During the nine months ended September 30, 2021, Artis' operating netback was $48.94/boe before including financial derivatives and $37.39/boe after including financial derivatives versus $37.62/boe in the same period of 2020.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**1,544**	1,256	**4,735**	5,164
Capitalized expenses	**(539)**	(399)	**(1,646)**	(1,829)
Operator's recoveries	**-**	(1)	**(1)**	(4)
General and administrative expenses	**1,005**	857	**3,088**	3,331
Per unit of production ($/boe)	**1.69**	5.17	**1.76**	3.45

For the three months ended September 30, 2021, G&A expenses totaled $1.0 million compared to $0.9 million recorded in the same period a year ago. For the periods ended September 30, 2021 and 2020, the Company capitalized G&A totaling $0.5 million and $0.4 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses increased 17% partly because last year's 10% reductions in employee compensation were eliminated this year as crude oil prices recovered. Artis also received less under the Canada Emergency Wage Subsidy program as it received $237,600 in the third quarter of 2020 as compared to $18,000 this year which reduces salary expenses.

For the nine months ended September 30, 2021, G&A expenses totaled $3.1 million compared to $3.3 million recorded in the same period a year ago. For the periods ended September 30, 2021 and 2020, the Company capitalized $1.6 million and $1.8 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses decreased 7% on a gross basis mainly because no employee bonuses were paid out this year as compared to $770,300 were paid out last year.

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.

Share-Based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**443**	509	**1,358**	1,462
Capitalized expenses	**(132)**	(133)	**(403)**	(358)
Total share-based compensation	**311**	376	**955**	1,103

For the three months ended September 30, 2021, Artis recorded non-cash share-based compensation expense of $0.3 million compared to $0.4 million for the previous period. For the periods ended September 30, 2021 and 2020, the Company capitalized $0.1 million and $0.1 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 $1.0 million for the first nine months of 2021 (2020 – $1.1 million) which was net of capitalized stock-based compensation of $0.4 million (2020 - $0.4 million).

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

Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense on credit facility	**1,299**	1,331	**3,747**	3,011
Standby fees on credit facility	**208**	52	**504**	279
Interest expense on lease obligations	**6**	16	**18**	47
Accretion of decommissioning obligations	**55**	54	**160**	160
Finance expenses	**1,567**	1,453	**4,430**	3,497

The Company incurred $1.3 million (2020 - $1.3 million) of interest expense in the third quarter of 2021 and $3.7 million ($3.0 million) for the nine months ended September 30, 2021. The average interest rate for the quarter was approximately 4.3% (2020 – 4.0%). The Company incurred credit facility stand-by fees of $0.2 million (2020 - $52,000) for the quarter ended September 30, 2021 and $0.5 million (2020 - $0.3 million) for the nine months ended September 30, 2021. The standby fees have increased as the bank facility was increased to $200 million from $165 million on May 25 of this year.

The Company's accretion expense for the three-month period ended September 30, 2021 was $55,000 consistent with the comparable period of 2020 and $160,000 for the nine-month period ended September 30, 2021 again consistent with the prior period.

Depletion and Depreciation ("D&D") Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
D&D expense	**9,800**	2,721	**28,675**	15,438
D&D expense *($/boe)*	**16.45**	16.43	**16.31**	15.99

The Company's D&D expense for the nine months ended September 30, 2021 was $28.7 million or $16.31/boe versus $15.4 million or $15.99/boe for the comparable period of 2020.

D&D expense is computed on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserves base and in the amount of costs subject to D&D, including future development costs. The calculation of 2021 depletion and depreciation expense included an estimated $2.1 billion (2020 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.7 million (2020 – $1.4 million) for the estimated salvage value of production equipment and facilities. Such costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base. Currently Artis has one core area and CGU being Trochu/Twining.

Exploration and Evaluation Expense

For the nine months ended September 30, 2021 Artis recorded an exploration and evaluation expense of $5.2 million versus $759,000 a year ago. Exploration and evaluation expenses relate to undeveloped land expiries.

Deferred Income Taxes

For the third quarter and the first nine months of 2021, Artis recorded a deferred income tax expense (recovery) of $2.6 million and $3.5 million, respectively, compared to ($0.3) million and $4.0 million, respectively, for the same periods in 2020. The recovery of deferred income tax in the third quarter of 2020 related to the unrealized loss on derivative instruments of 2.8 million.

Artis was not subject to any corporate income taxes for 2021 or 2020. The Company has approximately $514 million of tax pools available for deduction against future taxable income as at September 30, 2021.

Cash, Adjusted funds flow and Net income (loss)

	Three Months Ended September 30		Nine months Ended September 30	
	2021	2020	**2021**	2020
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Cash provided (used) by operating activities	**15,488**	(2,454)	**63,759**	30,730
Adjusted funds flow (1)	**22,490**	4,447	**58,465**	29,816
Per share (1) – basic	**0.14**	0.03	**0.36**	0.19
– diluted	**0.14**	0.03	**0.35**	0.18
Net income (loss)	**8,261**	(1,513)	**10,837**	12,233
Per share – basic	**0.05**	(0.01)	**0.07**	0.08
– diluted	**0.05**	(0.01)	**0.07**	0.07

(1) Non-IFRS Measure. Adjusted funds flow per share has been calculated using the same denominator as was used in calculating net earnings (loss) per share. See "Non-IFRS measurements" in this MD&A.

Adjusted funds flow from operations for the third quarter ended September 30, 2021 increased 405% compared to the previous period mainly due to Artis having a full quarter of production in 2021. In 2020 the Company shut in the majority of its production on May 1, 2020 to August 31, 2020 because of low crude oil prices. 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 2021, the Company invested $36.7 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $2.2 million for the same period of 2020.

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
000s)(excluding decommissioning liabilities capitalized share-based compensation, and right-to-use Assets)	*($)*	*($)*	*($)*	*($)*
Drilling and completions	**29,839**	-	**66,977**	29,267
Equipment and facilities	**5,563**	1,617	**15,067**	13,454
Acquisition	**-**	-	**7,107**	-
Land and lease retention	**704**	141	**1,179**	1,618
Geological and geophysical	**-**	-	**-**	339
Capitalized G&A and other	**573**	402	**1,680**	1,843
Total capital expenditures	**36,679**	2,160	**92,010**	46,521

During the third quarter of 2021, the Company incurred $29.8 million (2020 – $nil) in drilling and completion expenditures that involved the drilling and completion of 4 (4.0 net) horizontal oil wells. No wells were drilled or completed for the same period last year. Equipping and facilities expenditures for the three months ended September 30, 2021 and 2020 were $5.6 million and $1.6 million, respectively. Included in the equipping and facilities expenditures for 2021 were $2.6 million (2020 – nil) for major facilities and pipelines. During the 2021 three-month period, the Company invested $0.7 million on land and seismic versus $0.1 million for the same period of 2020. 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 $67.0 million for the nine months ended September 30, 2021, (2020 – $29.3 million) that involved participation in 10 (10.0 net) horizontal wells versus 4 (4.0 net) horizontal wells for the same period in 2020. Equipping and facilities expenditures for the nine months ended September 30, 2021 and 2019 were $15.1 million and $13.5 million, respectively. Included in the equipping and facilities expenditures for 2021 were $8.0 million (2020 - $7.5 million) of investments for major facilities and pipelines.

During the 2021 nine-month period, the Company invested $1.2 million on land and seismic versus $2.0 million for the same period of 2020.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Nine Months Ended September 30, 2021		
Crude oil (horizontal)	**10**	**10.0**
Total wells	**10**	**10.0**
Average working interest *(%)*		**100**
Nine Months Ended September 30, 2020		
Crude oil (horizontal)	4	4.0
Total wells	4	4.0
Average working interest *(%)*		100

Share Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted Average Shares Outstanding				
Basic	**160,197**	160,197	**160,197**	160,197
Diluted	**166,193**	169,345	**166,193**	169,345
Outstanding Securities				
Common shares	**160,197**	160,197	**160,197**	160,197
Performance warrants	**21,765**	21,765	**21,765**	21,765
Options	**13,833**	13,198	**13,833**	13,198
Retention awards	**308**	308	**308**	308

As at November 18, 2021, Artis had outstanding 160,197,381 common shares and 13,833,000 stock options with an average exercise price of $1.83 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 2021 capital expenditures is expected to be provided by cash generated from operating activities and the Company’s $200 million bank credit facility which was increased from $165 million on May 25, 2021. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At September 30, 2021 the Company remains in compliance with all terms of our bank 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 COVID-19, the preparation of financial forecasts is challenging and uncertain.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2021, Artis' ratio of net debt to annualized funds flow was 1.7 to 1.0. Excluding realized losses on derivative instruments, the Company's ratio of net debt to annualized funds flow would be 1.2 to 1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments 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 0.75 to 1 as at September 30, 2021.

	September 30 2021	December 31, 2020
(000s)	*($)*	*($)*
Current assets	**18,516**	14,868
Current liabilities	**(48,895)**	(13,644)
Exclude - Derivative financial instruments	**14,617**	5,356
Exclude - Current portion of lease obligations	**384**	583
Working capital (deficiency)	**(15,378)**	7,163
Bank debt	**(134,937)**	(123,566)
Net debt (1)	**(150,315)**	(116,403)

Annualized funds flow for three months ended:	**September 30, 2021**	December 31, 2020
Net cash from operating activities	**15,488**	21,857
Change in non-cash working capital	**7,003**	714
Decommissioning obligations	**-**	-
Adjusted funds flow (1)	**22,490**	22,571
Annualized adjusted funds flow	**89,960**	90,285
Net debt to annualized adjusted funds flow (1)	**1.7**	1.3
Credit facility available	**200,000**	165,000
Net debt to credit facility available	**75%**	71%

(1) Non-IFRS measure. See "Non-IFRS measurements" in this MD&A.

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before November 30, 2021. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	**Q3 2021**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	43,604	31,105	2,796	7,503	32,691	37,490	36,712	**44,298**
Cash flow from operating activities	27,248	27,505	5,678	(2,454)	21,857	24,918	23,353	**15,488**
Adjusted funds flow (1)	29,409	20,233	5,136	4,447	22,571	19,959	16,016	**22,490**
Per share – basic	0.18	0.13	0.03	0.03	0.14	0.12	0.10	**0.14**
– diluted	0.16	0.12	0.03	0.03	0.14	0.12	0.10	**0.14**
Net income (loss)	10,470	20,969	(7,224)	(1,513)	1,031	1,426	1,150	**8,261**
Per share – basic	0.07	0.13	(0.05)	(0.01)	0.01	0.01	0.01	**0.05**
– diluted	0.06	0.12	(0.05)	(0.01)	0.01	0.01	0.01	**0.05**
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	**160,197**
Net capital expenditures	36,737	41,995	2,366	2,160	9,916	18,289	37,041	**36,679**
Net debt (2)	111,717	133,680	131,064	128,916	116,403	114,840	136,015	**150,315**
Shareholders' equity	432,245	453,700	446,966	445,961	448,672	450,572	452,163	**460,867**
Production								
Crude oil *(bbls/d)*	6,613	6,324	1,309	1,626	6,448	5,810	4,822	**5,233**
Natural gas *(mcf/d)*	4,243	4,089	979	867	4,057	4,712	4,435	**5,174**
NGLs *(bbls/d)*	330	238	72	30	327	378	313	**378**
Total *(boe/d)*	7,649	7,244	1,545	1,800	7,451	6,973	5,874	**6,474**
Liquids *(%)*	91	91	89	92	91	89	87	**87**
Average wellhead prices								
Crude oil *($/bbl)*	68.37	51.70	21.08	48.47	52.06	66.48	78.00	**84.44**
Natural gas *($/mcf))*	3.06	2.49	2.50	2.35	3.12	3.77	3.87	**4.45**
NGLs *($/bbl)*	26.95	19.64	9.20	23.88	21.38	33.22	32.32	**43.77**
Total *($/boe)*	61.96	47.18	19.89	45.31	47.69	59.74	68.68	**74.38**
Royalties *($/boe)*	(5.03)	(3.69)	(2.76)	(3.47)	(3.44)	(5.24)	(6.92)	**(6.79)**
Operating costs *($/boe)*	(8.11)	(9.33)	(15.01)	(12.71)	(6.11)	(7.71)	(9.47)	**(8.73)**
Transportation costs *($/boe)*	(4.29)	(3.88)	(3.64)	(3.79)	(3.89)	(3.98)	(3.59)	**(3.23)**
Operating netback before derivatives *($/boe)* (3)	44.54	30.28	(1.52)	25.34	34.25	42.81	48.70	**55.62**
Gain (loss) on derivatives	(0.13)	3.94	52.01	14.85	1.65	(7.20)	(14.32)	**(13.66)**
Operating netback after derivatives *($/boe)* (3)	44.41	34.22	50.49	40.19	35.90	35.61	34.38	**41.95**

(1) Non-IFRS Measure, See “Non-IFRS Measurements” contained in this MD&A. Adjusted funds flow 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 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.

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, 2021.

Critical Estimates

Certain of the Company's accounting policies require subjective judgement about uncertain circumstances. The potential effects of these estimates are described in the Company's MD&A for the year ended December 31, 2020 and Note 2 of the September 30, 2021 financial statements. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	**September 30, 2021**	December 31, 2020
(000s)(unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**16,385**	13,903
Prepaid expenses and deposits	**2,131**	965
	18,516	14,868
Non-current assets		
Property, plant and equipment *(note 5)*	**603,734**	539,257
Exploration and evaluation assets *(note 6)*	**68,655**	73,042
	672,389	612,299
Total assets	**690,905**	627,167
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**33,894**	7,705
Derivative financial instruments *(note 4)*	**14,617**	5,356
Lease obligations *(note 9)*	**384**	583
	48,895	13,644
Non-current liabilities		
Bank debt *(note 7)*	**134,937**	123,566
Decommissioning obligations *(note 8)*	**18,157**	17,095
Lease obligations *(note 9)*	**336**	-
Deferred tax liability	**27,713**	24,190
	181,143	164,851
Total liabilities	**230,038**	178,495
Equity		
Share capital *(note 10)*	**372,361**	372,361
Contributed surplus	**17,859**	16,501
Retained earnings	**70,647**	59,810
Total equity	**460,867**	448,672
Total liabilities and equity	**690,905**	627,167

Subsequent event *(note 4)*

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*
Revenue				
Petroleum and natural gas revenues *(note 11)*	**44,298**	7,503	**118,500**	41,404
Royalties	**(4,046)**	(574)	**(11,035)**	(3,394)
Realized gain (loss) on derivative instruments	**(8,137)**	2,460	**(20,313)**	12,368
Unrealized gain (loss) on derivative instruments	**3,304**	(2,824)	**(9,261)**	3,909
Other revenue *(note 11)*	**15**	29	**91**	123
Other income *(note 8)*	**-**	-	**139**	-
	35,434	6,594	**78,121**	54,410
Expenses				
Operating	**5,202**	2,105	**15,100**	10,366
Transportation	**1,926**	627	**6,339**	3,699
General and administrative	**1,005**	857	**3,088**	3,331
Depletion and depreciation *(note 5)*	**9,800**	2,721	**28,675**	15,438
Share-based compensation	**311**	376	**955**	1,103
Exploration and evaluation *(note 6)*	**4,801**	308	**5,174**	759
Finance expenses *(note 12)*	**1,567**	1,453	**4,430**	3,497
	24,612	8,447	**63,761**	38,193
Income (loss) before income taxes	**10,822**	(1,853)	**14,360**	16,217
Deferred income tax expense (recovery)	**2,561**	(340)	**3,523**	3,984
Income and comprehensive income (loss) for the period	**8,261**	(1,513)	**10,837**	12,233
Income (loss) per share *(note 13)*				
Basic	**0.05**	(0.01)	**0.07**	0.08
Diluted	**0.05**	(0.01)	**0.07**	0.07

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	Total Equity
(000s)(unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2021	**160,197**	**372,361**	**16,501**	**59,810**	**448,672**
Share-based payments	**-**	**-**	**1,358**	**-**	**1,358**
Income for the period	**-**	**-**	**-**	**10,837**	**10,837**
Balance – September 30, 2021	**160,197**	**372,361**	**17,859**	**70,647**	**460,867**

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
(000s)(unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2020	160,197	372,361	13,359	46,547	432,267
Share-based payments	-	-	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

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	
	2021	2020	**2021**	2020
(000s) (unaudited)	*($)*	*($)*	*($)*	*($)*
Cash flows from operating activities				
Net income (loss)	**8,261**	(1,513)	**10,837**	12,233
Adjustments for:				
Depletion and depreciation (*note 5*)	**9,800**	2,721	**28,675**	15,438
Exploration and evaluation *(note 6)*	**4,801**	308	**5,174**	759
Interest on lease obligations *(note 9)*	**6**	16	**18**	47
Unrealized loss (gain) on derivative instruments	**(3,304)**	2,824	**9,261**	(3,909)
Deferred income taxes (recovery)	**2,561**	(340)	**3,523**	3,984
Accretion of decommissioning obligations *(note 8)*	**55**	54	**160**	160
Other income *(note 8)*	**-**	-	**(139)**	-
Share-based compensation	**311**	376	**955**	1,103
Decommissioning obligations settled *(note 8)*	**-**	-	**(13)**	-
Change in non-cash working capital	**(7,003)**	(6,901)	**5,308**	914
	15,488	(2,454)	**63,759**	30,730
Cash flows from investing activities				
Property, plant and equipment expenditures *(note 5)*	**(36,055)**	(2,153)	**(85,572)**	(44,874)
Additions to exploration and evaluation assets *(note 6)*	**(625)**	(7)	**(6,438)**	(1,647)
Change in non-cash working capital	**9,005**	846	**17,234**	(9,272)
	(27,675)	(1,314)	**(74,776)**	(55,793)
Cash flows from financing activities				
Increase in bank debt *(note 7)*	**12,298**	3,907	**11,372**	25,557
Payments on lease obligations *(note 9)*	**(111)**	(139)	**(355)**	(494)
	12,187	3,768	**11,017**	25,063
Change in cash and cash equivalents	**-**	-	**-**	-
Cash and cash equivalents – beginning of period	**-**	-	**-**	-
Cash and cash equivalents – end of period	**-**	-	**-**	-

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

1. Reporting Entity

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

2. Basis of Preparation

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

The condensed interim financial statements were authorized for issuance by the Company's Board of Directors on November 23, 2021.

(b) Estimates and judgements:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgements made by management in the preparation of these condensed interim financial statements were consistent with those applied to the annual financial statements as at and for the year ended December 31, 2020.

3. COVID-19:

Artis continues to proactively respond to the financial challenges of the COVID-19 pandemic. Management notes that forecasting the timing of a full and sustainable economic recovery is challenging with the outlook on crude oil demand significantly dependent on the status of COVID-19 virus variants, vaccine effectiveness and vaccine rollout, changes in social and travel restrictions and businesses resuming regular operations. The crude oil market, as evidenced by the increases in benchmark crude oil pricing, has responded positively to the OPEC+ alliance largely maintaining production restrictions in conjunction with the global economic recovery, but the potential for volatility in crude demand and supply remains. Management continues to monitor commodity prices, currency exchange rates and overall industry activity levels and incorporates these factors into the Company’s capital expenditure plans for the remainder of 2021 and beyond.

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, 2021, the Company held derivative commodity contracts as follows:

a) WTI Crude Oil Derivative Contracts

Type	Volume (bbls/d)	Term	Bought Put Price ($/bbl)	Sold Call Price ($/bbl)	Swap Price ($/bbl) (1)
Swap	2500	2021 Sept – December	-	-	45.87 US
Swap	300	2021 October – December	-	-	55.61 US
Swap	500	2022 January – March	-	-	62.00 US
Swap	500	2022 April – June	-	-	61.04 US
Swap	800	2022 July – December	-	-	82.25 CAD
Collar	500	2022 January – March	55.00 US	64.15 US	-
Collar	500	2022 January – March	55.00 US	67.50 US	-
Collar	500	2022 April – June	60.00 US	65.73 US	-
Collar	300	2022 April – June	73.00 CAD	84.00 CAD	-
Collar	500	2022 April – June	70.00 CAD	78.10 CAD	-
Collar	500	2022 July – September	75.50 CAD	87.65 CAD	-

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

b) WTI Crude Oil Differential Derivative Contracts

Type	Volume (bbls/d)	Term	Basis (2)	Swap Price (US$/bbl) (1)
Swap	500	2021 October – December	MSW	($5.75)
Swap	1000	2022 January – June	MSW	($3.61)

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

c) Natural Gas Derivative Contract

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

Subsequent to September 30, 2021, the Company entered into the following derivative commodity contract:

WTI Crude Oil Derivative Contract

Type	Volume (bbls/d)	Term	Bought Put Price (/bbl)	Sold Call Price (/bbl)	Swap Price ($/bbl)
Swap	400 bbls/day	2022 July - December	-	-	90.05 CAD

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial liabilities consist of accounts payable, lease obligations and the bank loan. Accounts payable and lease obligations consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains a revolving credit facility, as outlined in note 7, which is subject to annual renewal by the lenders and has a contractual maturity in 2022 if not extended. The Company maintains and monitors cash flow which is used to partially finance operating and capital expenditures. The Company does not pay dividends.

Capital management

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

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt level balances, which may also have a direct impact on the Company’s operating results and financial position. These and other factors may adversely affect the Company’s liquidity and the Company’s ability to generate income and cash flows in the future. At September 30, 2021 the Company remains in compliance with all terms of its credit facility and based on current available information, management expects to comply with all terms during the subsequent 12-month period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of Coronavirus (COVID-19), the preparation of financial forecasts is challenging.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2021, Artis' ratio of net debt to annualized funds flow was 1.7 to 1.0. Excluding realized losses on derivative instruments, the Company’s ratio of net debt to annualized funds flow would be 1.2 to 1.0. The second net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments 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 0.75 to 1 as at September 30, 2021. Artis' credit facility was increased to $200 million from $165 million on May 25, 2021.

	September 30, 2021	December 31, 2020
(000s)	*($)*	*($)*
Current assets	**18,516**	14,868
Current liabilities	**(48,895)**	(13,644)
Exclude derivative financial instruments	**14,617**	5,356
Exclude current portion of lease obligations	**384**	583
Working capital (deficiency)	**(15,378)**	7,163
Bank debt	**(134,937)**	(123,566)
Net debt (1)	**(150,315)**	(116,403)

Annualized funds flow for three months ended:	**September 30, 2021**	December 31, 2020
Net cash from operating activities	**15,488**	21,857
Change in non-cash working capital	**7,003**	714
Decommissioning obligations	**-**	-
Adjusted funds flow (1)	**22,490**	22,571
Annualized adjusted funds flow	**89,960**	90,285
Net debt to annualized adjusted funds flow (1)	**1.7**	1.3
Credit facility available	**200,000**	165,000
Net debt to credit facility available	**75%**	71%

(1) See Non-IFRS measures. See "Non-IFRS Measurements" in this MD&A.

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

5. Property, Plant and Equipment

	Oil and Natural Gas Properties
(000s)	*($)*
Cost or deemed cost	
Balance – January 1, 2020	555,130
Additions	54,705
Capitalized share-based compensation	777
Transfer from exploration and evaluation assets	6,189
Change in decommissioning obligations	4,593
Balance – December 31, 2020	621,394
Additions	85,572
Increase in right-to-use assets	473
Capitalized share-based compensation	403
Transfer from exploration and evaluation assets	5,651
Change in decommissioning obligations	1,053
Balance – September 30, 2021	**714,546**

Depletion and depreciation	
Balance – January 1, 2020	55,602
Depletion and depreciation for the year	26,535
Balance – December 31, 2020	**82,137**
Depletion and depreciation for the period	28,675
Balance – September 30, 2021	**110,812**

Carrying amounts	
September 30, 2021	**603,734**
December 31, 2020	539,257

Depletion and Depreciation

The calculation of 2021 depletion and depreciation expense included an estimated $2.1 billion (2020 – $2.1 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $1.7 million (2020 – $1.4 million) for the estimated salvage value of production equipment and facilities. The depletion, depreciation and impairment of property, plant and equipment, and any eventual reversal of impairment, are recognized in depletion and depreciation in the statement of income.

Capitalization of G&A and Share-Based Compensation

A total of $1.6 million in G&A expenditures have been capitalized and included in PP&E assets at September 30, 2021 (2020 – $1.4 million). Also included in PP&E are non-cash share-based payments of $0.4 million (2020 – $0.2 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2021, the Company determined that no indicators of impairment existed on its one CGU, therefore, no impairment test was performed.

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – January 1, 2020	79,115
Additions	1,732
Transfers to property, plant and equipment	(6,189)
Expiries	(1,616)
Balance – December 31, 2020	**73,042**
Additions	**6,438**
Transfers to property, plant and equipment	**(5,651)**
Impairments	**(5,174)**
Balance – September 30, 2021	**68,655**

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, 2021, the Company had a revolving line of credit of $180 million and an operating line of credit of $20 million for a total facility of $200 million (collectively, the “Facility”) (December 31, 2020 - $165 million) of which $134.9 million (December 31, 2020 – $123.6 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 2022. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the “Borrowing Base”) are reviewed semi-annually and are based on the bank syndicate's interpretation of the Company's reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating ("LMR") of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 14.6:1 at September 30, 2021. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before November 30, 2021. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank's prime lending rate and bankers' acceptances and LIBOR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated 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. As at September 30, 2021 the Company's applicable pricing included a 3.0 percent margin on prime lending, a 4.0 percent margin on bankers' acceptances and LIBOR loans along with a 1.0 percent per annum standby fee on the portion of the Facility that is not drawn. Borrowing margins and fees are reviewed annually as part of the bank syndicate's annual review.

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

8. Decommissioning obligations

(000s)	*($)*
Cost	
Balance – January 1, 2020	12,297
Liabilities incurred	3,457
Change in estimated future cash flows	1,136
Accretion of decommissioning obligation	205
Balance – December 31, 2020	**17,095**
Liabilities incurred	**1,054**
Decommissioning expenditures	**(13)**
Government subsidy for decommissioning expenditures	**(139)**
Accretion of decommissioning obligation	**160**
Balance – September 30, 2021	**18,157**

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 $18.2 million as at September 30, 2021 (December 31, 2020 – $17.1 million) based on an undiscounted inflated total future liability of $21.2 million (December 31, 2020 – $19.9 million) using an assumed inflation rate of 1.49% (2020 – 1.49%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 1.21% (2020 – 1.21%).

9. Lease obligations

Right-of-use assets

(000s)	
	($)
As at January 1, 2020	**812**
Depreciation	**(438)**
As at December 31, 2020	**374**
Additions	**473**
Depreciation	**(322)**
As at Sept 30, 2021	**525**

Lease liabilities

(000s)	
	($)
As at January 1, 2020	**1,155**
Lease interest expense	**63**
Lease payments	**(635)**
As at December 31, 2020	**583**
Addition	**473**
Lease interest expense	**18**
Lease payments	**(355)**
As at September 30, 2020	**720**

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

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

(000s)	1 year	2-3 years	Total
	($)	*($)*	*($)*
Lease payments including principal and interest	**384**	**336**	**720**

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 – September 30, 2021 and December 31, 2020	**160,197**	**372,361**

11. Revenue

The Company 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	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Oil production	**40,656**	7,251	**109,646**	39,515
Gas production	**2,119**	187	**5,280**	1,338
NGLs production	**1,523**	65	**3,574**	551
Total revenue	**44,298**	7,503	**118,500**	41,404

Other revenue:

The following table summarizes the Corporation's other revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Canada Emergency Rent Subsidy	**15**	-	**64**	-
Third party processing income	**-**	29	**25**	118
Interest income	**-**	-	**2**	5
	15	29	**91**	123

12. Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense	**1,512**	1,399	**4,270**	3,337
Accretion of decommissioning obligations	**55**	54	**160**	160
	1,567	1,453	**4,430**	3,497

13. Income (loss) Per Share

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197	**160,197**	160,197

Diluted earnings per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2020**	2020
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,197**	160,197	**160,197**	160,197
Effects of options in-the-money	**5,996**	9,148	**5,996**	9,148
Weighted average number of common shares – diluted	**166,193**	169,345	**166,193**	169,345

In computing diluted earnings per share for the period ended September 30, 2021, 5,996,000 (September 30, 2020 – 9,148,000) shares were added to the basic weighted average common shares outstanding to account for the dilution of stock options, warrants and retention awards that will be settled with common shares issued from treasury. There were 2,530,000 (September 30, 2020 – 1,587,000) options and warrants that were not included in the diluted earnings per share calculation because they were anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the average exercise price for common share options last issued being $2.50 (September 30, 2020 - $3.00) per common share.

14. Share-Based Payments

The Company has a stock option plan pursuant to which options to purchase common shares of the Company may be granted to employees, directors, 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, 2021.

At September 30, 2021, the Company has 13,833,000 options outstanding with an average exercise price of $1.83 per share. The weighted average contractual life is 1.1 years. At September 30, 2020, 12.3 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	**4,353**	**1.88**	**1.8**
2.19	**4,353**	**2.19**	**1.8**
2.50	**4,353**	**2.50**	**1.8**
2.81	**4,353**	**2.81**	**1.8**
3.13	**4,353**	**3.13**	**1.8**
	21,765	**2.50**	**1.8**

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

The Company has 307,500 RAs outstanding at September 30, 2021.

Reader Advisories

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

Forward-Looking Information and Statements

This quarterly report contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends", "forecast", "potential" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the forgoing, this quarterly report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of the Company's oil and gas reserves; resource estimates and volumes in respect of the Company's Duvernay lands in central Alberta (the "ESB Duvernay"); the volume and product mix of the Company's oil and gas production; production estimates and forecasts including 2021 average and exit targets; the recognition of significant resources in the ESB Duvernay; estimates of drilling locations; future oil and natural gas prices and the Company's commodity risk management programs; estimates of drilling locations; future liquidity and financial capacity; future results from operations and operating metrics including well recovery estimates; the Company's 2021 capital program and associated estimates of material metrics and guidance where applicable; estimates of operating costs in 2021; estimated well costs; forecast debt to forward cash flow ratios; the continuing and uncertain potential impact of the COVID-19 pandemic on the Company's operations and results; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition and development activities, infrastructure plans and related capital expenditures and the timing thereof; Artis' 18-24 month strategy and associated targets; the projected timeline to sustainable free cash flow; the total future capital associated with development of reserves and resources; and methods of funding our capital program.

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

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

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

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

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

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

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

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

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

Test Results and Initial Production Rates

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

BOE Equivalent

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