



ARTIS* *EXPLORATION
LTD

THIRD QUARTER REPORT FOR THE
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023

ARTIS EXPLORATION LTD.
2023 Third Quarter
For the Three and Nine Months Ended September 30, 2023

HIGHLIGHTS

	Three Months Ended September 30			Nine months Ended September 30		
	2023	2022	Change	2023	2022	Change
(000s, except per share amounts)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Financial						
Petroleum and natural gas						
revenues	84,111	82,934	1	219,870	220,773	-
Cash flow from operations	39,632	50,985	(22)	157,030	123,532	27
Adjusted funds flow ⁽¹⁾	52,625	54,495	(3)	143,995	136,635	5
Per share – basic	0.33	0.34	(3)	0.90	0.85	6
– diluted	0.32	0.33	(3)	0.87	0.82	6
Net income	17,912	36,671	(51)	55,931	77,367	(28)
Per share – basic	0.11	0.23	(52)	0.35	0.48	(27)
– diluted	0.11	0.22	(50)	0.34	0.47	(28)
Capital expenditures ⁽²⁾	57,379	54,645	5	190,559	155,513	23
(000s)	(#)	(#)	(%)	(#)	(#)	(%)
Capital Structure						
Net Debt ⁽¹⁾	191,379	160,648	19	191,379	160,648	19
Current Debt Capacity	250,000	250,000	-	250,000	250,000	-
Shareholders' equity	650,212	557,935	17	650,212	557,935	17
(000s)	(#)	(#)	(%)	(#)	(#)	(%)
Share Data						
At period-end						
Basic	160,197	160,197	-	160,197	160,197	-
Options	15,323	14,598	5	15,323	14,598	5
Warrants	21,685	21,765	-	21,685	21,765	-
Retention awards	308	308	-	308	308	-
Weighted average						
Basic	160,197	160,197	-	160,197	160,197	-
Diluted	165,900	166,121	-	165,900	166,121	-
			(%)			(%)
Operating						
Production						
Crude oil (bbls/d)	7,944	7,172		7,485	6,066	
Natural gas (mcf/d)	7,204	5,793		6,684	5,153	
NGLs (bbls/d)	713	514		576	384	
Total (boe/d)	9,858	8,652	14	9,175	7,309	26
Liquids %	88	89		88	88	
Average wellhead prices						
Crude oil (\$/bbl)	108.64	117.08	(7)	101.50	123.69	(18)
Natural gas (\$/mcf)	3.11	5.05	(38)	3.29	6.56	(50)
NGLs (\$/bbl)	40.43	63.09	(36)	41.09	63.92	(36)
Total (\$/boe)	92.74	104.19	(11)	87.78	110.65	(21)
Royalties (\$/boe)	(12.63)	(10.92)	16	(10.14)	(10.79)	(6)
Operating cost (\$/boe)	(10.01)	(8.90)	12	(10.24)	(9.82)	4
Transportation cost (\$/boe)	(3.96)	(3.94)	-	(4.07)	(4.14)	(2)
Operating netback before financial derivatives (\$/boe) ⁽³⁾	66.15	80.43	(18)	63.34	85.90	(26)
Realized loss on financial Derivatives	(2.29)	(6.88)		(0.07)	(12.35)	
Operating netback after financial derivatives (\$/boe) ⁽³⁾	63.86	73.55	(13)	63.27	73.55	(14)

	Three Months Ended December 31			Years Ended December 31		
	2023	2022	Change (%)	2023	2022	Change (%)
Drilling activity – gross (net)						
Crude oil (#)	5.5 (5.5)	5 (5.0)		17.5 (17.5)	16 (16.0)	
Natural gas (#)		-			-	
Total (#)	5.5 (5.5)	5 (5.0)	10	17.5 (17.5)	16 (16.0)	9
Average working interest (%)	100	100		100	100	

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

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

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

Artis Exploration Ltd. is pleased to report its financial and operating results for the three and nine months ended September 30, 2023.

Financial and Operating Highlights

- Third quarter 2023 production of 9,858 boe/d (88% liquids) was a corporate quarterly record, and 14% higher than the same period in 2022 and up 16% from the second quarter of 2023.
- Third quarter 2023 adjusted funds flow was \$52.6 million (\$0.32 per diluted share), down 3% compared to the same period in 2022 but up 26% from the second quarter of 2023. Third quarter 2023 commodity prices were down 11% from the previous year.
- Achieved an operating netback of \$66.15/boe in the third quarter of 2023 before including financial derivatives (\$63.86/boe after including financial derivatives) based on an average crude oil WTI price of \$82.26 US/bbl for the quarter.
- Generated third quarter net earnings of \$17.9 million or \$0.11 per diluted share.
- Artis invested \$57.4 million in third quarter capital expenditures comprising mainly of the drilling of 5.5 (5.5 net) and completion of 6 (6.0 net) oil wells in our core area of Twinning, Alberta which included \$2.4 million for major facilities and pipelines.
- Artis' net debt of \$191.4 million at period end corresponded to a net debt to annualized adjusted funds flow ratio for the third quarter of 0.9 times.

President's Message

The Company is pleased to announce record production averaging 9,858 boe/d (89% liquids) for the third quarter of 2023. This was 14% higher than production during the same period in 2022 and also up 16% from the second quarter of 2023. Adjusted funds flow of \$52.6 million were generated in the third quarter, down 3% compared to the same period last year but up 26% from the second quarter of 2023. Third quarter 2023 commodity prices were lower by 11% compared to the previous year. Artis maintained one of the highest operating netbacks on public record, at \$66.15/boe before realized hedging gain (\$63.86/boe after realized hedging gain) and adjusted funds flow of \$60.31/boe before realized hedge gain (\$58.02/boe after realized hedge gain) based on a third quarter WTI price of \$82.26 US/bbl. As a result of these high netbacks Artis was able to generate net earnings of \$17.9 million or \$0.11 per basic share for the quarter. The Company exited the quarter with net debt of \$191.4 million and a net debt to annualized adjusted funds flow ratio for the third quarter of 0.9 times. The Company's bank credit facility was at \$250 million in the third quarter and is anticipated to be expanded to \$300 million during the fourth quarter of 2023.

Artis invested \$57.4 million in the third quarter comprised of drilling 5.5 (5.5 net) horizontal oil wells and the completion of 6 (6.0 net) horizontal oil wells in our core area of Twinning which included approximately \$2.4 million for major facilities and pipelines. Artis' completions consisted of two 3 well Duvernay pads in winerack configuration. The two pads flowed back at record total pad peak rates of over 2,100 boe/d (94% light oil and NGLs) and total pad peak rates of over 2,700 boe/d (92% light oil and NGLs), respectively. The Company's latest pad at the end of the third quarter was executed at an average "all-in" well cost of approximately \$8.25 million for wells averaging approximately 3,200 metre lateral lengths which ranks with the lowest current well costs in the Duvernay play.

On the back of this recent operational success, Artis' October production averaged 11,122 boe/d based on field estimates and the Company is targeting fourth quarter average production of approximately 11,000 boe/d with an exit net debt of \$175-\$185 million or approximate net debt to annualized adjusted funds flow ratio of 0.7 to 0.8 times assuming a WTI reference oil price of \$80 US/bbl.

For 2024, subject to potential modifications to its planned capital expenditures program to reflect commodity prices and changing economic conditions, the Company is targeting the investment of approximately \$235-\$255 million of capital expenditures encompassing the completion of 23-25 Duvernay wells and average annual production growth of approximately 20-25% within its estimated adjusted funds flow. Strategic priorities will be to continue to further progress our strong well results across Artis' 368 net sections of Duvernay rights in the Twining-Trochu area of the East Shale Basin and to further grow our total proved reserve inventory which was estimated at approximately 97 million barrels of oil equivalent as evaluated by the Company's third-party reserve evaluators effective as at January 31, 2023.

We look forward to reporting on our fourth quarter 2023 and year end results in the New Year.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer
November 21, 2023

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. In addition, please see the Section entitled "Non-GAAP and other Financial Measures" in the Company's MD&A.

Forward-Looking Information and Statements

This quarterly report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends", "forecast", "potential" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, 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 and recovery estimates and potential 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; projected well payouts and returns; the recognition of significant resources in the ESB Duvernay; future oil and natural gas prices and the Company's commodity risk management programs; future liquidity and financial capacity expectations regarding our credit facility; future results from operations and operating metrics including well recovery estimates; the Company's 2023 and 2024 capital programs and associated estimates of material metrics, targets and guidance where applicable; estimated operating and well costs; the continuing and uncertain potential impact of pandemics and other world events including the Russia/Ukraine and Middle East conflicts and resultant commodity price volatility on future capital expenditure plans and on the Company's operations and results; future costs, expenses and royalty rates; future interest costs; the exchange rate between the \$US and \$Cdn; future development, exploration, acquisition and development activities, infrastructure plans and related capital expenditures and the timing thereof; the 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 2023 and 2024 capital expenditure programs and associated targets and guidance for those periods and beyond, are subject to change in light of the impact of pandemics and the Russia/Ukraine and Middle East conflicts, and any related actions taken by businesses and governments, ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Artis' financial outlook and guidance provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods based upon

the reasonable assumptions of management in preparing same. Such information reflects internal targets 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 targets and results to defer materially from those predicted and Artis' guidance for 2023, 2024 and beyond may not be appropriate for other purposes. Accordingly, undo reliance should not be placed on same.

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

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

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

Non-GAAP and Other Financial Measures and FOFI

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

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

results are not objectively determinable. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth in this presentation, and such variation may be material.

Test Results and Initial Production Rates

A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results, peak flow 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.

BOE Equivalent

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for Artis Exploration Ltd. ("Artis" or the "Company") reports on the financial condition and the results of operations for the three and nine months ended September 30, 2023 and 2022 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, 2022. 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 16, 2023.

Basis of Presentation

The unaudited financial statements and comparative information for the three and nine months ended September 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

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

About Artis

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

1764821 Alberta Ltd. ("1764821") was incorporated on August 8, 2013 under the Business Corporations Act of Alberta (the "ABCA"). On November 3, 2015, 1764821 acquired all of the outstanding shares of Artis Exploration Ltd. and the two companies were amalgamated on November 3, 2015 under the ABCA to form Artis Exploration Ltd. ("Artis" or the "Company"). The Company's registered office is located at 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 2023 production averaged a record corporate high of 9,858 boe/d (88% liquids), 14% higher than the same period in 2022 and up 16% from the second quarter of 2023.
- Third quarter 2023 adjusted funds flow was \$52.6 million (\$0.32 per diluted share), down 3% compared to the same period in 2022 but up 26% from the second quarter of 2023. Third quarter 2023 commodity prices were down 11% from the previous year.
- Achieved an operating netback of \$66.15/boe in the third quarter of 2023 before including financial derivatives (\$63.86/boe after including financial derivatives) based on an average crude oil WTI price of \$82.26 US/bbl for the quarter.
- Generated third quarter net earnings of \$17.9 million or \$0.11 per diluted share.
- Artis invested \$57.4 million in third quarter capital expenditures comprising mainly of the drilling of 5.5 (5.5 net) and completion of 6 (6.0 net) oil wells in our core area of Twinning, Alberta which included \$2.4 million for major facilities and pipelines.
- Artis' net debt of \$191.4 million at period end corresponded to a net debt to annualized adjusted funds flow ratio for the third quarter of 0.9 times.

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 2023 drilling program and management's assessment of the potential and uncertain impact of pandemics and other world events including the Russia/Ukraine and Middle East conflicts and resultant commodity price volatility on future plans and operations and the

timing thereof; anticipated commodity prices, industry outlook and volatility and their impact on the Company's operations and results; commodity mix; timing of expenditures; budgeted capital expenditures and the method of funding thereof and the nature of the expenditures; production estimates and forecasts; timing of drilling, completion and tie-in of wells; anticipated results from wells drilled and the possible effect thereof on the Company; estimates of reserves; the expected economics of the wells to be drilled; the Company's long term model including growth to free cash flow; the expected impact of increasing oil prices on cash flow and reserve value; expected royalty rates; operating expenses; general and administrative expenses; debt levels, funds from operations; liquidity and net debt estimates including the availability of funds to finance the Company's capital expenditure program; anticipated potential hedging activity; expectations regarding the Company's credit facilities and compliance therewith; the expected levels of activities; may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation; volatility of commodity prices; currency fluctuations; imprecision of reserves estimates; environmental risks; competition from other producers; incorrect assessment of the value of acquisitions; ability to access sufficient capital from internal and external sources; delays resulting from inability to obtain regulatory approvals; and, changes in the regulatory and taxation environment. Consequently, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information is based on a number of factors and assumptions that have been used to develop such statements and information, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions that may be identified in this document, assumptions have been made regarding, among other things: the uncertain and continuing impacts of pandemics and world events including the Russia/Ukraine and Middle East conflicts; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the ability of the Company to obtain qualified staff, equipment 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 2023 and 2024 capital expenditure programs and related targets and forecasts disclosed herein are estimates based on certain assumptions including, without limitation, liquidity, operating results, known fiscal regimes, commodity prices and risk management activities and the continuing uncertain impact of pandemics and world events including the Russia/Ukraine and Middle East conflicts and will be regularly scrutinized and potentially updated by management and our board of directors. Our objective will be to proactively manage our capital program as it relates to operational success and fluctuating commodity prices with a priority to maintain financial flexibility and achieve long range strategic goals. Artis will closely monitor our budget and financial situation throughout the year to assess market conditions and may adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

Test Results and Initial Production Rates

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

Conversions (Barrel of Oil Equivalency)

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

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Crude oil (bbls/d)	7,944	7,172	7,485	6,066
Natural gas (mcf/d)	7,204	5,793	6,684	5,153
NGLs (bbls/d)	713	514	576	384
Total (boe/d)	9,858	8,652	9,175	7,309
Liquids (%)	88	89	88	88

For the three months ended September 30, 2023, production averaged 9,858 boe/d (88% weighted to crude oil and NGLs), a 14% increase from the 8,652 boe/d (89% weighted to crude oil and NGLs) averaged during the same period a year ago and also up 16% from the second quarter of 2023.

During the nine months ended September 30, 2023, Artis' production increased 26% to average 9,175 boe/d versus 7,309 boe/d a year ago. During the first nine months of 2023, production consisted of 8,061 bbls/d of crude oil and NGLs and 6,684 mcf/d of natural gas. Liquids production was 88% of total production.

The production increases were the result of 15 gross (15.0 net) new oil wells being brought on production since the start of the year.

Revenue, Realized Losses, Unrealized Gains (Losses) and Pricing

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Revenue				
Crude oil	79,400	77,258	207,403	204,844
Realized financial derivative loss	(2,425)	(5,488)	(900)	(24,123)
Total crude oil	76,975	71,770	206,503	180,271
Natural gas	2,059	2,690	6,006	9,229
Realized financial derivative gain (loss)	348	10	737	(511)
Total natural gas	2,407	2,701	6,743	8,719
NGLs	2,652	2,986	6,461	6,700
Totals				
Sales from production	84,111	82,934	219,870	220,773
Realized financial derivative loss	(2,077)	(5,478)	(163)	(24,634)
Unrealized financial derivative gain (loss)	(7,764)	11,071	(5,672)	5,333
Total revenue	74,270	88,527	214,035	201,473

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Average Prices				
Crude oil (\$/bbl)	108.64	117.08	101.50	123.69
Realized derivative loss (\$/bbl)	(3.32)	(8.31)	(0.44)	(14.56)
Total crude oil sales price (\$/bbl)	105.32	108.77	101.06	109.13
Natural sales gas (\$/mcf)	3.11	5.05	3.29	6.56
Realized derivative gain (loss) (\$/mcf)	0.52	0.02	0.41	(0.36)
Total natural gas price (\$/mcf)	3.63	5.07	3.70	6.20
NGLs sales price (\$/bbl)	40.43	63.09	41.09	63.92
Total sales price (\$/boe)	90.46	97.31	87.72	98.30

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 third quarter of 2023 sales from production increased slightly to \$84.1 million from \$82.9 million recorded in the same period of 2022 due to a 14% increase in the Company's production but was offset by an 11% decrease in overall pricing excluding hedges. During the third quarter of 2023, Artis realized an average price of \$105.32/bbl for crude oil (including a \$3.32/bbl realized loss from financial derivative contracts) and \$3.63/mcf for natural gas (including a \$0.52/mcf realized gain from financial derivative contracts) and \$40.43/bbl for NGLs.

For the first nine months of 2023, sales from production decreased slightly to \$219.9 million from \$220.8 million in the same period last year due to a 26% increase in production but was offset by a 21% decrease in overall pricing. The Company realized an average price of \$101.06/bbl for crude oil (including a \$0.44/bbl realized loss from financial derivative contracts) and \$3.70/mcf for natural gas (including a \$0.41/mcf realized loss from financial derivative contracts) and \$41.09/bbl for NGLs.

The following table summarizes the natural gas and crude oil benchmark prices for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Average Benchmark Prices				
Crude oil – WTI (US\$/bbl)	82.26	91.56	77.39	98.09
MSW (Edm) differential (US\$/bbl)	(1.83)	(2.05)	(2.55)	(1.84)
Crude oil – MSW (Edm) par (CDN\$/bbl)	108.01	116.82	100.87	123.39
Natural gas – AECO spot Daily index (CDN\$/GJ)	2.46	3.95	2.61	5.10
Exchange rate (CDN\$/US\$)	1.34	1.31	1.35	1.28

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	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Realized loss on financial Instruments	(2,077)	(5,478)	(163)	(24,634)
Per boe	(2.28)	(6.88)	(0.06)	(12.35)
Unrealized gain (loss) on financial instruments	(7,764)	11,071	(5,672)	5,333
Per boe	(8.56)	13.91	(2.26)	2.67

The Company held the following derivative commodity contracts at September 30, 2023:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value (\$000s)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$106.08/bbl	Swap	(620)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$95.00/bbl	Swap	(1,130)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$97.00/bbl	Swap	(1,038)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$105.95/bbl	Swap	(626)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$107.95/bbl	Swap	(534)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	NYMEX – WTI CAD\$	\$117.58/bbl	Swap	(91)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$105.70/bbl	Swap	(338)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$107.00/bbl	Swap	(279)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$107.55/bbl	Swap	(254)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$113.15/bbl	Swap	1
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$113.93/bbl	Swap	37
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	NYMEX – WTI CAD\$	\$115.10/bbl	Swap	90
Crude oil	500 bbls/day	October 1, 2023 – March 31, 2024	MSW – US\$ WTI differential	(\$3.68)/bbl	Swap	(35)
Natural gas	1500 GJ/day	October 1, 2023 – October 31, 2023	AECO CAD\$ daily Index (5A)	2.80/GJ	Swap	24
Natural gas	2000 GJ/day	October 1, 2023 – October 31, 2023	AECO CAD\$ daily Index (5A)	4.10/GJ	Swap	113
Total						(4,680)

Subsequent to September 30, 2023, the Company entered into the following derivative commodity contract:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	NYMEX – WTI CAD\$	\$111.52/bbl	Swap

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Royalties				
Crown	7,421	5,751	17,981	13,763
Freehold/GORR	4,029	2,939	7,419	7,769
Total royalties	11,451	8,690	25,400	21,532
Total royalties (\$/boe)	12.63	10.92	10.14	10.79
	(%)	(%)	(%)	(%)
% of Revenue				
Crown	8.8	6.9	8.2	6.2
Freehold/GORR	4.8	3.5	3.4	3.5
Total	13.6	10.5	11.6	9.8

For the quarter ended September 30, 2023, the Company recorded \$11.5 million in total royalties or 13.6% of revenue versus \$8.7 million or 10.5% of revenue a year ago. Approximately 8.8% of total revenue paid in the third quarter of 2023 consisted of Crown royalties and 4.8% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 6.9% and 3.5%, respectively, in the 2022 three-month period. For the first nine months of 2023, total royalties were \$25.4 million or 11.6% of revenue versus \$21.5 million or 9.8% of revenue a year ago.

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

Operating Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Operating expenses	9,075	7,083	25,637	19,587
Per unit of production (\$/boe)	10.01	8.90	10.24	9.82

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, workovers, fuel and power as well as emulsion/oil treating charges.

Operating costs were \$9.1 million or \$10.01/boe for the third quarter of 2023 compared to \$7.1 million or \$8.90/boe recorded a year ago.

For the first nine months of 2023, operating costs were \$25.6 million compared to \$19.6 million in the same period of 2022. Operating costs on a per boe basis increased a nominal 4% to \$10.24/boe from \$9.82/boe in 2022.

Transportation Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Transportation expenses	3,595	3,137	10,197	8,259
Transportation expenses (\$/boe)	3.96	3.94	4.07	4.14

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, 2023, transportation costs were \$3.6 million or \$3.96/boe as compared to \$3.1 million or \$3.94/boe last year. For the first nine months of 2023, transportation costs were \$10.2 million or \$4.07/boe versus \$8.3 million or \$4.14/boe a year ago.

Operating Netbacks ⁽¹⁾

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(\$/boe)	(\$)	(\$)	(\$)	(\$)
Petroleum and natural gas				
revenues	92.74	104.19	87.78	110.65
Royalties	(12.63)	(10.92)	(10.14)	(10.79)
Operating	(10.01)	(8.90)	(10.24)	(9.82)
Transportation	(3.96)	(3.94)	(4.07)	(4.14)
Operating netback before realized				
loss on derivative instruments	66.15	80.43	63.34	85.90
Realized loss on derivative				
Instruments	(2.29)	(6.88)	(0.07)	(12.35)
Operating netback after realized				
loss on financial derivatives	63.86	73.55	63.27	73.55

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

Operating netbacks for the third quarter of 2023 were down 13% from the third quarter of 2022 primarily because commodity prices were down 7% inclusive of realized losses on derivative instruments and royalties were up 30% and operating costs were up 12%.

Operating netbacks for the nine months of 2023 were down 14% from the previous year primarily because commodity prices were down 11% inclusive of realized losses on derivative instruments and royalties were up 18%.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Gross expenses	2,914	2,393	8,210	6,508
Capitalized expenses	(1,022)	(818)	(2,779)	(2,285)
General and administrative expenses	1,892	1,575	5,431	4,222
Per unit of production (\$/boe)	2.09	1.98	2.17	2.12

For the three months ended September 30, 2023, G&A expenses totaled \$1.9 million compared to \$1.6 million recorded in the same period a year ago. For the periods ended September 30, 2023 and 2022, the Company capitalized G&A totaling \$1.0 million and \$0.8 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. G&A expenses increased 20% primarily because of increased employee bonuses paid out in 2023 as compared to 2022. Also insurance costs have also increased as the Company's level of activity have increased over the last two years.

For the nine months ended September 30, 2023, G&A expenses totaled \$5.4 million compared to \$4.2 million recorded in the same period a year ago. For the periods ended September 30, 2023 and 2022, the Company capitalized \$2.8 million and \$2.3 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. As mentioned above the increase was because of increased employee bonuses and insurance costs.

On a per boe basis, G&A expenses remained consistent with last period as Artis' production has increased in the same relative proportion as G&A expenses.

Share-Based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Gross expenses	335	417	4,319	1,564
Capitalized expenses	(128)	(62)	(1,338)	(354)
Total share-based compensation	207	356	2,981	1,210

The Company recognizes share-based compensation expense for stock options issued. For the three months ended September 30, 2023, Artis recorded non-cash share-based compensation expense of \$0.2 million compared to \$0.4 million for the previous period. For the periods ended September 30, 2023 and 2022, the Company capitalized \$128,000 and \$62,000 respectively.

The Company had non-cash share-based compensation expense of \$3.0 million for the first nine months of 2023 (2022 – \$1.2 million) which was net of capitalized stock-based compensation of \$1.3 million (2022 - \$0.4 million). The 2023 increase related to 0.6 million options being issued to employees in the second quarter of 2023 along with the term on 7.8 million current options being extended approximately two additional years.

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	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Interest expense on credit facility	3,217	2,248	8,439	5,286
Standby fees on credit facility	181	231	613	630
Interest expense on lease obligations	41	11	86	32
Accretion of decommissioning obligations	172	89	488	254
Finance expenses	3,611	2,579	9,625	6,202
Per unit of production (\$/boe)	3.98	3.24	3.84	3.11

The Company incurred \$3.2 million (2022 - \$2.2 million) of interest expense in the third quarter of 2023 and \$8.4 million (\$5.3 million) for the nine months ended September 30, 2023. The average interest rate for the quarter was approximately 8.3% (2022 – 6.5%). The Company incurred credit facility stand-by fees of \$0.2 million (2022 - \$0.2 million) for the quarter ended September 30, 2023 and \$0.6 million (2021 - \$0.6 million) for the nine months ended September 30, 2023. The Company's credit facility remained at \$250 million over the past year.

The Company's accretion expense for the three-month period ended September 30, 2023 was \$172,000 (2022 - \$89,000) and \$488,000 (2022 - \$254,000) for the nine-month period ended September 30, 2023. Accretion expense increases as the cumulative number of wells drilled increases each year. It is also affected by changes in discount factors and inflation rates.

Depletion and Depreciation ("D&D") Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
D&D expense	19,557	13,725	53,780	34,253
D&D expense (\$/boe)	21.56	17.24	21.47	17.17

The Company's D&D expense for the nine months ended September 30, 2023 was \$53.8 million or \$21.47/boe versus \$34.3 million or \$17.17/boe for the comparable period of 2022. The D&D expense on a boe basis increased 25% because future development costs increased 24% compared to last year because of increased drilling and completion costs incorporated into the Company's January 31, 2023 reserve report.

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 2023 depletion and depreciation expense included an estimated \$2.8 billion (2022 – \$2.3 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded \$2.1 million (2022 – \$1.9 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, 2023 Artis recorded an exploration and evaluation expense of \$7.5 million versus \$5.4 million 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 2023, Artis recorded a deferred income tax expense of \$5.4 million and \$17.6 million, respectively, compared to \$11.1 million and \$23.5 million, respectively, for the same periods in 2022. The period-over-period decrease in deferred income taxes was a result of the decrease in net income compared to the previous period. In 2023, the blended statutory tax rate is 23.0% (2022 - 23%).

Artis was not subject to any corporate income taxes for year-to-date 2023 and full-year 2022. The Company has approximately \$556 million of tax pools available for deduction against future taxable income as at September 30, 2023.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
<i>(000s, except per share amounts)</i>	(\$)	(\$)	(\$)	(\$)
Cash provided by operating activities	39,632	50,985	157,030	123,532
Per share – basic	0.25	0.32	0.98	0.77
– diluted	0.24	0.31	0.95	0.74
Adjusted funds flow ^{(1) (2)}	52,625	54,495	143,995	136,635
Per share ^{(1) (2)} – basic	0.33	0.34	0.90	0.85
– diluted	0.32	0.33	0.87	0.82
Net income	17,912	36,671	55,931	77,367
Per share – basic	0.11	0.23	0.35	0.48
– diluted	0.11	0.22	0.34	0.47

(1) Adjusted funds flow per share has been calculated using the same denominator as was used in calculating net income per share.

(2) See “Non-GAAP and Other Financial Measures”.

Adjusted funds flow from operations for the nine months ended September 30, 2023 increased 5% compared to the previous period due mainly due to production increasing 26% partially offset by realized commodity prices decreasing 11% and royalties increasing 18% in 2023. Net income decreased 28% to \$55.9 million (2022 – \$77.4 million) for the first nine months of 2023 again because of the decrease in commodity prices and increased royalties along with increased interest expenses and depletion and depreciation charges..

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

During the third quarter of 2023, the Company invested \$57.4 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to \$54.6 million for the same period of 2022.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
<i>000s)(excluding decommissioning liabilities capitalized share-based compensation, and right-to-use Assets)</i>	(\$)	(\$)	(\$)	(\$)
Drilling and completions	50,346	44,217	140,600	121,723
Equipment and facilities	5,853	8,243	45,052	28,654
Land and lease retention	148	1,038	2,088	2,490
Geological and geophysical	-	320	-	320
Capitalized G&A and other	1,032	827	2,819	2,326
Total capital expenditures ⁽¹⁾	57,379	54,645	190,559	155,513

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

During the third quarter of 2023, the Company incurred \$50.3 million (2022 – \$44.2 million) in drilling and completion expenditures that involved the drilling of 5.5 (5.5 net) and completion of 6 (6.0 net) horizontal oil wells as compared to the drilling and completion of 5 (5.0 net) horizontal oil wells the third quarter of 2022. Equipping and facilities expenditures for the three months ended September 30, 2023 and 2022 were \$5.9 million and \$8.2 million, respectively. Included in the equipping and facilities expenditures for 2023 were \$2.4 million (2022 – \$3.4 million) for major facilities and pipelines. During the 2022 three-month period, the Company invested \$1.2 million on land, seismic and capitalized G&A versus \$2.2 million for the same period of 2022.

Drilling and completion expenditures totaled \$140.6 million for the nine months ended September 30, 2022, (2022 – \$121.7 million) that involved participation in 17.5 (17.5 net) horizontal oil wells versus 16 (16.0 net) horizontal wells for the same period in 2022. Equipping and facilities expenditures for the nine months ended September 30, 2023 and 2022 were \$45.1 million and \$28.7 million, respectively. Included in the equipping

and facilities expenditures for 2023 were \$28.6 million (2022 - \$17.4 million) of investments for major facilities and pipelines. During the 2022 nine-month period, the Company invested \$4.9 million on land, seismic and capitalized G&A versus \$5.1 million for the same period of 2022.

Drilling Activity

	Total	
	Gross	Net
	(#)	(#)
Nine Months Ended September 30, 2023		
Crude oil (horizontal)	17.5	17.5
Total wells	17.5	17.5
Average working interest (%)		100
Nine Months Ended September 30, 2022		
Crude oil (horizontal)	16	16.0
Total wells	16	16.0
Average working interest (%)		100

Share Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(#)	(#)	(#)	(#)
Weighted Average Shares Outstanding				
Basic	160,197	160,197	160,197	160,197
Diluted	165,900	166,121	165,900	166,121
Outstanding Securities				
Common shares	160,197	160,197	160,197	160,197
Performance warrants	21,765	21,765	21,765	21,765
Options	15,323	14,598	15,323	14,598
Retention awards	308	308	308	308

As at November 16, 2023, Artis had outstanding 160,197,381 common shares and 15,323,000 stock options with an average exercise price of \$1.95 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 2023 capital expenditures is expected to be provided by cash generated from operating activities and the Company's \$250 million bank credit facility. The Company had no defaults or breaches on its bank

facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. At September 30, 2023 the Company remains in compliance with all terms of our credit facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2023, Artis' ratio of net debt to annualized funds flow was 0.9 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 0.77 to 1 as at September 30, 2023.

	September 30 2023	December 31, 2022
(000s)	(\$)	(\$)
Current assets	37,502	36,436
Current liabilities	(53,489)	(20,972)
Exclude - Derivative financial instruments	4,680	(992)
Exclude - Current portion of lease obligations	354	319
Working capital (deficiency)	(10,953)	14,792
Bank debt	(180,426)	(159,148)
Net debt ⁽¹⁾	(191,379)	(144,356)
	September 30, 2023	December 31, 2022
Annualized funds flow for three months ended:		
Net cash from operating activities	39,632	52,221
Change in non-cash working capital	12,993	4,482
Decommissioning obligations	-	125
Adjusted funds flow ⁽¹⁾	52,625	56,828
Annualized adjusted funds flow	210,498	227,310
Net debt to annualized adjusted funds flow ⁽¹⁾	0.9	0.6
Credit facility available	250,000	250,000
Net debt to credit facility available	77%	58%

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

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before November 30, 2023. A decrease in the borrowing base resulting in a borrowing base shortfall would require a re-payment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

Bank Loan

At September 30, 2023, the Company had a revolving line of credit of \$225 million and an operating line of credit of \$25 million for a total facility of \$250 million (collectively, the "Facility") (December 31, 2022 - \$250 million) of which \$180.4 million (December 31, 2022 – \$159.1 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, 2024. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the "Borrowing Base") are reviewed semi-annually and are based on the bank syndicate's interpretation of the Company's reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating ("LMR") of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 16.6:1 at September 30, 2023. 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, 2023. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a re-payment 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, 2023 the Company's applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on bankers' acceptances and SOFR loans along with a 0.75 percent per annum standby fee on the portion of the Facility that is not drawn. Borrowing margins and fees are reviewed annually as part of the bank syndicate's annual review.

Related-Party and Off-Balance Sheet Transactions

The Company was not involved in any off-balance-sheet transactions or related party transactions during the quarter ended September 30, 2023.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<i>(000s, except per share amounts)</i> <i>(unaudited)</i>	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Petroleum and natural gas revenues	50,062	54,622	83,217	82,934	81,851	71,886	63,874	84,111
Cash flow from operating activities	21,491	30,323	42,224	50,985	52,221	71,533	45,865	39,632
Per diluted share	0.13	0.18	0.25	0.31	0.31	0.43	0.28	0.24
Adjusted funds flow ⁽¹⁾	25,087	32,642	49,498	54,495	56,828	49,555	41,816	52,625
Per diluted share	0.15	0.20	0.30	0.33	0.34	0.30	0.25	0.32
Net income	16,237	9,259	31,437	36,671	28,612	20,818	17,201	17,912
Per share – basic	0.10	0.06	0.20	0.23	0.18	0.13	0.11	0.11
– diluted	0.10	0.06	0.19	0.22	0.17	0.13	0.10	0.11
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197
Net capital expenditures ⁽¹⁾	16,188	45,480	55,388	54,645	40,291	68,890	64,289	57,379
Net debt ⁽¹⁾	141,520	154,449	160,436	160,648	144,356	163,755	186,427	191,379
Shareholders' equity	479,004	488,587	520,846	557,935	589,962	610,986	631,966	650,212
Production								
Crude oil (bbls/d)	5,308	4,823	6,178	7,172	7,615	7,559	6,947	7,944
Natural gas (mcf/d)	5,207	4,672	4,981	5,793	5,759	6,392	6,447	7,204
NGLs (bbls/d)	367	300	335	514	533	529	483	713
Total (boe/d)	6,543	5,902	7,342	8,652	9,108	9,154	8,505	9,858
Liquids (%)	87	87	89	89	89	88	87	88
Average wellhead prices								
Crude oil (\$/bbl)	93.36	116.46	137.03	117.08	108.41	99.16	95.77	108.64
Natural gas (\$/mcf)	5.71	5.92	8.94	5.05	6.22	3.85	2.95	3.11
NGLs (\$/bbl)	51.45	58.59	69.94	63.09	53.28	46.36	36.38	40.43
Total (\$/boe)	83.17	102.83	124.55	104.19	97.69	87.26	82.53	92.74
Royalties (\$/boe)	(8.08)	(9.55)	(11.63)	(10.92)	(8.40)	(8.11)	(9.39)	(12.63)
Operating costs (\$/boe)	(8.83)	(10.72)	(10.19)	(8.90)	(9.06)	(10.22)	(10.52)	(10.01)
Transportation costs (\$/boe)	(3.60)	(3.80)	(4.65)	(3.94)	(3.95)	(4.08)	(4.18)	(3.96)
Operating netback before derivatives (\$/boe) ⁽¹⁾	62.65	78.76	98.08	80.43	76.27	64.85	58.43	66.15
Gain (loss) on derivatives	(17.07)	(12.24)	(18.93)	(6.88)	(3.34)	0.79	1.63	(2.29)
Operating netback after derivatives (\$/boe) ⁽¹⁾	45.58	66.52	79.15	73.55	72.94	65.64	60.06	63.86

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

New Accounting Pronouncements

On June 26, 2023 the International sustainability Standards Board ("ISSB") issued IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial information" and IFRS S2 "Climate-related Disclosures". IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024. The sustainability standards as issued by the ISSB provide for transition relief in IFRS S1 that allow a reporting entity to report only on climate-related risks and opportunities, as set out in IFRS S2, in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators (“CSA”) are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standards, including the effective reporting dates. The CSA issued proposed National instrument (“NI 51-107 – Disclosure of Climate-related Matters”) in October 2021. The CSA has indicated it will consider the ISSB sustainability standards and developments in the United States in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board (“CSSB”) for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standard adoption here in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is not able to determine the impact on future financial statements nor the potential costs to comply with these sustainability standards.

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, 2022 and Note 3 of the September 30, 2023 financial statements. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

Non-GAAP and other Financial Measures

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

Non-GAAP Financial Measures

Capital Expenditures

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

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Net cash used in investing activities (per GAAP)	63,415	47,911	177,849	127,464
Change in non-cash working capital (deficit)	(6,036)	6,735	12,710	28,049
Total capital expenditures	57,379	54,645	190,559	155,513

Operating Netback

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

	Three Months Ended Sept. 30		Nine Months ended Sept. 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Petroleum and natural gas revenues	84,111	82,934	219,870	220,773
Realized loss on derivative instruments	(2,077)	(5,478)	(163)	(24,634)
Royalties	(11,451)	(8,690)	(25,400)	(21,532)
Operating	(9,075)	(7,083)	(25,637)	(19,587)
Transportation	(3,595)	(3,137)	(10,197)	(8,259)
Operating netback	57,913	58,546	158,474	146,762

Capital Management Measures

Adjusted Working Capital

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

Nine Months Ended September 30,	2023	2022
(000s)	(\$)	(\$)
Working capital deficiency	15,987	16,286
Exclude - Derivative financial instruments	(4,680)	(1,256)
Exclude - Lease obligations	(354)	(324)
Adjusted working capital deficiency	10,953	14,706

Net Debt

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

September 30,	2023	2022
(000s)	(\$)	(\$)
Adjusted working capital deficiency	10,953	14,706
Bank loan	180,426	145,941
Net debt	191,379	160,648

Funds Flow

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

Adjusted funds flow

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

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Net cash from operating activities	39,632	50,985	157,030	123,532
Changes in non-cash working capital	12,993	3,510	(13,035)	13,102
Funds flow	52,625	54,495	143,995	136,635
Decommissioning obligations	-	-	-	-
Adjusted funds flow	52,625	54,495	143,995	136,635

Non-GAAP Financial Ratios

Operating Netback per boe

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue				
Crude oil (\$/bbl)	108.64	117.08	101.50	123.69
Natural gas (\$/mcf)	3.11	5.05	3.29	6.56
NGLs (\$/bbl)	40.43	63.09	41.09	63.92
Production revenue (\$/boe)	92.74	104.19	87.78	110.65
Expenses				
Royalties (\$/boe)	(12.63)	(10.92)	(10.14)	(10.79)
Operating (\$/boe)	(10.01)	(8.90)	(10.24)	(9.82)
Transportation (\$/boe)	(3.96)	(3.94)	(4.07)	(4.14)
Operating netback before realized				
loss on financial derivatives (\$/boe)	66.15	80.43	63.34	85.90
Realized loss on financial derivative (\$/boe)	(2.29)	(6.88)	(0.07)	(12.35)
Operating netback after realized				
loss on financial derivatives (\$/boe)	63.86	73.55	63.27	73.55

Net Debt to Adjusted Funds Flow

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

Adjusted Funds Flow per basic share

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

Adjusted Funds Flow per diluted share

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

Supplementary Financial Measures

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	September 30, 2023	December 31, 2022
<i>(000s) (unaudited)</i>	(\$)	(\$)
Assets		
Current assets		
Trade and other receivables	33,066	30,745
Prepaid expenses and deposits	4,436	4,699
Derivative financial instruments <i>(note 4)</i>	-	992
	37,502	36,436
Non-current assets		
Property, plant and equipment <i>(note 5)</i>	907,713	768,240
Exploration and evaluation assets <i>(note 6)</i>	43,025	48,625
	950,738	816,865
Total assets	988,240	853,301
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	48,455	20,653
Derivative financial instruments <i>(note 4)</i>	4,680	-
Lease obligations <i>(note 9)</i>	354	319
	53,489	20,972
Non-current liabilities		
Bank debt <i>(note 7)</i>	180,426	159,148
Decommissioning obligations <i>(note 8)</i>	21,110	18,384
Lease obligations <i>(note 9)</i>	590	3
Deferred tax liability	82,412	64,832
	284,538	242,367
Total liabilities	338,027	263,339
Equity		
Share capital <i>(note 10)</i>	372,361	372,361
Contributed surplus	29,057	24,737
Retained earnings	248,795	192,864
Total equity	650,213	589,962
Total liabilities and equity	988,240	853,301

Subsequent event *(note 4)*

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
<i>(000s, except per share amounts) (unaudited)</i>	(\$)	(\$)	(\$)	(\$)
Revenue				
Petroleum and natural gas revenues <i>(note 11)</i>	84,111	82,934	219,870	220,773
Royalties	(11,451)	(8,690)	(25,400)	(21,532)
Realized loss on derivative instruments	(2,077)	(5,478)	(163)	(24,634)
Unrealized gain (loss) on derivative instruments	(7,764)	11,071	(5,672)	5,333
Other revenue <i>(note 11)</i>	2	3	4	11
	62,821	79,840	188,639	179,951
Expenses				
Operating	9,075	7,083	25,637	19,587
Transportation	3,595	3,137	10,197	8,259
General and administrative	1,892	1,575	5,431	4,222
Depletion and depreciation <i>(note 5)</i>	19,557	13,725	53,780	34,253
Share-based compensation	207	356	2,981	1,210
Exploration and evaluation <i>(note 6)</i>	1,570	3,653	7,477	5,378
Finance expenses <i>(note 12)</i>	3,611	2,579	9,625	6,202
	39,507	32,108	115,128	79,111
Income before income taxes	23,314	47,732	73,511	100,840
Deferred income tax expense	5,402	11,061	17,580	23,473
Income and comprehensive income for the period	17,912	36,671	55,931	77,367
Income per share <i>(note 13)</i>				
Basic	0.11	0.23	0.35	0.48
Diluted	0.11	0.22	0.34	0.47

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
<i>(000s)(unaudited)</i>	<i>(#)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Balance – January 1, 2023	160,197	372,361	24,737	192,864	589,962
Share-based payments	-	-	4,320	-	4,320
Income for the period	-	-	-	55,931	55,931
Balance – September 30, 2023	160,197	372,361	29,057	248,795	650,213

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<i>(000s)(unaudited)</i>	<i>(#)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Balance – January 1, 2022	160,197	372,361	19,759	86,884	479,004
Share-based payments	-	-	1,564	-	1,564
Income for the period	-	-	-	77,367	77,367
Balance – September 30, 2022	160,197	372,361	21,323	164,251	557,935

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	
	2023	2022	2023	2022
<i>(000s) (unaudited)</i>	(\$)	(\$)	(\$)	(\$)
Cash flows from operating activities				
Net income	17,912	36,671	55,931	77,367
Adjustments for:				
Depletion and depreciation <i>(note 5)</i>	19,557	13,725	53,780	34,253
Exploration and evaluation <i>(note 6)</i>	1,570	3,653	7,477	5,378
Interest on lease obligations <i>(note 9)</i>	41	11	86	32
Unrealized loss (gain) on derivative instruments	7,764	(11,071)	5,672	(5,333)
Deferred income taxes	5,402	11,061	17,580	23,473
Accretion of decommissioning obligations <i>(note 8)</i>	172	89	488	254
Share-based compensation	207	356	2,981	1,210
Change in non-cash working capital	(12,993)	(3,510)	13,035	(13,102)
	39,632	50,985	157,030	123,532
Cash flows from investing activities				
Property, plant and equipment expenditures <i>(note 5)</i>	(57,294)	(53,385)	(188,682)	(152,914)
Additions to exploration and evaluation assets <i>(note 6)</i>	(85)	(1,261)	(1,877)	(2,599)
Change in non-cash working capital	(6,036)	6,735	12,710	28,049
	(63,415)	(47,911)	(177,849)	(127,464)
Cash flows from financing activities				
Increase (decrease) in bank debt <i>(note 7)</i>	23,981	(3,012)	21,278	4,182
Payments on lease obligations <i>(note 9)</i>	(198)	(62)	(459)	(250)
	23,783	(3,074)	20,819	3,932
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.

CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

Nine Months Ended September 30, 2023

(unaudited)

(Tabular amounts are stated in thousands of dollars, except share and per share amounts)

1. Reporting Entity

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

2. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The condensed interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2022. 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 16, 2023.

3. Estimation Uncertainty

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

A full list of key sources of estimation uncertainty can be found in note 2 of the annual financial statements for the year ended December 31, 2022.

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, 2023, the Company held derivative commodity contracts as follows:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value (\$000s)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$106.08/bbl	Swap	(620)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$95.00/bbl	Swap	(1,130)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$97.00/bbl	Swap	(1,038)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$105.95/bbl	Swap	(626)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$107.95/bbl	Swap	(534)
Crude oil	500 bbls/day	October 1, 2023 – December 31, 2023	– NYMEX – WTI CAD\$	\$117.58/bbl	Swap	(91)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$105.70/bbl	Swap	(338)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$107.00/bbl	Swap	(279)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$107.55/bbl	Swap	(254)
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$113.15/bbl	Swap	1
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$113.93/bbl	Swap	37
Crude oil	500 bbls/day	January 1, 2024 – March 31, 2024	– NYMEX – WTI CAD\$	\$115.10/bbl	Swap	90
Crude oil	500 bbls/day	October 1, 2023 – March 31, 2024	– MSW – US\$ WTI differential	(\$3.68)/bbl	Swap	(35)
Natural gas	1500 GJ/day	October 1, 2023 – October 31, 2023	– AECO CAD\$ daily Index (5A)	2.80/GJ	Swap	24
Natural gas	2000 GJ/day	October 1, 2023 – October 31, 2023	– AECO CAD\$ daily Index (5A)	4.10/GJ	Swap	113
Total						(4,680)

Subsequent to September 30, 2023, the Company entered into the following derivative commodity contract:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded
Crude oil	500 bbls/day	April 1, 2024 – June 30, 2024	– NYMEX – WTI CAD\$	\$111.52/bbl	Swap

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial liabilities consist of accounts payable, lease obligations and the bank loan. Accounts payable and lease obligations consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains a revolving credit facility, as outlined in note 7, which is subject to annual renewal by the lenders and has a contractual maturity in 2023 if not extended. The Company maintains and monitors cash flow which is used to partially finance operating and capital expenditures. The Company does not pay dividends.

Capital management

Artis actively manages its capital structure, which includes shareholders' equity and working capital. In order to maintain or adjust the capital structure, Artis considers the following: incremental investment and acquisition opportunities; the current level of working capital or debt; the level of credit that may be obtainable from the Company's lender as a result of growth in reserves values; the availability of other sources of debt with different characteristics than potential bank debt; the sale of assets; limiting the size of the investment program; and new share issuances, if available on 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 ongoing volatile economic climate may lead to further adverse changes in cash flows, working capital levels and or net 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, 2023 the Company remains in compliance with all terms of our Facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments and lease obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 2.0 to 1.0. As at September 30, 2023, Artis' ratio of net debt to annualized funds flow was 0.9 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 0.77 to 1 as at September 30, 2023.

	September 30 2023	December 31, 2022
(000s)	(\$)	(\$)
Current assets	37,502	36,436
Current liabilities	(53,489)	(20,972)
Exclude derivative financial instruments	4,680	(992)
Exclude current portion of lease obligations	354	319
Working capital (deficiency)	(10,953)	14,792
Bank debt	(180,426)	(159,148)
Net debt ⁽¹⁾	(191,379)	(144,356)

	September 30, 2023	December 31, 2022
Annualized funds flow for three months ended:		
Net cash from operating activities	39,632	52,221
Change in non-cash working capital	12,993	4,482
Decommissioning obligations	-	125
Adjusted funds flow ⁽¹⁾	52,625	56,828
Annualized adjusted funds flow	210,498	227,310
Net debt to annualized adjusted funds flow ⁽¹⁾	0.9	0.6
Credit facility available	250,000	250,000
Net debt to credit facility available	77%	58%

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

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

5. Property, Plant and Equipment

	Oil and Natural Gas Properties
(000s)	(\$)
Cost or deemed cost	
Balance – December 31, 2021	741,860
Additions	191,668
Capitalized share-based compensation	1,778
Transfer from exploration and evaluation assets	6,879
Change in decommissioning obligations	(831)
Balance – December 31, 2022	941,354
Additions	188,682
Increase in right-to-use assets <i>(note 9)</i>	996
Capitalized share-based compensation	1,338
Transfer from exploration and evaluation assets	-
Change in decommissioning obligations	2,238
Balance – September 30, 2023	1,134,608

Depletion and depreciation	
Balance – December 31, 2021	121,082
Depletion and depreciation for the year	52,032
Balance – December 31, 2022	173,114
Depletion and depreciation for the period	53,780
Balance – September 30, 2023	226,894

Carrying amounts	
September 30, 2023	907,713
December 31, 2022	768,240

Depletion and Depreciation

The calculation of 2023 depletion and depreciation expense included an estimated \$2.8 billion (2022 – \$2.3 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded \$2.1 million (2022 – \$1.9 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 \$2.8 million in G&A expenditures have been capitalized and included in PP&E assets at September 30, 2023 (2022 – \$2.3 million). Also included in PP&E are non-cash share-based payments of \$1.2 million (2022 – \$0.4 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2023, the Company determined that no indicators of impairment existed on its one CGU, therefore, no impairment test was performed.

6. Exploration and Evaluation Assets

(000s)	(\$)
Cost	
Balance – December 31, 2021	58,036
Additions	4,137
Transfers to property, plant and equipment	(6,879)
Expiries	(6,669)
Balance – December 31, 2022	48,625
Additions	1,877
Transfers to property, plant and equipment	-
Impairments	(7,477)
Balance – September 30, 2023	43,025

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, 2023, the Company had a revolving line of credit of \$225 million and an operating line of credit of \$25 million for a total facility of \$250 million (collectively, the "Facility") (December 31, 2022 - \$250 million) of which \$180.4 million (December 31, 2022 – \$159.1 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, 2024. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the "Borrowing Base") are reviewed semi-annually and are based on

the bank syndicate's interpretation of the Company's reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating ("LMR") of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 16.6:1 at September 30, 2023. 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, 2023. 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, 2023 the Company's applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on bankers' acceptances and SOFR loans along with a 0.75 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 \$500 million.

8. Decommissioning obligations

<i>(000s)</i>	<i>(\$)</i>
Cost	
Balance – December 31, 2021	18,835
Liabilities incurred	1,758
Change in estimated future cash flows	(2,589)
Decommissioning expenditures	(124)
Government subsidy for decommissioning expenditures	(80)
Accretion of decommissioning obligation	584
Balance – December 31, 2022	18,384
Liabilities incurred	2,238
Accretion of decommissioning obligation	488
Balance – September 30, 2023	21,110

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas wells. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be \$21.1 million as at September 30, 2023 (December 31, 2022 – \$18.4 million) based on an undiscounted inflated total future liability of \$28.4 million (December 31, 2022 – \$24.9 million) using an assumed inflation rate of 2.09% (2022 – 2.09%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 3.28% (2022 – 3.28%).

9. Lease obligations

Right-of-use assets

(000s)

	(\$)
As at January 1, 2022	416
Additions	-
Depreciation	(240)
As at December 31, 2022	176
Additions	996
Depreciation	(347)
As at September 30, 2023	825

Lease liabilities

(000s)

	(\$)
As at January 1, 2022	648
Additions	-
Lease interest expense	44
Lease payments	(370)
As at December 31, 2022	322
Additions	996
Lease interest expense	85
Lease payments	(459)
As at September 30, 2023	944

The Company leases office space, field compressor 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 years	3 years	Total
Lease payments including principal and interest	354	380	210	944

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, 2023 and December 31, 2022	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	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Oil production	79,400	77,258	207,403	204,844
Gas production	2,059	2,690	6,006	9,229
NGLs production	2,652	2,986	6,461	6,700
Total revenue	84,111	82,934	219,870	220,773

Other revenue:

The following table summarizes the Corporation's other revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Third party processing income	2	1	2	2
Interest income	-	2	2	9
	2	3	4	11

12. Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
Interest expense	3,439	2,490	9,137	5,948
Accretion of decommissioning obligations	172	89	488	254
	3,611	2,579	9,625	6,202

13. Income Per Share

Basic income per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(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	
	2023	2022	2023	2022
(000s)	(#)	(#)	(#)	(#)
Weighted average number of common shares – basic	160,197	160,197	160,197	160,197
Effects of options in-the-money	5,703	5,924	5,703	5,924
Weighted average number of common shares – diluted	165,900	166,121	165,900	166,121

In computing diluted earnings per share for the period ended September 30, 2023, 5,703,000 (September 30, 2022 – 5,924,000) 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 2,494,000 (September 30, 2022 – 2,483,000) 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, 2022 - \$2.50) per common share.

14. Share-Based Payments

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

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

The Company also has retention awards ("RAs") outstanding to officers and employees of the Company. The 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, 2023.

The range of exercise prices and weighted average contractual life of the outstanding options are as follows:

Exercise Price	Options	Weighted Average Exercise Price	Weighted Average Contractual Life
(\$)	(#000s)	(\$)	(years)
1.35	7,170	1.35	1.9
1.73	1,343	1.73	2.2
2.50	3,680	2.50	2.8
2.75	2,830	2.75	1.2
3.00	300	3.00	1.6
	15,323	1.95	2.0

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	4,337	1.88	1.8
2.19	4,337	2.19	1.8
2.50	4,337	2.50	1.8
2.81	4,337	2.81	1.8
3.13	4,337	3.13	1.8
	21,685	2.50	1.8

In 2023, the Company extended the expiry date on all the warrants by two years to July 7, 2025. The exercise prices on the warrants are scheduled to increase by 8% beginning July 7, 2024.

The Company has 307,500 RAs outstanding at September 30, 2023.