ARTIS EXPLORATION LTD

THIRD QUARTER REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

ARTIS EXPLORATION LTD.

2024 Third Quarter

For the Three and Nine Months Ended September 30, 2024

HIGHLIGHTS

	Three Months Ended September 30			Nine months Ended September 30		
	2024	2023	Change	**2024**	2023	Change
(000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Petroleum and natural gas Revenues	**88,799**	84,111	6	**257,844**	219,870	17
Cash flow from operations	**68,282**	39,632	72	**179,169**	157,030	14
Adjusted funds flow (1)	**58,197**	52,625	11	**169,853**	143,995	18
Per share – basic	**0.36**	0.33	9	**1.06**	0.90	18
– diluted	**0.35**	0.32	9	**1.03**	0.87	18
Net income	**27,579**	17,912	54	**72,165**	55,931	29
Per share – basic	**0.17**	0.11	55	**0.45**	0.35	29
– diluted	**0.17**	0.11	55	**0.44**	0.34	29
Capital expenditures (2)	**59,660**	57,379	4	**213,317**	190,559	12
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Capital Structure						
Net Debt (1)	225,944	191,379	*18*	225,944	191,379	18
Current Debt Capacity	300,000	250,000	*20*	300,000	250,000	20
Shareholders' equity	761,671	650,212	*17*	761,671	650,212	17
(000s)	*(#)*	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end						
Basic	**160,521**	160,197	-	**160,521**	160,197	-
Options	**15,193**	15,323	(1)	**15,193**	15,323	(1)
Warrants	**21,705**	21,685	-	**21,705**	21,685	-
Retention awards	**308**	308	-	**308**	308	-
Weighted average						
Basic	**160,503**	160,197	-	**160,506**	160,197	-
Diluted	**165,702**	165,900	-	**165,529**	165,900	-
			(%)			*(%)*
Operating						
Production						
Crude oil *(bbls/d)*	**9,283**	7,944		**8,936**	7,485	
Natural gas *(mcf/d)*	**13,418**	7,204		**10,952**	6,684	
NGLs *(bbls/d)*	**944**	713		**918**	576	
Total *(boe/d)*	**12,463**	9,858	26	**11,679**	9,175	27
Liquids %	**82**	88		**84**	88	
Average wellhead prices						
Crude oil *($/bbl)*	**98.88**	108.64	(9)	**99.38**	101.50	(2)
Natural gas *($/mcf)*	**0.81**	3.11	(74)	**1.53**	3.29	(53)
NGLs *($/bbl)*	**38.60**	40.43	(5)	**39.45**	41.09	(4)
Total *($/boe)*	**77.45**	92.74	(16)	**80.58**	87.78	(8)
Royalties *($/boe)*	**(9.46)**	(12.63)	(25)	**(9.51)**	(10.14)	(6)
Operating cost *($/boe)*	**(9.34)**	(10.01)	(7)	**(9.51)**	(10.24)	(7)
Transportation cost *($/boe)*	**(3.37)**	(3.96)	(15)	**(3.62)**	(4.07)	(11)
Operating netback before financial derivatives *($/boe)* (3)	**55.29**	66.15	(16)	**57.94**	63.34	(9)
Realized loss on financial derivatives	**0.83**	(2.29)		**0.65**	(0.07)	
Operating netback after financial derivatives *($/boe)* (3)	**56.11**	63.86	(12)	**58.60**	63.27	(7)

	Three Months Ended December 31			Years Ended December 31		
	2024	2023	Change	**2024**	2023	Change
			(%)			*(%)*
Drilling activity – gross (net)						
Crude oil *(#)*	**5.5 (5.5)**	5.5 (5.5)	-	**17.5 (17.5)**	17.5 (17.5)	-
Natural gas *(#)*	**-**	-	-	**-**	-	-
Total *(#)*	**5.5 (5.5)**	5.5 (5.5)	-	**17.5 (17.5)**	17.5 (17.5)	-
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, 2024.

Financial and Operating Highlights

- Third quarter 2024 production of 12,463 boe/d (82% liquids) was a corporate quarterly record and 26% higher than the same period in 2023.
- Third quarter 2024 adjusted funds flow was $58.2 million ($0.35 per diluted share), up 11% compared to the same period in 2023 inspite of third quarter 2024 commodity prices being down 16% from the previous year.
- Achieved an industry leading operating netback of $55.29/boe in the third quarter of 2024 before including financial derivatives ($56.11/boe after including financial derivatives) based on an average crude oil WTI price of $75.10 US/bbl for the quarter.
- Generated third quarter net earnings of $27.6 million or $0.17 per diluted share up 54% from the same period last year.
- Artis invested $59.7 million in third quarter capital expenditures comprising mainly of the drilling of 5.5 (5.5 net) and completion of 4.5 (4.5 net) oil wells in our core area of Twinning, Alberta which included $3.2 million for major facilities improvements and pipeline network additions.
- Artis' net debt of $225.9 million at period end corresponded to a net debt to annualized adjusted funds flow ratio for the third quarter of 1.0 times.

President's Message

The Company is pleased to announce record production averaging 12,463 boe/d (82% liquids) for the third quarter of 2024 which was 26% higher than production during the same period in 2023. Artis is on track to average approximately 12,000 boe/d in 2024 (22% year over year growth) and exit the year between 13,000-13,300 boe/d. Adjusted funds flow of $58.2 million were generated in the third quarter, up 11% compared to the same period last year in spite of third quarter 2024 commodity prices being down 16% compared to the previous year. Artis maintained one of the highest operating netbacks on public record, at $55.29/boe before realized hedging gain ($56.11/boe after realized hedging gain) based on a third quarter WTI price of $75.10 US/bbl. As a result of these high netbacks Artis was able to generate net earnings of $27.6 million or $0.17 per basic share for the quarter which was a 54% increase compared to the same period last year.

The Company exited the quarter with net debt of $225.9 million and a net debt to annualized adjusted funds flow ratio for the third quarter of 1.0 times. Artis is forecasting year-end net debt to decrease to approximately $200-$205 million and net debt to adjusted funds flow ratio to decrease to approximately 0.8 times assuming an average oil price of approximately $70 US/bbl WTI for December 2024. Artis has a $300 million bank facility which provides the Company with ample liquidity.

Artis invested $59.7 million in the third quarter comprised of drilling 5.5 (5.5 net) horizontal oil wells and the completion of 4.5 (4.5 net) horizontal oil wells in our core area of Twinning which included approximately $3.2 million for major facilities and pipelines. The Company is targeting total 2024 investment of approximately $250-$255 million which would include the completion of 22 crude oil wells by the end of the year and strategic facility and water disposal/storage capital. Artis continues to push the boundaries of its reserve book with its latest 3 well pad drilled on unbooked lands at 12-11-32-24W4. Drill and Complete costs for the pad were on average approximately $7.6 million per well which is expected to be a pacesetting target for the Duvernay play. In the last week of November, the pad was flowing back at a peak rate of approximately 2,100 bopd at an average pressure of approximately 10,000kPa and still cleaning up.

On the back of this recent operational success, Artis is evaluating its investment possibilities for 2025. At $70US/bbl - $75US/bbl WTI the Company is contemplating investment of approximately $175-$180 million which is forecast to deliver approximately 9% growth in production year over year and still generate discretionary cash flow of approximately $50-$70 million that could be allocated to debt reduction or distribution to shareholders. At prices over $75 US/bbl, the Company is contemplating potential investment of up to $240 million which is forecast to deliver approximately 19% production growth and discretionary cash flow in excess of $35 million which could be allocated to debt reduction or distribution to shareholders. The Company's high netback and operating margins, even in the $70-$75/bbl WTI range, provide a wide range of investment options for Artis to consider.

We look forward to reporting on our fourth quarter 2024 and year end results in the New Year.

Respectfully,

[signature]

Darryl Metcalfe
President & Chief Executive Officer

December 2, 2024

Reader Advisories

The document contains forward-looking information and statements within the meaning of applicable securities laws. Readers are cautioned that actual results could differ materially from those predicted. The forward-looking information included herein are not guarantees of future performance and should not be unduly relied upon. 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 forgoing, this quarterly report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of the Company's oil and gas reserves; estimates of drilling locations; management's anticipation that our assets will become increasingly more valuable; resource estimates and volumes in respect of the Company's Duvernay lands in central Alberta (the "ESB Duvernay"); the volume and product mix of the Company's oil and gas production; production and EUR estimates and forecasts; the type curve estimates and future associated projections and economics; the recognition of significant resources in the ESB Duvernay including potential drilling locations and opportunities; future oil and natural gas prices and the Company's commodity risk management programs; future cash flow estimates; future liquidity and financial capacity; future results from operations and operating metrics including estimated payouts, rates of return and well recovery estimates; the Company's 2024 capital program (including the base program and possible reduced or expanded programs) and associated estimates of material metrics, targets and guidance where applicable; estimated operating and well costs; the continuing and uncertain potential impact of world events including the Russia/Ukraine and Middle East conflicts on the Company's operations and results; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition and development activities, infrastructure plans and related capital expenditures and the timing thereof; the projected timeline to sustainable free cash flow; the total future capital associated with development of reserves and resources; and methods of funding our capital program.

The internal projections, expectations or beliefs underlying our currently planned 2024 and 2025 capital budget and associated guidance for 2024 and 2025, are subject to change in light of the impact of world events including the Russia/Ukraine and Middle East conflicts, and any related actions taken by businesses and governments, ongoing results, *prevailing economic circumstances, commodity prices and industry conditions and regulations. Artis' financial outlook and guidance provides shareholders with relevant information on management's expectations for results of operations, excluding any potential acquisitions or dispositions, for such time periods based upon the reasonable assumptions of management in preparing same. Such information reflects internal targets and economic modeling used by management for the purposes of making capital investment decisions and for internal long-range planning and budget preparation. Readers are cautioned that events or circumstances could cause capital plans and associated results to defer materially from those predicted and Artis' guidance for 2024 and 2025 may not be appropriate for other purposes. Accordingly, undo reliance should not be placed on same.*

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

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

The forward-looking information and statements contained in this quarterly report speak only as of the date of this 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, 2024 and 2023 and should be read in conjunction with the accompanying unaudited financial statements and related notes and the audited financial statements and related notes for the year ended December 31, 2023. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated November 26, 2024.

Basis of Presentation

The unaudited financial statements and comparative information for the three and nine months ended September 30, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34 – "Interim Financial Reporting".

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

About Artis

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

1764821 Alberta Ltd. ("1764821") was incorporated on August 8, 2013 under the Business Corporations Act of Alberta (the "ABCA"). On November 3, 2015, 1764821 acquired all of the outstanding shares of Artis Exploration Ltd. and the two companies were amalgamated on November 3, 2015 under the ABCA to form Artis Exploration Ltd. ("Artis" or the "Company"). The Company's registered office is located at 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 2024 production of 12,463 boe/d (82% liquids) was a corporate quarterly record and 26% higher than the same period in 2023.
- Third quarter 2024 adjusted funds flow was $58.2 million ($0.35 per diluted share), up 11% compared to the same period in 2023 in spite of third quarter 2024 commodity prices being down 16% from the previous year.
- Achieved an industry leading operating netback of $55.29/boe in the third quarter of 2024 before including financial derivatives ($56.11/boe after including financial derivatives) based on an average crude oil WTI price of $75.10 US/bbl for the quarter.
- Generated third quarter net earnings of $27.6 million or $0.17 per diluted share up 54% from the same period last year.
- Artis invested $59.7 million in third quarter capital expenditures comprising mainly of the drilling of 5.5 (5.5 net) and completion of 4.5 (4.5 net) oil wells in our core area of Twinning, Alberta which included $3.2 million for major facilities and pipelines.
- Artis' net debt of $225.9 million at period end corresponded to a net debt to annualized adjusted funds flow ratio for the third quarter of 1.0 times. The Company's bank credit facility is $300 million.

Forward-Looking Statements

This document contains forward-looking statements. Statements used throughout this MD&A that are not historical facts may be considered to be "forward-looking statements". These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or future plans including without limitation, our planned 2024 drilling program and management's assessment of the potential and uncertain impact of pandemics and other world events including the

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

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

Test Results and Initial Production Rates

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

Conversions (Barrel of Oil Equivalency)

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

Financial and Operating Results

Production

The following is a summary of the Company's daily production for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
Crude oil *(bbls/d)*	**9,283**	7,944	**8,936**	7,485
Natural gas *(mcf/d)*	**13,418**	7,204	**10,952**	6,684
NGLs *(bbls/d)*	**944**	713	**918**	576
Total *(boe/d)*	**12,463**	9,858	**11,679**	9,175
Liquids *(%)*	**82**	88	**84**	88

For the three months ended September 30, 2024, production averaged 12,463 boe/d (82% weighted to crude oil and NGLs), a 26% increase from the 9,858 boe/d (88% weighted to crude oil and NGLs) averaged during the same period a year ago.

During the nine months ended September 30, 2024, Artis' production increased 27% to average 11,679 boe/d versus 9,175 boe/d a year ago. During the first nine months of 2024, production consisted of 9,854 bbls/d of crude oil and NGLs and 10,952 mcf/d of natural gas. Liquids production was 84% of total production.

The large increase in production was driven by the successful execution of drilling and completion activities that included the addition of 21 gross (21.0 net) new oil wells in the Twining/Trochu area over the previous twelve months.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Revenue				
Crude oil	**84,446**	79,400	**243,328**	207,403
Realized financial derivative loss	**950**	(2,425)	**2,095**	(900)
Total crude oil	**85,396**	76,975	**245,423**	206,503
Natural gas	**1,002**	2,059	**4,596**	6,006
Realized financial derivative gain (loss)	**-**	348	**-**	737
Total natural gas	**1,002**	2,407	**4,596**	6,743
NGLs	**3,351**	2,652	**9,920**	6,461
Totals				
Sales from production	**88,799**	84,111	**257,844**	219,870
Realized financial derivative gain (loss)	**950**	(2,077)	**2,095**	(163)
Unrealized financial derivative gain (loss)	**3,489**	(7,764)	**(2,852)**	(5,672)
Total revenue	**93,238**	74,270	**257,087**	214,035

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Average Prices				
Crude oil *($/bbl)*	**98.88**	108.64	**99.38**	101.50
Realized derivative gain (loss) *($/bbl)*	**1.12**	(3.32)	**0.86**	(0.44)
Total crude oil sales price *($/bbl)*	**100.00**	105.32	**100.24**	101.06
Natural sales gas *($/mcf)*	**0.81**	3.11	**1.53**	3.29
Realized derivative gain *($/mcf)*	**-**	0.52	**-**	0.41
Total natural gas price *($/mcf)*	**0.81**	3.63	**1.53**	3.70
NGLs sales price *($/bbl)*	**38.60**	40.43	**39.45**	41.09
Sales price *($/boe)*	**77.45**	92.74	**80.58**	87.78
Realized derivative gain (loss) *($/boe)*	**0.83**	(2.28)	**0.65**	(0.06)
Total sales price *($/boe)*	**78.28**	90.46	**81.23**	87.72

Artis' production is sold within Canada and the majority is marketed to six 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 2024 sales from production increased 6% to $88.8 million from $84.1 million recorded in the same period of 2023 due to a 26% increase in the Company's production but was partially offset by a 16% decrease in overall pricing excluding hedges. During the third quarter of 2024, Artis realized an average price of $100.00/bbl for crude oil (including a $1.12/bbl realized gain from financial derivative contracts) and $0.81/mcf for natural gas and $38.60/bbl for NGLs.

For the first nine months of 2024, sales from production increased 17% to $257.8 million from $219.9 million in the same period last year due to a 27% increase in production but was partially offset by an 8% decrease in overall commodity pricing. The Company realized an average price of $100.24/bbl for crude oil (including a $0.86/bbl realized gain from financial derivative contracts) and $1.53/mcf for natural gas and $39.45/bbl for NGLs

The following table summarizes the natural gas and crude oil benchmark prices for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
Average Benchmark Prices				
Crude oil – WTI *(US$/bbl)*	**75.10**	82.26	**77.54**	77.39
MSW (Edm) differential *(US$/bbl)*	**(3.35)**	(1.83)	**(5.21)**	(2.55)
Crude oil – MSW (Edm) par *(CDN$/bbl)*	**97.86**	108.01	**98.46**	100.87
Natural gas – AECO spot Daily index *(CDN$/GJ)*	**0.65**	2.46	**1.38**	2.61
Exchange rate *(CDN$/US$)*	**1.36**	1.34	**1.36**	1.35

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

Derivative Financial Instruments

Commodities

The Company enters into derivative and physical risk management contracts in order to reduce volatility in financial results and to ensure a certain level of cash flow to fund planned capital projects. Artis' strategy focuses on the use of puts, costless collars and swaps to limit exposure to fluctuations in commodity prices while allowing for participation in commodity price increases. The Company's financial derivative trading activities are conducted pursuant to the Company's Risk Management Policy, as approved by the Board of Directors.

These contracts had the following impact on the condensed interim statements of income and comprehensive income:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Realized gain (loss) on financial Instruments	**950**	(2,077)	**2,095**	(163)
Per boe	**0.83**	(2.28)	**0.65**	(0.06)
Unrealized gain (loss) on financial instruments	**3,489**	(7,764)	**(2,852)**	(5,672)
Per boe	**3.04**	(8.56)	**(0.89)**	(2.26)

The Company held the following derivative commodity contracts at September 30, 2024:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$107.80/bbl	Swap	751
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$106.22/bbl	Swap	678
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$108.60/bbl	Swap	787
Total						2,216

Subsequent to September 30, 2024, 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	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$72.87/bbl	Swap
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$74.00/bbl	Swap
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$76.00/bbl	Swap
Crude oil	500 bbls/day	January 1, 2025 – March 31, 2025	NYMEX – WTI USD$	$73.00/bbl	Swap
Crude oil	500 bbls/day	January 1, 2025 – March 31, 2025	NYMEX – WTI CAD$	$98.10/bbl	Swap

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Royalties				
Crown	**8,163**	7,421	**22,694**	17,981
Freehold/GORR	**2,678**	4,029	**7,733**	7,419
Total royalties	**10,841**	11,451	**30,427**	25,400
Total royalties *($/boe)*	**9.46**	12.63	**9.51**	10.14
	(%)	*(%)*	*(%)*	*(%)*
% of Revenue				
Crown	**9.2**	8.8	**8.8**	8.2
Freehold/GORR	**3.0**	4.8	**3.0**	3.4
Total	**12.2**	13.6	**11.8**	11.6

For the quarter ended September 30, 2024, the Company recorded $10.8 million in total royalties or 12.2% of revenue versus $11.5 million or 13.6% of revenue a year ago. Approximately 9.2% of total revenue paid in the third quarter of 2024 consisted of Crown royalties and 3.0% of total revenue was paid to overriding and freehold royalty owners ("GORRs") compared to 8.8% and 4.8%, respectively, in the 2023 three-month period.

For the first nine months of 2024, total royalties were $30.4 million or 11.8% of revenue versus $25.4 million or 11.6% of revenue a year ago.

Operating Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**10,705**	9,075	**30,419**	25,637
Per unit of production *($/boe)*	**9.34**	10.01	**9.51**	10.24

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 $10.7 million or $9.34/boe for the third quarter of 2024 compared to $9.1 million or $10.01/boe recorded a year ago.

For the first nine months of 2024, operating costs were $30.4 million compared to $25.6 million in the same period of 2023. Operating costs on a per boe basis decreased 7% to $9.51/boe from $10.24/boe in 2023.

The decrease in operating costs on a per boe basis compared to last year was mainly a result of a reduction in water trucking and disposal costs.

Transportation Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Transportation expenses	**3,866**	3,595	**11,578**	10,197
Transportation expenses *($/boe)*	**3.37**	3.96	**3.62**	4.07

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, 2024, transportation costs were $3.9 million or $3.37/boe as compared to $3.6 million or $3.96/boe last year. For the first nine months of 2024, transportation costs were $11.6 million or $3.62/boe versus $10.2 million or $4.07/boe a year ago. Transportation costs were down 11% on a boe basis for the first nine months mainly because of a greater blending benefit relating to crude oil that was effective October 1, 2023 on future pipeline tolls. Transportation costs were down 15% on a boe basis for the first three months because of the above mentioned greater blending benefit relating to crude oil and also because of the lower liquids percentage for production as transportation costs on a boe basis are approximately 75% less for natural gas production as compared to crude oil production.

Operating Netbacks [1]

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
($/boe)	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	**77.45**	92.74	**80.58**	87.78
Royalties	**(9.46)**	(12.63)	**(9.51)**	(10.14)
Operating	**(9.34)**	(10.01)	**(9.51)**	(10.24)
Transportation	**(3.37)**	(3.96)	**(3.62)**	(4.07)
Operating netback before realized gain (loss) on derivative instruments	**55.29**	66.15	**57.94**	63.34
Realized gain (loss) on derivative instruments	**0.83**	(2.29)	**0.65**	(0.07)
Operating netback after realized gain (loss) on financial derivatives	**56.11**	63.86	**58.60**	63.27

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

Operating netbacks for the third quarter of 2024 were down 12% from the third quarter of 2023 primarily because commodity prices were down 13% inclusive of realized gains (losses) on derivative instruments partially offset by lower operating and transportation costs.

Operating netbacks for the nine months of 2024 were down 7% from the previous year primarily because commodity prices were down 7% inclusive of realized gain (losses) on derivative instruments.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**3,008**	2,914	**8,817**	8,210
Capitalized expenses	**(1,015)**	(1,022)	**(2,986)**	(2,779)
General and administrative expenses	**1,993**	1,892	**5,831**	5,431
Per unit of production ($/boe)	**1.74**	2.09	**1.82**	2.17

For the three months ended September 30, 2024, G&A expenses totaled $2.0 million compared to $1.9 million recorded in the same period a year ago. For the periods ended September 30, 2024 and 2023, the Company capitalized G&A totaling $1.0 million and $1.0 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. Net G&A expenses increased 5% but decreased 17% on a boe basis because of the large increase in production during the quarter.

For the nine months ended September 30, 2024, G&A expenses totaled $5.8 million compared to $5.4 million recorded in the same period a year ago. For the periods ended September 30, 2024 and 2023, the Company capitalized $3.0 million and $2.8 million, respectively, with regards to administrative overhead and employee compensation directly related to exploration and development activities. Again G&A expenses increased 7% but on a per boe basis decreased 16% as a result of increased production for the period.

Share-Based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Gross expenses	**389**	335	**2,856**	4,319
Capitalized expenses	**(161)**	(128)	**(1,123)**	(1,338)
Total share-based compensation	**228**	207	**1,734**	2,981

The Company recognizes share-based compensation expense for stock options issued. For the three months ended September 30, 2024, Artis recorded non-cash share-based compensation expense of $0.2 million compared to $0.2 million for the previous period. For the periods ended September 30, 2024 and 2023, the Company capitalized $161,000 and $128,000 respectively.

The Company had non-cash share-based compensation expense of $1.7 million for the first nine months of 2024 (2023 – $3.0 million) which was net of capitalized stock-based compensation of $1.1 million (2023 - $1.3 million).

The 2024 decrease related to a smaller number of options being issued in the current period along with a fewer number of option term extensions.

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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense on credit facility	**3,944**	3,217	**11,180**	8,439
Standby fees on credit facility	**204**	181	**675**	613
Interest expense on lease obligations	**52**	41	**156**	86
Accretion of decommissioning obligations	**182**	172	**517**	488
Finance expenses	**4,382**	3,611	**12,528**	9,625
Per unit of production ($/boe)	**3.82**	3.98	**3.92**	3.84

The Company incurred $3.9 million (2023 - $3.2 million) of interest expense in the third quarter of 2024 and $11.2 million ($8.4 million) for the nine months ended September 30, 2024. The average interest rate for the quarter was approximately 8.0% (2023 – 8.3%). The Company incurred credit facility stand-by fees of $0.2 million (2023 - $0.2 million) for the quarter ended September 30, 2024 and $0.7 million (2023 - $0.6 million) for the nine months ended September 30, 2024. Artis' credit facility was increased to $300 million from $250 million in November 2023.

The Company's accretion expense for the three-month period ended September 30, 2024 was $182,000 (2023 - $172,000) and $517,000 (2023 - $488,000) for the nine-month period ended September 30, 2024. 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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
D&D expense	**24,020**	19,557	**67,289**	53,780
D&D expense *($/boe)*	**20.95**	21.56	**21.03**	21.47

The Company's D&D expense for the nine months ended September 30, 2024 was $67.3 million or $21.03/boe versus $53.8 million or $21.47/boe for the comparable period of 2023.

D&D expense is computed on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserves base and in the amount of costs subject to D&D, including future development costs. The calculation of 2024 depletion and depreciation expense included an estimated $3.1 billion (2023 – $2.8 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.4 million (2023 – $2.1 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, 2024 Artis recorded an exploration and evaluation expense of $3.4 million versus $7.5 million a year ago. Exploration and evaluation expenses decreased compared to last year as there were fewer undeveloped land expiries.

Deferred Income Taxes

For the third quarter and the first nine months of 2024, Artis recorded a deferred income tax expense of $8.3 million and $21.8 million, respectively, compared to $5.4 million and $17.6 million, respectively, for the same periods in 2023. The period-over-period increase in deferred income taxes was a result of the increase in net income compared to the previous period. In 2024, the blended statutory tax rate is 23.0% (2023 - 23%).

Artis was not subject to any corporate income taxes for year-to-date 2024 and full-year 2023. The Company has approximately $592 million of tax pools available for deduction against future taxable income as at September 30, 2024.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Cash provided by operating activities	**68,282**	39,632	**179,169**	157,030
Per share – basic	**0.43**	0.25	**1.12**	0.98
– diluted	**0.41**	0.24	**1.08**	0.95
Adjusted funds flow (1) (2)	**58,197**	52,625	**169,853**	143,995
Per share (1) (2) – basic	**0.36**	0.33	**1.06**	0.90
– diluted	**0.35**	0.32	**1.03**	0.87
Net income	**27,579**	17,912	**72,165**	55,931
Per share – basic	**0.17**	0.11	**0.45**	0.35
– diluted	**0.17**	0.11	**0.44**	0.34

(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, 2024 increased 18% compared to the previous period mainly due to production increasing 27% partially offset by realized commodity prices decreasing 7% in 2024. Net income increased 29% to $72.2 million (2023 – $55.9 million) for the first nine months of 2024 again because of higher production partially offset by lower commodity prices compared to the previous period.

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

During the third quarter of 2024, the Company invested $59.7 million in total capital expenditures, which included capital expenditures on exploration and evaluation assets as well as property, plant and equipment, compared to $57.4 million for the same period of 2023.

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s) (excluding decommissioning liabilities capitalized share-based compensation, and right-to-use Assets)	*($)*	*($)*	*($)*	*($)*
Drilling and completions	**45,526**	50,346	**160,774**	140,600
Equipment and facilities	**11,972**	5,853	**45,015**	45,052
Land and lease retention	**1,099**	148	**4,422**	2,088
Capitalized G&A and other	**1,063**	1,032	**3,106**	2,819
Total capital expenditures (1)	**59,660**	57,379	**213,317**	190,559

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

During the third quarter of 2024, the Company incurred $45.5 million (2023 – $50.3 million) in drilling and completion expenditures that involved the drilling of 5.5 (5.5 net) and completion of 4.5 (4.5 net) horizontal oil wells as compared to the drilling of 5.5 (5.5 net) and completion of 6 (6.0 net) horizontal oil wells the third quarter of 2023. Equipping and facilities expenditures for the three months ended September 30, 2024 and 2023 were $12.0 million and $5.9 million, respectively. Included in the equipping and facilities expenditures for 2024 were $3.2 million (2023 – $2.4 million) for major facilities and pipelines. During the 2024 three-month period, the Company invested $2.2 million on land and capitalized G&A versus $1.1 million for the same period of 2023.

Drilling and completion expenditures totaled $160.8 million for the nine months ended September 30, 2024, (2023 – $140.6 million) that involved the drilling of 17.5 (17.5 net) and completion of 20.5 (20.5 net) horizontal oil wells as compared to the drilling and completion of 17.5 (17.5 net) horizontal oil wells for the same period in 2023. Equipping and facilities expenditures for the nine months ended September 30, 2024 and 2023 were $45.0 million and $45.1 million, respectively. Included in the equipping and facilities expenditures for 2024 were $21.4 million (2023 - $28.6 million) of investments for major facilities and pipelines. During the 2024 nine-month period, the Company invested $7.5 million on land and capitalized G&A versus $4.9 million for the same period of 2023.

Drilling Activity

	Total	
	Gross	Net
	(#)	*(#)*
Nine Months Ended September 30, 2024		
Crude oil (horizontal)	**17.5**	**17.5**
Total wells	**17.5**	**17.5**
Average working interest *(%)*		**100**
Nine Months Ended September 30, 2023		
Crude oil (horizontal)	17.5	17.5
Total wells	17.5	17.5
Average working interest *(%)*		100

Share Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted Average Shares Outstanding				
Basic	**160,503**	160,197	**160,330**	160,197
Diluted	**165,702**	165,900	**165,529**	165,900
Outstanding Securities				
Common shares	**160,521**	160,197	**160,521**	160,197
Performance warrants	**21,705**	21,765	**21,705**	21,765
Options	**15,193**	15,323	**15,193**	15,323
Retention awards	**308**	308	**308**	308

As at November 26, 2024, Artis had outstanding 160,520,856 common shares and 15,193,000 stock options with an average exercise price of $2.03 per share and 21,705,000 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 2024 capital expenditures is expected to be provided by cash generated from operating activities and the Company’s $300 million bank credit facility. The Company had no defaults or breaches on its bank facility or any of its financial liabilities. The Company believes that it has access to sufficient capital to meet its current spending forecasts. The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and bank debt levels, which may also have a direct impact on the Company’s operating results and financial position. These and other factors may adversely affect the Company’s liquidity and the Company’s ability to generate income and cash flows in the future. At September 30, 2024 the Company remains in compliance with all terms of our credit facilities and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized adjusted funds flow and also the ratio of net debt to the Company's credit facility availability. The first net debt ratio is calculated as net debt, defined as outstanding revolving bank loan plus or minus working capital excluding derivative financial instruments, lease obligations and decommissioning obligations divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 1.5 to 1.0. As at September 30, 2024, Artis' ratio of net debt to annualized funds flow was 1.0 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, lease obligations and decommissioning obligations, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.75 to 1 as at September 30, 2024.

	September 30 2024	December 31, 2023
(000s)	*($)*	*($)*
Current assets	**35,556**	35,098
Current liabilities	**(57,264)**	(30,802)
Exclude derivative financial instruments	**(2,216)**	(5,068)
Exclude current portion of lease obligations	**935**	686
Exclude current portion of asset retirement obligations	**-**	80
Working capital deficiency	**(22,989)**	(6)
Bank debt	**(202,955)**	(182,273)
Net debt (1)	**(225,944)**	(182,279)

Annualized funds flow for three months ended:	**September 30, 2024**	December 31, 2023
(000s)	*($)*	*($)*
Net cash from operating activities	**68,282**	56,913
Change in non-cash working capital	**(10,163)**	4,283
Decommissioning obligations	**78**	95
Adjusted funds flow (1)	**58,197**	61,291
Annualized adjusted funds flow	**232,788**	245,164
Net debt to annualized adjusted funds flow (1)	**1.0**	0.7
Credit facility available	**300,000**	300,000
Net debt to credit facility available	**75%**	61%

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

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base, which is directly impacted by the value of the oil and natural gas reserves. There can be no assurance that the amount of the available credit facilities will not be adjusted at the next scheduled borrowing base review on or before May 31, 2025. A decrease in the borrowing base resulting in a borrowing base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced borrowing base.

Bank Loan

At September 30, 2024, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (collectively, the "Facility") (December 31, 2023 - $300 million) of which $203.0 million (December 31, 2023 – $182.3 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 2025. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the "Borrowing Base") are reviewed semi-annually and are based on the bank syndicate's interpretation of the Company's reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating ("LMR") of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 18.3:1 at September 30, 2024. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before May 31, 2025. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank's prime lending rate and CORRA and SOFR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated 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, 2024 the Company's applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on CORRA 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, 2024.

Selected Quarterly Information

Below is summarized quarterly information for the previous eight quarters.

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	**Q3 2024**
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	81,851	71,886	63,874	84,111	90,115	71,579	97,465	**88,799**
Cash flow from operating activities	52,221	71,533	45,865	39,632	56,913	55,104	55,783	**68,282**
Per diluted share	0.31	0.43	0.28	0.24	0.34	0.33	0.34	**0.41**
Adjusted funds flow (1)	56,828	49,555	41,816	52,625	61,291	47,088	64,568	**58,197**
Per diluted share	0.34	0.30	0.25	0.32	0.37	0.28	0.39	**0.35**
Net income	28,612	20,818	17,201	17,912	35,539	14,991	29,595	**27,579**
Per share – basic	0.18	0.13	0.11	0.11	0.22	0.09	0.18	**0.17**
– diluted	0.17	0.13	0.10	0.11	0.21	0.09	0.18	**0.17**
Weighted average shares								
Basic	160,197	160,197	160,197	160,197	160,197	160,197	160,286	**160,503**
Net capital expenditures (1)	40,291	68,890	64,289	57,379	51,889	78,582	75,076	**59,660**
Net debt (1)	144,356	163,755	186,427	191,379	182,279	214,004	224,274	**225,944**
Shareholders' equity	589,962	610,986	631,966	650,212	686,082	701,226	733,603	**761,671**
Production								
Crude oil *(bbls/d)*	7,615	7,559	6,947	7,944	9,334	7,829	9,691	**9,283**
Natural gas *(mcf/d)*	5,759	6,392	6,447	7,204	9,512	8,674	10,737	**13,418**
NGLs *(bbls/d)*	533	529	483	713	990	845	964	**944**
Total *(boe/d)*	9,108	9,154	8,505	9,858	11,909	10,120	12,445	**12,463**
Liquids *(%)*	89	88	87	88	87	86	86	**82**
Average wellhead prices								
Crude oil *($/bbl)*	108.41	99.16	95.77	108.64	98.37	92.83	105.16	**98.88**
Natural gas *($/mcf))*	6.22	3.85	2.95	3.11	2.71	2.92	1.32	**0.81**
NGLs *($/bbl)*	53.28	46.36	36.38	40.43	39.02	40.76	39.15	**38.60**
Total *($/boe)*	97.69	87.26	82.53	92.74	82.51	77.73	86.06	**77.45**
Royalties *($/boe)*	(8.40)	(8.11)	(9.39)	(12.63)	(9.94)	(9.27)	(9.75)	**(9.46)**
Operating costs *($/boe)*	(9.06)	(10.22)	(10.52)	(10.01)	(8.04)	(9.73)	(9.50)	**(9.34)**
Transportation costs *($/boe)*	(3.95)	(4.08)	(4.18)	(3.96)	(3.23)	(3.70)	(3.80)	**(3.37)**
Operating netback before derivatives *($/boe)* (1)	76.27	64.85	58.43	66.15	61.29	55.02	63.01	**55.29**
Gain (loss) on derivatives	(3.34)	0.79	1.63	(2.29)	(0.26)	2.25	(0.82)	**0.83**
Operating netback after derivatives *($/boe)* (1)	72.94	65.64	60.06	63.86	61.03	57.28	62.19	**56.11**

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

Critical Estimates

Certain of the Company's accounting policies require subjective judgement about uncertain circumstances. The potential effects of these estimates are described in the Company's MD&A for the year ended December 31, 2023 and Note 3 of the 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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash used in investing activities (per GAAP)	**51,527**	63,415	**199,730**	177,849
Change in non-cash working capital (deficit)	**8,133**	(6,036)	**13,587**	12,710
Total capital expenditures	**59,660**	57,379	**213,317**	190,559

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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Petroleum and natural gas revenues	**88,799**	84,111	**257,844**	219,870
Realized gain (loss) on derivative instruments	**950**	(2,077)	**2,095**	(163)
Royalties	**(10,841)**	(11,451)	**(30,427)**	(25,400)
Operating	**(10,705)**	(9,075)	**(30,419)**	(25,637)
Transportation	**(3,866)**	(3,595)	**(11,578)**	(10,197)
Operating netback	**64,338**	57,913	**187,514**	158,474

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	
	2024	2023	**2024**	2023
Revenue				
Crude oil *($/bbl)*	**98.88**	108.64	**99.38**	101.50
Natural gas *($/mcf))*	**0.81**	3.11	**1.53**	3.29
NGLs *($/bbl)*	**38.60**	40.43	**39.45**	41.09
Production revenue *($/boe)*	**77.45**	92.74	**80.58**	87.78
Expenses				
Royalties *($/boe)*	**(9.46)**	(12.63)	**(9.51)**	(10.14)
Operating *($/boe)*	**(9.34)**	(10.01)	**(9.51)**	(10.24)
Transportation *($/boe)*	**(3.37)**	(3.96)	**(3.62)**	(4.07)
Operating netback before realized gain (loss) on financial derivatives *($/boe)*	**55.29**	66.15	**57.94**	63.34
Realized gain (loss) on financial derivatives *($/boe)*	**0.83**	(2.29)	**0.65**	(0.07)
Operating netback after realized gain (loss) on financial derivatives *($/boe)*	**56.11**	63.86	**58.60**	63.27

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.

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,	**2024**	2023
(000s)	*($)*	*($)*
Working capital deficiency	**21,708**	15,987
Exclude - Derivative financial instruments	**2,216**	(4,680)
Exclude - Lease obligations	**(935)**	(354)
Adjusted working capital deficiency	**22,989**	10,953

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,	**2024**	2023
(000s)	*($)*	*($)*
Adjusted working capital deficiency	**22,989**	10,953
Bank loan	**202,955**	180,426
Net debt	**225,944**	191,379

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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Net cash from operating activities	**68,282**	39,632	**179,169**	157,030
Changes in non-cash working capital	**(10,163)**	12,993	**(9,394)**	(13,035)
Funds flow	**58,119**	52,625	**169,775**	143,995
Decommissioning obligations	**78**	-	**78**	-
Adjusted funds flow	**58,197**	52,625	**169,853**	143,995

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, 2024**	December 31, 2023
(000s) (unaudited)	*($)*	*($)*
Assets		
Current assets		
Trade and other receivables	**28,898**	27,222
Prepaid expenses and deposits	**4,442**	2,808
Derivative financial instruments *(note 4)*	**2,216**	5,068
	35,556	35,098
Non-current assets		
Property, plant and equipment *(note 5)*	**1,090,181**	945,422
Exploration and evaluation assets *(note 6)*	**33,329**	32,535
	1,123,510	977,957
Total assets	**1,159,066**	1,013,055
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	**56,329**	20,653
Decommissioning obligations *(note 8)*	**-**	80
Lease obligations *(note 9)*	**935**	686
	57,264	30,802
Non-current liabilities		
Bank debt *(note 7)*	**202,955**	182,273
Decommissioning obligations *(note 8)*	**22,954**	20,898
Lease obligations *(note 9)*	**305**	865
Deferred tax liability	**113,917**	92,135
	340,131	296,171
Total liabilities	**397,395**	326,973
Equity		
Share capital *(note 10)*	**372,928**	372,361
Contributed surplus	**32,244**	29,387
Retained earnings	**356,499**	284,334
Total equity	**761,671**	686,082
Total liabilities and equity	**1,159,066**	1,013,055

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	
	2024	2023	**2024**	2023
(000s, except per share amounts) (unaudited)	*($)*	*($)*	*($)*	*($)*
Revenue				
Petroleum and natural gas revenues *(note 11)*	**88,799**	84,111	**257,844**	219,870
Royalties	**(10,841)**	(11,451)	**(30,427)**	(25,400)
Realized gain (loss) on derivative instruments	**950**	(2,077)	**2,095**	(163)
Unrealized gain (loss) on derivative instruments	**3,489**	(7,764)	**(2,852)**	(5,672)
Other revenue *(note 11)*	**1**	2	**24**	4
	82,398	62,821	**226,684**	188,639
Expenses				
Operating	**10,705**	9,075	**30,419**	25,637
Transportation	**3,866**	3,595	**11,578**	10,197
General and administrative	**1,993**	1,892	**5,831**	5,431
Depletion and depreciation *(note 5)*	**24,020**	19,557	**67,289**	53,780
Share-based compensation	**228**	207	**1,734**	2,981
Exploration and evaluation *(note 6)*	**1,318**	1,570	**3,357**	7,477
Finance expenses *(note 12)*	**4,382**	3,611	**12,528**	9,625
	46,512	39,507	**132,736**	115,128
Income before income taxes	**35,886**	23,314	**93,948**	73,511
Deferred income tax expense	**8,307**	5,402	**21,783**	17,580
Income and comprehensive income for the period	**27,579**	17,912	**72,165**	55,931
Income per share *(note 13)*				
Basic	**0.17**	0.11	**0.45**	0.35
Diluted	**0.17**	0.11	**0.44**	0.34

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

ARTIS EXPLORATION LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
(000s) (unaudited)	*(#)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2024	**160,197**	**372,361**	**29,387**	**284,334**	**686,082**
Exercise of stock options	**324**	**567**			**567**
Share-based payments	**-**	**-**	**2,857**	**-**	**2,857**
Income for the period	**-**	**-**	**-**	**72,165**	**72,165**
Balance – September 30, 2024	**160,521**	**372,928**	**32,244**	**356,499**	**761,671**

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

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	
	2024	2023	**2024**	2023
(000s) (unaudited)	*($)*	*($)*	*($)*	*($)*
Cash flows from operating activities				
Income for the period	**27,579**	17,912	**72,165**	55,931
Items not involving cash:				
Depletion and depreciation (*note 5*)	**24,020**	19,557	**67,289**	53,780
Exploration and evaluation *(note 6)*	**1,318**	1,570	**3,357**	7,477
Interest on lease obligations *(note 9)*	**52**	41	**156**	86
Unrealized loss (gain) on derivative instruments	**(3,489)**	7,764	**2,852**	5,672
Deferred income taxes	**8,307**	5,402	**21,783**	17,580
Accretion of decommissioning obligations *(note 8)*	**182**	172	**517**	488
Share-based compensation	**228**	207	**1,734**	2,981
Decommissioning obligations settled *(note 8)*	**(78)**	-	**(78)**	-
Change in non-cash working capital	**10,163**	(12,993)	**9,394**	13,035
Net cash from operating activities	**68,282**	39,632	**179,169**	157,030
Cash flows from investing activities				
Property, plant and equipment expenditures *(note 5)*	**(58,623)**	(57,294)	**(209,167)**	(188,682)
Additions to exploration and evaluation assets *(note 6)*	**(1,037)**	(85)	**(4,150)**	(1,877)
Change in non-cash working capital	**8,133**	(6,036)	**13,587**	12,710
Net cash used in investing activities	**(51,527)**	(63,415)	**(199,730)**	(177,849)
Cash flows from financing activities				
Increase (decrease) in bank debt *(note 7)*	**(16,626)**	23,981	**20,683**	21,278
Issuance of share capital	**100**	-	**567**	-
Payments on lease obligations *(note 9)*	**(229)**	(198)	**(689)**	(459)
Net cash from financing activities	**(16,755)**	23,783	**20,561**	20,819
Change in cash and cash equivalents	**-**	-	**-**	-
Cash and cash equivalents – beginning of period	**-**	-	**-**	-
Cash and cash equivalents – end of period	**-**	-	**-**	-

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

1. Reporting Entity

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

2. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The condensed interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2023. These financial statements are presented in Canadian dollars (“CDN”), which is the functional currency of the Company.

The condensed interim financial statements were authorized for issuance by the Company's Board of Directors on November 26, 2024.

3. Estimation Uncertainty

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

A full list of key sources of estimation uncertainty can be found in note 2 of the annual financial statements for the year ended December 31, 2023.

4. Financial Risk Management

Derivative contracts

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

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

At September 30, 2024, the Company held derivative commodity contracts as follows:

Subject of Contract	Notional Quantity	Term	Reference	Strike Price	Option Traded	Fair Value
						($000s)
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$107.80/bbl	Swap	751
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$106.22/bbl	Swap	678
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI CAD$	$108.60/bbl	Swap	787
Total						2,216

Subsequent to September 30, 2024, 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	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$72.87/bbl	Swap
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$74.00/bbl	Swap
Crude oil	500 bbls/day	October 1, 2024 – December 31, 2024	NYMEX – WTI USD$	$76.00/bbl	Swap
Crude oil	500 bbls/day	January 1, 2025 – March 31, 2025	NYMEX – WTI USD$	$73.00/bbl	Swap
Crude oil	500 bbls/day	January 1, 2025 – March 31, 2025	NYMEX – WTI CAD$	$98.10/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, decommissioning obligations and the bank loan. Accounts payable and lease obligations consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains a revolving credit facility, as outlined in note 7, which is subject to annual renewal by the lenders and has a contractual maturity in 2025 if not extended. The Company maintains and monitors cash flow which is used to partially finance operating and capital expenditures. The Company does not pay dividends.

Capital management

Artis actively manages its capital structure, which includes shareholders' equity and working capital. In order to maintain or adjust the capital structure, Artis considers the following: incremental investment and acquisition opportunities; the current level of working capital or debt; the level of credit that may be obtainable from the Company's lender as a result of growth in reserves values; the availability of other sources of debt with different characteristics than potential bank debt; the sale of assets; limiting the size of the investment program; and new share issuances, if available on 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, 2024 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, lease obligations and decommissioning obligations, divided by annualized adjusted funds flow from operations based on the most recent quarter. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. The Company monitors this ratio and endeavors to maintain it below 1.5 to 1.0. As at September 30, 2024, Artis' ratio of net debt to annualized funds flow was 1.0 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, lease obligations and decommissioning obligations, divided by the credit facility availability. The net debt to annualized adjusted funds flow ratio may temporarily increase at certain times as a result of acquisitions or abnormally low commodity prices. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets that are updated as necessary depending on varying factors, including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's ratio of net debt to credit facility availability was 0.75 to 1 as at September 30, 2024.

	September 30 2024	December 31, 2023
(000s)	*($)*	*($)*
Current assets	**35,556**	35,098
Current liabilities	**(57,264)**	(30,802)
Exclude derivative financial instruments	**(2,216)**	(5,068)
Exclude current portion of lease obligations	**935**	686
Exclude current portion of asset retirement obligations	**-**	80
Working capital deficiency	**(22,989)**	(6)
Bank debt	**(202,955)**	(182,273)
Net debt (1)	**(225,944)**	(182,279)

Annualized funds flow for three months ended:	**September 30, 2024**	December 31, 2023
(000s)	*($)*	*($)*
Net cash from operating activities	**68,282**	56,913
Change in non-cash working capital	**(10,163)**	4,283
Decommissioning obligations	**78**	95
Adjusted funds flow (1)	**58,197**	61,291
Annualized adjusted funds flow	**232,788**	245,164
Net debt to annualized adjusted funds flow (1)	**1.0**	0.7
Credit facility available	**300,000**	300,000
Net debt to credit facility available	**75%**	61%

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

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

5. Property, Plant and Equipment

(000s)	Oil and Natural Gas Properties *($)*
Cost or deemed cost	
Balance – December 31, 2022	**941,354**
Additions	238,049
Capitalized share-based compensation	1,464
Transfer from exploration and evaluation assets	10,920
Change in decommissioning obligations	2,099
Increase in right-to-use assets	1,758
Balance – December 31, 2023	**1,195,644**
Additions	209,167
Capitalized share-based compensation	1,123
Transfer from exploration and evaluation assets	-
Change in decommissioning obligations	1,537
Increase in right-to-use assets *(note 9)*	221
Balance – September 30, 2024	**1,407,692**
Depletion and depreciation	
Balance – December 31, 2022	**173,114**
Depletion and depreciation for the year	77,108
Balance – December 31, 2023	**250,222**
Depletion and depreciation for the period	67,289
Balance – September 30, 2024	**317,511**
Carrying amounts	
September 30, 2024	**1,090,181**
December 31, 2023	945,422

Depletion and Depreciation

The calculation of 2024 depletion and depreciation expense included an estimated $3.1 billion (2023 – $2.8 billion) for future development costs associated with proved plus probable undeveloped reserves and excluded $2.4 million (2023 – $2.1 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 $3.0 million in G&A expenditures have been capitalized and included in PP&E assets at September 30, 2024 (2023 – $2.8 million). Also included in PP&E are non-cash share-based payments of $1.1 million (2023 – $1.2 million).

Impairment Assessment

In accordance with IFRS, an impairment test is performed if the Company identifies an indicator of impairment. At September 30, 2024, the Company determined that no indicators of impairment existed on its one CGU, therefore, no impairment test was performed.

6. Exploration and Evaluation Assets

(000s)	*($)*
Cost	
Balance – December 31, 2022	**48,625**
Additions	4,399
Transfers to property, plant and equipment	(10,920)
Expiries	(9,569)
Balance – December 31, 2023	**32,535**
Additions	4,150
Transfers to property, plant and equipment	-
Impairments	(3,357)
Balance – September 30, 2024	**33,329**

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, 2024, the Company had a revolving line of credit of $270 million and an operating line of credit of $30 million for a total facility of $300 million (collectively, the “Facility”) (December 31, 2023 - $300 million) of which $203.0 million (December 31, 2023 – $182.3 million) has been drawn against the Facility. The Facility revolves for a 364-day period and will be subject to its next 364-day extension by May 31, 2025. If not extended, the Facility will cease to revolve, the margins thereunder will increase by 0.50 per cent and all outstanding advances thereunder will become repayable in one year from the extension date. The available lending limits of the Facility (the “Borrowing Base”) are reviewed semi-annually and are based on the bank syndicate’s interpretation of the Company’s reserves and future commodity prices. The Facility requires the Company to maintain a Liability Management Rating (“LMR”) of greater than 2.0 in any material jurisdiction where the Company operates. If the LMR falls below the required level in any province, the lenders have the option to re-determine the Borrowing Base with-in 45 days. The Company carried an LMR of 18.3:1 at September 30, 2024. There can be no assurance that the amount of the available Facility will not be adjusted at the next scheduled Borrowing Base review on or before May 31, 2025. A decrease in the Borrowing Base resulting in a Borrowing Base shortfall would require a repayment to the lenders within 60 days of any amounts drawn in excess of the reduced Borrowing Base.

Advances under the Facility are available by way of prime rate loans with interest rates ranging between 1.75 percent and 5.25 percent over the bank’s prime lending rate and CORRA and SOFR based loans, which are subject to stamping fees and margins ranging from 2.75 percent to 6.25 percent depending upon the net debt to cash flow ratio of the Company as calculated 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, 2024 the Company’s applicable pricing included a 2.0 percent margin on prime lending, a 3.0 percent margin on CORRA 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 $700 million.

8. Decommissioning obligations

(000s)	*($)*
Cost	
Balance – December 31, 2022	**18,384**
Liabilities incurred	2,823
Change in estimated future cash flows	(724)
Decommissioning expenditures	(95)
Government subsidy for decommissioning expenditures	-
Accretion of decommissioning obligation	590
Balance – December 31, 2023	**20,978**
Liabilities incurred	1,537
Accretion of decommissioning obligation	517
Decommissioning expenditures	(78)
Balance – September 30, 2024	**22,954**

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 $23.0 million as at September 30, 2024 (December 31, 2023 – $21.0 million) based on an undiscounted inflated total future liability of $31.9 million (December 31, 2023 – $29.6 million) using an assumed inflation rate of 1.62% (2023 – 1.62%) per year. These payments are expected to be made over the next 15 years. The discount factor, being the risk-free rate related to the liability, is 3.02% (2023 – 3.02%).

9. Lease obligations

Right-of-use assets
(000s)

	($)
As at December 31, 2022	**176**
Additions	1,758
Depreciation	(522)
As at December 31, 2023	**1,412**
Additions	221
Depreciation	(558)
As at September 30, 2024	**825**

Lease liabilities
(000s)

	($)
As at December 31, 2022	**322**
Additions	1,758
Lease interest expense	137
Lease payments	(666)
As at December 31, 2023	**1,551**
Additions	221
Lease interest expense	156
Lease payments	(689)
As at September 30, 2023	**1,240**

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	**935**	**305**	**-**	**1,240**

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 – December 31, 2022 and December 31, 2023	**160,197**	**372,361**
Exercise of stock options	324	567
Balance – September 30, 2024	**160,521**	**372,928**

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	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Oil production	**84,446**	79,400	**243,328**	207,403
Gas production	**1,002**	2,059	**4,596**	6,006
NGLs production	**3,351**	2,652	**9,920**	6,461
Total revenue	**88,799**	84,111	**257,844**	219,870

Other revenue:

The following table summarizes the Corporation's other revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Interest income	**1**	-	**23**	2
Third party processing income	**-**	2	**1**	2
	1	2	**24**	4

12. Finance Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*($)*	*($)*	*($)*	*($)*
Interest expense	**4,200**	3,439	**12,011**	9,137
Accretion of decommissioning obligations	**182**	172	**517**	488
	4,382	3,611	**12,528**	9,625

13. Income Per Share

Basic income per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,503**	160,197	**160,330**	160,197

Diluted earnings per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	**2024**	2023
(000s)	*(#)*	*(#)*	*(#)*	*(#)*
Weighted average number of common shares – basic	**160,503**	160,197	**160,330**	160,197
Effects of options in-the-money	**5,199**	5,703	**5,199**	5,703
Weighted average number of common shares – diluted	**165,702**	165,900	**165,529**	165,900

In computing diluted earnings per share for the period ended September 30, 2024, 5,199,000 (September 30, 2023 – 5,703,000) shares were added to the basic weighted average common shares outstanding to account for the dilution of stock options, warrants and retention awards that will be settled with common shares issued from treasury. There were 14,702,000 (September 30, 2023 – 14,324,000) 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, 2023 - $2.50) per common share.

14. Share-Based Payments

The Company has a stock option plan pursuant to which options to purchase common shares of the Company may be granted to employees, directors and other service providers of the Company. The maximum number of common shares issuable on exercise of options granted pursuant to the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company. The options of the Company are exercisable for 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, 2024.

At September 30, 2024, the Company had 15,193,000 options outstanding with an average exercise price of $2.03 per share.

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	**1,855**	**1.35**	**1.2**
1.46	**5,315**	**1.46**	**1.2**
1.87	**823**	**1.87**	**1.2**
2.50	**3,380**	**2.50**	**3.0**
2.70 - 2.75	**3,520**	**2.74**	**1.2**
3.00	**300**	**3.00**	**0.6**
	15,193	**2.03**	**1.5**

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	**4,341**	**1.88**	**0.8**
2.19	**4,341**	**2.19**	**0.8**
2.50	**4,341**	**2.50**	**0.8**
2.81	**4,341**	**2.81**	**0.8**
3.13	**4,341**	**3.13**	**0.8**
	21,705	**2.50**	**0.8**

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 January 1, 2025.

The Company has 307,500 RAs outstanding at September 30, 2024.