

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	-	8,659
Accounts receivable (note 10)	1,354	2,276
Prepaid expenses and deposits	104	72
Asset held for sale (note 6)	331	-
	1,789	11,007
Exploration and evaluation (note 4)	5,360	7,865
Property and equipment (note 5)	42,699	27,043
Total assets	49,848	45,915
LIABILITIES		
Current liabilities		
Bank debt (note 7)	37	-
Accounts payable and accrued liabilities	4,521	2,552
Current portion of decommissioning liability (note 8)	71	-
Liability held for sale (note 6)	41	-
	4,670	2,552
Decommissioning liability (note 8)	6,245	6,181
Total liabilities	10,915	8,733
SHAREHOLDERS' EQUITY		
Share capital (note 9)	37,712	37,712
Performance warrants (note 9e)	1,438	938
Contributed surplus	3,409	3,087
Deficit	(3,626)	(4,555)
Total shareholders' equity	38,933	37,182
Subsequent events (notes 6 and 7)		
Total liabilities and shareholders' equity	49,848	45,915

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(\$000, except per share amounts)	Three months ended		Nine months ended	
	September 30 2017	2016	September 30 2017	2016
REVENUE				
Petroleum and natural gas sales	4,167	2,189	13,163	4,284
Royalties	(371)	(165)	(1,238)	(275)
Interest income	-	41	18	138
	3,796	2,065	11,943	4,147
EXPENSES				
Operating	1,002	397	3,066	1,092
Transportation	290	144	794	333
General and administrative	379	290	1,089	1,165
Transaction costs	-	12	-	12
Exploration expense	-	37	-	67
Share-based compensation (note 9)	214	246	647	722
Interest and financing charges	6	4	42	31
Depletion, depreciation and amortization (notes 4 and 5)	1,545	1,010	5,410	2,403
Accretion of decommissioning liability (note 8)	38	9	109	25
	3,474	2,149	11,157	5,850
Income (loss) before other income	322	(84)	786	(1,703)
OTHER INCOME				
Gain on investment	-	-	-	120
Gain on disposition of assets (note 3)	-	16	143	70
	-	16	143	190
Income (loss) and comprehensive income (loss)	322	(68)	929	(1,513)
Income (loss) per share, basic and diluted (note 9d)	-	-	0.01	(0.01)

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(\$000)	Share capital	Performance warrants	Contributed surplus	Deficit	Total Equity
Balance, December 31, 2015	37,712	289	2,631	(3,306)	37,326
Repurchase of performance warrants	-	(5)	-	-	(5)
Share-based compensation expense (note 9)	-	438	284	-	722
Share-based compensation capitalized (note 9)	-	49	53	-	102
Loss for period	-	-	-	(1,513)	(1,513)
Balance, September 30, 2016	37,712	771	2,968	(4,819)	36,632
Balance, December 31, 2016	37,712	938	3,087	(4,555)	37,182
Share-based compensation expense (note 9)	-	411	236	-	647
Share-based compensation capitalized (note 9)	-	89	86	-	175
Income for period	-	-	-	929	929
Balance, September 30, 2017	37,712	1,438	3,409	(3,626)	38,933

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$000)	Three months ended		Nine months ended	
	September 30 2017	2016	September 30 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES				
Income (loss) for period	322	(68)	929	(1,513)
Items not involving cash:				
Depletion, depreciation and amortization (notes 4 and 5)	1,545	1,010	5,410	2,403
Accretion of decommissioning liability (note 8)	38	9	109	25
Share-based compensation (note 9)	214	246	647	722
Gain on investment	-	-	-	(120)
Gain on disposition of assets (note 3)	-	(16)	(143)	(70)
Decommissioning liabilities settled (note 8)	(27)	(2)	(38)	(3)
Change in non-cash working capital (note 11)	453	(416)	694	(790)
	2,545	763	7,608	654
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Increase in bank debt (note 7)	37	-	37	-
Repurchase of performance warrants	-	-	-	(5)
	37	-	37	(5)
CASH FLOW USED IN INVESTING ACTIVITIES				
Property and equipment expenditures	(6,062)	(1,665)	(12,922)	(3,671)
Exploration and evaluation asset expenditures	(377)	(2,416)	(6,297)	(2,908)
Property acquisitions	-	(4,093)	-	(4,093)
Property dispositions	-	125	750	125
Disposition of investment	-	-	-	358
Change in non-cash working capital (note 11)	2,803	(1,228)	2,165	17
	(3,636)	(9,277)	(16,304)	(10,172)
CHANGE IN CASH AND CASH EQUIVALENTS				
	(1,054)	(8,514)	(8,659)	(9,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,054	21,380	8,659	22,389
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	12,866	-	12,866
Cash and cash equivalents consists of:				
Cash in bank account	-	3,257	-	3,257
Cash in short-term investments	-	9,609	-	9,609
	-	12,866	-	12,866
Cash interest paid	6	4	16	17

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at and for the three and nine months ended September 30, 2017 and 2016

1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") is an oil and gas exploration and production company with producing properties in east central Alberta. The Corporation is headquartered in Calgary and is an Alberta-based reporting entity whose shares are listed on the TSX Venture Exchange under the symbol: ATU.V. Altura's principal place of business is located at 200, 640 5th Avenue SW Calgary, Alberta, T2P 3G4.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2016, except as described below. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at September 30, 2017 and the results of its operations and cash flows for the three and nine months ended September 30, 2017 and 2016. Certain information and disclosures normally included in the notes to the audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 8, 2017.

(b) Basis of Measurement and Principles of Consolidation

These financial statements have been prepared on a historical cost basis and include the accounts of Altura and its wholly-owned subsidiary. All inter-entity transactions have been eliminated.

(c) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Corporation and its subsidiary's functional currency.

(d) Use of Estimates and Judgement

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ as a result of using estimates.

In preparing the financial statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

(e) Exploration and evaluation ("E&E") assets

Gains and losses on disposals of exploration and evaluation assets are determined by comparing the proceeds to the net carrying value of the properties and are recognized in income (loss).

3. ACQUISITIONS AND DISPOSITIONS

In September 2017, the Corporation entered into a non-cash asset exchange arrangement in which Altura exchanged undeveloped land and a non-producing wellbore in the Provost area of Alberta for undeveloped land in the Macklin area of Saskatchewan. Altura recorded \$475,000 to E&E asset acquisitions, \$36,000 to E&E asset dispositions, \$524,000 to developed & producing ("D&P") asset dispositions and reduced the decommissioning liability by \$85,000 relating to the transfer of the wellbore. The fair market value of the assets exchanged approximated net book value, therefore, no gain or loss was recorded on the transaction.

In April 2017, the Corporation divested undeveloped land with a net book value of \$607,000 for \$750,000. Altura recorded a gain of \$143,000 on the disposition in the nine months ended September 30, 2017.

On September 14, 2016, Altura closed the acquisition of a producing petroleum and natural gas asset in the Killam area of Alberta for cash consideration of \$4.1 million. The acquisition was completed to further Altura's growth strategy of acquiring low decline oil weighted assets. The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

Net assets acquired (\$000)	
Property and equipment	5,225
Prepaid expenses and deposits	68
Decommissioning liability	(1,200)
	4,093
Consideration	
Cash	4,093

In 2016, the Corporation divested minor non-producing properties for aggregate proceeds of \$125,000. Altura recorded a gain of \$16,000 and \$70,000 on the dispositions in the three and nine months ended September 30, 2016.

4. EXPLORATION AND EVALUATION

The following table reconciles Altura's E&E assets:

(\$000)	Total
Balance, December 31, 2015	1,768
Additions	6,789
Transfers to property and equipment	(933)
Change in decommissioning costs	406
Depletion	(165)
Balance, December 31, 2016	7,865
Additions	6,360
Acquisition (note 3)	475
Dispositions (note 3)	(643)
Transfer to property and equipment net of depletion	(8,735)
Change in decommissioning costs	257
Depletion	(219)
Balance, September 30, 2017	5,360

E&E assets consist of the Corporation's projects that have yet to be established as technically feasible and commercially viable. Additions represent Altura's share of costs incurred on E&E assets during the periods. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of nil and \$190,000 in the three and nine months ended September 30, 2017 (September 30, 2016 – \$71,000 and \$150,000), respectively.

In 2017, an impairment test was conducted on the transfer of \$8.7 million of E&E assets to property and equipment. No impairment was recorded on the transfer. Additionally, Altura evaluated its remaining E&E assets at September 30, 2017 for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no impairment was recorded on Altura's E&E assets.

5. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2015	22,636	35	22,671
Additions	6,929	5	6,934
Acquisition (note 3)	5,225	-	5,225
Disposition (note 3)	(124)	-	(124)
Transfers from E&E assets	933	-	933
Change in decommissioning costs	1,938	-	1,938
Balance, December 31, 2016	37,537	40	37,577
Additions	13,026	8	13,034
Disposition (note 3)	(851)	-	(851)
Transfers from E&E assets	9,120	-	9,120
Transfer to asset held for sale (note 6)	(820)	-	(820)
Change in decommissioning costs	(67)	-	(67)
Balance, September 30, 2017	57,945	48	57,993
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2015	(6,608)	(8)	(6,616)
Depletion, depreciation and amortization	(3,924)	(9)	(3,933)
Disposition	15	-	15
Balance, December 31, 2016	(10,517)	(17)	(10,534)
Depletion, depreciation and amortization	(5,185)	(6)	(5,191)
Disposition (note 3)	327	-	327
Transfers from E&E assets	(385)	-	(385)
Transfer to asset held for sale (note 6)	489	-	489
Balance, September 30, 2017	(15,271)	(23)	(15,294)
Carry amounts			
(\$000)			
As at December 31, 2016	27,020	23	27,043
As at September 30, 2017	42,674	25	42,699

At September 30, 2017, estimated future development costs of \$27.7 million (December 31, 2016 – \$16.8 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Altura capitalized cash and non-cash administrative costs directly attributable to property and equipment of \$186,000 and \$328,000 in the three and nine months ended September 30, 2017 (September 30, 2016 – \$51,000 and \$147,000), respectively.

At September 30, 2017, Altura evaluated its developed and producing assets for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified and no impairment or related reversal were recorded on Altura's developed and producing assets.

6. ASSET AND LIABILITY HELD FOR SALE

On September 29, 2017, Altura agreed to sell two gross (0.5 net) producing oil wells, a royalty interest well and undeveloped land in the Provost area for \$360,000 and non-cash consideration including undeveloped land and a non-producing well in the Leduc-Woodbend area. At September 30, 2017, the asset and associated decommissioning liability were classified as held for sale. The net book value of \$331,000 was reclassified from D&P

assets to asset held for sale and the decommissioning liability of \$41,000 was transferred to liability held for sale on the consolidated balance sheet. The transaction closed on October 4, 2017.

7. CREDIT FACILITY

At September 30, 2017, Altura had a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$7.5 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Credit Facility can be drawn in whole multiples of a minimum of \$10,000, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.5 million. A standby fee calculated at a rate of 0.35 percent per annum on the unused portion of the authorized amount is payable monthly.

The Credit Facility is secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$12.0 million debenture with a first floating charge over all assets of the Corporation. Altura is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets. At September 30, 2017, the working capital ratio under the terms of the Credit Facility was calculated to be 1.9:1 (December 31, 2016 – 5.9:1).

As at September 30, 2017, \$37,000 (December 31, 2016 - \$nil) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$201,000 (December 31, 2016 - \$50,000).

Altura's Credit Facility was reviewed in October 2017 based on the Corporation's June 30, 2017 reserve report and the borrowing base was increased to \$10.0 million. The next review date for the Credit Facility has been scheduled for May 31, 2018, but may be set at an earlier or later date at the sole discretion of the Lender.

8. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at September 30, 2017 to be approximately \$6.5 million (December 31, 2016 – \$6.3 million) with the majority of costs anticipated to be incurred between 2026 and 2038. A risk-free discount rate of 2.5 percent (December 31, 2016 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2016 – 2.0 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance, beginning of period	6,181	2,626
Additions	595	1,028
Liabilities acquired	-	1,200
Liabilities disposed	(85)	(25)
Change in estimates ⁽¹⁾	(405)	(1,393)
Revaluation of liabilities acquired ⁽²⁾	-	2,709
Decommissioning liabilities settled	(38)	(9)
Transfer to liability held for sale (note 6)	(41)	-
Accretion	109	45
Balance, end of period	6,316	6,181
Expected to be incurred within one year	71	-
Expected to be incurred beyond one year	6,245	6,181

- (1) The change in estimates consists of a change in the risk-free discount rate of \$118,000 (December 31, 2016 - \$1,055,000) and a change in abandonment and remediation cost estimates and future abandonment dates of \$287,000 (December 31, 2016 - \$338,000).
- (2) Amount relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition, the decommissioning obligations were estimated using a credit adjusted discount rate of 10%.

9. SHARE CAPITAL

(a) Authorized:

- Unlimited number of voting common shares.
- Unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance.

(b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2015, December 31, 2016 and September 30, 2017	108,920,973	37,712

(c) Stock options:

The Corporation has a stock option plan for directors, employees and service providers. Under the plan, options may be granted to purchase up to 10 percent of the outstanding shares of Altura and the maximum term of options granted is five years. Unless otherwise determined by the Board of Directors at the time of grant, options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

No stock options were exercised in the nine months ended September 30, 2017.

A summary of the Corporation's outstanding stock options at September 30, 2017 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2015	3,950,000	0.34
Granted	2,120,000	0.27
Forfeited	(500,000)	0.34
Balance, December 31, 2016 and September 30, 2017	5,570,000	0.31

The range of exercise prices for stock options outstanding and exercisable under the plan at September 30, 2017 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low (\$)	High (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)
0.27	0.34	5,570,000	3.5	0.31	1,266,670	3.2	0.33
		5,570,000	3.5	0.31	1,266,670	3.2	0.33

The Corporation's share-based payments relating to stock options for the three and nine months ended September 30, 2017 was \$108,000 and \$322,000 (September 30, 2016 – \$123,000 and \$337,000) of which \$29,000 and \$86,000 was capitalized (September 30, 2016 – \$24,000 and \$53,000), respectively.

(d) Weighted average common shares:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Basic	108,920,973	108,920,973	108,920,973	108,920,973
Diluted	108,921,532	108,920,973	109,019,054	108,920,973

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Corporation upon the exercise of in-the-money stock options or performance warrants plus unamortized share-based compensation expense would be used to buy back common shares at the average market price for the period.

For the three month period ended September 30, 2017, 5,220,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2016 – 3,800,000 stock options and 9,749,879 warrants). For the nine month period ended September 30, 2017, 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2016 – 3,800,000 stock options and 9,749,879 warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at September 30, 2017 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2015	10,223,953	0.449
Forfeited	(474,074)	0.449
Balance, December 31, 2016 and September 30, 2017	9,749,879	0.449

The performance warrants vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.675, an additional one-third upon the trading price equaling or exceeding \$0.901 and a final one-third upon the trading price equaling or exceeding \$1.124. The performance warrants expire on July 31, and August 28, 2020. As at September 30, 2017 no warrants are

exercisable. On the grant date, the weighted average fair value of \$0.27 per performance warrant was determined using an adjusted Black Scholes model using the following assumptions: exercise price of \$0.449 per warrant; risk free rate of 0.95 percent; volatility of 110 percent; forfeiture rate of 0 percent; and expected life ranging from 3.0 to 5.0 years. The Corporation's share-based payments relating to performance warrants for the three and nine months ended September 30, 2017 was \$167,000 and \$500,000 (September 30, 2016 – \$167,000 and \$487,000) of which \$32,000 and \$89,000 was capitalized (September 30, 2016 – \$20,000 and \$49,000), respectively. The fair value of the performance warrants is being expensed over the expected life.

10. FINANCIAL AND CREDIT RISK

Altura is exposed to third party credit risk through its contractual arrangements with its joint interest partners, marketers of petroleum and natural gas and other parties. In the event such entities fail to meet their contractual obligations to Altura, such failures could have a material adverse effect. The Corporation manages the risk by reviewing the credit risk of these entities and by entering into agreements only with parties that meet certain credit tests. The maximum credit risk that the Corporation is exposed to at any point in time is the carrying value of cash and cash equivalents, and accounts receivable.

The majority of the credit exposure on accounts receivable at September 30, 2017, pertains to revenue for accrued September 2017 production volumes. Altura primarily transacts with four oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. A significant portion of Altura's accounts receivable is carried by three marketing companies with sound financial positioning. At September 30, 2017, 54 percent, 16 percent and 10 percent of total outstanding accounts receivable pertains to these companies. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at September 30, 2017.

At September 30, 2017, the Corporation's trade receivables have been aged as follows:

As at (\$000)	September 30, 2017	December 31, 2016
Current	1,320	1,835
31 – 60 days	-	244
61 – 90 days	15	58
> 90 days	19	139
Total	1,354	2,276

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. Altura considers all amounts greater than 90 days to be past due. At September 30, 2017, management determined all accounts receivable to be collectable.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the components of non-cash working capital:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Provided by (used in):				
Accounts receivable	434	(459)	922	(446)
Prepaid expenses and deposits	43	(85)	(32)	(333)
Accounts payable and accrued liabilities	2,779	(1,168)	1,969	(62)
Working capital acquired in acquisition	-	68	-	68
	3,256	(1,644)	2,859	(773)
Provided by (used in):				
Operating activities	453	(416)	694	(790)
Investing activities	2,803	(1,228)	2,165	17
	3,256	(1,644)	2,859	(773)