

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	5,368	8,659
Accounts receivable (note 9)	1,351	2,276
Prepaid expenses and deposits	161	72
Asset held for sale (note 5)	607	-
	<b>7,487</b>	11,007
Exploration and evaluation (note 3)	11,631	7,865
Property and equipment (note 4)	29,965	27,043
<b>Total assets</b>	<b>49,083</b>	45,915
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	5,051	2,552
Decommissioning liability (note 7)	6,564	6,181
<b>Total liabilities</b>	<b>11,615</b>	8,733
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	37,712	37,712
Performance warrants (note 8e)	1,105	938
Contributed surplus	3,193	3,087
Deficit	(4,542)	(4,555)
<b>Total shareholders' equity</b>	<b>37,468</b>	37,182
Subsequent event (note 5)		
<b>Total liabilities and shareholders' equity</b>	<b>49,083</b>	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 March 31	
	2017	2016
<b>REVENUE</b>		
Petroleum and natural gas sales	4,178	946
Royalties	(383)	(49)
Interest income	14	44
	<b>3,809</b>	941
<b>EXPENSES AND OTHER ITEMS</b>		
Operating	910	358
Transportation	206	104
General and administrative	350	356
Share-based compensation (note 8)	224	277
Interest and financing charges	6	6
Depletion, depreciation and amortization (notes 3 and 4)	2,064	742
Accretion of decommissioning liability (note 7)	36	8
	<b>3,796</b>	1,851
<b>OTHER INCOME</b>		
Gain on investment	-	157
Income (loss) and comprehensive income (loss)	<b>13</b>	(753)
Income (loss) per share, basic and diluted (note 8d)	-	(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
<b>Balance, December 31, 2015</b>	37,712	289	2,631	(3,306)	37,326
Share-based compensation expense (note 8)	-	165	112	-	277
Share-based compensation capitalized (note 8)	-	10	10	-	20
Loss for period	-	-	-	(753)	(753)
<b>Balance, March 31, 2016</b>	37,712	464	2,753	(4,059)	36,870
<b>Balance, December 31, 2016</b>	<b>37,712</b>	<b>938</b>	<b>3,087</b>	<b>(4,555)</b>	<b>37,182</b>
Share-based compensation expense (note 8)	-	142	82	-	224
Share-based compensation capitalized (note 8)	-	25	24	-	49
Income for period	-	-	-	13	13
<b>Balance, March 31, 2017</b>	<b>37,712</b>	<b>1,105</b>	<b>3,193</b>	<b>(4,542)</b>	<b>37,468</b>

See accompanying notes to the interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$000)	Three months ended March 31	
	2017	2016
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES</b>		
Income (loss) for period	13	(753)
Items not involving cash:		
Depletion, depreciation and amortization (notes 3 and 4)	2,064	742
Accretion of decommissioning liability (note 7)	36	8
Share-based compensation (note 8)	224	277
Gain on investment	-	(157)
Decommissioning liabilities settled (note 7)	(11)	-
Change in non-cash working capital (note 10)	468	(254)
	<b>2,794</b>	<b>(137)</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>		
Property and equipment expenditures	(4,542)	(129)
Exploration and evaluation asset expenditures	(4,410)	(75)
Change in non-cash working capital (note 10)	2,867	(149)
	<b>(6,085)</b>	<b>(353)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,291)</b>	<b>(490)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>8,659</b>	<b>22,389</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>5,368</b>	<b>21,899</b>
<b>Cash and cash equivalents consists of:</b>		
Cash in bank account	1,923	884
Cash in short-term investments	3,445	21,015
	<b>5,368</b>	<b>21,899</b>
Cash interest paid	6	6

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 months ended March 31, 2017 and 2016

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## 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. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at March 31, 2017 and the results of its operations and cash flows for the three months ended March 31, 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 May 9, 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.

### 3. EXPLORATION AND EVALUATION

The following table reconciles Altura's exploration and evaluation ("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	<b>7,865</b>
Additions	4,434
Transfer to asset held for sale (note 5)	(607)
Change in decommissioning costs	158
Depletion	(219)
<b>Balance, March 31, 2017</b>	<b>11,631</b>

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 \$75,000 in the three months ended March 31, 2017 (March 31, 2016 – \$31,000).

Altura has an E&E property that has sales of petroleum products associated with production from two wells. The wells were drilled in a new pool in the Leduc-Woodbend area but it is too early to assess commercial viability due to limited production history and no direct offsetting wells in the area. For the three months ended March 31, 2017, the operating results of these wells have been recognized in income (loss) and comprised sales of crude oil, natural gas, and natural gas liquids of \$418,000, royalties of \$63,000, operating expenses of \$115,000, and transportation expenses of \$13,000. All operating cash flows associated with E&E assets for the three months ended March 31, 2017, are reflected in cash flow from operating activities. Altura recorded depletion expense from E&E assets of \$219,000 in income (loss) for the three months ended March 31, 2017.

#### 4. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

<b>Cost</b> (\$000)	<b>Developed and Producing Assets</b>	<b>Administrative Assets</b>	<b>Total</b>
Balance, December 31, 2015	22,636	35	22,671
Additions	6,929	5	6,934
Acquisition	5,225	-	5,225
Disposition	(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	4,562	5	4,567
Change in decommissioning costs	200	-	200
<b>Balance, March 31, 2017</b>	<b>42,299</b>	<b>45</b>	<b>42,344</b>
<b>Depletion, depreciation and impairment</b>			
(\$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	(1,843)	(2)	(1,845)
<b>Balance, March 31, 2017</b>	<b>(12,360)</b>	<b>(19)</b>	<b>(12,379)</b>
<b>Carry amounts</b>			
(\$000)			
As at December 31, 2016	27,020	23	27,043
<b>As at March 31, 2017</b>	<b>29,939</b>	<b>26</b>	<b>29,965</b>

At March 31, 2017, estimated future development costs of \$14.8 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 \$78,000 in the three months ended March 31, 2017 (March 31, 2016 – \$37,000).

#### 5. ASSET HELD FOR SALE

On March 29, 2017, Altura signed a letter of intent to sell undeveloped land in east central Alberta for \$750,000. At March 31, 2017, the undeveloped land was classified as held for sale. The net carrying value of \$607,000 was reclassified from E&E assets to asset held for sale on the consolidated balance sheet. The transaction closed on April 4, 2017.

#### 6. CREDIT FACILITY

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of \$4.0 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. As at March 31, 2017, the working capital ratio as defined was 2.2:1 (December 31, 2016 – 5.9:1). The next review date for the Credit Facility has been set for May 31, 2017.

As at March 31, 2017, the Credit Facility was undrawn, however, the Corporation had outstanding letters of credit for \$201,000 (December 31, 2016 - \$50,000).

## 7. 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 March 31, 2017 to be approximately \$6.7 million (December 31, 2016 – \$6.3 million) with the majority of costs anticipated to be incurred between 2026 and 2037. A risk-free discount rate of 2.3 percent (December 31, 2016 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2015 – 2.0 percent) was used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Three months ended March 31, 2017	Year ended December 31, 2016
Balance, beginning of period	6,181	2,626
Additions	358	1,028
Liabilities acquired	-	1,200
Liabilities disposed	-	(25)
Change in estimates <sup>(1)</sup>	-	(1,393)
Revaluation of liabilities acquired <sup>(2)</sup>	-	2,709
Decommissioning liabilities settled	(11)	(9)
Accretion	36	45
<b>Balance, end of period</b>	<b>6,564</b>	<b>6,181</b>

(1) No change in estimates for the three month period ended March 31, 2017. In 2016, the change in estimates consists of a change in the risk-free discount rate of \$1,055,000 and a change in abandonment and remediation cost estimates and future abandonment dates of \$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%.

## 8. 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)
<b>Balance, December 31, 2015, December 31, 2016 and March 31, 2017</b>	<b>108,920,973</b>	<b>37,712</b>

(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 three months ended March 31, 2017.

A summary of the Corporation's outstanding stock options at March 31, 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
<b>Balance, December 31, 2016 and March 31, 2017</b>	<b>5,570,000</b>	<b>0.31</b>

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 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	4.0	0.31	1,150,003	3.7	0.34
		<b>5,570,000</b>	<b>4.0</b>	<b>0.31</b>	<b>1,150,003</b>	<b>3.7</b>	<b>0.34</b>

The Corporation's share-based payments relating to stock options for the three months ended March 31, 2017 was \$106,000 (March 31, 2016 – \$122,000) of which \$24,000 was capitalized (March 31, 2016 – \$10,000).

(d) Weighted average common shares:

	Three months ended March 31	
	2017	2016
Basic	<b>108,920,973</b>	108,920,973
Diluted	<b>109,289,389</b>	108,920,973

For the three months ended March 31, 2017, 9,749,879 performance warrants were excluded from the diluted weighted average number of common shares as they were anti-dilutive (March 31, 2016 – 3,950,000 stock options and 10,223,953 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at March 31, 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
<b>Balance, December 31, 2016 and March 31, 2017</b>	<b>9,749,879</b>	<b>0.449</b>

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 March 31, 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 months ended March 31, 2017 was \$167,000 (March 31, 2016 – \$175,000) of which \$25,000 was capitalized (March 31, 2016 – \$10,000). The fair value of the performance warrants is being expensed over the expected life.

## 9. 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 March 31, 2017, pertains to revenue for accrued March 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 two marketing companies with sound financial positioning. At March 31, 2017, 61 percent and 14 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 March 31, 2017.

At March 31, 2017, the Corporation's trade receivables have been aged as follows:

(\$)	March 31, 2017	December 31, 2016
Current	1,244	1,835
31 – 60 days	98	244
61 – 90 days	1	58
> 90 days	8	139
Total	1,351	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 March 31, 2017, management determined all accounts receivable to be collectable.

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended March 31	
	2017	2016
Provided by (used in):		
Accounts receivable	925	159
Prepaid expenses and deposits	(89)	(64)
Accounts payable and accrued liabilities	2,499	(498)
	<b>3,335</b>	(403)
Provided by (used in):		
Operating activities	468	(254)
Investing activities	2,867	(149)
	<b>3,335</b>	(403)