

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Altura Energy Inc. (the "Corporation" or "Altura") is dated November 8, 2018 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2018, the audited consolidated financial statements and related notes for the year ended December 31, 2017, as well as the Corporation's Annual Information Form that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

This MD&A contains non-generally accepted accounting principles ("GAAP") measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Altura's disclosure under the headings "Non-GAAP Measures" and "Forward-looking Information" included in the "Advisories" section at the end of this MD&A.

DESCRIPTION OF BUSINESS

Altura is a junior oil and gas exploration, development and production company with operations in central Alberta. Altura predominantly produces from the Rex member in the Upper Mannville group and is focused on delivering per share growth and attractive shareholder returns through a combination of organic growth and strategic acquisitions. Additional information regarding Altura is available on SEDAR and on its website at www.alturaenergy.ca. Altura's common shares are listed for trading on the TSX Venture Exchange under the symbol "ATU".

ECONOMIC ENVIRONMENT

Global crude oil prices continued to strengthen in the third quarter of 2018, with the West Texas Intermediate ("WTI") benchmark price averaging two percent higher than the second quarter of 2018 and 45 percent higher than the third quarter of 2017. Altura primarily compares its oil price to the Western Canadian Select oil price ("WCS") at Hardisty, which decreased two percent in the third quarter of 2018 relative to the second quarter of 2018 but increased 29 percent relative to the third quarter of 2017. The differential between WTI and WCS widened in the third quarter of 2018, averaging US\$22.25 per barrel, 15 percent wider than the second quarter of 2018 and widened 129 percent relative to the third quarter of 2017.

WCS differentials have widened even further in October and November 2018 to US\$29.61 and US\$45.66 per barrel, respectively. The lack of pipeline access to international oil markets, the temporary seasonal maintenance of oil refineries in the United States, the slowly growing crude-by-rail option to transport crude to the United States, full Canadian oil storage and the growth of Canadian oil production have contributed to a rapid and severe reduction in prices for Canadian light, medium and heavy crude oil. The Corporation believes this is temporary and expects Canadian oil differentials to improve over the coming months through the combination of US refineries coming back on line, the temporary reduction of Canadian heavy oil supply in the face of weak pricing, continued growth in crude-by-rail export volumes and the startup of the Enbridge Line 3 Replacement pipeline project scheduled for the fourth quarter of 2019.

2018 GUIDANCE

Updated 2018 guidance is provided below along with a comparison to previous guidance. Previous 2018 guidance was provided in the Corporation's press releases dated May 15, 2018, August 9, 2018 and October 11, 2018, and Altura's Second Quarter 2018 MD&A. Copies of the press releases and MD&A are available under Altura's profile on SEDAR at www.sedar.com or on Altura's website at www.alturaenergy.ca.

	November 9, 2018 Guidance	Previous Guidance
2018 exit production rate ⁽¹⁾ (Boe/d)	1,000–2,000	2,000
2018 capital expenditures (excluding A&D) (\$000)	\$33,000	\$33,000
2018 well-related capital ⁽²⁾ (\$000)	\$25,700	\$26,000
2018 capital efficiency ⁽³⁾ (\$/Boe/d)	\$16,200	\$17,000
H2 2018 royalty rate (%)	8%–10%	8%–10%
H2 2018 operating and transportation costs (\$/Boe)	\$9.50–\$11.00	\$10.00–\$11.00

(1) 2018 exit rate production is the forecasted production volumes for December 2018.

(2) Well-related capital includes drilling, completions, workovers, equipping and tie-in capital. November 9, 2018 capital expenditure guidance is split approximately 78 percent to well related capital and 22 percent to infrastructure and other capital, versus previous guidance on October 11, 2018 of 79 percent to well related capital and 21 percent to infrastructure and other capital.

(3) Capital efficiency equals well related capital divided by the 365-day forecasted average production rate ("IP365") from new wells drilled. Material assumptions include Altura's well related capital of \$25.7 million and forecasted IP365 of 1,590 Boe/d from 10 wells drilled in 2018. Previous capital efficiency guidance on March 22, 2018 included material assumptions of well related capital of \$9.5 million and an IP365 of 550 Boe/d from four wells.

Altura's corporate production averaged 2,050 Boe per day (82 percent oil and liquids) in October, based on field estimates. However, the lack of pipeline capacity in western Canada has resulted in reduced oil prices and pipeline apportionments on a portion of Altura's volume nominations. Due to the current uncertainty, the Corporation may curtail its post-apportioned production in November or December and is therefore revising its guidance for the December 2018 exit rate to range between 1,000–2,000 Boe per day.

Altura is forecasting a capital efficiency improvement to \$16,200 per Boe per day from previous guidance of \$17,000 per Boe per day due to lower well-related capital from drilling cost efficiencies experienced in the summer drilling program.

The Corporation's operating and transportation costs for the third quarter of 2018 were \$9.26 per Boe, seven percent lower than previous guidance's low range of \$10.00 per Boe, due mainly from the growth of lower cost production at Leduc-Woodbend. As a result, operating and transportation cost guidance has been revised to \$9.50–\$11.00 per Boe for the second half of 2018.

EAST CENTRAL ALBERTA AND SASKATCHEWAN ASSET DISPOSITION

On May 31, 2018, Altura closed the disposition of the Corporation's crude oil and natural gas assets (the "Provost Disposition"), to an unrelated third party, in east central Alberta and Saskatchewan, which included the Eyehill, Eyehill South, Macklin, Wildmere, Killam and Provost Minor areas. The gross consideration for the Provost Disposition totaled \$28,375,000. Consideration, net of customary post-closing adjustments of \$701,000 and transaction costs of \$411,000, totaled \$27,263,000.

The Corporation's reported results for the nine months ended September 30, 2018 include operational and financial contribution from the disposed assets up to the date of closing of May 31, 2018, when control transferred.

The Provost Disposition strategically transformed the Corporation to a geographically and geologically-focused Upper Mannville producer at Leduc-Woodbend, located 30 km south of Edmonton, Alberta. Altura holds a large land base at Leduc-Woodbend consisting of 70 net sections of operated land with substantial development potential. Delineation and development of the Corporation's Leduc-Woodbend asset continued with Altura's summer drilling program of eight 1.5-mile extended reach horizontal ("ERH") oil wells and infrastructure development.

LEDUC-WOODBEND ASSET ACQUISITIONS

On July 31, 2018, the Corporation closed an acquisition of 2.6 net sections of highly prospective lands in the Upper Mannville oil pool at Leduc-Woodbend and a 40 percent working interest in a producing oil unit in the Leduc-Woodbend area of Alberta (the "Asset Acquisition") from a third-party for cash consideration of \$2,608,000, net of customary post-closing adjustments. The effective date of the transaction was April 1, 2018.

On July 24, 2018, the Corporation entered into a second agreement (the "Second Acquisition") to purchase 0.4 net sections of highly prospective lands in the Upper Mannville oil pool at Leduc-Woodbend and a 20 percent working interest in the producing oil unit from a second third-party for cash consideration of \$1,050,000, subject to customary post-closing adjustments. The effective date of the transaction is July 1, 2018 and closing is expected to occur on December 1, 2018, subject to customary closing conditions. Altura paid a deposit of \$263,000 on July 24, 2018, which is being held in escrow until closing.

RESULTS OF OPERATIONS

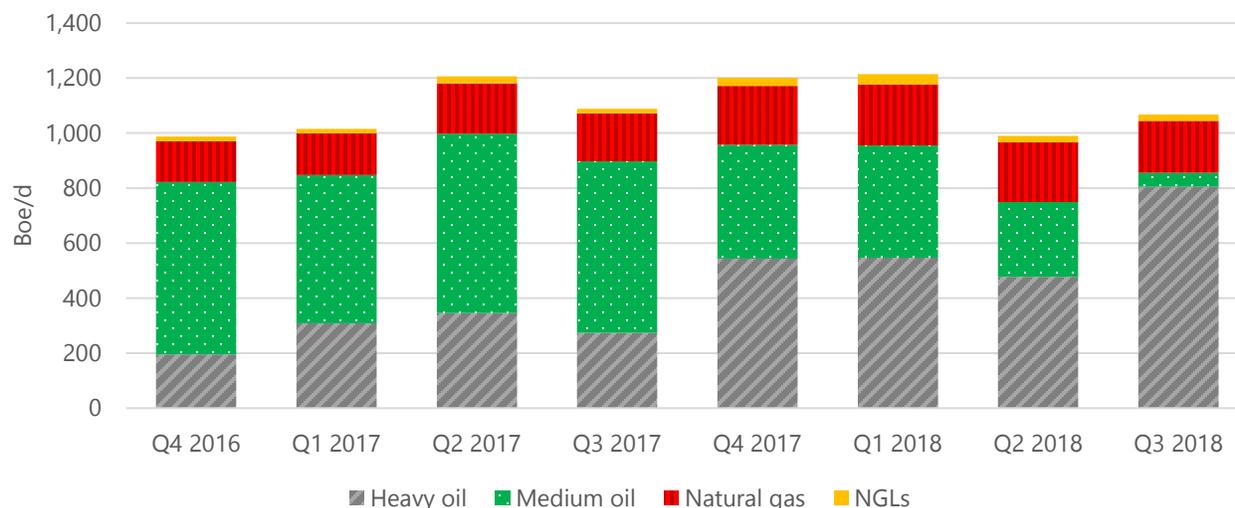
Production

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Heavy oil (Bbls/d)	805	274	194	611	309	98
Medium oil (Bbls/d)	51	624	(92)	242	605	(60)
Natural gas (Mcf/d)	1,128	1,045	8	1,257	1,018	23
Natural gas liquids ("NGLs") (Bbls/d)	23	16	44	28	19	47
Total (Boe/d)	1,067	1,088	(2)	1,090	1,103	(1)
Oil and natural gas liquids % of production	82%	84%	(2)	81%	85%	(5)

During the three and nine months ended September 30, 2018, heavy oil production (17° API) increased 194 percent and 98 percent respectively, as compared to the same periods in the prior year. The increases are due to increased production from the Leduc-Woodbend area following drilling and completions activity. Altura drilled eight ERH wells during its summer 2018 drilling program, commissioned a new multi-well battery and brought five wells on production over July and August.

For the three and nine months ended September 30, 2018, medium oil production decreased 92 percent and 60 percent, respectively, as compared to the same periods of the prior year. The decrease in both periods reflects the Provost Disposition, partially offset by two months of production from the Asset Acquisition that closed on July 31, 2018.

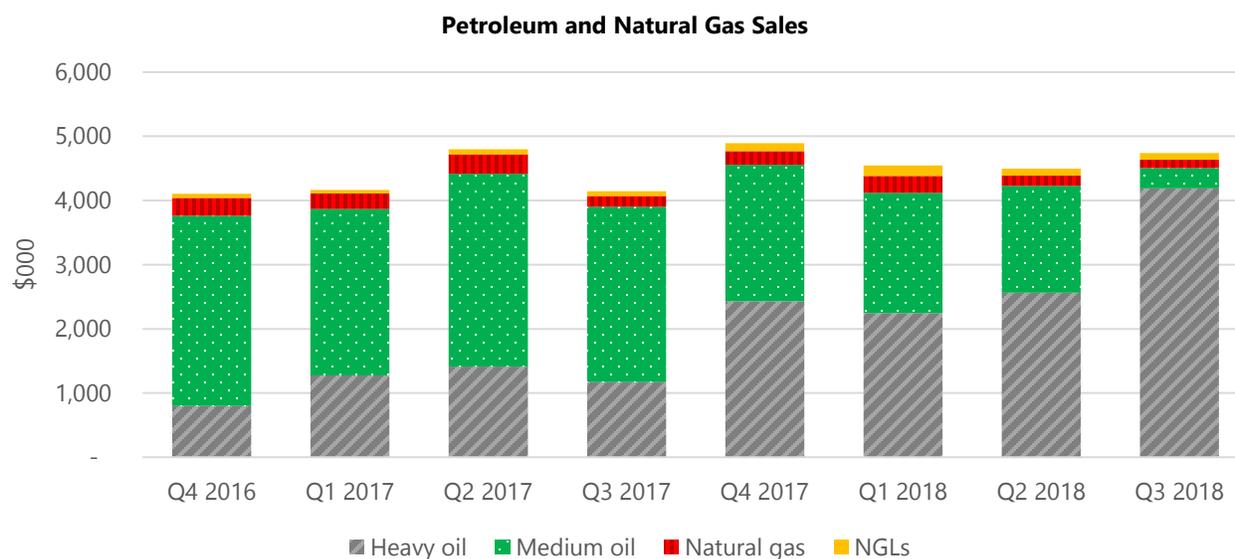
Average Daily Production



Petroleum and Natural Gas Sales

(\$000)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Heavy oil	4,190	1,172	258	8,996	3,859	133
Medium oil	315	2,732	(88)	3,861	8,326	(54)
Natural gas	128	164	(22)	544	709	(23)
Natural gas liquids	108	75	44	384	214	79
Petroleum and natural gas sales	4,741	4,143	14	13,785	13,108	5

Petroleum and natural gas sales for the third quarter of 2018 increased 14 percent to \$4,741,000 compared to \$4,143,000 in the third quarter of 2017. The quarter-over-quarter increase of \$598,000 consists of \$792,000 attributed to higher realized crude oil prices, partially offset by \$194,000 attributed to decreased production volumes from the Disposition. For the nine months ended September 30, 2018, petroleum and natural gas sales increased five percent to \$13,785,000 compared to \$13,108,000 in the same period of 2017. The increase of \$677,000 consists of \$1,640,000 attributed to higher crude oil prices, partially offset by \$963,000 attributed to decreased production volumes from the Disposition.



Altura's objective is to sell its crude oil on a monthly index basis and natural gas production on a spot basis. The average realized price the Corporation receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate and transportation and product quality differentials.

The average benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for these commodities. The principal crude oil benchmarks that Altura compares its oil price to are the WTI oil price and the WCS oil price. The differential between WTI and WCS oil prices can widen due to several factors, including, but not limited to, downtime in North American refineries, rising domestic and international production, the US to Canadian dollar exchange rate, high inventory levels in North America and lack of pipeline infrastructure or takeaway capacity connecting key consuming oil markets.

The following table outlines the Corporation's benchmark and realized petroleum and natural gas prices:

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Average Benchmark Prices						
WTI crude oil (US\$/Bbl) ⁽¹⁾	69.50	48.05	45	66.75	49.42	35
WCS differential (US\$/Bbl) ⁽²⁾	(22.25)	(9.73)	129	(21.93)	(11.87)	85
US\$/Cdn\$ exchange rate	0.765	0.800	(4)	0.776	0.765	1
WCS (Cdn\$/Bbl)	61.76	47.90	29	57.73	49.09	18
AECO daily spot (\$/GJ)	1.13	1.38	(18)	1.41	2.19	(36)
Average Realized Prices						
Heavy oil (\$/Bbl)	56.59	46.50	22	53.93	45.69	18
Medium oil (\$/Bbl)	66.74	47.61	40	58.36	50.41	16
Natural gas (\$/Mcf)	1.23	1.71	(28)	1.58	2.55	(38)
Natural gas liquids (\$/Bbl)	51.30	49.54	4	51.03	41.37	23
Average realized price (\$/Boe)	48.29	41.38	17	46.30	43.54	6

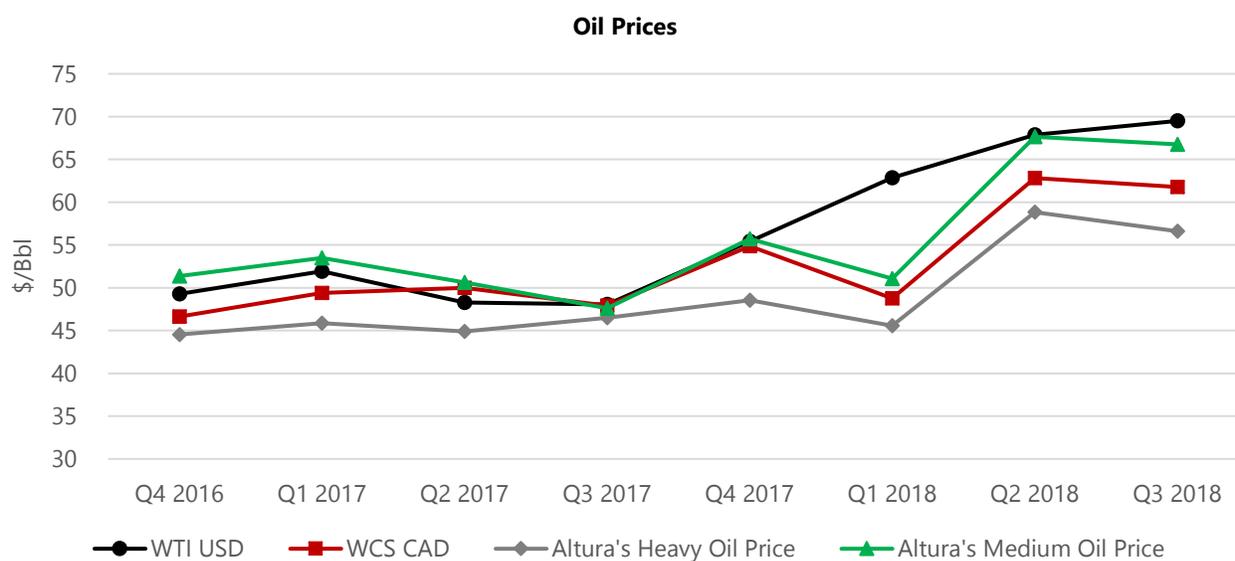
(1) WTI represents posting price of West Texas Intermediate crude oil.

(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select heavy crude oil and WTI.

During the three and nine months ended September 30, 2018, while WTI increased 45 percent and 35 percent, respectively, Altura's realized heavy oil price increased 22 percent and 18 percent and the realized medium oil price increased 40 percent and 16 percent, respectively, over the same time periods in the prior year. The impact of improved WTI prices was partially offset by the widening differential between WTI and WCS to an average discount of US\$22.25 per barrel and US\$21.93 per barrel compared to US\$9.73 per barrel and US\$11.87 per barrel, in the same periods in 2017, respectively.

The WCS differential started widening in the fourth quarter of 2017 due to pipeline outages and export pipeline capacity constraints from increased oilsands production in western Canada. Despite increased exports of crude-by-rail volumes in 2018, the WCS differential remains under pressure.

For the three and nine months ended September 30, 2018, Altura's realized natural gas price decreased by 28 percent and 38 percent compared to the same periods in the prior year due to the decline in the AECO daily spot price, which was impacted by concerns of oversupply, ongoing pipeline maintenance, and infrastructure constraints in western Canada.

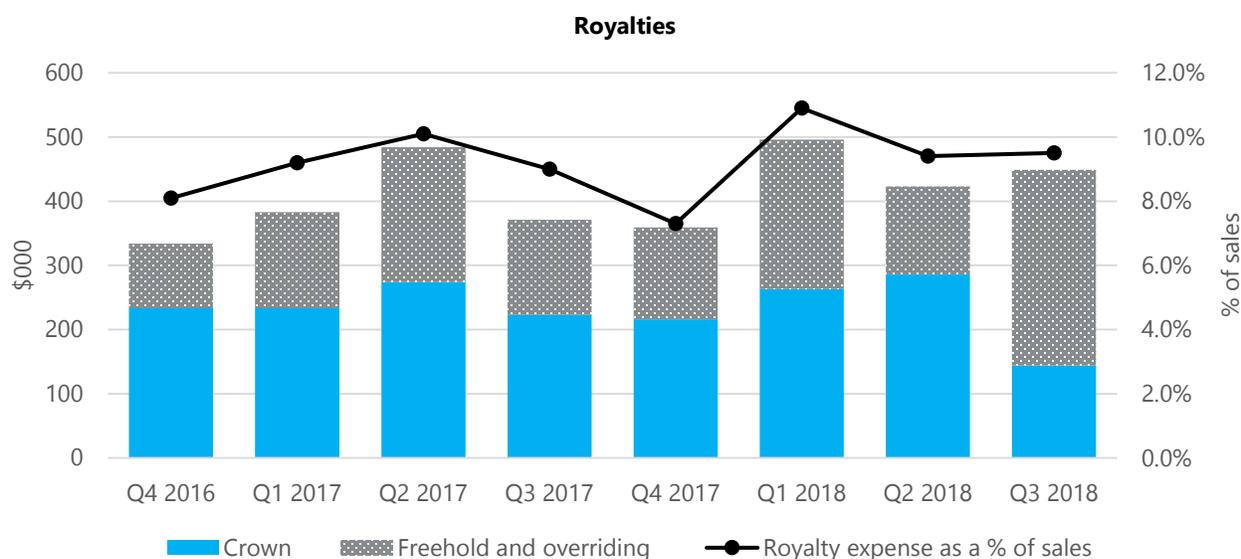


Royalties

(\$000, except % and per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Crown royalties	144	223	(35)	693	730	(5)
Freehold and overriding royalties	305	148	106	675	508	33
Royalty expense	449	371	21	1,368	1,238	11
Royalty expense as a % of sales	9.5%	8.9%	7	9.9%	9.4%	5
Royalty expense per Boe	4.57	3.70	24	4.59	4.11	12

Total royalties for the three and nine months ended September 30, 2018 were \$449,000 and \$1,368,000 (\$371,000 and \$1,238,000 for the same periods in 2017), respectively. Total royalties as a percentage of petroleum and natural gas sales increased from 8.9 percent (\$3.70 per Boe) in the third quarter of 2017 to 9.5 percent (\$4.57 per Boe) in the third quarter of 2018. For the nine months ended September 30, 2018, total royalties represented 9.9 percent of petroleum and natural gas sales (\$4.59 per Boe) as compared to 9.4 percent (\$4.11 per Boe) in the same period in 2017. The increase in total royalties for the three and nine months ended September 30, 2018, is due to increased commodity prices and increased production on freehold lands that have higher average royalty rates than Crown lands, partially offset by reduced Crown royalties from the Provost Disposition.

Altura is forecasting royalty rates to range between eight and 10 percent in the fourth quarter of 2018.



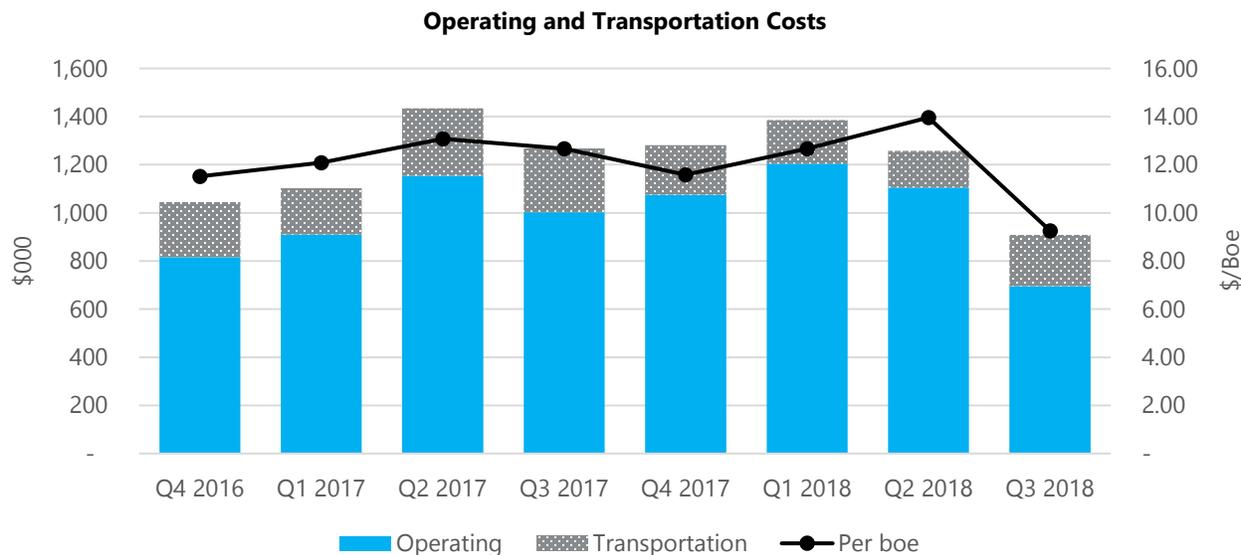
Operating and Transportation Costs

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Operating	696	1,002	(31)	3,005	3,066	(2)
Transportation	213	266	(20)	547	739	(26)
Operating and transportation	909	1,268	(28)	3,552	3,805	(7)
Operating per Boe	7.09	10.01	(29)	10.10	10.18	(1)
Transportation per Boe	2.17	2.65	(18)	1.84	2.46	(25)
Operating and transportation per Boe	9.26	12.66	(27)	11.94	12.64	(6)

Operating and transportation costs decreased by \$359,000 in the third quarter of 2018 to \$909,000 as compared to the third quarter of 2017. On a per unit basis, operating and transportation costs decreased \$3.40 to \$9.26 per Boe in the third quarter of 2018 compared to \$12.66 per Boe in the third quarter of 2017. The decrease on an absolute and per unit basis is mainly due to reductions from the Provost Disposition that had higher average operating costs, coupled with Altura's growth of lower cost production at Leduc-Woodbend.

For the nine months ended September 30, 2018, operating and transportation costs decreased by \$253,000 to \$3,552,000 compared to the same period in 2017. This decrease is mainly a result of the Provost Disposition that had higher average operating costs, and increased production at Leduc-Woodbend. On a per unit basis, operating and transportation costs decreased by \$0.70 to \$11.94 per Boe compared to the nine months ended September 30, 2017.

Altura is forecasting total operating and transportation costs to range between \$9.50 and \$11.00 per Boe in the fourth quarter of 2018.

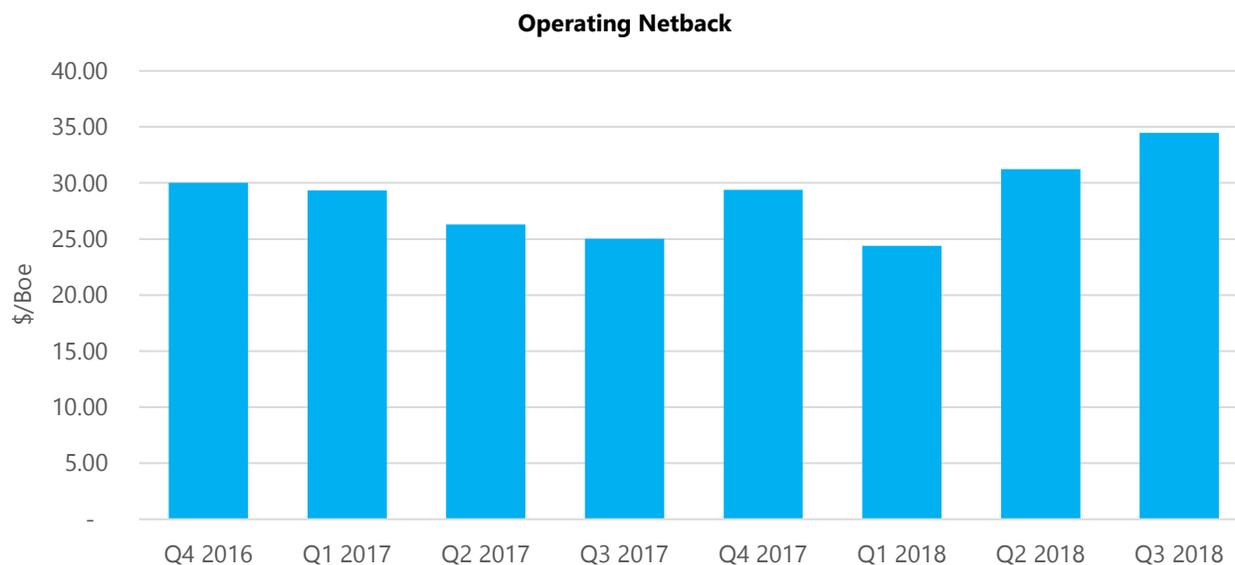


Operating Netback

(\$/Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Average realized sales price	48.29	41.38	17	46.30	43.54	6
Royalties	(4.57)	(3.70)	24	(4.59)	(4.11)	12
Operating	(7.09)	(10.01)	(29)	(10.10)	(10.18)	(1)
Transportation	(2.17)	(2.65)	(18)	(1.84)	(2.46)	(25)
Operating netback ⁽¹⁾	34.46	25.02	38	29.77	26.79	11

(1) Operating netback is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Altura's operating netback was \$34.46 per Boe in the third quarter of 2018 compared to \$25.02 per Boe in the third quarter of 2017. For the nine months ended September 30, 2018, Altura's operating netback was \$29.77 per Boe compared to \$26.79 per Boe in the same period of 2017. The increases are a result of higher average realized sales prices and decreased per unit operating and transportation costs, partially offset by increased per unit royalty expenses.



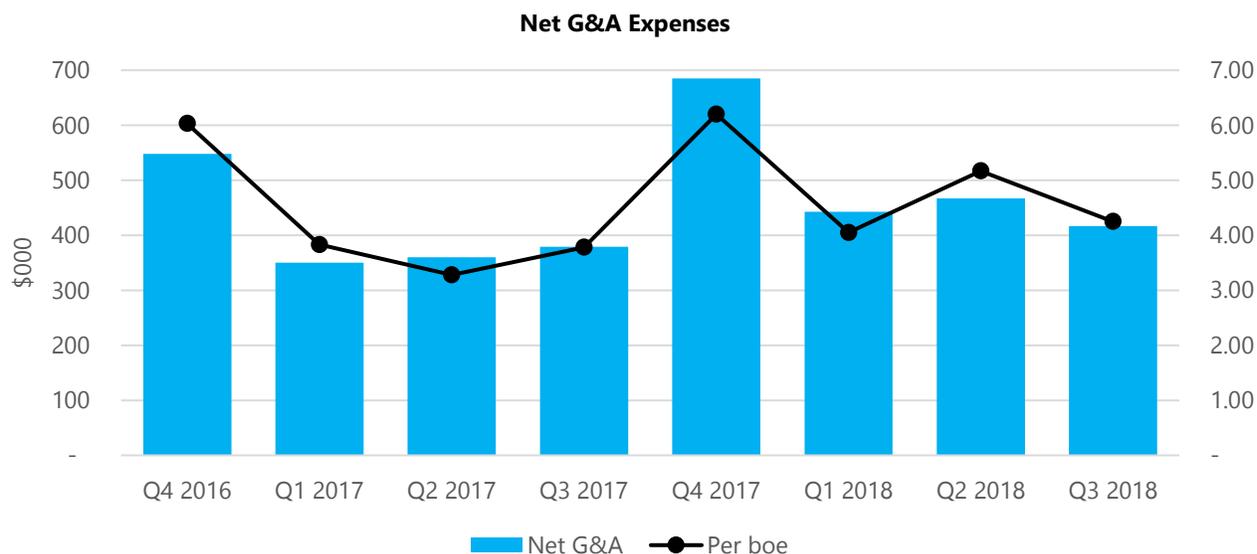
General and Administrative ("G&A") Expenses

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Gross G&A	553	504	10	1,721	1,460	18
Capitalized G&A and overhead recoveries	(136)	(125)	9	(394)	(371)	6
Net G&A expenses	417	379	10	1,327	1,089	22
Net G&A per Boe	4.25	3.78	12	4.46	3.62	23

Net G&A expenses totaled \$417,000 and \$1,327,000 for the three and nine months ended September 30, 2018, respectively, compared to \$379,000 and \$1,089,000 for the same periods in 2017. The increases are primarily related to increased salaries and benefits, and professional services associated with the Corporation's growth.

Net G&A expenses increased 12 percent to \$4.25 per Boe for the third quarter of 2018 compared to the third quarter of 2017 due to the increased costs described above, coupled with lower production volumes due to the Provost Disposition.

Altura's policy is to capitalize costs that are directly attributable to investments of property and equipment or exploration and evaluation assets.



The increased G&A observed in the fourth quarter of 2016 and the fourth quarter of 2017 primarily relate to additional costs associated with management bonuses.

Exploration Expense

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Exploration expense	20	-	-	20	-	-
Exploration expense per Boe	0.21	-	-	0.07	-	-

Exploration expenses are costs incurred prior to acquiring the legal right to explore in an area. Exploration expense in the three and nine months ended September 30, 2018, relate to geophysical consulting incurred by the Corporation to evaluate Crown land sales.

Interest and Financing Expenses

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Interest and financing expenses	2	6	(67)	137	42	226
Interest and financing expenses per Boe	0.03	0.06	(50)	0.46	0.14	229

Interest and financing expenses totaled \$2,000 and \$137,000 in the three and nine months ended September 30, 2018, respectively, compared to \$6,000 and \$42,000 in the same periods of 2017. Altura's credit facility was undrawn in the third quarter of 2018 and the interest expense relates to stand-by fees. The increase in the nine months ended September 30, 2018 is due to higher average bank debt in the first half of 2018 and higher interest rates associated with the increases in the prime lending rate. Altura's average interest rate in the nine months ended September 30, 2018 was 5.0 percent.

Interest Income

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Interest income	33	-	-	49	18	172
Interest income per Boe	0.34	-	-	0.17	0.06	183

Interest income was \$33,000 and \$49,000 in the three and nine months ended September 30, 2018, compared to nil and \$18,000 in the same periods of 2017. The interest income in 2018 relates to cash from the Provost Disposition invested in an interest-bearing account with Altura's lender.

Share-Based Compensation

(\$000)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Share-based compensation	234	275	(15)	791	822	(4)
Capitalized share-based compensation	(58)	(61)	(5)	(184)	(175)	5
Share-based compensation expense	182	214	(15)	607	647	(6)

Altura's share-based compensation is comprised of stock option expense and performance warrant expense. The Corporation estimates the fair-value of the incentive award based on a Black Scholes model for the determination of non-cash related share-based compensation and the expense is recorded over the expected life. Share-based compensation, net of capitalized amounts, totaled \$182,000 and \$607,000 in the three and nine months ended September 30, 2018, respectively, compared to \$214,000 and \$647,000 in the same periods of 2017. The decrease in the three and nine months ended September 30, 2018, as compared to the same periods of 2017, reflects a decrease in performance warrant expense due to one-third of the total performance warrants being fully expensed in July 2018.

Altura's policy is to capitalize costs that are directly attributable to investments of property and equipment or exploration and evaluation assets. The increase in capitalized share-based compensation in the nine months ended September 30, 2018 is a result of increased employee time allocated to capital projects compared to the same period of 2017.

Depletion, Depreciation and Amortization ("DD&A")

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
DD&A	1,725	1,545	12	4,988	5,410	(8)
DD&A per Boe	17.56	15.43	14	16.75	17.97	(7)

Altura uses proved and probable reserves to calculate DD&A expense. For the third quarter of 2018, DD&A increased 12 percent to \$1,725,000 compared to \$1,545,000 in the third quarter of 2017. On a per unit basis, DD&A increased 14 percent

to \$17.56 per Boe compared to \$15.43 per Boe in the third quarter of 2017. The increase is due mainly to the Provost Disposition which had lower reserves finding and development costs.

For the nine months ended September 30, 2018, DD&A decreased eight percent to \$4,988,000 compared to \$5,410,000 in the nine months ended September 30, 2017. On a per unit basis, DD&A was \$16.75 per Boe compared to \$17.97 per Boe in the same period of 2017.

Impairment

Impairment is recognized when the carrying value of an asset or group of assets exceeds its recoverable amount, defined as the higher of its value in use or fair value less cost to sell. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment.

At September 30, 2018, Altura evaluated its developed and producing ("D&P") assets and exploration and evaluation ("E&E") assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified, and no impairment or related reversal was recorded on Altura's D&P assets and E&E assets for the three months ended September 30, 2018.

Transaction Costs on Acquisition

(\$000, except per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Transaction costs on acquisition	14	-	-	14	-	-

Transaction costs on acquisition incurred in the three and nine months ended September 30, 2018 relate to legal fees and environmental consulting associated with the Asset Acquisition.

Gain on Disposition of Assets

(\$000)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Gain on disposition of assets	72	-	-	2,974	143	>500

In August 2018, the Corporation divested a non-core property with a net book value of \$nil for \$10,000. Altura reduced the decommissioning liability by \$129,000 and recorded a gain of \$139,000 on the disposition in the three and nine months ended September 30, 2018.

On May 31, 2018, the Corporation closed the Provost Disposition of Altura's crude oil and natural gas assets in east central Alberta and Saskatchewan for \$27,262,000 of cash, net of customary post-closing adjustments and transaction costs of \$411,000. Altura reduced the gain by \$67,000 in the third quarter of 2018 from additional transaction costs and changes in estimated operating income (revenues less royalties, operating and transportation expenses) in the April 1–May 31, 2018 interim period. Altura recorded a gain of \$2,835,000 on the disposition in the nine months ended September 30, 2018.

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

Deferred Taxes

The Corporation recognized a deferred tax expense of \$359,000 and \$1,035,000 in the three and nine months ended September 30, 2018, respectively, compared to nil in the same periods of 2017. The increases are a result of the elimination of the Corporation's unrecognized deferred tax asset associated with the Provost Disposition.

Estimated tax pools at September 30, 2018 are as follows:

	(\$000)
Canadian development expenses	18,080
Canadian exploration expenses	2,962
Canadian oil and gas property expenses	-
Non-capital losses	9,354
Capital losses	173
Undepreciated capital cost	10,338
Share issue costs	67
	40,974

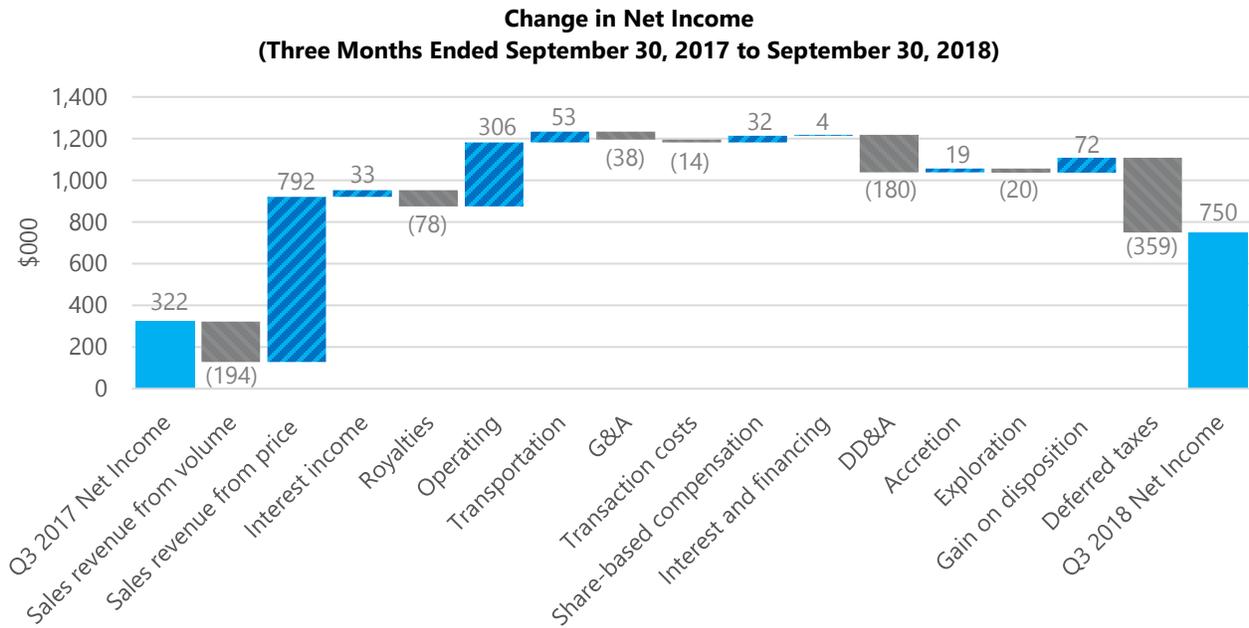
Net Income and Adjusted Funds Flow

(\$000, except per share amounts and per Boe)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Net income	750	322	133	3,677	929	296
Per share – basic and diluted	0.01	-	-	0.03	0.01	200
Adjusted funds flow ⁽¹⁾	2,977	2,119	40	7,430	6,952	7
Per share ⁽¹⁾ – basic and diluted	0.03	0.02	50	0.07	0.06	17
Adjusted funds flow per Boe ⁽¹⁾	30.31	21.18	43	24.95	23.09	8

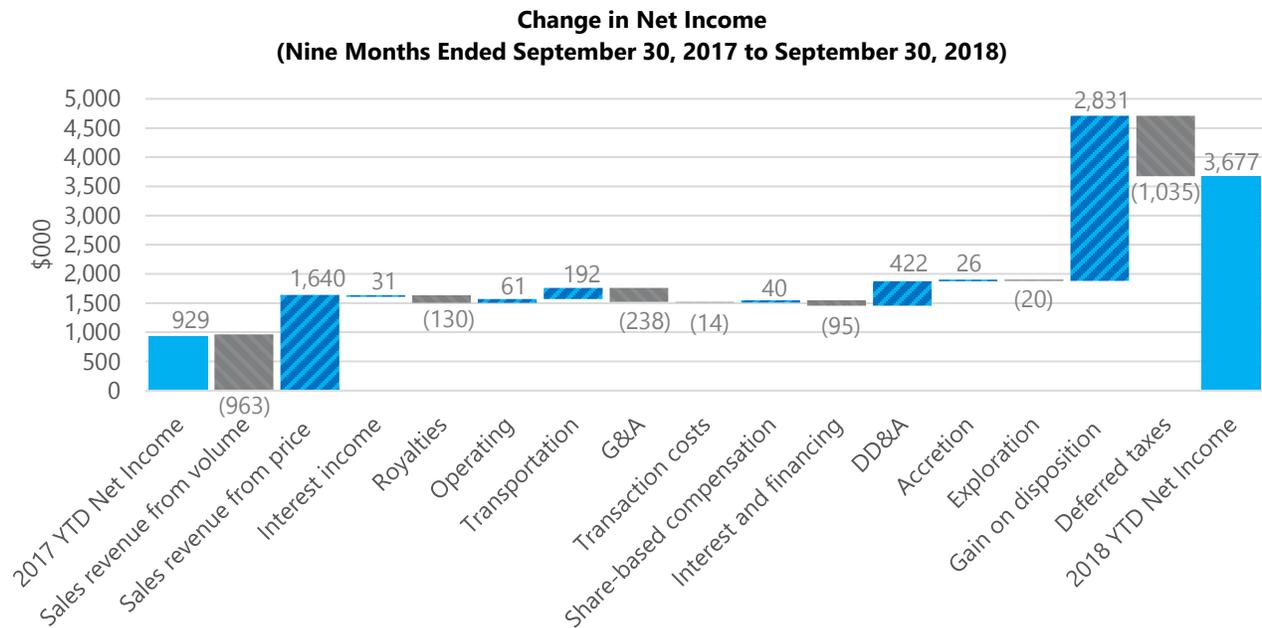
(1) Adjusted funds flow is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Net Income

In the third quarter of 2018, net income increased by \$428,000 to \$750,000 compared to \$322,000 in the same period of 2017. The increase primarily reflects increased revenue from higher realized oil prices coupled with lower operating and transportation costs and a gain on disposition. Lower medium oil production from the Provost Disposition, higher royalties, DD&A and deferred tax expenses partially offset the increase.

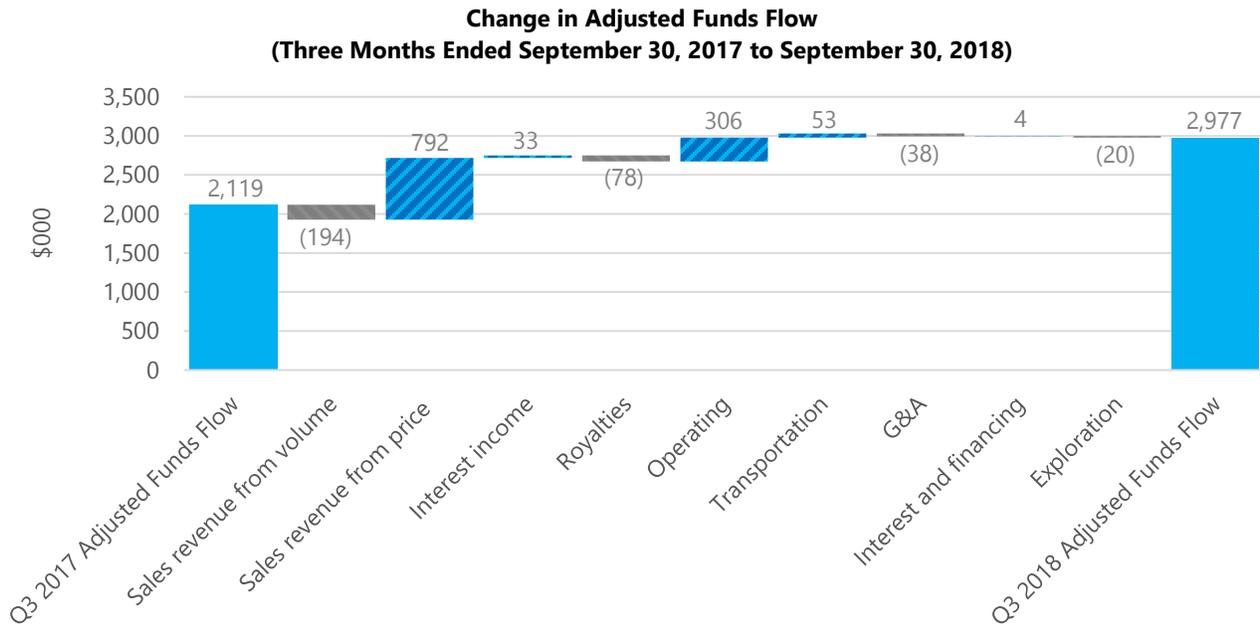


Net income for the nine months ended September 30, 2018 was \$3,677,000 compared to \$929,000 in the same period of 2017. The increase primarily reflects increased revenue from higher realized oil prices coupled with lower operating, transportation and DD&A expenses and an increased gain on disposition. Lower medium oil production from the Provost Disposition, higher royalties, G&A, interest and financing and deferred tax expenses partially offset the increase.

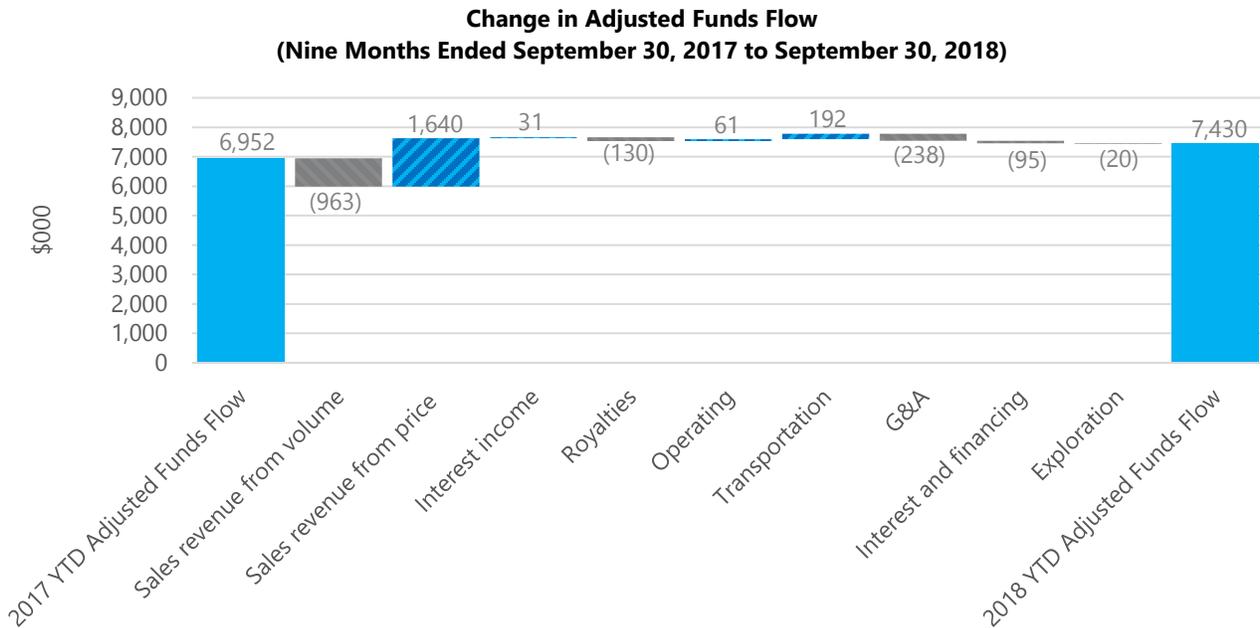


Adjusted Funds Flow

In the third quarter of 2018, adjusted funds flow increased by \$858,000 to \$2,977,000 compared to \$2,119,000 in the same period of 2017. The increase primarily reflects increased revenue from higher realized oil prices coupled with lower operating and transportation costs, partially offset by lower medium oil production from the Provost Disposition and higher royalties.



Year-to-date, adjusted funds flow increased by \$478,000 to \$7,430,000 compared to \$6,952,000 in the same period of 2017. The increase primarily reflects increased revenue from higher realized oil prices coupled with lower operating and transportation costs. Lower medium oil production from the Provost Disposition, higher royalties, G&A, and interest and financing expenses partially offset the increase.



Capital Expenditures

(\$000)	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Geological and geophysical	-	42	(100)	21	132	(84)
Land	73	387	(81)	266	1,725	(85)
Drilling and completions	14,443	3,688	292	22,260	11,066	101
Workovers	194	554	(65)	770	1,062	(27)
Equipping and tie-in	924	405	128	1,343	1,696	(21)
Facilities and pipelines	2,374	1,245	91	5,238	3,180	65
Other	(1,291)	118	(>500)	508	358	42
Capital expenditures	16,717	6,439	160	30,406	19,219	58
Property acquisitions	2,608	-	-	2,608	-	-
Property dispositions	29	-	-	(27,683)	(750)	>500
Total capital expenditures, acquisitions and dispositions	19,354	6,439	201	5,331	18,469	(71)

In the third quarter of 2018, Altura invested \$16.7 million on capital expenditures including drilling and completing six ERH wells at Leduc-Woodbend. Additionally, Altura completed the construction of its multi-well battery at Leduc-Woodbend which was commissioned in late July. The credit of \$1.3 million in the "Other" category includes \$1.5 million of well casing and tubulars that were pre-purchased in the second quarter for the summer drilling program and were transferred to drilling and equipping costs in the third quarter of 2018.

Year-to-date, Altura has invested \$30.4 million on capital expenditures. Drilling and completion projects include nine ERH wells at Leduc-Woodbend, eight of which have been completed, and one well at Macklin. The Corporation invested in key infrastructure at Leduc-Woodbend including the construction of a multi-well battery and a natural gas gathering pipeline that connects Altura's northern area production to a second third party gas plant.

On July 31, 2018, the Corporation closed an acquisition of 2.6 net sections of highly prospective lands in the Upper Mannville oil pool at Leduc-Woodbend and a 40 percent working interest in a producing oil unit in the Leduc-Woodbend area of Alberta from a third-party for cash consideration of \$2,608,000, net of customary post-closing adjustments.

On May 31, 2018, Altura closed the disposition of the Corporation's crude oil and natural gas assets in east central Alberta and Saskatchewan for \$27,262,000 of cash, net of customary post-closing adjustments and transaction costs of \$411,000.

Decommissioning Liability

At September 30, 2018, Altura's decommissioning liability was \$4.0 million (December 31, 2017 - \$6.6 million) for the future abandonment and reclamation of Altura's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors (2.0 percent) used to calculate the undiscounted total future liability. The future liability has been discounted at the risk-free rate of 2.4 percent (December 31, 2017 - 2.3 percent). Abandonment cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined. The decrease in liability is due to the Provost Disposition on May 31, 2018, partially offset by the Asset Acquisition on July 31, 2018, new wells drilled in the first nine months of 2018, a revision of estimates and accretion expense.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three and nine months ended September 30, 2018, accretion expense totaled \$19,000 and \$83,000 (September 30, 2017 - \$38,000 and \$109,000), respectively.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation had a working capital deficit of \$1.9 million at September 30, 2018, compared to a working capital deficit of \$3.7 million at December 31, 2017. At September 30, 2018, the major components of Altura's current assets were cash and cash equivalents (34 percent) and revenue (43 percent) to be received from its oil and gas marketers in respect to September 2018 production. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectible. Current liabilities largely consist of trade and joint interest payables (30 percent) and accrued liabilities (70 percent) related to the Corporation's operations. The Corporation manages its working capital using a combination of its cash flow from operating activities and advances under its revolving operating demand loan credit facility and, if applicable, funds from debt and equity issuances and asset divestitures. Altura invests its excess cash, if any, in a short-term interest-bearing account with its lender.

Credit Facility

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender"). Altura's Credit Facility was reviewed in May 2018, in conjunction with the Disposition, and the borrowing base was revised to \$3.0 million from the previous \$10 million borrowing base. 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 Corporation 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 may be added to current assets. As at September 30, 2018, the working capital ratio under the terms of the Credit Facility was calculated to be 1.1:1 (December 31, 2017 – 4.2:1). The next review date for the Credit Facility has been set for May 31, 2019.

As at September 30, 2018, the credit facility was undrawn (December 31, 2017 - \$4.3 million); however, the Corporation had outstanding letters of credit for \$160,000 (December 31, 2017 - \$201,000).

Altura's ability to increase its borrowing capacity is based on its reserves value as determined by its external reserves evaluator.

Shareholders' Equity

At September 30, 2018 there were 108,920,973 common shares outstanding, 9,749,879 performance warrants outstanding and 7,210,000 stock options outstanding. The number of common shares, performance warrants and stock options remain unchanged from December 31, 2017.

At November 8, 2018 the number of common shares, performance warrants and stock options outstanding remain unchanged from September 30, 2018.

Liquidity

(\$000)	September 30, 2018	December 31, 2017
Current assets	5,271	2,401
Current liabilities	(7,158)	(6,130)
Net debt ⁽¹⁾	(1,887)	(3,729)
Credit Facility capacity ⁽²⁾	2,840	9,799
Available funding	953	6,070

(1) Net debt is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) As at September 30, 2018, \$160,000 in letters of credit were issued and outstanding (December 31, 2017 - \$201,000).

At September 30, 2018, Altura had \$953,000 available funding consisting of the Credit Facility, partially offset by the working capital deficit.

Capital Resources

The Corporation increased its 2018 capital expenditure budget to \$33 million on May 15, 2018. As at September 30, 2018, \$30.4 million has been invested, with \$2.6 million forecasted for the fourth quarter of 2018. Additionally, Altura plans to close the Second Acquisition for \$787,000 in December 2018. Altura expects to have adequate liquidity to fund its remaining 2018 capital expenditure budget and the acquisition through a combination of cash flow from operating activities and available funding from its Credit Facility.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Altura has contractual obligations in the normal course of operations including operating agreements, transportation commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Altura's cash flows in an ongoing manner. Altura also has the following contractual obligations and commitments.

(\$000)	Payments Due by Year							Total
	2018	2019	2020	2021	2022	2023	2024	
Office lease	-	42	167	170	182	190	143	894
Second Acquisition ⁽¹⁾	787	-	-	-	-	-	-	787
Total contractual obligations and commitments	787	42	167	170	182	190	143	1,681

- (1) On July 24, 2018 the Corporation entered into an agreement to purchase a 20 percent working interest in a producing oil unit in the Leduc-Woodbend area of Alberta from a third-party for cash consideration of \$1,050,000, subject to customary post-closing adjustments. The effective date of the transaction is July 1, 2018 and closing is expected to occur on December 1, 2018, subject to customary closing conditions. Altura paid a deposit of \$263,000 on July 24, 2018, which is being held in escrow until closing.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2018				2017			2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
OPERATING								
Average daily production								
Heavy oil (Bbls/d)	805	478	547	544	274	346	309	195
Medium oil (Bbls/d)	51	271	408	414	624	652	539	627
Natural gas (Mcf/d)	1,128	1,309	1,336	1,286	1,045	1,098	909	890
NGLs (Bbls/d)	23	23	37	30	16	25	16	17
Total (Boe/d)	1,067	991	1,215	1,202	1,088	1,205	1,015	988
Average realized sales price								
Heavy oil (\$/Bbl)	56.59	58.83	45.58	48.54	46.50	44.90	45.86	44.54
Medium oil (\$/Bbl)	66.74	67.64	51.06	55.73	47.61	50.64	53.47	51.37
Natural gas (\$/Mcf)	1.23	1.32	2.14	1.81	1.71	3.03	2.96	3.34
NGLs (\$/Bbl)	51.30	51.68	50.44	45.46	49.54	36.44	40.56	44.75
Total (\$/Boe)	48.29	49.87	41.58	44.22	41.38	43.77	45.62	45.20
(\$/Boe)								
Petroleum and natural gas sales	48.29	49.87	41.58	44.22	41.38	43.77	45.62	45.20
Royalty expenses	(4.57)	(4.69)	(4.54)	(3.24)	(3.70)	(4.41)	(4.20)	(3.67)
Operating costs	(7.09)	(12.26)	(11.01)	(9.72)	(10.01)	(10.52)	(9.96)	(8.99)
Transportation costs	(2.17)	(1.70)	(1.65)	(1.86)	(2.65)	(2.55)	(2.12)	(2.52)
Operating netback ⁽¹⁾	34.46	31.22	24.38	29.40	25.02	26.29	29.34	30.02
General and administrative	(4.25)	(5.17)	(4.05)	(6.20)	(3.78)	(3.28)	(3.83)	(6.03)
Exploration expense	(0.21)	-	-	-	-	-	-	-
Interest and financing expense	(0.03)	(0.88)	(0.51)	(0.38)	(0.06)	(0.27)	(0.07)	(0.05)
Interest income	0.34	0.18	-	-	-	0.03	0.16	0.25
Adjusted funds flow per Boe ⁽¹⁾	30.31	25.35	19.82	22.82	21.18	22.77	25.60	24.19
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	4,741	4,497	4,547	4,893	4,143	4,800	4,165	4,106
Adjusted funds flow ⁽¹⁾	2,977	2,285	2,168	2,526	2,119	2,496	2,337	2,197
Per share – diluted ⁽¹⁾	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Cash flow from operating activities	831	2,313	2,443	1,940	2,545	2,269	2,794	1,683
Per share – diluted	0.01	0.02	0.02	0.02	0.02	0.02	0.03	0.02
Net income (loss)	750	2,750	177	(1,032)	322	594	13	264
Per share – diluted ⁽²⁾	0.01	0.02	-	(0.01)	-	0.01	-	-
(\$000)								
Capital expenditures	16,717	6,344	7,345	3,083	6,439	3,828	8,952	6,945
Property acquisitions/(dispositions)	2,637	(27,712)	-	(355)	-	(750)	-	-
Total assets	54,793	49,957	55,973	50,807	49,848	46,890	49,083	45,915
Net debt (working capital surplus) ⁽¹⁾	1,887	(14,761)	8,561	3,729	2,881	(1,156)	(2,436)	(8,455)
Shareholders' equity	42,633	41,643	38,616	38,165	38,933	38,336	37,468	37,182
Common shares outstanding (000)								
Weighted average for the period - basic ⁽²⁾	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921
Weighted average for the period - diluted ⁽²⁾	112,281	110,546	109,133	109,570	108,922	109,082	109,289	108,921
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921

(1) Adjusted funds flow, net debt, and operating netback are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) Basic weighted average shares are used to calculate diluted per share amounts when the Corporation is in a loss position.

Quarter over quarter changes in revenue from the fourth quarter of 2016 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. The decline in production in the third quarter of 2017 is a result of natural production declines with no new wells being added in the quarter. The decline in production in the second quarter of 2018 is a result of the disposition of assets in east central Alberta and Saskatchewan on May 31, 2018. Production volumes increased in the third quarter of 2018 with five new Leduc-Woodbend wells being brought on production in the quarter.

Capital expenditures in 2017 included drilling eight wells, land acquisitions and pipeline construction and facility upgrades. Capital expenditures in the first quarter of 2018 included drilling two wells, pipeline construction costs and facility equipment purchases. In the second and third quarters of 2018, Altura drilled eight wells, completed seven wells and completed the construction of a multi-well battery at Leduc-Woodbend.

Altura recorded net income in the fourth quarter of 2016, and the first three quarters of 2017 due to increased petroleum and natural gas sales and lower relative cash and non-cash costs. In the fourth quarter of 2017, Altura recorded an impairment expense for \$1.5 million resulting in a loss. In the second quarter of 2018, Altura recorded net income of \$2.8 million mainly due to a gain on disposition of assets, partially offset by a deferred tax expense. In the third quarter of 2018, the Corporation recorded net income of \$0.8 million.

OFF BALANCE SHEET ARRANGEMENTS

Altura does not have any off-balance sheet arrangements that would result in a material change to its financial position, performance or adjusted funds flow during the reporting periods.

RELATED PARTY TRANSACTIONS

Other than the payment of compensation to key management personnel, the Corporation has not entered into any related party transactions.

CRITICAL ACCOUNTING ESTIMATES

The Corporation's financial and operating results incorporate certain estimates including:

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A that are based on estimates of oil and gas reserves that the Corporation expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;
- estimated value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated share-based compensation expense using the Black-Scholes option pricing model; and
- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

The Corporation has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

RISK FACTORS & RISK MANAGEMENT

Altura monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Altura maintains a level of liability, and property insurance, which is believed to be adequate for the Corporation's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in Altura's most recently filed annual information form for additional information.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

CHANGES IN ACCOUNTING POLICIES

IFRS 15

The Corporation adopted IFRS 15, "Revenue from Contracts with Customers" on January 1, 2018. Altura used the modified retrospective adoption approach to adopt the new standard. The Corporation reviewed its revenue contracts with customers using the IFRS 15 five-step model, which resulted in a change in accounting of certain pipeline tariffs, impacting the September 30, 2017 comparative periods. The change in accounting for certain tariffs resulted in revenue and transportation costs both decreasing by \$24,000 and \$55,000 in the three and nine months ended September 30, 2017, with no impact on net income or the Corporation's financial position.

IFRS 9

The Corporation adopted IFRS 9, "Financial Instruments" on January 1, 2018. The transition to IFRS 9 had no material effect on the Corporation's financial statements. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Cash and cash equivalents, if any, accounts receivable and deposits continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Corporation's classification of accounts payable and accrued liabilities and bank debt which are classified as "other financial liabilities" and are measured at amortized cost. The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does Altura use hedge accounting.

FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will be applied by Altura on January 1, 2019. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of applying the standard to prior periods as an adjustment to opening retained earnings. Altura plans to use the modified retrospective approach in its adoption of IFRS 16.

Altura anticipates that the most significant impact of adopting IFRS 16 will be the recognition of right-of-use ("ROU") assets and corresponding lease obligations on its operating lease for office space. In addition, the nature of the expenses related to this lease will change as IFRS 16 replaces the straight-line operating lease expense with depreciation expense on the ROU asset and a finance charge on the lease obligation. On adoption of IFRS 16, the Corporation will recognize lease liabilities in relation to leases under the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted using Altura's incremental borrowing rate as at January 1, 2019. The associated ROU asset will initially be measured at the amount equal to the lease liability on January 1, 2019 with no impact on retained earnings.

ADVISORIES

Non-GAAP Measures

This MD&A and third quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "net debt", and "operating netback". The data presented in this MD&A and third quarter report is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These reported non-GAAP measures and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader.

Adjusted Funds Flow

Altura considers adjusted funds flow to be a key measure of performance as it demonstrates the Corporation's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and to repay debt. Management believes that such a measure provides a useful assessment of Altura's business on a continuing basis by eliminating certain non-cash charges, transaction costs, if any, and actual settlements of decommissioning obligations, the timing of which, in the opinion of management, is discretionary.

Altura reports adjusted funds flow in total, on a per share basis and on a per Boe basis. The Corporation's adjusted funds flow is disclosed in the "Net Income and Adjusted Funds Flow" section of this MD&A on page 15. The following schedule sets out the reconciliation of net income to adjusted funds flow and cash flow from operating activities for the reporting periods and the comparable prior periods:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net income	750	322	3,677	929
Adjusted for the following non-cash items				
Deferred tax expense	359	-	1,035	-
Depletion, depreciation and amortization	1,725	1,545	4,988	5,410
Accretion of decommissioning liability	19	38	83	109
Share-based compensation	182	214	607	647
Gain on disposition of assets	(72)	-	(2,974)	(143)
Transaction costs on acquisition	14	-	14	-
Adjusted funds flow	2,977	2,119	7,430	6,952
Decommissioning liabilities settled	(21)	(27)	(21)	(38)
Transaction costs on property acquisition	(14)	-	(14)	-
Transaction costs on property disposition	(14)	-	(411)	-
Changes in non-cash operating working capital	(2,097)	453	(1,397)	694
Cash flow from operating activities	831	2,545	5,587	7,608

Net Debt

Management views net debt as a key industry benchmark and a measure to assess the Corporation's financial position and liquidity. Net debt is equivalent to working capital deficit. Altura's net debt is disclosed in in the "Liquidity" section of this MD&A on page 19.

Operating Netback

Altura calculates operating netback on a per boe basis as petroleum and natural gas sales less royalties, operating and transportation costs. Management feels that operating netback is a key industry benchmark and a measure of performance for Altura that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per Boe basis assists management and investors with evaluating operating performance on a comparable basis. Altura's operating netback is disclosed in the "Operating Netback" section of this MD&A on page 11.

Oil and Gas Advisories

Barrels of Oil Equivalent

The term barrels of oil equivalent ("Boe") may be misleading, particularly if used in isolation. Per Boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 Bbl) of crude oil. The Boe conversion ratio of 6 Mcf to 1 Bbl 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 as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Forward-looking Information

This MD&A and third quarter report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A and third quarter report contains forward-looking information and statements pertaining to:

- Altura's business plans and strategy including its 2018 drilling, completion and on-production plans;
- the anticipated closing date of the 20 percent working interest in the Second Acquisition;
- forecasted 2018 capital spending;
- forecasted 2018 exit production rate range;
- plan to provide guidance on its 2019 capital program in early 2019;
- forecasted royalty rate range for the fourth quarter of 2018; and
- forecasted operating and transportation costs for the fourth quarter of 2018.

The forward-looking information and statements contained in this MD&A and third quarter report reflect several material factors and expectations and assumptions of Altura including, without limitation:

- the continued performance of Altura's oil and gas properties in a manner consistent with its past experiences;
- that Altura will continue to conduct its operations in a manner consistent with past operations;
- the general continuance of current industry conditions;
- the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes;
- the accuracy of the estimates of Altura's reserves and resource volumes;
- certain commodity price and other cost assumptions;
- the continued availability of oilfield services; and
- the continued availability of adequate debt and equity financing and cash flow from operations to fund its planned expenditures.

Altura believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes.

The forward-looking information and statements included in this MD&A and third quarter report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation:

- changes in commodity prices;
- changes in the demand for or supply of Altura's products;
- unanticipated operating results or production declines;
- changes in tax or environmental laws, royalty rates or other regulatory matters;
- changes in development plans of Altura or by third party operators of Altura's properties;
- increased debt levels or debt service requirements;
- inaccurate estimation of Altura's oil and gas reserve and resource volumes;
- limited, unfavorable or a lack of access to capital markets;
- increased costs;
- a lack of adequate insurance coverage;
- the impact of competitors; and
- certain other risks detailed from time to time in Altura's public documents.

The forward-looking information and statements contained in this MD&A and third quarter report speak only as of the date of this MD&A and third quarter report, and Altura does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.