

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	1,770	-
Accounts receivable (note 11)	3,305	2,297
Prepaid expenses and deposits	196	104
	5,271	2,401
Deposit (note 13)	263	345
Exploration and evaluation (note 5)	4,013	4,517
Property and equipment (note 6)	45,246	43,544
Total assets	54,793	50,807
LIABILITIES		
Current liabilities		
Bank debt (note 7)	-	4,252
Accounts payable and accrued liabilities	7,143	1,812
Current portion of decommissioning liability (note 8)	15	66
	7,158	6,130
Decommissioning liability (note 8)	3,967	6,512
Deferred taxes	1,035	-
Total liabilities	12,160	12,642
SHAREHOLDERS' EQUITY		
Share capital (note 9)	37,712	37,712
Performance warrants (note 9e)	2,067	1,605
Contributed surplus	3,835	3,506
Deficit	(981)	(4,658)
Total shareholders' equity	42,633	38,165
Total liabilities and shareholders' equity	54,793	50,807
Commitments and contingencies (note 13)		

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(\$000, except per share amounts)	Three months ended		Nine months ended	
	September 30 2018	2017	September 30 2018	2017
REVENUE				
Petroleum and natural gas sales (note 10)	4,741	4,143	13,785	13,108
Royalties	(449)	(371)	(1,368)	(1,238)
Interest income	33	-	49	18
	4,325	3,772	12,466	11,888
EXPENSES				
Operating	696	1,002	3,005	3,066
Transportation	213	266	547	739
General and administrative	417	379	1,327	1,089
Transaction costs on acquisition	14	-	14	-
Exploration expense	20	-	20	-
Share-based compensation (note 9)	182	214	607	647
Interest and financing charges	2	6	137	42
Depletion, depreciation and amortization (notes 5 and 6)	1,725	1,545	4,988	5,410
Accretion of decommissioning liability (note 8)	19	38	83	109
	3,288	3,450	10,728	11,102
OTHER INCOME				
Gain on disposition of assets (note 4)	72	-	2,974	143
Net income before taxes	1,109	322	4,712	929
Deferred tax expense	359	-	1,035	-
Net income and comprehensive income	750	322	3,677	929
Net income per share, (note 9d)				
Basic	0.01	-	0.03	0.01
Diluted	0.01	-	0.03	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, 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
Net income for period	-	-	-	929	929
Balance, September 30, 2017	37,712	1,438	3,409	(3,626)	38,933
Balance, December 31, 2017	37,712	1,605	3,506	(4,658)	38,165
Share-based compensation expense (note 9)	-	374	233	-	607
Share-based compensation capitalized (note 9)	-	88	96	-	184
Net income for period	-	-	-	3,677	3,677
Balance, September 30, 2018	37,712	2,067	3,835	(981)	42,633

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 2018	2017	September 30 2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for period	750	322	3,677	929
Items not involving cash:				
Deferred tax expense	359	-	1,035	-
Depletion, depreciation and amortization (notes 5 and 6)	1,725	1,545	4,988	5,410
Accretion of decommissioning liability (note 8)	19	38	83	109
Share-based compensation (note 9)	182	214	607	647
Gain on disposition of assets (note 4)	(72)	-	(2,974)	-
Transaction costs on property dispositions (note 4)	(14)	-	(411)	(143)
Decommissioning liabilities settled (note 8)	(21)	(27)	(21)	(38)
Change in non-cash working capital (note 12)	(2,097)	453	(1,397)	694
	831	2,545	5,587	7,608
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Change in bank debt (note 7)	-	37	(4,252)	37
	-	37	(4,252)	37
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Property and equipment expenditures	(16,644)	(6,062)	(29,795)	(12,922)
Exploration and evaluation asset expenditures	(73)	(377)	(266)	(6,297)
Property acquisitions (note 4)	(2,608)	-	(2,608)	-
Property dispositions (note 4)	(29)	-	27,683	750
Long-term deposit	(263)	-	(263)	-
Change in non-cash working capital (note 12)	504	2,803	5,684	2,165
	(19,113)	(3,636)	435	(16,304)
CHANGE IN CASH AND CASH EQUIVALENTS				
	(18,282)	(1,054)	1,770	(8,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	20,052	1,054	-	8,659
CASH AND CASH EQUIVALENTS, END OF PERIOD	1,770	-	1,770	-
Cash and cash equivalents consists of:				
Cash in bank account	1,770	-	1,770	-
Cash in short-term investments	-	-	-	-
Cash interest paid	2	6	137	42

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, 2018 and 2017

1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") is an oil and gas exploration and production company with producing assets in 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 2500, 605 5th Avenue SW Calgary, Alberta, T2P 3H5.

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, 2017, except as described below in note 3. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at September 30, 2018 and the results of its operations and cash flows for the three and nine months ended September 30, 2018 and 2017. 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, 2017, 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, 2018.

(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, 2017.

3. CHANGES IN ACCOUNTING POLICIES

(a) 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.

The additional disclosures required by IFRS 15 are detailed in note 10.

Revenue recognition policy

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. Altura recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point agreed with the customer, often terminals, pipelines or other transportation methods.

Altura evaluates its arrangements with 3rd parties and partners to determine if the Corporation acts as the principal or as an agent. In making this evaluation, management considers if Altura obtains control of the product delivered, which is indicated by Altura having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Altura acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Corporation from the transaction.

(b) 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.

(c) IFRS 16

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.

4. ACQUISITIONS AND DISPOSITIONS

On July 31, 2018 Altura closed the acquisition of a producing petroleum and natural gas asset in the Leduc-Woodbend area of Alberta for cash consideration of \$2.6 million. The acquisition was completed to further Altura's growth strategy in the Leduc-Woodbend area. 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.

The asset acquired has contributed revenues of \$273,000 and operating income of \$74,000 since July 31, 2018. Had the acquisition closed on January 1, 2018, estimated pro forma revenues would have been \$14.8 million and estimated net income before taxes would have been \$5.0 million for the nine months ended September 30, 2018. The pro forma revenues and net income before taxes are estimates and may not be representative of the results had the acquisitions actually occurred on January 1, 2018.

Net assets acquired	(\$000)
Exploration and evaluation ⁽¹⁾	511
Property and equipment ⁽²⁾	2,659
Prepaid expenses and deposits	56
Decommissioning liability ⁽³⁾	(618)
	2,608
Consideration	
Cash	2,608

(1) Fair value based on recent land sale activity in the area.

(2) Fair value based on an internal reserves evaluation which was prepared by a member of Altura's management who is a qualified reserves evaluator in accordance with National Instrument 51-101 effective August 1, 2018.

(3) Fair value using a credit adjusted discount rate of 10%.

The accounting for this acquisition will be finalized after all actual results have been obtained and the final fair values of the assets and liabilities have been determined. Accordingly, the above acquisition accounting may be subject to change.

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, 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 "Disposed Assets"). Consideration for the Disposed Assets totaled \$27,262,000 of cash, net of customary post-closing adjustments and transaction costs of \$411,000. Altura recorded \$1,071,000 to Exploration and Evaluation ("E&E") asset dispositions, \$29,326,000 to Developed and Producing ("D&P") asset dispositions and reduced the decommissioning liability by \$5,970,000 associated with the Disposed Assets. The Corporation recorded a gain of \$2,835,000 on the Provost Disposition in the nine months ended September 30, 2018.

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

5. EXPLORATION AND EVALUATION

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

(\$000)	Total
Balance, December 31, 2016	7,865
Additions	6,477
Acquisition	475
Dispositions	(643)
Transfer to property and equipment net of depletion (note 6)	(9,695)
Change in decommissioning costs	257
Depletion	(219)
Balance, December 31, 2017	4,517
Additions	266
Acquisition (note 4)	511
Disposition (note 4)	(1,071)
Transfer to property and equipment (note 6)	(210)
Balance, September 30, 2018	4,013

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 in the three and nine months ended September 30, 2018 (September 30, 2017 – nil and \$190,000, respectively).

6. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2016	37,537	40	37,577
Additions	16,061	8	16,069
Disposition	(1,671)	-	(1,671)
Transfers from E&E assets (note 5)	10,080	-	10,080
Change in decommissioning costs	93	-	93
Balance, December 31, 2017	62,100	48	62,148
Additions	30,210	114	30,324
Acquisition (note 4)	2,659	-	2,659
Dispositions (note 4)	(47,623)	-	(47,623)
Transfers from E&E assets (note 5)	210	-	210
Change in decommissioning costs	2,823	-	2,823
Balance, September 30, 2018	50,379	162	50,541
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2016	(10,517)	(17)	(10,534)
Depletion, depreciation and amortization	(6,979)	(8)	(6,987)
Disposition	816	-	816
Transfers from E&E assets (note 5)	(385)	-	(385)
Impairment	(1,514)	-	(1,514)
Balance, December 31, 2017	(18,579)	(25)	(18,604)
Depletion, depreciation and amortization	(4,974)	(14)	(4,988)
Dispositions	18,297	-	18,297
Balance, September 30, 2018	(5,256)	(39)	(5,295)
Carry amounts			
(\$000)			
As at December 31, 2017	43,521	23	43,544
As at September 30, 2018	45,123	123	45,246

Estimated future development costs of \$9.2 million (December 31, 2017 – \$40.2 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 \$194,000 and \$578,000 in the three and nine months ended September 30, 2018 (September 30, 2017 – \$186,000 and \$328,000), respectively.

7. 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 (note 4), 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 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 \$30.0 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 September 30, 2018, the working capital ratio as defined was 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).

8. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from its 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, 2018 to be approximately \$4.3 million (December 31, 2017 – \$6.6 million) with the majority of costs anticipated to be incurred between 2036 and 2042. A risk-free discount rate of 2.4 percent (December 31, 2017 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2017 – 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, 2018	Year ended December 31, 2017
Balance, beginning of period	6,578	6,181
Additions	923	595
Liabilities disposed (note 4)	(6,099)	(45)
Liabilities acquired (note 4)	618	-
Change in estimates ⁽¹⁾	227	(245)
Revaluation of liabilities acquired ⁽²⁾	1,673	-
Decommissioning liabilities settled	(21)	(54)
Accretion	83	146
Balance, end of period	3,982	6,578
Expected to be incurred within one year	15	66
Expected to be incurred beyond one year	3,967	6,512

(1) The change in estimates consists of a change in the risk-free discount rate of \$17,000 credit (December 31, 2017 - \$32,000) and a change in abandonment and remediation cost estimates and future abandonment dates of \$244,000 (December 31, 2017 - \$277,000 credit).

(2) Amount relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition, 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, 2016, December 31, 2017, and September 30, 2018	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. As at September 30, 2018 the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the three and nine months ended September 30, 2018 and 2017.

A summary of the Corporation's outstanding stock options at September 30, 2018 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2016	5,570,000	0.31
Granted	1,640,000	0.41
Balance, December 31, 2017 and September 30, 2018	7,210,000	0.33

The range of exercise prices for stock options outstanding and exercisable under the plan at September 30, 2018 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	0.41	7,210,000	2.9	0.33	3,123,328	2.4	0.32
		7,210,000	2.9	0.33	3,123,328	2.4	0.32

The Corporation's share-based compensation relating to stock options, fair valued on the date of grant using a Black Scholes model, for the three and nine months ended September 30, 2018 was \$111,000 and \$329,000 (September 30, 2017 – \$108,000 and \$322,000) of which \$34,000 and \$96,000 was capitalized (September 30, 2017 – \$29,000 and \$86,000), respectively.

(d) Weighted average common shares:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Basic	108,920,973	108,920,973	108,920,973	108,920,973
Diluted	112,281,480	108,921,532	110,474,810	109,019,054

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. 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 months ended September 30, 2018, no stock options or performance warrants were excluded from the diluted weighted average number of common shares (September 30, 2017 – 5,220,000 stock options and 9,749,879 performance warrants were excluded as they were anti-dilutive).

For nine months ended September 30, 2018, 1,640,000 stock options and 9,749,879 performance warrants were excluded from the diluted weighted average number of common shares as they were anti-dilutive (September 30, 2017 – 9,749,879 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at September 30, 2018 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2016, December 31, 2017 and September 30, 2018	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, 2018 no performance 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 compensation relating to performance warrants for the three and nine months ended September 30, 2018 was \$129,000 and \$462,000 (September 30, 2017 – \$167,000 and \$500,000) of which \$24,000 and \$88,000 was capitalized (September 30, 2017 – \$32,000 and \$89,000), respectively. The fair value of the performance warrants is being expensed over the expected life.

10. REVENUE

The Corporation sells its production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table details the Corporation's petroleum and natural gas sales by product:

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

11. 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, if any, and accounts receivable.

The majority of the credit exposure on accounts receivable at September 30, 2018 pertains to revenue for accrued September 2018 production volumes. Altura primarily transacts with six 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, 2018, 29 percent, 18 percent and 11 percent of total outstanding accounts receivable pertains to these companies. Additionally, 23 percent of total outstanding accounts receivable pertains to the Canada Revenue Agency regarding GST filings. 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, 2018. For the nine months ended September 30, 2018, the Corporation received approximately 24 percent, 24 percent and 10 percent of its revenue from three marketing companies (September 30, 2017 – 70 percent and 18 percent from two marketing companies).

At September 30, 2018, the Corporation's trade receivables have been aged as follows:

As at (\$000)	September 30, 2018	December 31, 2017
Current	2,848	1,949
31 – 60 days	-	75
61 – 90 days	344	178
> 90 days	113	95
Allowance for doubtful accounts	-	-
Total	3,305	2,297

When determining whether amounts that are past due are collectible, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. Altura's accounts receivable > 90 days relates to amounts owing from an Alberta government agency and is considered collectible.

12. 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	
	2018	2017	2018	2017
Provided by (used in):				
Accounts receivable	(2,389)	434	(1,008)	922
Prepaid expenses and deposits	(31)	43	(92)	(32)
Accounts payable and accrued liabilities	771	2,779	5,331	1,969
Prepaid expenses acquired in acquisition (note 4)	56	-	56	-
	(1,593)	3,256	4,287	2,859
Provided by (used in):				
Operating activities	(2,097)	453	(1,397)	694
Investing activities	504	2,803	5,684	2,165
	(1,593)	3,256	4,287	2,859

13. COMMITMENTS AND CONTINGENCIES

The following table summarizes Altura's contractual obligations and commitments as at September 30, 2018:

(\$000)	Payments Due by Year							Total
	2018	2019	2020	2021	2022	2023	2024	
Office lease	-	42	167	170	182	190	143	894
Asset 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.