

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 May 15, 2018 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 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 and east central Alberta and Saskatchewan. Altura predominantly produces from the Sparky and Rex members in the Upper Mannville group and is focused on delivering per share growth and attractive shareholder returns through a combination of organic growth and key 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".

MAJOR TRANSACTION SUBSEQUENT TO THE REPORTING PERIOD

On May 15, 2018 the Corporation entered into an agreement (the "Transaction") with an unrelated third party for the sale of its east central Alberta and Saskatchewan assets, which includes the Eyehill, Eyehill South, Macklin, Wildmere, Killam and Provost Minor areas (the "Assets"), for cash consideration of \$28,375,000, subject to customary post-closing adjustments. The adjustment date of the transaction is April 1, 2018 and closing is expected to occur on May 31, 2018, subject to the receipt of all necessary regulatory approvals and the satisfaction of other customary closing conditions.

The reserves associated with the Assets as at December 31, 2017, based on the evaluation by Altura's independent reserves evaluator, McDaniel & Associates Consultants Ltd. (the "McDaniel Report"), include:

Category	Crude Oil (Mbbbl) ⁽¹⁾	Conventional Natural Gas (MMcf) ⁽¹⁾	Natural Gas Liquids (Mbbbl) ⁽¹⁾	Oil Equivalent (Mboe) ⁽¹⁾	Future Development Costs (000)
Total Proved	1,511	2,064	18	1,873	\$9,154
Total Probable	1,197	810	9	1,341	\$8,852
Total Proved + Probable ⁽²⁾	2,707	2,874	27	3,213	\$18,006

(1) Based on McDaniel's January 1, 2018 forecast prices.

(2) Numbers may not add due to rounding.

The Assets encompass approximately 56 (44 net) sections of land and sales volumes of 668 Boe per day (530 Bbls per day of oil, 11 Bbls per day of NGLs and 766 Mcf per day of natural gas) with an operating netback of \$23.33 per Boe for the first quarter of 2018.

RESULTS OF OPERATIONS

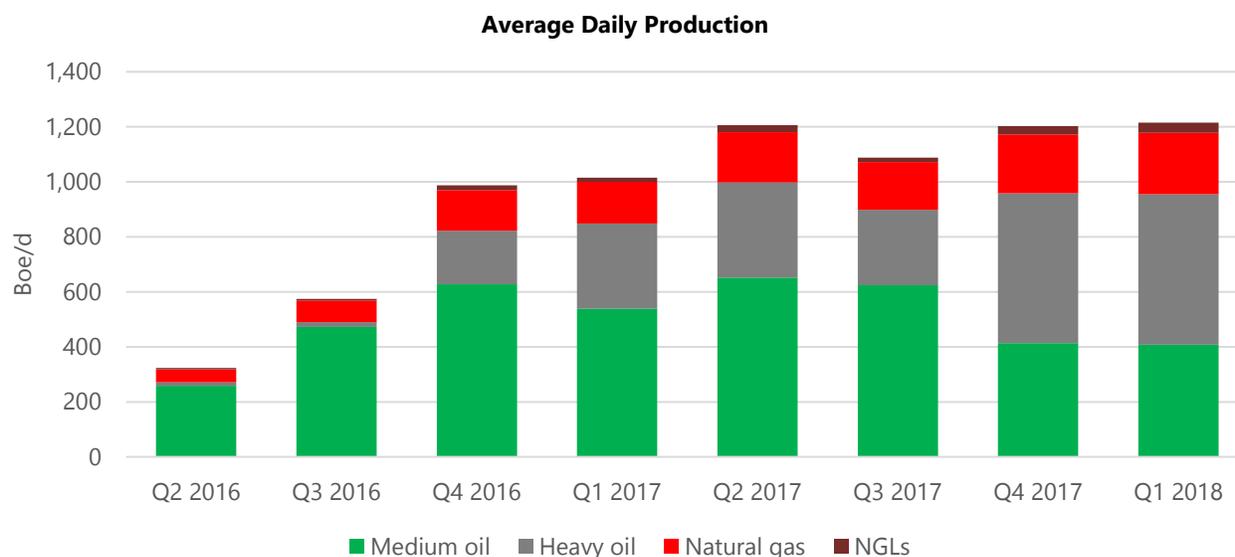
Production

	Three months ended March 31		
	2018	2017	% Change
Medium oil (Bbls/d)	408	539	(23)
Heavy oil (Bbls/d)	547	309	77
Natural gas (Mcf/d)	1,336	909	47
Natural gas liquids ("NGLs") (Bbls/d)	37	16	131
Total (Boe/d)	1,215	1,015	20
Oil and natural gas liquids % of production	82%	85%	(4)

Crude oil production volumes in the first quarter of 2018 increased to 955 barrels per day from 848 barrels per day in the first quarter of 2017 as the decrease in medium oil was more than offset by the increase in heavy oil. The increase in heavy oil, natural gas and NGLs production is mainly due to the increase in production from the Corporation's drilling program in the Leduc-Woodbend and Macklin areas. The decrease in medium oil reflects natural production declines at Eyehill and Killam.

Altura brought two wells on production in the first quarter of 2018; an extended reach horizontal oil well at Leduc-Woodbend and a horizontal oil well at Macklin.

The following exhibit shows Altura's quarterly production over the past eight quarters.



Revenue

(\$000)	Three months ended March 31		
	2018	2017	% Change
Medium oil	1,877	2,591	(28)
Heavy oil	2,245	1,275	76
Natural gas	258	242	7
Natural gas liquids	167	57	193
Petroleum and natural gas sales	4,547	4,165	9

Petroleum and natural gas sales for the first quarter of 2018 increased nine percent to \$4.5 million compared to \$4.2 million in the first quarter of 2017. The quarter-over-quarter increase of \$382,000 consists of \$548,000 attributed to increased production volumes, partially offset by \$166,000 attributed to lower realized commodity prices.

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 West Texas Intermediate ("WTI") oil price and the Western Canadian Select ("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 connecting key consuming oil markets.

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

	Three months ended March 31		
	2018	2017	% Change
Average Benchmark Prices			
WTI crude oil (US\$/Bbl) ⁽¹⁾	62.87	51.91	21
WCS differential (US\$/Bbl) ⁽²⁾	(24.28)	(14.58)	67
US\$/Cdn\$ exchange rate	0.791	0.756	5
WCS (Cdn\$/Bbl)	48.77	49.38	(1)
AECO daily spot (\$/GJ)	1.97	2.55	(23)
Average Realized Prices			
Medium oil (\$/Bbl)	51.06	53.47	(5)
Heavy oil (\$/Bbl)	45.58	45.86	(1)
Natural gas (\$/Mcf)	2.14	2.96	(28)
Natural gas liquids (\$/Bbl)	50.44	40.56	24
Average realized price (\$/Boe)	41.58	45.62	(9)

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

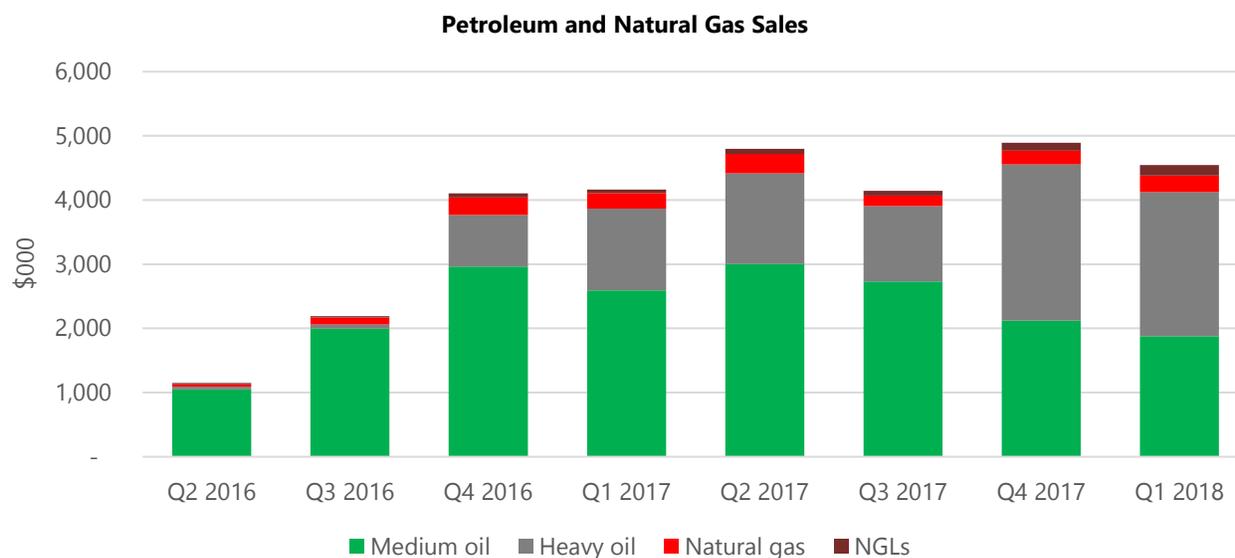
(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select heavy crude oil and WTI.

For the first quarter of 2018, WTI increased 21 percent compared to the first quarter of 2017; however, the WCS differential widened to US\$24.28 per barrel from US\$14.58 per barrel due to export pipeline capacity constraints that emerged in the fourth quarter of 2017 from pipeline outages and increased oilsands production in western Canada. The widening of the WCS differential, and the appreciation of the Canadian dollar resulted in WCS decreasing one percent to \$48.77 per barrel from \$49.38 per barrel in the first quarter of 2017.

Altura's average realized price decreased nine percent to \$41.58 per Boe in the first quarter of 2018 from the first quarter of 2017. This decrease is a result of the widening of the WCS differential, the stronger Canadian dollar and the increase in the Corporation's percentage of lower-priced heavy oil and natural gas production volumes compared to the first quarter of 2017.

For the first quarter of 2018 Altura's realized natural gas price decreased by 28 percent compared to the first quarter of 2017 due to the decline in the AECO daily spot price, which was impacted by concerns of oversupply, ongoing third-party maintenance, and infrastructure constraints in western Canada.

The following exhibit shows Altura's petroleum and natural gas sales over the past eight quarters.



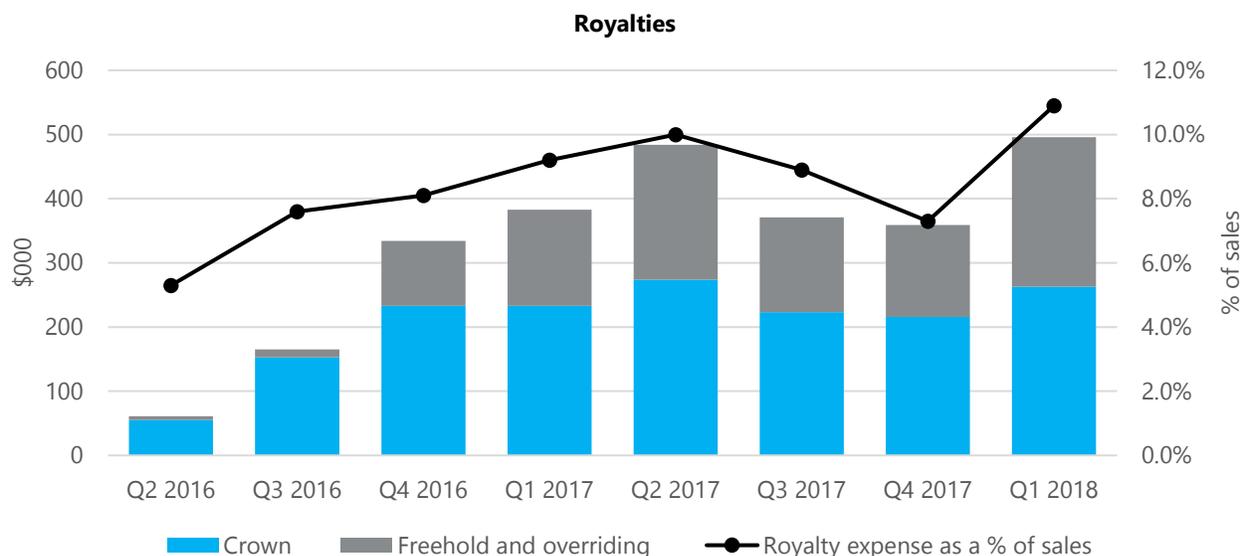
Royalties

(\$000, except % and per Boe)	Three months ended March 31		
	2018	2017	% Change
Crown royalties	263	233	13
Freehold and overriding royalties	233	150	55
Royalty expense	496	383	30
Royalty expense as a % of sales	10.9%	9.2%	18
Royalty expense per Boe	4.54	4.20	8

The Corporation's royalties are owed to the provincial governments of Alberta and Saskatchewan, and mineral rights owners. Royalties are either paid or taken in kind. The terms of the provincial government royalty regimes and mineral rights owner agreements impact the Corporation's overall corporate royalty rate.

In the first quarter of 2018, royalties as a percentage of sales increased to 10.9 percent compared to 9.2 percent in the first quarter of 2017 from higher freehold royalties, mainly due to higher freehold mineral tax rates.

The following exhibit shows Altura's royalty expenses over the past eight quarters.



Operating and Transportation Costs

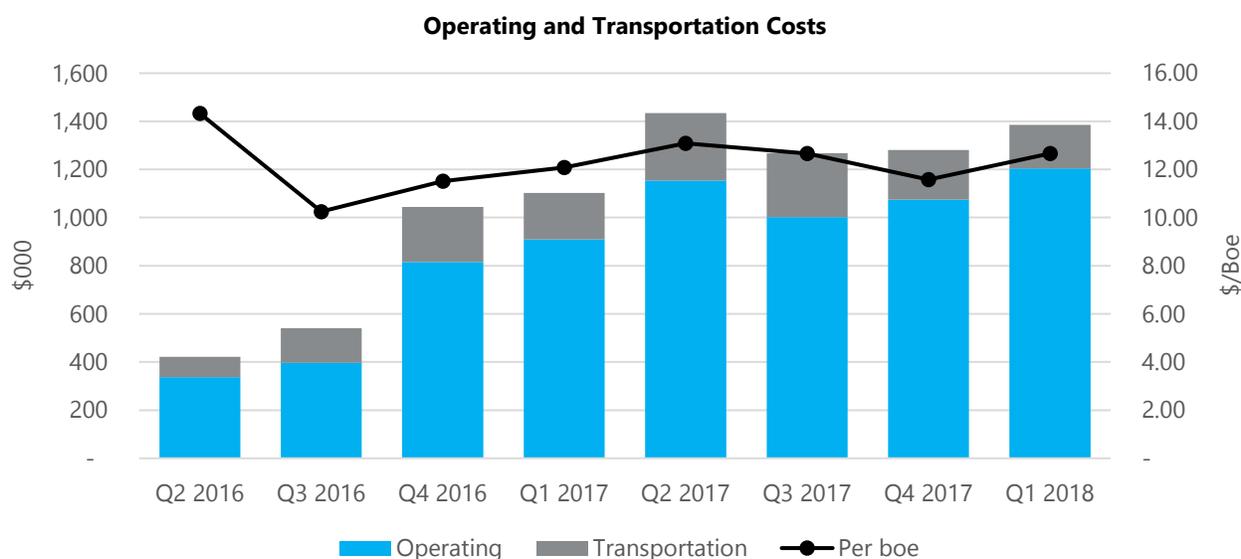
(\$000, except per Boe)	Three months ended March 31		
	2018	2017	% Change
Operating	1,204	910	32
Transportation	181	193	(6)
Operating and transportation	1,385	1,103	26
Operating per Boe	11.01	9.96	11
Transportation per Boe	1.65	2.12	(22)
Operating and transportation per Boe	12.66	12.08	5

Operating and transportation costs were \$1.4 million for the first quarter of 2018 compared to \$1.1 million for the first quarter of 2017. This increase is mainly due to Altura's increase in overall production volumes.

On a per Boe basis, operating and transportation costs were \$12.66 for the first quarter of 2018. The increase of five percent from the first quarter of 2017 was primarily a result of increased repairs and maintenance expenses and higher gas processing and gathering fees from the increase in natural gas production volumes.

Crude oil is hauled from well sites to sales terminals either as clean oil or as emulsion. Clean oil hauling is recorded to transportation costs and emulsion hauling, which includes a percentage of water that requires treating, is recorded to operating costs. The decreased transportation costs of \$0.47 per Boe in the first quarter of 2018 from the first quarter of 2017 is due to a decreased percentage of clean oil hauling and an increased percentage of emulsion hauling from the increased production at Leduc-Woodbend. Altura remains committed to expanding its multi-well battery at Leduc-Woodbend. The multi-well battery will treat emulsion on site and enable the Corporation to haul clean oil and reduce total operating and transportation costs.

The following exhibit shows Altura's operating and transportation costs over the past eight quarters.



Operating and transportation costs increased by \$1.08 per Boe to \$12.66 per Boe in the first quarter of 2018 from \$11.58 per Boe in the fourth quarter of 2017, due mainly to increased repairs and maintenance expenses, chemical expenses and emulsion hauling, which were partially offset by decreased water hauling and disposal costs.

General and Administrative ("G&A") Expenses

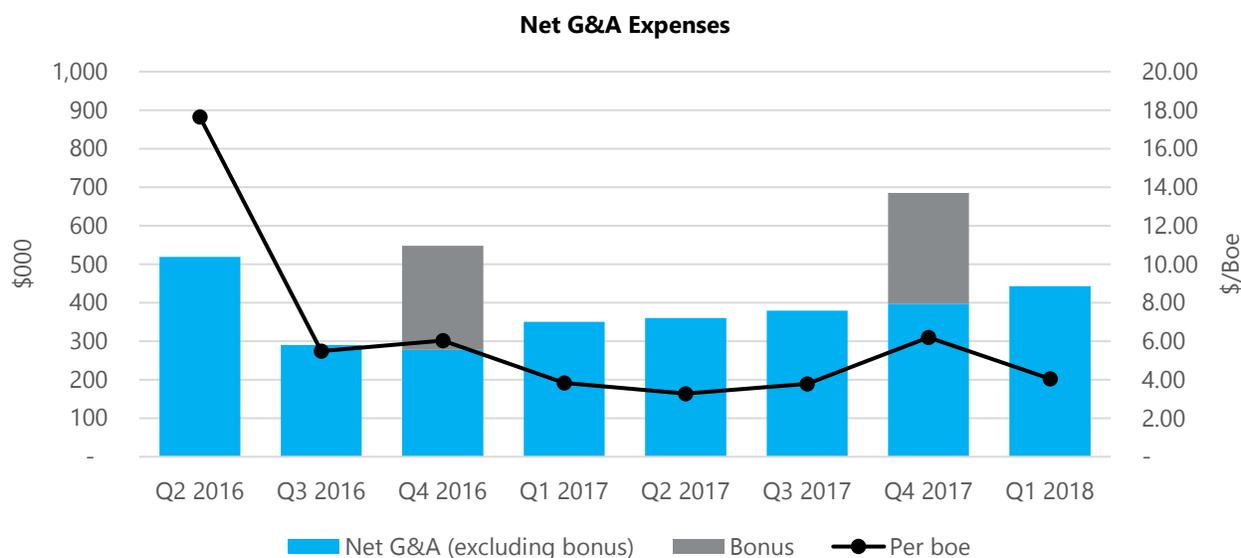
(\$000, except per Boe)	Three months ended March 31		
	2018	2017	% Change
Gross G&A	572	462	24
Capitalized G&A and overhead recoveries	(129)	(112)	15
Net G&A expenses	443	350	27
Net G&A per Boe	4.05	3.83	6

Net G&A expenses totaled \$443,000 for the first quarter of 2018 compared to \$350,000 for the first quarter of 2017. The increase is primarily related to increased salaries and benefits, and professional services associated with the Corporation's growth, partially offset by increased capitalized G&A.

Net G&A expenses increased six percent to \$4.05 per Boe for the first quarter of 2018 compared to the first quarter of 2017 due to the increased costs described above, partially offset by higher production volumes.

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 G&A and overhead recoveries in the first quarter of 2018 is a result of increased salaries and benefits and an increase in employee time allocated to capital projects compared to the first quarter of 2017.

The following exhibit shows Altura's net G&A expenses over the past eight quarters.



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.

Interest and Financing Expenses

(\$000, except per Boe)	Three months ended March 31		
	2018	2017	% Change
Interest and financing expenses	55	6	>500
Interest and financing expenses per Boe	0.51	0.07	>500

Interest and financing expenses totaled \$55,000 in the first quarter of 2018 compared to \$6,000 in the same period of 2017. The increase is due to higher average bank debt as the first quarter of 2017 expenses related to standby fees. Altura's interest rate in the first quarter of 2018 was 4.9 percent.

Interest Income

(\$000, except per Boe)	Three months ended March 31		
	2018	2017	% Change
Interest income	-	14	(100)
Interest income per Boe	-	0.16	(100)

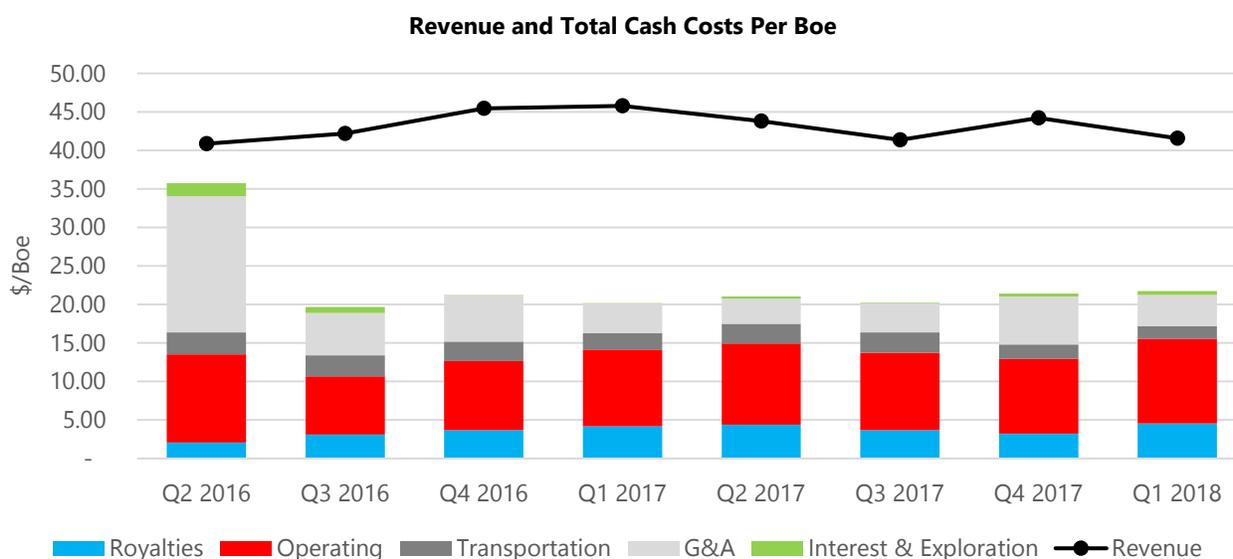
Interest income was nil in the first quarter of 2018, compared to \$14,000 in the first quarter of 2017. The decrease is due to no cash invested in the first quarter of 2018.

Netbacks

(\$/Boe)	Three months ended March 31		
	2018	2017	% Change
Average realized sales price	41.58	45.62	(9)
Royalties	(4.54)	(4.20)	8
Operating	(11.01)	(9.96)	11
Transportation	(1.65)	(2.12)	(22)
Operating netback	24.38	29.34	(17)
General and administrative	(4.05)	(3.83)	6
Interest and financing expenses	(0.51)	(0.07)	>500
Interest income	-	0.16	(100)
Corporate netback	19.82	25.60	(23)

Altura's corporate netback was \$19.82 per Boe in the first quarter of 2018 compared to \$25.60 per Boe in the first quarter of 2017. The decrease is mainly a result of a lower average realized sales price and increased per unit royalties, operating, G&A and interest expenses and no interest income, partially offset by decreased per unit transportation costs.

The following exhibit shows Altura's revenue (average realized sales price plus interest income) per Boe, and total cash costs per Boe over the past eight quarters.



Share-Based Compensation

(\$000)	Three months ended March 31		
	2018	2017	% Change
Share-based compensation	274	273	-
Capitalized share-based compensation	(58)	(49)	18
Share-based compensation expense	216	224	(4)

Altura's share-based compensation is comprised of stock option expense and performance warrant expense. The Corporation uses the fair-value method for the determination of non-cash related share-based compensation and the expense is recorded over the expected life. Share-based compensation, before capitalized amounts, totaled \$274,000 in the first quarter of 2018, compared to \$273,000 in the first quarter of 2017.

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 first quarter of 2018 is a result of increased employee time allocated to capital projects compared to 2017.

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

(\$000, except per Boe)	Three months ended March 31		
	2018	2017	% Change
DD&A	1,738	2,064	(16)
DD&A per Boe	15.89	22.61	(30)

Altura uses proved and probable reserves to calculate DD&A expense. For the first quarter of 2018, DD&A decreased 16 percent compared to the first quarter of 2017 due to increased production volumes. On per unit basis, DD&A decreased to \$15.89 per Boe from \$22.61 per Boe in the first quarter of 2017. The decrease on an absolute and per unit basis reflects an increase in the Corporation's proved and probable reserves at a lower finding and development cost than the aggregate amount in the first quarter of 2017 and due to the impairment recognized in Killam CGU in the fourth quarter 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 March 31, 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 March 31, 2018.

Deferred Taxes

The Corporation had no deferred income tax expense or recovery in the three months ended March 31, 2018 and 2017. As at March 31, 2018 and 2017, the Corporation had an unrecognized deferred tax asset.

Cash Flow from Operating Activities and Adjusted Funds flow

Management uses adjusted funds flow to analyze operating performance. Adjusted funds flow and adjusted funds flow per share are non-GAAP measures defined by the Corporation as cash flow from operating activities from the statements of cash flows before decommissioning expenditures, if any, transaction costs, if any, and changes in non-cash operating working capital. Adjusted funds flow should not be considered an alternative to, or more meaningful than, cash provided by operating,

investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Altura's performance or liquidity. Adjusted funds flow per share is calculated based on the weighted average number of basic and diluted common shares outstanding. Altura's calculation of adjusted funds flow is considered to be a key measure of the ability to generate the cash necessary to fund capital expenditures and repay indebtedness. The following schedule sets out the reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow for the reporting periods and the comparable prior periods:

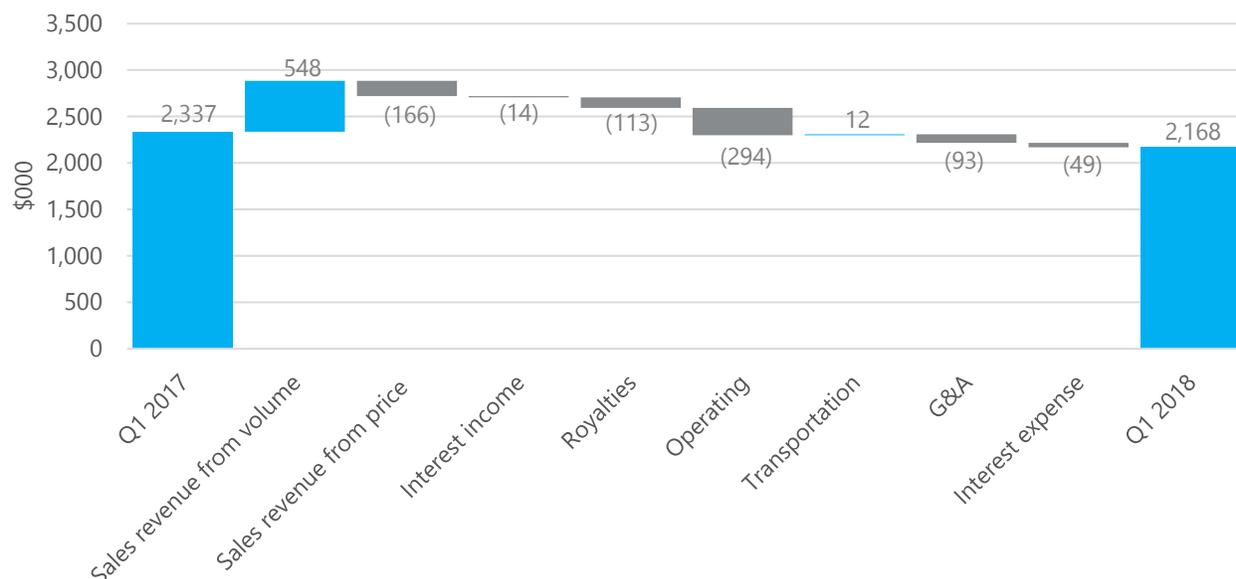
(\$000, except per share amounts)	Three months ended March 31		
	2018	2017	% Change
Cash flow from operating activities	2,443	2,794	(13)
Decommissioning liabilities settled	-	11	(100)
Changes in non-cash operating working capital	(275)	(468)	(41)
Adjusted funds flow	2,168	2,337	(7)
Per share – basic	0.02	0.02	-
Per share – diluted	0.02	0.02	-

Cash flow from operating activities decreased to \$2.4 million for the first quarter of 2018 compared to \$2.8 million in the first quarter of 2017. This decrease is due mainly to lower commodity prices and higher royalties, operating costs, G&A and interest expense, partially offset by increased production volumes. Additionally, the decrease in non-cash operating working capital was \$193,000 lower in the first quarter of 2018 compared to the decrease in the first quarter of 2017.

Details of the change in adjusted funds flow and corporate netback per Boe from the first quarter of 2017 to the first quarter of 2018, are as follows:

	Three months ended March 31	
	\$000	\$/Boe
Adjusted funds flow / Corporate netback – Q1 2017	2,337	25.60
Volume variance	548	-
Price variance	(166)	(4.04)
Interest and other income	(14)	(0.16)
Royalties	(113)	(0.34)
Expenses:		
Operating	(294)	(1.05)
Transportation	12	0.47
General and administrative	(93)	(0.22)
Interest and financing	(49)	(0.44)
Adjusted funds flow / Corporate netback – Q1 2018	2,168	19.82

First Quarter 2017 to First Quarter 2018 Changes in Adjusted Funds flow



Adjusted funds flow decreased \$169,000 in the first quarter of 2018 to \$2,168,000 from \$2,337,000 generated in the first quarter of 2017. This decrease is due mainly to lower commodity prices and higher royalties, operating costs, G&A and interest expense, partially offset by increased production volumes.

Income

(\$000, except per share amounts)	Three months ended March 31		
	2018	2017	% Change
Income	177	13	>500
Per share – basic	-	-	-
Per share – diluted	-	-	-

For the first quarter of 2018, Altura generated income of \$177,000 compared to income of \$13,000 in the first quarter of 2017. The increased income in the quarter is primarily attributed to decreased DD&A, partially offset by decreased adjusted funds flow.

Capital Expenditures

(\$000)	Three months ended March 31		
	2018	2017	% Change
Geological and geophysical	3	37	(92)
Land	123	1,247	(90)
Drilling and completions	3,987	5,187	(23)
Workovers	324	188	72
Equipping and facilities	2,779	2,180	27
Other	129	113	14
Total capital expenditures	7,345	8,952	(18)

In the first quarter of 2018, Altura invested a total of \$7.3 million on total capital expenditures. Drilling and completion projects in the quarter included one extended reach horizontal well at Leduc-Woodbend and one horizontal well at Macklin. The Corporation invested in key infrastructure at Leduc-Woodbend in the first quarter of 2018, including the construction of a

natural gas gathering pipeline for \$1.0 million that connects Altura's northern area production to a second third party gas plant. Additionally, Altura invested \$1.0 million on the initial phase of a multi-well battery which includes procurement of major equipment, full scale engineering, and the installation of water disposal equipment. The significant weighting to infrastructure investment positions Altura to continue to reduce operating costs and grow production profitably as it develops its Leduc-Woodbend oil pool.

Decommissioning Liability

At March 31, 2018, Altura's decommissioning liability was \$6.8 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 2.2 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 increase in liability is mainly due to new wells drilled in the first quarter of 2018 and accretion expense.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three months ended March 31, 2018, accretion expense totaled \$37,000 (March 31, 2017 - \$36,000).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 8.1 at March 31, 2018. The LMR is the ratio of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Corporation to pay a deposit to the AER.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation had net debt of \$8.6 million at March 31, 2018, compared to \$3.7 million at December 31, 2017. At March 31, 2018, the major component of Altura's current assets was revenue (81 percent) to be received from its oil and gas marketers in respect to March 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 collectable. Current liabilities largely consist of trade and joint interest payables (11 percent), accrued liabilities (29 percent) related to the Corporation's operations, and bank debt (60 percent). The Corporation manages its working capital using a combination of its adjusted funds flow 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

At March 31, 2018, Altura had a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$10.0 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The 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 March 31, 2018, the working capital ratio under the terms of the Credit Facility was calculated to be 1.3:1 (December 31, 2017 – 4.2:1).

As at March 31, 2018, \$6.4 million (December 31, 2017 - \$4.3 million) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$160,000 (December 31, 2017 - \$201,000).

Subsequent to March 31, 2018, the Lender has indicated the Credit Facility will be amended to approximately \$3 million upon the closing of the Transaction. This new facility will be undrawn and will amend and replace Altura's existing \$10 million Credit Facility.

Upon closing the Transaction, Altura forecasts its working capital surplus to be approximately \$20 million, with no debt.

Shareholders' Equity

At March 31, 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 May 15, 2018 the number of common shares, performance warrants and stock options outstanding remain unchanged from March 31, 2018.

Liquidity

At March 31, 2018, Altura had net debt of \$8.6 million, with \$3.5 million available on its Credit Facility. Altura expects to have adequate liquidity to fund its 2018 capital expenditure budget through a combination of cash flow from operating activities and its Credit Facility. Altura's ability to increase its borrowing capacity is based on its reserves value as determined by its external reserves evaluator.

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.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2018		2017			2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
OPERATING								
Average daily production								
Medium oil (Bbls/d)	408	414	624	652	539	627	472	259
Heavy oil	547	544	274	346	309	195	18	12
Natural gas (Mcf/d)	1,336	1,286	1,045	1,098	909	890	473	289
NGLs (Bbls/d)	37	30	16	25	16	17	6	4
Total (Boe/d)	1,215	1,202	1,088	1,205	1,015	988	574	323
Average realized sales price								
Medium oil (\$/Bbl)	51.06	55.73	47.61	50.64	53.47	51.37	46.04	44.60
Heavy oil (\$/Bbl)	45.58	48.54	46.50	44.90	45.86	44.54	37.68	35.43
Natural gas (\$/Mcf)	2.14	1.81	1.71	3.03	2.96	3.34	2.53	1.53
NGLs (\$/Bbl)	50.44	45.46	49.54	36.44	40.56	44.75	33.53	52.30
Total (\$/Boe)	41.58	44.22	41.38	43.77	45.62	45.20	41.41	39.08
NETBACK (\$/Boe) ⁽¹⁾								
Petroleum and natural gas sales	41.58	44.22	41.38	43.77	45.62	45.20	41.41	39.08
Royalty expenses	(4.54)	(3.24)	(3.70)	(4.41)	(4.20)	(3.67)	(3.13)	(2.06)
Operating costs	(11.01)	(9.72)	(10.01)	(10.52)	(9.96)	(8.99)	(7.53)	(11.45)
Transportation costs	(1.65)	(1.86)	(2.65)	(2.55)	(2.12)	(2.52)	(2.73)	(2.88)
Operating netback ⁽¹⁾	24.38	29.40	25.02	26.29	29.34	30.02	28.02	22.69
General and administrative	(4.05)	(6.20)	(3.78)	(3.28)	(3.83)	(6.03)	(5.49)	(17.65)
Exploration expense	-	-	-	-	-	-	(0.70)	(1.01)
Interest and financing expense	(0.51)	(0.38)	(0.06)	(0.27)	(0.07)	(0.05)	(0.08)	(0.70)
Interest income	-	-	-	0.03	0.16	0.25	0.78	1.79
Corporate netback ⁽¹⁾	19.82	22.82	21.18	22.77	25.60	24.19	22.53	5.12
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	4,547	4,893	4,143	4,800	4,165	4,106	2,189	1,149
Adjusted funds flow ⁽¹⁾	2,168	2,526	2,119	2,496	2,337	2,197	1,193	149
Per share – diluted ⁽¹⁾	0.02	0.02	0.02	0.02	0.02	0.02	0.01	-
Cash flow from (used in) operating activities	2,443	1,940	2,545	2,269	2,794	1,683	763	28
Per share – diluted	0.02	0.02	0.02	0.02	0.03	0.02	0.01	-
Income (loss)	177	(1,032)	322	594	13	264	(68)	(692)
Per share – diluted ⁽²⁾	-	(0.01)	-	0.01	-	-	-	(0.01)
(\$000)								
Capital expenditures, net	7,345	2,728	6,439	3,078	8,952	6,945	8,049	2,294
Total assets	55,973	50,807	49,848	46,890	49,083	45,915	44,704	41,431
Net debt (working capital surplus) ⁽¹⁾	8,561	3,729	2,881	(1,156)	(2,436)	(8,455)	(13,209)	(20,011)
Shareholders' equity	38,616	38,165	38,933	38,336	37,468	37,182	36,632	36,410
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⁾	109,133	109,570	108,922	109,082	109,289	108,921	108,921	108,921
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921

- Adjusted funds flow, adjusted funds flow per share, net debt, operating netback and corporate netback do not have standardized meanings prescribed by GAAP and therefore should not be considered in isolation. These reported amounts 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. Refer to the Non-GAAP Measures at the end of this MD&A.
- 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 second quarter of 2016 are the result of both an increase in oil and gas volumes sold as well as an increase in Altura's realized price for most quarters. 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 the average realized sales price in the first quarter of 2018 is due mainly to the widening of heavy oil differentials resulting from crude oil export pipeline capacity constraints.

Capital expenditures in 2016 included seven gross (6.5 net) wells and a property acquisition, which resulted in an increase in production volumes in the third and fourth quarters of 2016 and the first quarter of 2017. 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 two wells, pipeline construction costs and facility equipment purchases.

Altura recorded 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.

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 March 31, 2017 comparative period. The change in accounting for certain tariffs resulted in revenue and transportation costs both decreasing by \$13,000 in the three months ended March 31, 2017, with no impact on 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 Corporation is currently in the contract identification stage of its IFRS 16 project and is evaluating the impact of the standard on Altura's financial statements.

ADVISORIES

Non-GAAP Measures

This MD&A and first quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "net debt", "corporate netback", "adjusted funds flow per share", "operating income", and "operating netback". These measures do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts 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. These measures have been described and presented in the MD&A and first quarter report in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.

Adjusted funds flow should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or loss as determined in accordance with GAAP, as an indicator of Altura's performance or liquidity. Adjusted funds flow is used by Altura to evaluate operating results and the Corporation's ability to generate cash flow to fund capital expenditures and repay indebtedness. Adjusted funds flow denotes cash flow from operating activities as it appears on the Corporation's statement of cash flows before decommissioning expenditures, if any, transaction costs, if any, and changes in non-cash operating working capital. Adjusted funds flow per share is calculated as adjusted funds flow divided by the weighted average number of basic and diluted common shares outstanding. Operating income denotes total sales less royalty expenses and operating and transportation costs. Operating netback is operating income calculated on a per Boe basis. Corporate netback denotes operating netback less general and administrative, interest and financing expense and exploration expense, if any, plus interest income on a per Boe basis. Altura uses net debt as a measure to assess its financial position. Net debt is equivalent to working capital deficit.

Oil and Gas Advisories

Reserves

McDaniel & Associates Consultants Ltd. is the Corporation's independent "qualified reserve evaluator" as defined in National Instrument 51-101. The McDaniel Report has an effective date of December 31, 2017 and a preparation date of February 21, 2018 and was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and NI 51-101. The reserve evaluation was based on McDaniel's forecast pricing and foreign exchange rates at January 1, 2018. The Reserves Committee of the Board and the Board of Directors of Altura have reviewed and approved the evaluation prepared by McDaniel.

All reserve references in this MD&A and first quarter report are "company share reserves". Company share reserves are the Corporation's total working interest reserves before the deduction of any royalties and including any royalty interests of the Corporation.

It should not be assumed that the present value of estimated future net revenue presented in the tables above represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Altura's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

All future net revenues are estimated using forecast prices, arising from the anticipated development and production of our reserves, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs and are stated prior to provision for interest and general and administrative expenses. Future net revenues have been presented on a before tax basis. Estimated values of future net revenue disclosed herein do not represent fair market value.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

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.

Initial Production Rates

Any references in this MD&A and first quarter report to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Initial production rates exclude hours and days when the well did not produce. Oil and gas formations are inherently unpredictable, particularly in the early stage of their development. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Corporation.

Forward-looking Information

This MD&A and first 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 first quarter report contains forward-looking information and statements pertaining to:

- plans concerning the expansion of a future multi-well battery at Leduc-Woodbend;
- ability to reduce processing fees and reduce production curtailments with the new natural gas gathering pipeline;
- the anticipated closing date of the Transaction;
- Altura's expected LMR upon completion of the Transaction;
- the New Facility that will be available to Altura upon completion of the Transaction;
- Altura's working capital surplus following the Transaction;
- Altura's assets and projected production, reserves and land holdings following completion of the Transaction;
- Altura's business plans and strategy following the Transaction, including its 2018 drilling plans and capital expenditure guidance; and
- Altura's forecasted 2018 exit production rate.

Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking information and statements contained in this MD&A and first 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 budgeted 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 first 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 first quarter report speak only as of the date of this MD&A and first 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.