

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 18, 2020 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, 2020, the audited consolidated financial statements and related notes for the year ended December 31, 2019, as well as the Corporation's Annual Information Form ("AIF") 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".

COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the rapid outbreak of the coronavirus ("COVID-19"). The measures taken in response to the outbreak such as quarantine and travel restrictions have led to an unprecedented disruption to the global economy and significantly reduced worldwide demand for crude oil resulting in a buildup of supply and inventory. The continued uncertainty created by COVID-19 has adversely impacted the global economy and the impact is anticipated to be far-reaching.

The full extent of the impact of COVID-19 on the Corporation's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

In addition, leading up to the COVID pandemic, increased global crude oil supply due to a disagreement over production restrictions between Russia and Saudi Arabia resulted in substantial negative pressure on oil prices. Consequently, the effect of these two events created a dramatic decrease in commodity prices which resulted in a decline in Altura's share price and market capitalization since year-end 2019. The potential risk and impact due to the events described above relating to the Corporation has been taken into consideration in management's estimates used for the period end. However, there could be a further prospective material impact in future periods.

2020 GUIDANCE

Updated 2020 guidance is provided below along with a comparison to previous guidance. Previous 2020 guidance was provided in the Corporation's press releases dated July 30, 2020, and August 28, 2020, and Altura's Second Quarter 2020 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 18, 2020 Guidance ⁽¹⁾	Previous Guidance ⁽²⁾
H2 2020 average production volumes (boe/d)	900 to 1,000	1,000 to 1,100
December 31, 2020 net debt (\$000)	4,200	3,500

(1) Key assumptions for the November 18, 2020 guidance include WTI US\$40.56/bbl, WCS diff US\$9.23/bbl, FX 0.758 \$US/\$, AECO CAD\$2.35/GJ, and operating and transportation costs of \$16.00 per boe.

(2) Key assumptions for previous guidance included WTI US\$41.42/bbl, WCS diff US\$11.23/bbl, FX 0.75 \$US/\$, AECO CAD\$2.05/GJ, operating and transportation costs of \$12.50 per boe and closing stage 2 of the asset disposition on September 30, 2020.

The Corporation is lowering the production forecast for the second half of 2020 to range between 900 and 1,000 boe per day from previous guidance of 1,000 to 1,100 boe per day mainly due to third party gas processing restrictions that has impacted approximately 125 boe per day since late March, 2020.

Altura is forecasting net debt of \$4.2 million, increasing from previous guidance of \$3.5 million due mainly to lower forecasted production volumes and higher operating and transportation costs.

ASSET DISPOSITIONS

On June 30, 2020, Altura amended the timing of the second transaction in the December 4, 2019 definitive agreement (the "Amending Agreement") with a private company ("PrivateCo") for the sale of a 5.5% working interest in the Corporation's production, wells, lands and facilities for cash of \$3.5 million (the "Second Transaction"). The Second Transaction was amended to close in four stages as follows:

Stage	Closing Date	Disposition Interest	Cash Proceeds
Stage 1	June 30, 2020	1.375%	\$875,000
Stage 2	September 30, 2020	1.375%	\$875,000
Stage 3	January 31, 2021	1.375%	\$875,000
Stage 4	June 30, 2021	1.375%	\$875,000
Total		5.500%	\$3,500,000

On September 30, 2020, Altura closed stage two of the Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$875,000. Altura recorded \$338,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$85,000 associated with the asset disposition and recorded a gain on disposition of \$619,000 for the three months ended September 30, 2020.

On June 30, 2020, Altura closed stage one of the Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$871,000 after transaction costs. Altura recorded \$342,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$79,000 associated with the asset disposition and recorded a gain on disposition of \$605,000 for the three months ended June 30, 2020.

The December 4, 2019 agreement included a drilling commitment related to the Second Transaction ("Commitment Well"), whereby Altura committed to the drilling of a horizontal well in either the Entice area or the Leduc-Woodbend area on or before December 31, 2020. Given the current environment, drilling risk profile and capital efficiency in each of the areas, the parties have agreed the well will be drilled at Leduc-Woodbend at a time when commodity prices support well economics. Estimated total gross drill, complete and equipping costs of the well is \$2.3 million. PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the well and the optional third funding transaction contemplated by the December 4, 2019 agreement will not be executed by PrivateCo.

RESULTS OF OPERATIONS

Production

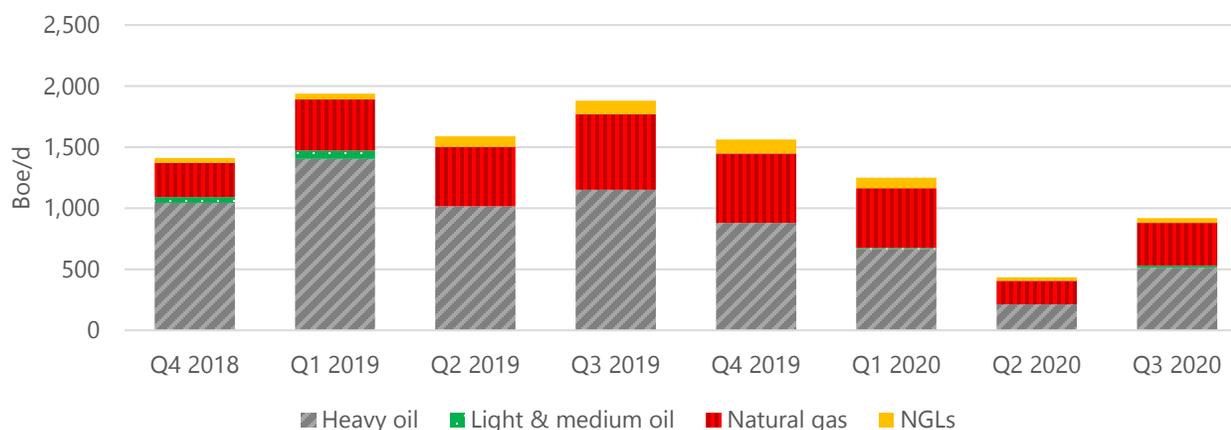
	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Heavy oil (bbls/d)	512	1,150	(55)	464	1,190	(61)
Light & medium oil (bbls/d)	16	-	-	8	22	(64)
Natural gas (Mcf/d)	2,118	3,733	(43)	2,066	3,057	(32)
Natural gas liquids ("NGLs") (bbls/d)	38	108	(65)	52	81	(36)
Total (boe/d)	919	1,880	(51)	868	1,803	(52)
Oil and natural gas liquids % of production	62%	67%	(7)	60%	72%	(17)

During the third quarter of 2020, Altura's production decreased 51 percent from the third quarter of 2019. The decrease is primarily attributed to natural declines at Altura's Leduc-Woodbend area due to minimal development activity in 2020 during the Covid-19 pandemic. Additionally, production declined in the third quarter of 2020 compared to the third quarter of 2019 due to Altura divesting of 8.375% of production in two working interest dispositions in December 2019 and June 2020, and due to one (0.9 net) well that was curtailed in March 2020 and has remained shut-in due to third-party facility constraints. The curtailed well is expected to restart production in late November 2020.

In the third quarter of 2020, light & medium oil production was 16 barrels per day from Altura's well in the Entice area. The well was restarted in June and then shut-in in August to manage gas conservation requirements and evaluate the next steps to continue the production test. The well was drilled over 20 kms away and 100m down-dip from the nearest production analog with 33,000 barrels of 31° API oil proving the large extent of this hydrocarbon accumulation. Management is continuing technical work on the play and is planning on testing the up-dip portion of the pool through the recompletion of an existing vertical well in 2021.

Year-to-date, Altura's production decreased 52 percent from the same period in 2019. The decreased production volumes relates to natural declines, coupled with the curtailed production volumes in the second quarter of 2020 and the two working interest dispositions on December 4, 2019 and June 30, 2020.

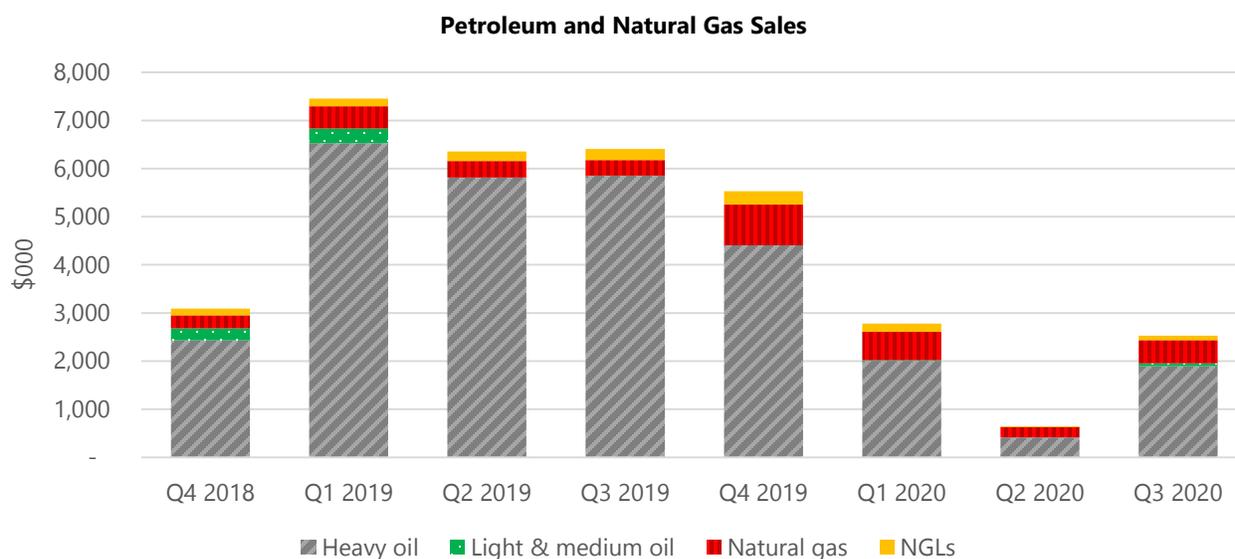
Quarterly Average Daily Production



Petroleum and Natural Gas Sales

(\$000)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Heavy oil	1,893	5,853	(68)	4,314	18,194	(76)
Light & medium oil	63	-	-	78	300	(74)
Natural gas	478	325	47	1,280	1,137	13
Natural gas liquids	92	232	(60)	284	595	(52)
Petroleum and natural gas sales	2,526	6,420	(61)	5,956	20,226	(71)

Petroleum and natural gas sales for the third quarter of 2020 decreased 61 percent to \$2,526,000 compared to \$6,420,000 in the third quarter of 2019. The decrease of \$3,894,000 consists of \$3,481,000 attributed to decreased production volumes and \$413,000 attributed to lower realized crude oil prices, partially offset by higher natural gas prices. For the nine months ended September 30, 2020, petroleum and natural gas sales decreased 71 percent to \$5,956,000 compared to \$20,226,000 in the same period of 2019. The decrease of \$14,270,000 consists of \$11,845,000 attributed to decreased production volumes and \$2,425,000 attributed to lower realized crude oil and NGL prices, partially offset by higher natural gas prices.



Altura sells 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:

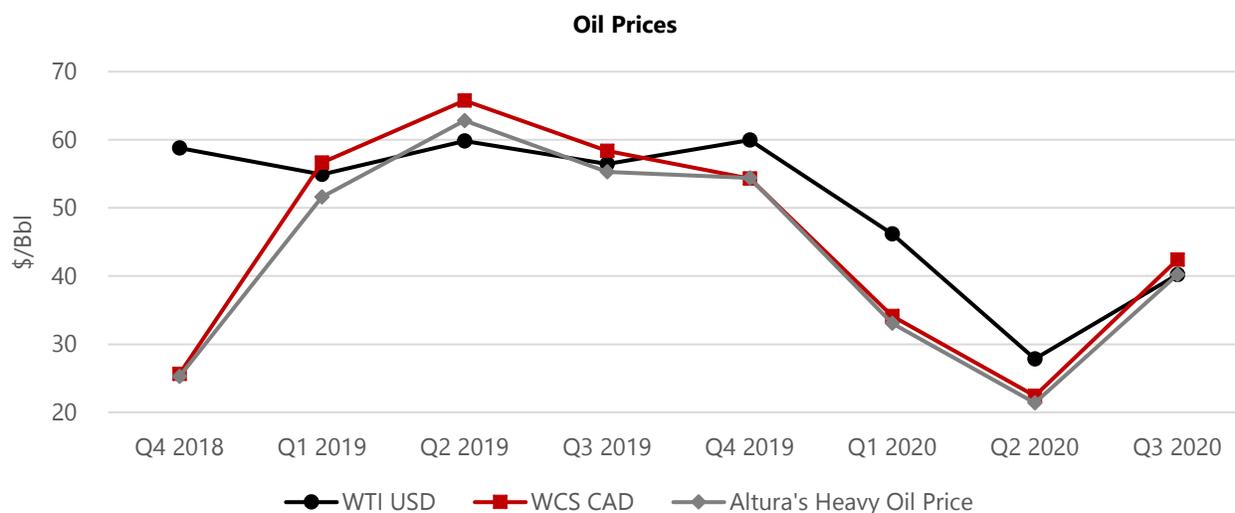
	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Average Benchmark Prices						
WTI crude oil (US\$/bbl) ⁽¹⁾	40.93	56.45	(27)	38.32	57.06	(33)
WCS differential (US\$/bbl) ⁽²⁾	(9.09)	(12.24)	(26)	(13.69)	(11.74)	17
US\$/Cdn\$ exchange rate	0.751	0.757	(1)	0.739	0.752	(2)
WCS (Cdn\$/bbl)	42.41	58.39	(27)	32.98	60.27	(45)
AECO daily spot (\$/GJ)	2.12	0.86	147	1.98	1.44	38
Average Realized Prices						
Heavy oil (\$/bbl)	40.19	55.31	(27)	33.93	56.01	(39)
Light & medium oil (\$/bbl)	43.79	-	-	36.21	48.97	(26)
Natural gas (\$/Mcf)	2.45	0.95	158	2.26	1.36	66
Natural gas liquids (\$/bbl)	25.83	24.42	6	19.97	26.80	(25)
Average realized price (\$/boe)	29.87	37.12	(20)	25.04	41.09	(39)

(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 third quarter of 2020, WTI decreased 27 percent to US\$40.93 per barrel compared to the third quarter of 2019 and the differential between WTI and WCS narrowed 26 percent to US\$9.09 per barrel. These changes resulted in Altura's realized heavy oil price decreasing 27 percent to \$40.19 per barrel from the third quarter of 2019.

For the nine months ended September 30, 2020, WTI decreased 33 percent to US\$38.32 per barrel compared to the same period of 2019 and the differential between WTI and WCS widened 17 percent to US\$13.69 per barrel, while Altura's realized heavy oil price decreased 39 percent to \$33.93 per barrel.



In the third quarter of 2020, Altura's realized natural gas price increased by 158 percent to \$2.45 per Mcf from the third quarter of 2019 while the AECO daily spot price increased 147 percent to \$2.12 per GJ. Year-to-date, Altura's realized natural gas price increased by 66 percent to \$2.26 per Mcf from the same period of 2019 while the AECO daily spot price increased 38 percent to \$1.98 per GJ.

Risk Management Contracts

Altura has a risk management program to reduce the volatility of crude oil and natural gas sales, increase the certainty of adjusted funds flow to protect development economics and to comply with its banking covenant. The Corporation's risk management program is approved by Altura's Board of Directors.

(\$'000, except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	%Change	2020	2019	% Change
Realized gain (loss) on financial instruments	42	(38)	(211)	1,329	140	>500
Realized gain (loss) on financial instruments per boe	0.51	(0.22)	(332)	5.59	0.28	>500

For the three and nine months ended September 30, 2020, the realized gain on financial instruments increased to \$42,000 and \$1,329,000 as compared to a loss of \$38,000 and a gain of \$140,000 in the same periods of 2019, respectively. The increases are attributed to the severe decline in crude oil prices in the nine months ended September 30, 2020 compared to the same periods of 2019.

At September 30, 2020, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at
						September 30, 2020
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WTI	CAD \$71.35	477
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WCS-WTI Differential	CAD (\$24.00)	(267)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$32.25	(107)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.20	19
Jul 1/21—Sep 30/21	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$36.70	(41)
Oct 1/20—Oct 31/20	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.380	5
Nov 1/20—Mar/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.825	(13)
Apr 1/21—Jun 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.455	(5)
Jul 1/21—Sep 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.580	2
						70

At September 30, 2020, the crude oil and natural gas contracts were fair valued with an asset of \$70,000 (December 31, 2019 - \$432,000 liability) recorded on the balance sheet and an unrealized loss of \$373,000 recorded in net income (loss) for the three months ended September 30, 2020 (September 30, 2019 - \$265,000 unrealized loss). For the nine months ended September 30, 2020, Altura recorded an unrealized gain of \$502,000 in net income (loss) (September 30, 2019 - \$98,000 unrealized gain).

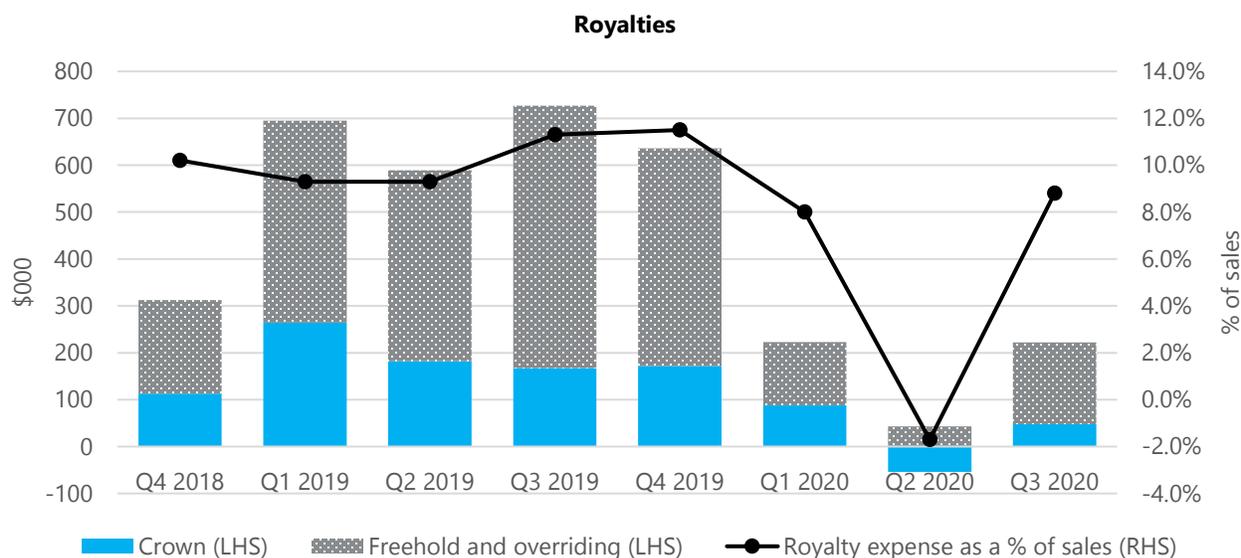
Subsequent to September 30, 2020, Altura entered into the following crude oil contract:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$37.70

Royalties

(\$000, except % and per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Crown royalties	48	167	(71)	82	613	(87)
Freehold and overriding royalties	174	560	(69)	352	1,398	(75)
Royalty expense	222	727	(69)	434	2,011	(78)
Royalty expense as a % of sales	8.8%	11.3%	(22)	7.3%	9.9%	(26)
Royalty expense per boe	2.63	4.20	(37)	1.83	4.09	(55)

In the third quarter of 2020, royalty expense decreased to \$222,000 (8.8 percent of sales) compared to \$727,000 (11.3 percent of sales) in the third quarter of 2019. Year-to-date, royalty expense decreased to \$434,000 (7.3 percent of sales) compared to \$2,011,000 (9.9 percent of sales) in the same period of 2019. The decreases in royalty expense and royalty expense as a % of sales is due to lower sales revenue and a lower average royalty rate due to decreased commodity prices compared to the same periods in 2019.



*LHS = Left Hand Side

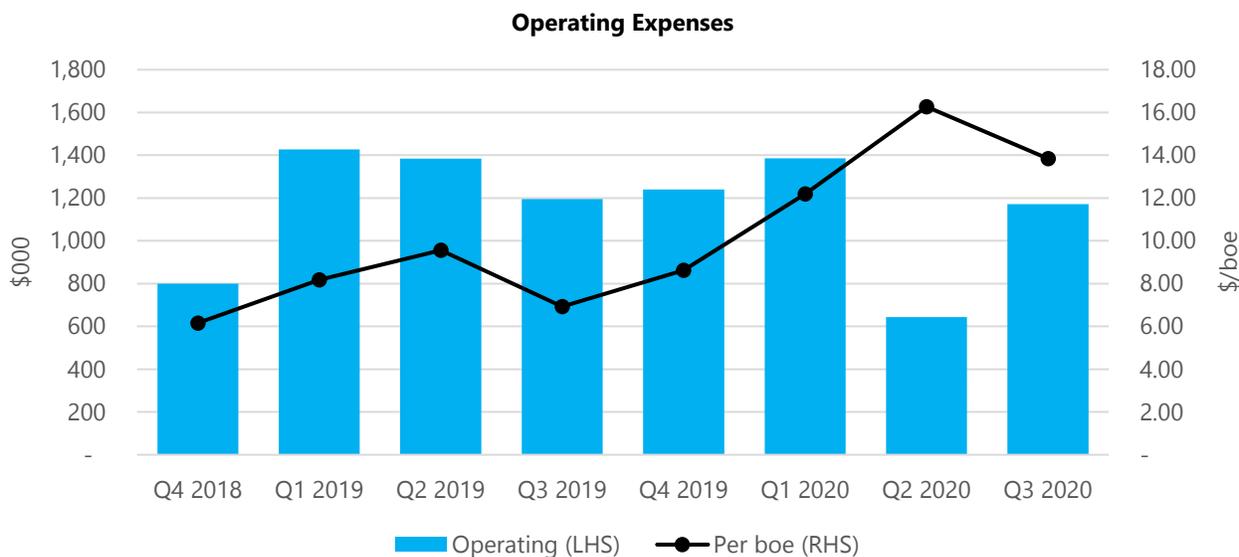
*RHS = Right Hand Side

Operating

(\$000, except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Operating	1,171	1,196	(2)	3,201	4,008	(20)
Operating per boe	13.85	6.92	100	13.46	8.14	65

Operating expenses decreased \$25,000 in the third quarter of 2020 to \$1,171,000 as compared to \$1,196,000 in the third quarter of 2019. Year-to-date, operating expenses decreased \$807,000 to \$3,201,000 compared to \$4,008,000 in the same period of 2019. These decreases are due to lower production volumes in the three and nine months ended September 30, 2020 compared to the same periods of 2019.

On a per boe basis, operating expenses increased to \$13.85 per boe and \$13.46 per boe in the three and nine months ended September 30, 2020 compared to \$6.92 per boe and \$8.14 per boe in the same periods of 2019, respectively. These increases are mainly due to increased well workover costs and higher fixed operating costs per boe as fixed costs were allocated to lower production volumes. Operating cost reductions remain a key focus for Altura. Management believes that operating costs will decrease in future quarters from the \$13.85 per boe incurred in the third quarter of 2020 with lower repairs and maintenance activity.

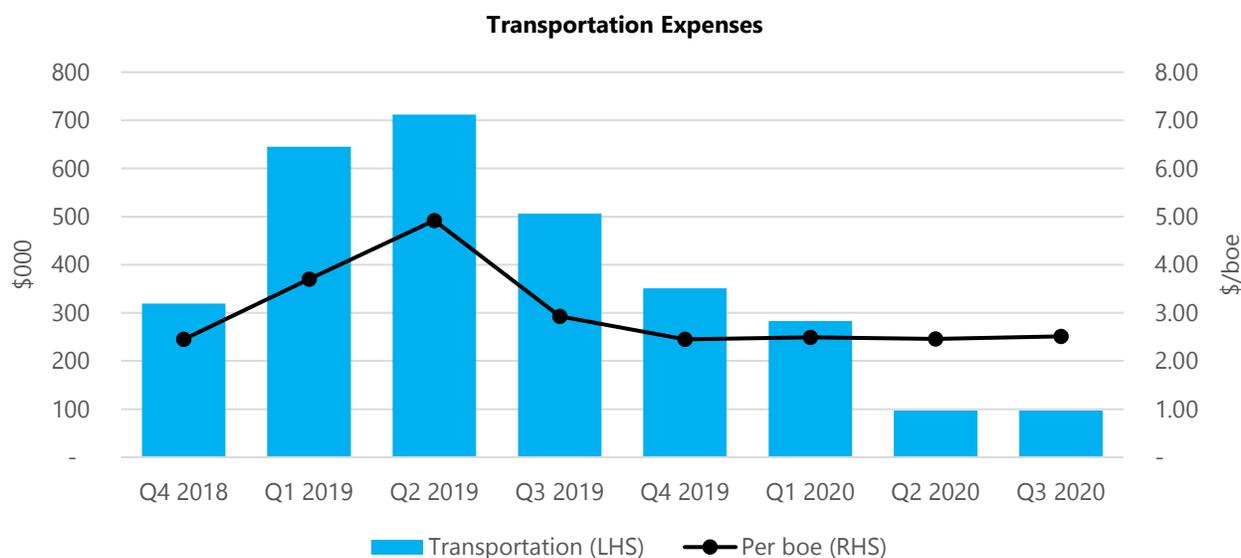


Transportation

(\$000, except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Transportation	212	506	(58)	592	1,863	(68)
Transportation per boe	2.51	2.93	(14)	2.49	3.79	(34)

Transportation costs for the three and nine months ended September 30, 2020 decreased to \$212,000 and \$592,000 as compared to \$506,000 and \$1,863,000 in comparable prior periods, due to decreased production volumes, coupled with shorter hauls to sales terminals in central Alberta.

On a per boe basis, transportation expenses decreased to \$2.51 per boe and \$2.49 per boe in the three and nine months ended September 30, 2020, respectively, compared to \$2.93 per boe and \$3.79 per boe in the same periods of 2019. The decreases are due to shorter hauls to sales terminals in central Alberta in the three and nine months ended September 30, 2020.

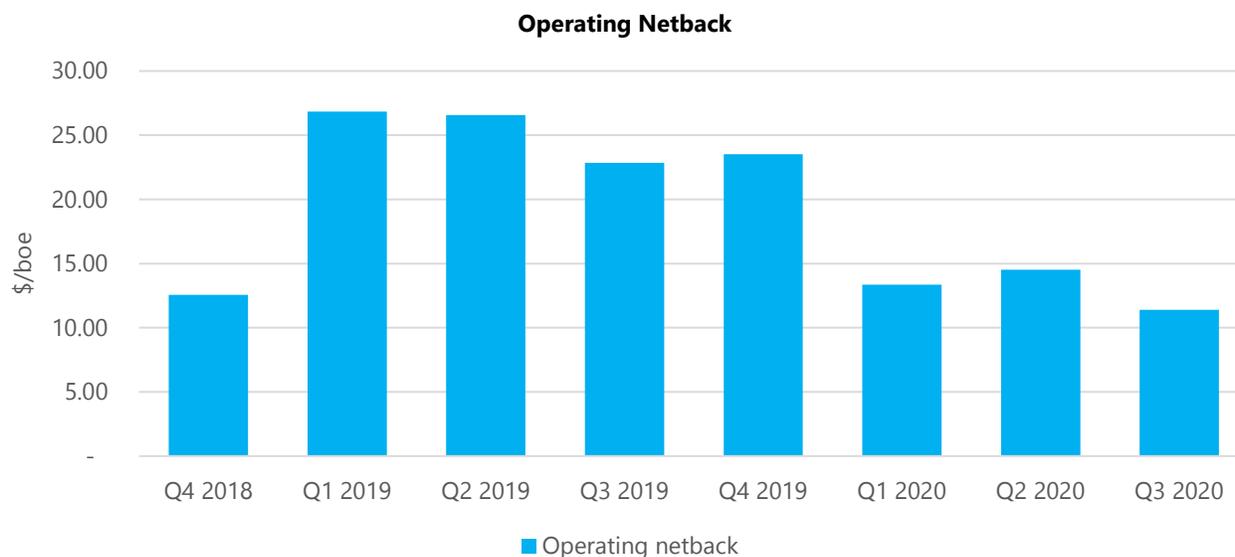


Operating Netback

(\$/boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Petroleum and natural gas sales	29.87	37.12	(20)	25.04	41.09	(39)
Realized gain (loss) on financial instruments	0.51	(0.22)	(332)	5.59	0.28	>500
Royalties	(2.63)	(4.20)	(37)	(1.83)	(4.09)	(55)
Operating	(13.85)	(6.92)	100	(13.46)	(8.14)	65
Transportation	(2.51)	(2.93)	(14)	(2.49)	(3.79)	(34)
Operating netback ⁽¹⁾	11.39	22.85	(50)	12.85	25.35	(49)

(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 \$11.39 per boe in the third quarter of 2020 compared to \$22.85 per boe in the third quarter of 2019. For the nine months ended September 30, 2020, Altura's operating netback was \$12.85 per boe compared to \$25.35 per boe in the same period of 2019. The decreases are a result of lower crude oil prices and higher operating costs, partially offset by increased realized gains on financial instruments, lower transportation costs and lower royalties.



General and Administrative ("G&A") Expenses

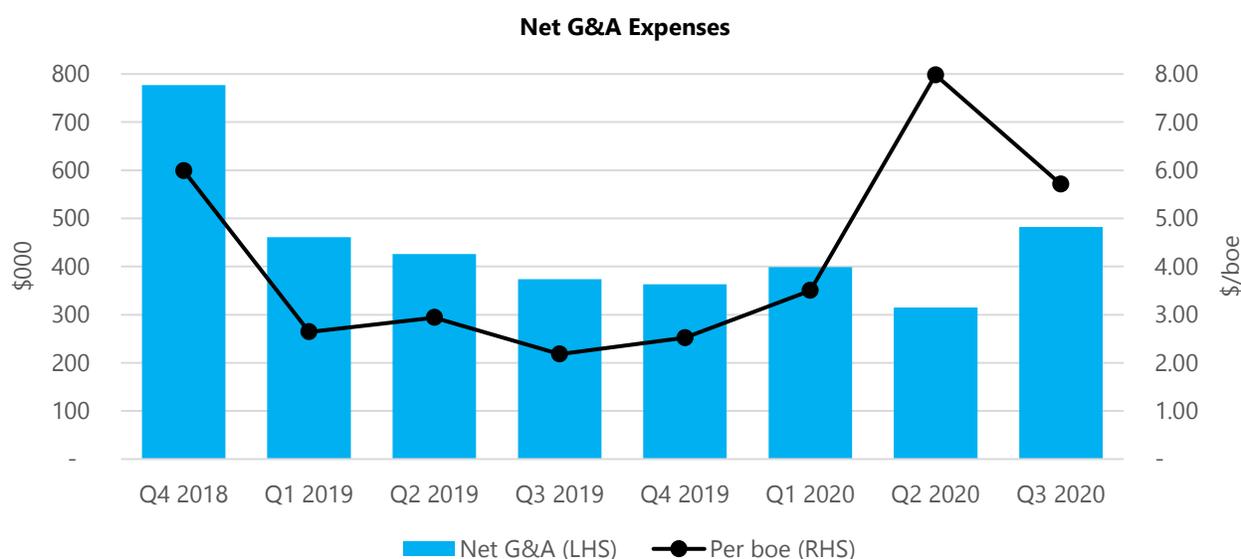
(\$000, except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Gross G&A	575	567	1	1,610	1,765	(9)
Capitalized G&A and overhead recoveries	(93)	(193)	(52)	(414)	(504)	(18)
Net G&A expenses	482	374	29	1,196	1,261	(5)
Net G&A per boe	5.71	2.16	164	5.03	2.56	96

Net G&A expenses totaled \$482,000 in the third quarter of 2020, compared to \$374,000 for the third quarter of 2019. This increase is primarily due to increased legal expenses associated with Altura's credit facility renewal, increased insurance expenses and decreased capitalized G&A associated with reduced capital spending in the period, partially offset by funds received from the Canada Emergency Wage Subsidy ("CEWS") program. Management is focused on diligent cost control efforts and believes net G&A costs will decrease in future quarters from the \$482,000 incurred in the third quarter of 2020 due to lower legal and insurance costs.

Year-to-date, Altura's net G&A expenses were \$1,196,000, a five percent decrease from the same period in 2019. Altura received \$74,000 and \$162,000 in the three and nine months ended September 30, 2020, respectively, under the CEWS program.

Net G&A expenses increased to \$5.71 per boe and \$5.03 per boe for the three and nine months ended September 30, 2020, respectively, compared to \$2.16 per boe and \$2.56 per boe in the same periods in 2019 due to decreased production volumes.

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



Interest and Financing Expenses

(\$000, except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Credit facility interest and financing expenses	99	47	111	168	171	(2)
Lease interest (cash and non-cash)	4	3	33	10	9	11
Interest and financing expenses	103	50	106	178	180	(1)
Interest and financing expenses per boe (cash)	1.21	0.27	348	0.75	0.35	114

Interest and financing expenses totaled \$103,000 and \$178,000 in the three and nine months ended September 30, 2020, respectively, compared to \$50,000 and \$180,000 in the same periods of 2019. The increase in the third quarter of 2020 is primarily due to increased credit facility renewal fees. Altura's average interest rate in the nine months ended September 30, 2020 was 5.0 percent, compared to 5.6 percent in the same period of 2019.

Share-Based Compensation

(\$000)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Share-based compensation	74	199	(63)	303	610	(50)
Capitalized share-based compensation	(7)	(64)	(89)	(62)	(150)	(59)
Share-based compensation expense	67	135	(50)	241	460	(48)

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 \$67,000 and \$241,000 in the three and nine months ended September 30, 2020, respectively, compared to \$135,000 and \$460,000 in the same periods of 2019. The decrease in the three and nine months ended September 30, 2020, as compared to the same periods of 2019, reflects a decrease in performance warrant expense due to performance warrants being fully expensed in August 2020 and decreased stock option expense due to an increased percentage of stock options that are fully vested and expensed.

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

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

(\$000, except per Boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
DD&A	901	2,685	(66)	2,980	7,596	(61)
DD&A per Boe	10.65	15.52	(31)	12.53	15.43	(19)

Altura uses proved and probable reserves to calculate DD&A expense. For the three and nine months ended September 30, 2020, DD&A decreased to \$901,000 and \$2,980,000, respectively, compared to \$2,685,000 and \$7,596,000 in the same periods of 2019. The decreases are due to lower production volumes and the impairment recorded in the first quarter of 2020.

On a per unit basis, DD&A decreased to \$10.65 per boe and \$12.53 per boe in the three and nine months ended September 30, 2020, compared to \$15.52 per boe and \$15.43 per boe in the same periods of 2019. The decreased per unit depletion is due to the impairment recorded in the first quarter of 2020.

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.

Exploration and Evaluation ("E&E")

As at March 31, 2020, the Corporation determined that indicators of impairment existed with respect to its E&E assets which are all in the Entice area. For impairment testing, the recoverable amount of E&E assets was determined using internal estimates of the fair value of certain undeveloped land based principally on relevant land sales. No value was assigned to the well drilled in the first quarter of 2020 based on production testing results to date and the significant decline in forward oil benchmark prices. For the three months ended March 31, 2020, Altura recognized an impairment charge of \$4,755,000 (no impairment at December 31, 2019) on E&E assets.

During the second quarter of 2020, Altura recorded an additional \$40,000 of impairment to its E&E assets relating to additional well costs related to its E&E assets impaired at March 31, 2020. As at September 30, 2020, there were no triggers to perform an impairment test or reversal of prior impairments on the remaining E&E assets.

Property and Equipment

At March 31, 2020, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend cash-generating unit ("CGU") due to the potential long-term impact of the COVID-19 pandemic which caused a significant decline in forward oil benchmark prices and due to a decline in Altura's market capitalization in the first quarter of 2020. Altura has only one CGU. In the three months ended March 31, 2020, the Corporation recognized an impairment charge of \$30.0 million (no impairment at December 31, 2019) related to its Leduc-Woodbend CGU due to the carrying value exceeding the estimated recoverable amount.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved plus probable reserve values from Altura's December 31, 2019 reserve report prepared by its independent reserve evaluator, updated using forward commodity price estimates at April 1, 2020, revised operating cost assumptions and timing of future development costs and removed production from January 1, 2020 to March 31, 2020. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included value for certain undeveloped land included in property and equipment based on management's estimates as at March 31, 2020, based principally on relevant land sales. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 17 percent.

As at September 30, 2020, there were no triggers to perform an impairment test or reversal of prior impairments on Altura's property and equipment.

Deferred Taxes

The Corporation recognized a deferred tax recovery of nil and \$1,472,000 in the three and nine months ended September 30, 2020, respectively, compared to deferred tax expenses of \$120,000 and \$713,000 in the same periods of 2019. The deferred tax recovery is due to the pre-tax loss recorded in the nine months ended September 30, 2020 which reduced the Corporation's deferred tax liability to nil. Altura has not recognized a deferred tax asset at September 30, 2020 as Altura did not feel there was sufficient certainty regarding the future utilization of all of its tax pools due to the significant decrease in forecast prices caused by the COVID-19 pandemic.

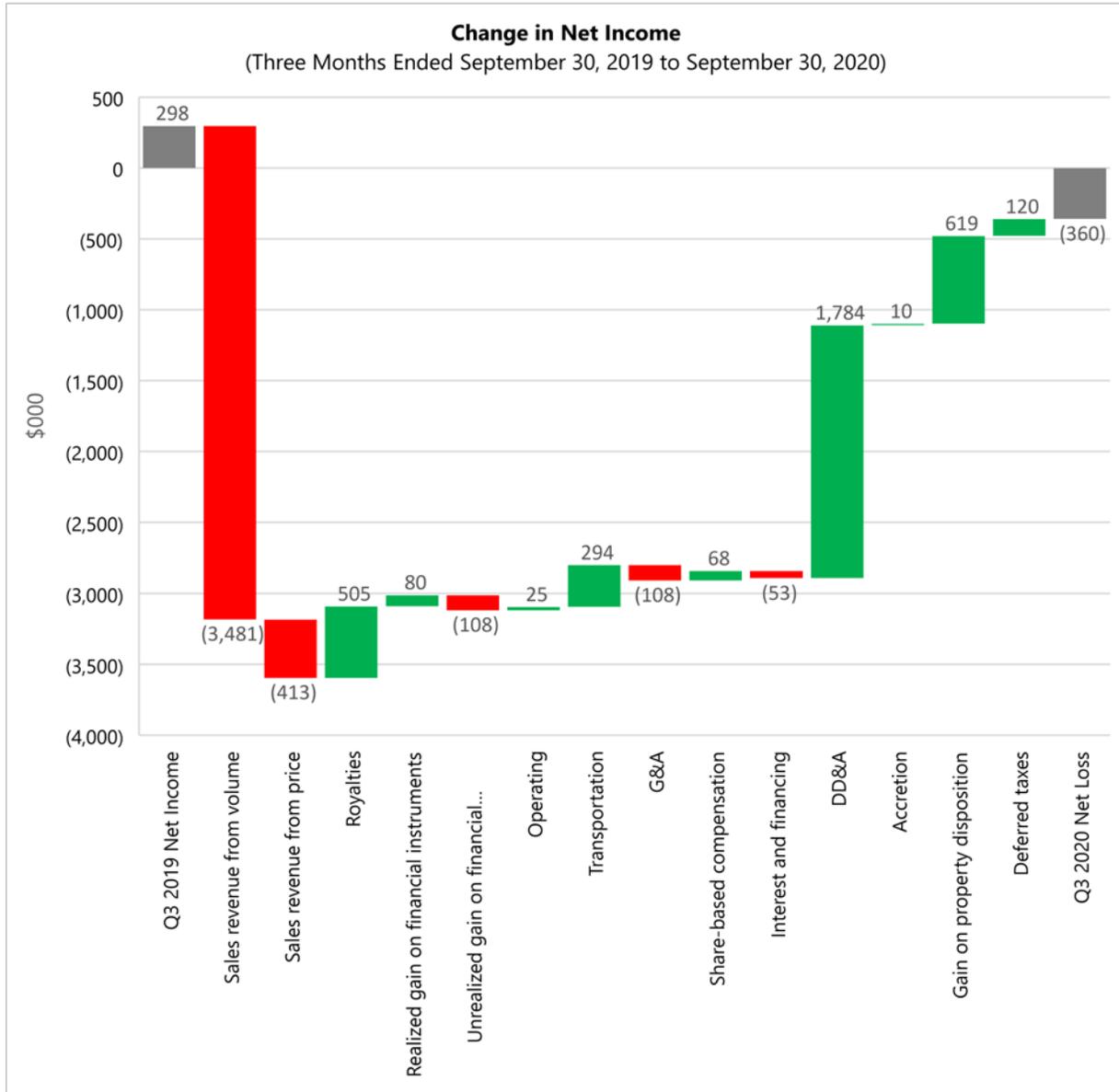
Net Income (Loss) and Adjusted Funds Flow

(\$000, except per share amounts and per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Net income (loss)	(360)	298	(221)	(33,136)	2,271	(>500)
Per share – basic	-	-	-	(0.30)	0.02	(>500)
Per share – diluted	-	-	-	(0.30)	0.02	(>500)
Cash flow from operating activities	505	3,181	(84)	2,200	9,039	(76)
Per share – diluted	-	0.03	(100)	0.02	0.08	(75)
Adjusted funds flow ⁽¹⁾	378	3,532	(89)	1,684	11,031	(85)
Per share – diluted ⁽¹⁾	-	0.03	(100)	0.02	0.10	(80)
Adjusted funds flow per boe ⁽¹⁾	4.47	20.42	(78)	7.07	22.40	(22.40)

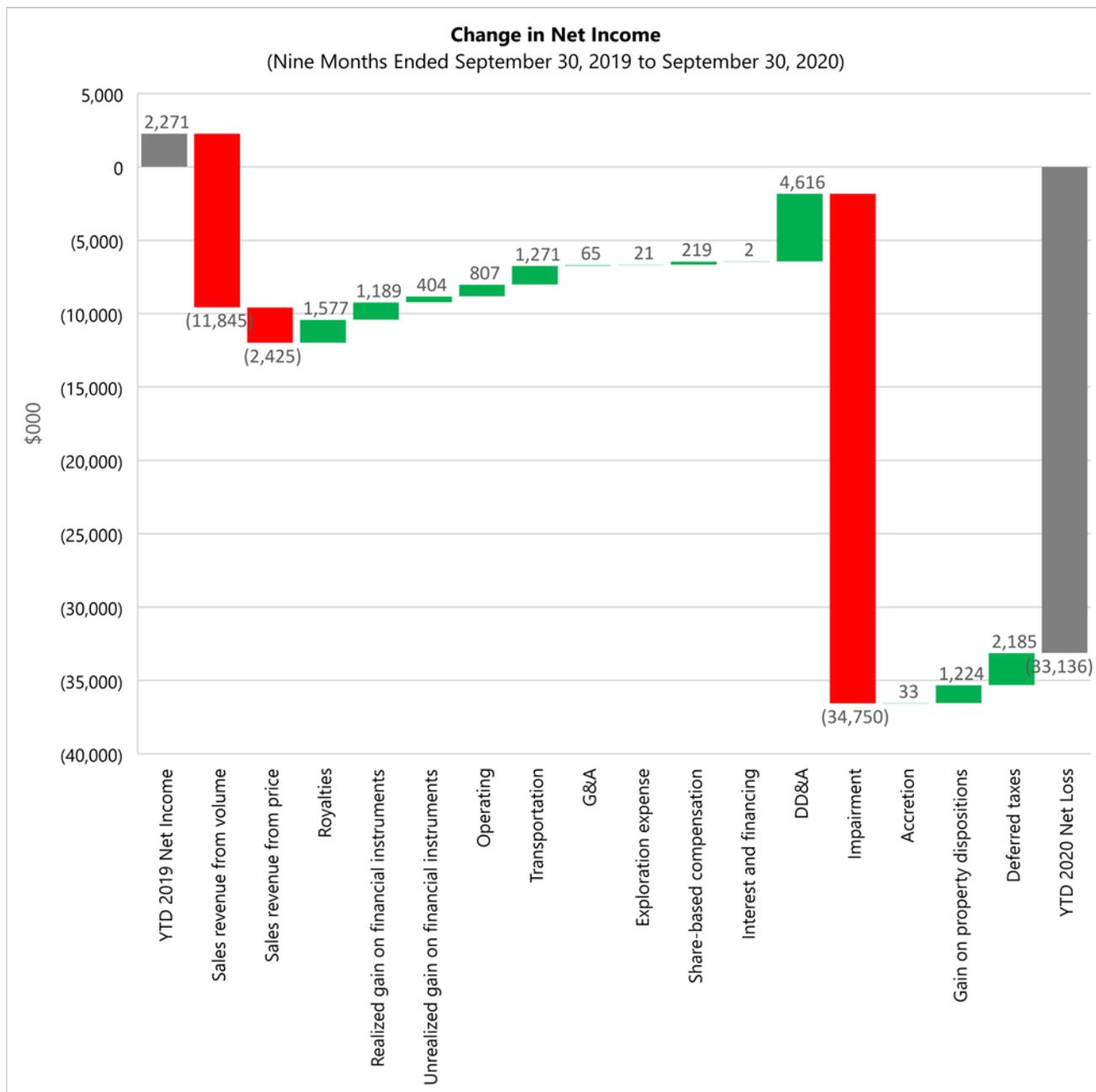
(1) Adjusted funds flow is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Net Income (Loss)

In the third quarter of 2020, net income decreased to a net loss of \$360,000 compared to net income of \$298,000 in the third quarter of 2019. The decreased net income primarily reflects decreased sales revenue from lower production volumes and decreased crude oil prices, and an increased unrealized loss of financial instruments, partially offset by lower royalties, increased realized gain on financial instruments, lower transportation costs and DD&A, and a gain on property disposition.

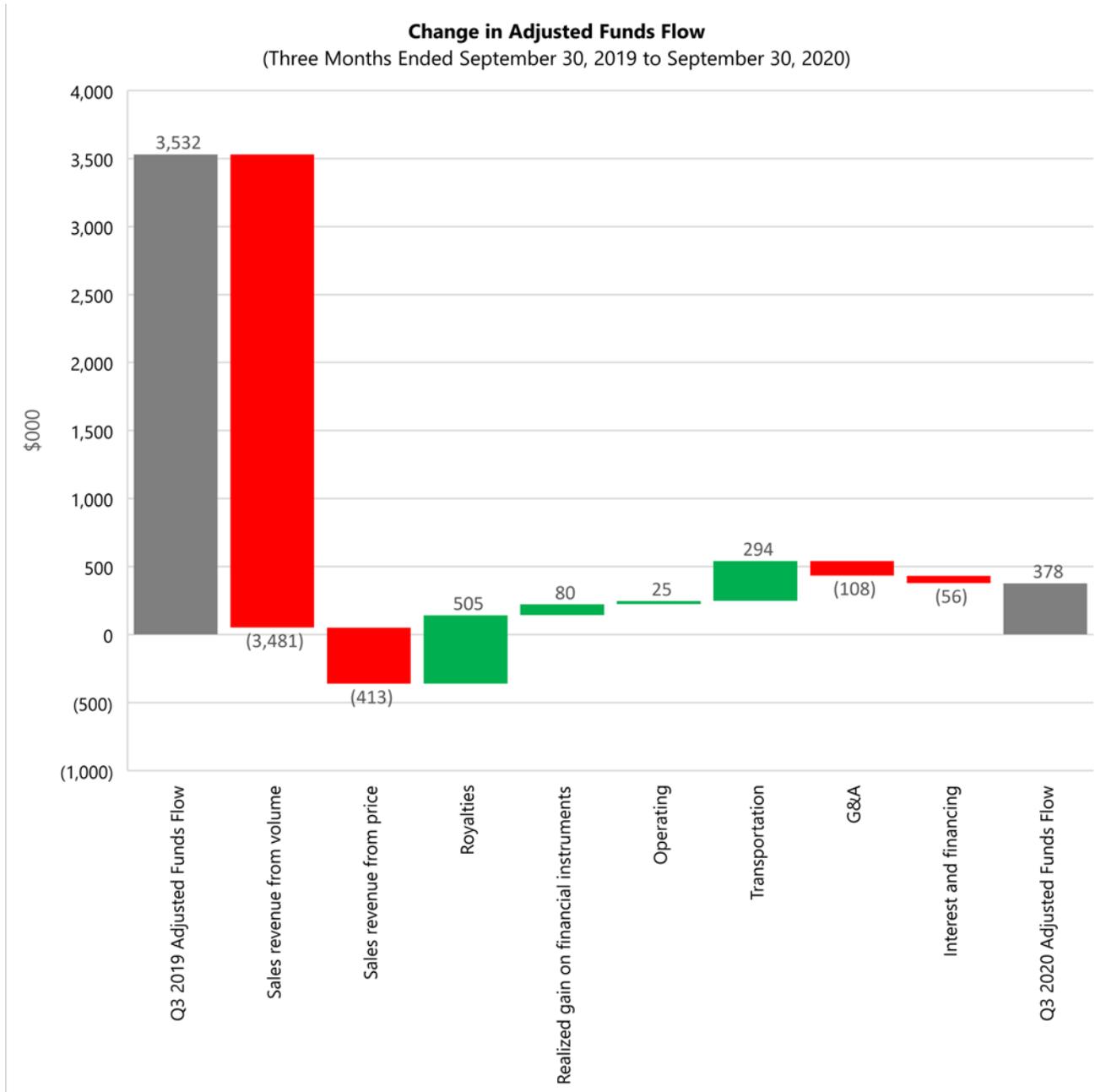


Year-to-date, net income decreased to a net loss of \$33.1 million compared to net income of \$2.3 million in the same period of 2019. The decreased net income primarily reflects impairment and decreased sales revenue from lower production volumes and decreased crude oil prices, partially offset by gains on financial instruments, lower royalties, operating costs, transportation costs and DD&A, a gain on property dispositions and a recovery of deferred taxes.

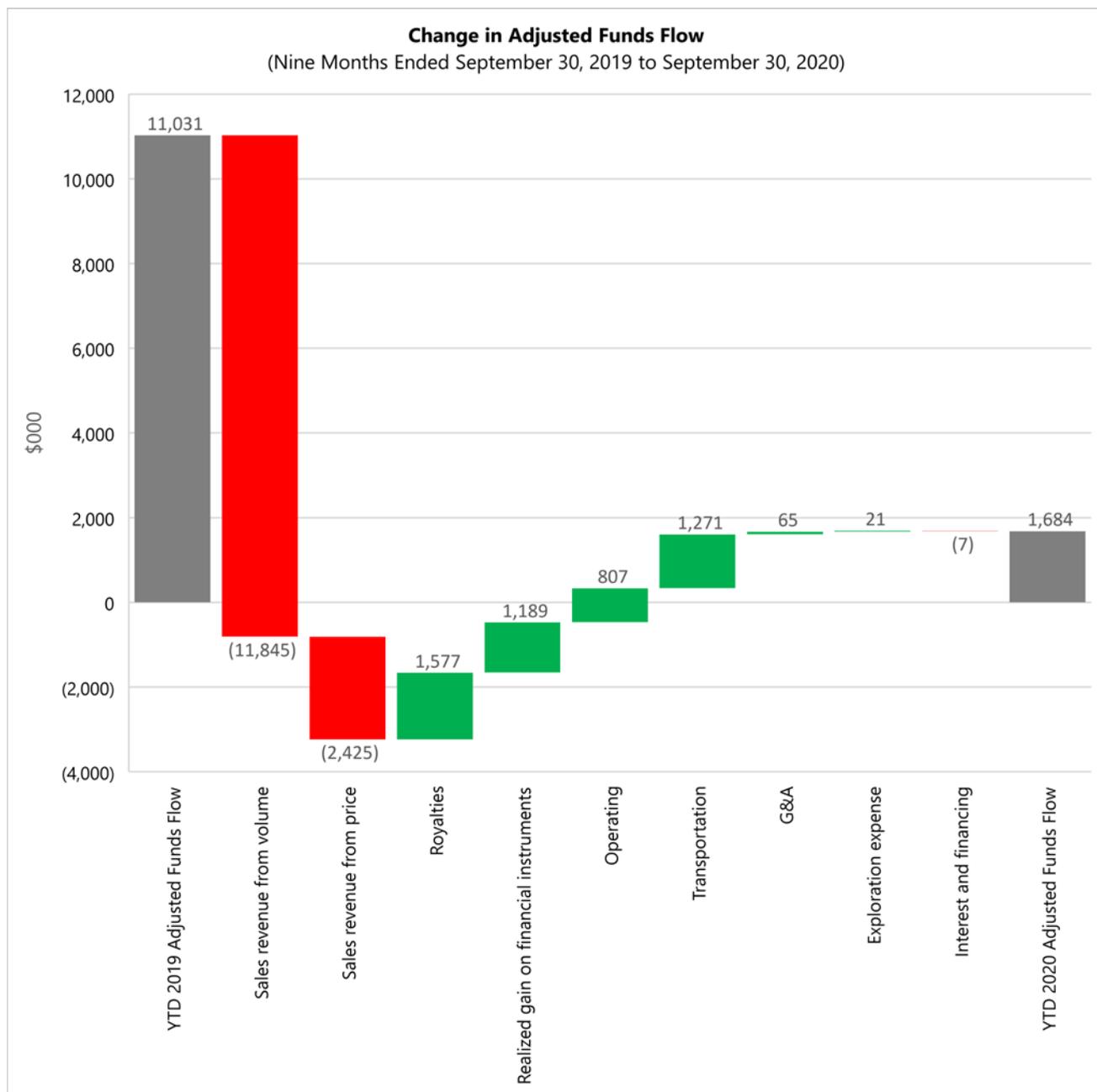


Adjusted Funds Flow

In the third quarter of 2020, adjusted funds flow decreased by \$3,154,000 to \$378,000 compared to \$3,532,000 in the third quarter of 2019. The decrease primarily reflects decreased sales revenue from lower production volumes and decreased crude oil prices and higher G&A, partially offset by a gain on realized financial instruments, and lower royalties, and transportation costs.



Year-to-date, adjusted funds flow decreased by \$9,347,000 to \$1,684,000 compared to \$11,031,000 in the same period of 2019. The decrease primarily reflects decreased sales revenue from lower production volumes and decreased crude oil prices, partially offset by a realized gain on financial instruments, and lower royalties, operating costs, and transportation costs.



Capital Expenditures

(\$000)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Geological and geophysical	-	5	(100)	3	41	(93)
Land	313	70	347	665	821	(19)
Drilling and completions	(12)	2,588	(100)	6,307	5,830	8
Workovers	99	415	(76)	105	1,281	(92)
Equipping and tie-in	-	716	(100)	336	1,599	(79)
Facilities and pipelines	-	32	(100)	34	1,354	(97)
Other	69	(273)	(125)	319	430	(26)
Capital expenditures	469	3,553	(87)	7,769	11,356	(32)
Property dispositions	(875)	-	-	(1,746)	-	-
Total capital expenditures	(406)	3,553	(111)	6,023	11,356	(47)

Capital expenditures were allocated as follows:

(\$000)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Exploration and evaluation	-	87	(100)	3,990	1,056	278
Property and equipment	(406)	3,466	(112)	2,033	10,300	(80)
Total capital expenditures	(406)	3,553	(111)	6,023	11,356	(47)

In March 2020, Altura halted all discretionary capital expenditures in response to the impacts of COVID-19 on the global economy. In the third quarter of 2020, Altura incurred \$313,000 in land costs relating to freehold lease extensions at Leduc-Woodbend and \$99,000 relating to a workover of a Leduc-Woodbend well.

Prior to the COVID-19 pandemic, Altura invested \$3.3 million in property and equipment at Leduc-Woodbend. The Corporation completed a horizontal oil well in January 2020 that was drilled in the third quarter of 2019. The well was equipped for production and brought on stream in the first quarter of 2020. Additionally, Altura drilled a horizontal oil well (93% working interest) in January 2020 at Leduc-Woodbend that has not been completed.

Year-to-date, Altura incurred \$4.0 million in E&E asset additions. E&E asset additions included land acquisition costs and drilling, completing, and equipping a horizontal well targeting the Pekisko Formation in the Entice area.

In 2020, Altura has closed two asset dispositions for cash proceeds of \$1,746,000 as discussed in the "Asset Disposition" section of this MD&A on page 5.

Decommissioning Liability

At September 30, 2020, Altura's decommissioning liability was \$5.9 million (December 31, 2019 - \$5.4 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 used to calculate the undiscounted total future liability. The future liability has been inflated at 1.29 percent (December 31, 2019 - 1.35 percent) and discounted at the Bank of Canada's long-term risk-free bond rate of 1.11 percent (December 31, 2019 - 1.76 percent).

Abandonment and reclamation cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties. The cost estimates used at September 30, 2020 are consistent with cost estimates used at December 31, 2019. Management believes that Altura's abandonment and reclamation cost estimates could decrease in future quarters to reflect decreased oilfield service costs in the current commodity price environment.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three and nine months ended September 30, 2020, accretion expense totaled \$16,000 and \$47,000 (September 30, 2019 - \$26,000 and \$80,000), respectively.

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.65 at October 3, 2020. 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. Additionally, Altura's revolving operating demand loan includes a covenant requiring the Corporation to maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0. Altura's LLR with the AER was 6.65 at October 3, 2020, consistent with its LMR.

Altura has been approved for abandonment and reclamation funding of \$508,000 under the Alberta Site Rehabilitation Program ("SRP"). The grant funding consists of \$373,000 under Period 1 and \$135,000 under Period 3. The Corporation expects to start utilizing the grants in the fourth quarter of 2020 to abandon up to five inactive wells and reclaim three wells that were previously abandoned at an estimated total cost of \$251,000.

CAPITAL RESOURCES AND LIQUIDITY

Net debt as at September 30, 2020 and December 31, 2019 is summarized as follows:

(\$000)	September 30, 2020	December 31, 2019
Current assets	(1,196)	(2,110)
Current liabilities	5,749	3,168
Working capital deficit	4,553	1,058
Fair value of financial instruments	70	(432)
Current portion of lease liabilities	(48)	(48)
Current portion of decommissioning liability	(15)	(15)
Net debt ⁽¹⁾	4,560	563
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	3.02	0.05

(1) Net debt and adjusted funds flow 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) Refer to Note 13 "Capital Management" in the financial statements regarding net debt to annualized adjusted funds flow.

The Corporation's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Altura's net debt of \$4.6 million as at September 30, 2020 increased from \$0.6 million at December 31, 2019 due to capital expenditures in the nine months of 2020 exceeding adjusted funds flow. The increased net debt and decreased adjusted funds flow in the third quarter of 2020 resulted in net debt to annualized adjusted funds flow increasing to 3.02 times at September 30, 2020 compared to 0.05 times at December 31, 2019.

Working Capital

Altura targets to maintain sufficient unused credit facility capacity to satisfy working capital deficiencies. The Corporation had a working capital deficit of \$4.6 million at September 30, 2020 compared to a working capital deficit of \$1.1 million at December 31, 2019. At September 30, 2020, the major components of Altura's current assets were accounts receivable (71 percent) to be received from its oil and gas marketers in respect to September production and joint interest partners. 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 bank debt (70 percent), and trade and joint interest payables (12 percent) and accrued liabilities (16 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 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 Facilities

In August 2020, Altura completed the redetermination of its revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") and the borrowing base was confirmed at \$6.0 million. Additionally, Altura secured a \$3.0 million term loan from its Lender through the Business Credit Availability Program ("BCAP") Guarantee from the Export Development Bank of Canada ("EDC") (the "Term Loan") providing \$9.0 million of total credit facilities.

Altura's bank debt at September 30, 2020 and December 31, 2019 is summarized as follows:

(\$000)	September 30, 2020	December 31, 2019
Operating Loan	1,001	-
Term Loan	3,000	-
Bank debt	4,001	-

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. The Term Loan is a non-revolving term facility to be used exclusively to provide additional liquidity to finance Altura's business operations. It can be used to pay operating expenses, G&A expenses, interest on the Operating Loan, lease payments and pay down temporary advances on Altura's Operating Loan. The Term Loan cannot be used to repay or refinance permanent reductions to the Operating Loan or to make shareholder contributions, shareholder loans, share buy backs, or pay any bonuses or increase executive compensation.

The Term Loan is payable on demand by Altura's Lender and is non-revolving, therefore amounts repaid cannot be reborrowed and contains customary material adverse change clauses. The Term Loan has a five-year maturity with no less than 50% of amounts outstanding due on August 27, 2024 and the remaining balance due on August 27, 2025.

The interest rate on the Operating Loan and the Term Loan (collectively the "Credit Facilities") is the Lender's prime rate plus 4.5 percent per annum.

Altura is subject to certain reporting and financial covenants including:

- the Corporation is required to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facilities and the fair value of any commodity contracts are excluded and the unused portion of the Operating Loan is added to current assets;
- the Corporation will, at all times, maintain hedging agreements covering no less than 30 percent of Altura's forecasted total production for no less than the succeeding nine-month period, on a rolling basis whereby at least fifty percent of the hedged volumes (on a barrels of oil equivalent basis) must be crude oil hedges (Western Canadian Select);
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0; and,
- Altura shall not make any capital expenditures in excess of \$500,000 above the budget provided to the Lender from August 27, 2020 to January 31, 2021.

As at September 30, 2020, the working capital ratio as defined was 3.48:1 (December 31, 2019 – 4.0:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at September 30, 2020, \$4.0 million (December 31, 2019 - \$nil) was drawn on the Credit Facilities and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2019 - \$160,000).

The next review date for the Credit Facilities has been scheduled for May 31, 2021 but may be set at an earlier or later date at the sole discretion of the Lender.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and external sources (bank credit markets and equity financing, if required) to meet current spending forecasts. However, future liquidity depends on the ability of the Corporation to access debt markets and generate cash flow from operations, which are also impacted by the availability under Altura's Credit Facilities and additional equity. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may

adversely affect the Corporation's future liquidity as pertains to these operational and financing requirements. All the accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities are due on demand.

Shareholders' Equity

At September 30, 2020 there were 108,920,974 common shares outstanding, and 9,335,000 stock options outstanding. The number of common shares remain unchanged from December 31, 2019. Altura's performance warrants totaling 9,749,879 were not exercisable and expired in the third quarter of 2020 and 435,000 stock options were forfeited in the nine months ended September 30, 2020.

At November 18, 2020 the number of common shares and stock options outstanding remain unchanged from September 30, 2020.

Capital Resources

In March 2020, Altura halted all discretionary capital expenditures in response to the impacts of COVID-19 on the global economy. In August 2020, Altura's Credit Facilities were renewed, and the Corporation has sufficient liquidity to meet its obligations.

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.

On June 30, 2020, Altura amended the timing of the second transaction in the December 4, 2019 definitive agreement (the "Amending Agreement") with a private company ("PrivateCo") for the sale of a 5.5% working interest in the Corporation's production, wells, lands and facilities for cash of \$3.5 million (the "Second Transaction"). Altura is committed to close two additional working interest dispositions as discussed in the "Asset Disposition" section of this MD&A. The December 4, 2019 agreement included a drilling commitment related to the Second Transaction ("Commitment Well"), whereby Altura committed to the drilling of a horizontal well in either the Entice area or the Leduc-Woodbend area on or before December 31, 2020. Given the current environment, drilling risk profile and capital efficiency in each of the areas, the parties have agreed the well will be drilled at Leduc-Woodbend at a time when commodity prices support well economics. Estimated total gross drill, completion and equipping costs of the well is \$2.5 million. PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the well and the optional third funding transaction contemplated by the December 4, 2019 agreement will not be executed by PrivateCo.

Altura had a commitment to drill one horizontal well by December 31, 2020 in the Leduc-Woodbend area pursuant to a drilling commitment agreement. In September 2020, the Corporation renegotiated the commitment date from December 31, 2020 to January 31, 2022. The Corporation is subject to a non-performance penalty of \$157,500 if the commitment is not fulfilled.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2020				2019			2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
OPERATING								
Average daily production								
Heavy oil (bbls/d)	512	213	667	881	1,150	1,016	1,404	1,044
Light & medium oil (bbls/d)	16	-	8	-	-	-	68	46
Natural gas (Mcf/d)	2,118	1,154	2,926	3,406	3,733	2,914	2,510	1,699
NGLs (bbls/d)	38	30	87	113	108	88	47	38
Total (boe/d)	919	435	1,250	1,561	1,880	1,591	1,939	1,412
Average realized sales price								
Heavy oil (\$/bbl)	40.19	21.39	33.06	54.40	55.31	62.83	51.62	25.28
Light & medium oil (\$/bbl)	43.79	-	20.85	-	-	-	48.97	51.44
Natural gas (\$/Mcf)	2.45	2.06	2.20	2.70	0.95	1.30	2.06	1.74
NGLs (\$/bbl)	25.83	6.46	22.02	26.64	24.42	24.23	37.16	40.19
Total (\$/boe)	29.87	16.36	24.46	38.50	37.12	43.89	42.71	23.57
(\$/boe)								
Petroleum and natural gas sales	29.87	16.36	24.46	38.50	37.12	43.89	42.71	23.57
Realized gain (loss) on financial instruments	0.51	16.60	5.53	0.53	(0.22)	1.23	-	-
Royalties	(2.63)	0.28	(1.96)	(4.43)	(4.20)	(4.08)	(3.98)	(2.40)
Operating expenses	(13.85)	(16.27)	(12.19)	(8.63)	(6.92)	(9.56)	(8.18)	(6.16)
Transportation expenses	(2.51)	(2.46)	(2.49)	(2.45)	(2.93)	(4.92)	(3.70)	(2.45)
Operating netback ⁽¹⁾	11.39	14.51	13.35	23.52	22.85	26.56	26.85	12.56
General and administrative	(5.71)	(7.98)	(3.50)	(2.52)	(2.16)	(2.94)	(2.64)	(5.99)
Exploration expense	-	-	-	-	-	-	(0.12)	(0.04)
Interest and financing expense (cash)	(1.21)	(1.42)	(0.17)	(0.37)	(0.27)	(0.50)	(0.29)	(0.18)
Adjusted funds flow per boe ⁽¹⁾	4.47	5.11	9.68	20.63	20.42	23.12	23.80	6.35
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	2,526	647	2,783	5,531	6,420	6,353	7,453	3,062
Cash flow from operating activities	505	512	1,183	3,955	3,181	3,568	2,290	4,200
Per share – diluted	-	-	0.01	0.04	0.03	0.03	0.02	0.04
Adjusted funds flow ⁽¹⁾	378	204	1,102	2,963	3,532	3,346	4,153	826
Per share – diluted ⁽¹⁾	-	-	0.01	0.03	0.03	0.03	0.04	0.01
Net income (loss)	(360)	(1,247)	(31,529)	(56)	298	1,044	929	(984)
Per share – basic	-	(0.01)	(0.29)	-	-	0.01	0.01	(0.01)
Per share – diluted ⁽²⁾	-	(0.01)	(0.29)	-	-	0.01	0.01	(0.01)
(\$000)								
Capital expenditures	469	218	7,082	1,528	3,553	6,350	1,453	3,050
Property acquisitions (dispositions)	(875)	(871)	-	(3,508)	-	-	-	986
Total assets	23,789	24,517	26,895	55,053	61,202	59,719	55,704	54,023
Net debt ⁽¹⁾	4,560	5,335	6,183	563	5,130	5,109	2,105	4,805
Shareholders' equity	12,023	12,309	13,456	44,856	44,748	44,251	42,983	41,867
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⁾	108,921	108,921	108,936	109,097	109,517	110,503	110,430	110,260
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 2018 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. Production volumes increased in the first quarter of 2019 with seven new Leduc-Woodbend wells being brought on production in the second half of 2018 and one well being brought on production in the first quarter of 2019. Production volumes declined in the second quarter of 2019 as no new wells were brought on

production and well run-time efficiency decreased due to pump failures. Two wells were brought on production in the third quarter of 2019, increasing average production volumes. Average production volumes declined in the fourth quarter of 2019 from no new wells being brought on production and a disposition of a 7% working interest in Altura's assets.

Average production volumes declined in the first quarter of 2020 from natural declines and increased down-time associated with repairs and maintenance activity. In the second quarter of 2020, Altura curtailed production volumes as a result of the severe decline in oil prices associated with the COVID-19 pandemic. Average production volumes increased in the third quarter of 2020 as Altura restarted the majority of its wells that were curtailed in the second quarter of 2020.

Realized crude oil prices increased in the first quarter of 2019 as Canadian oil differentials narrowed as a result of the Alberta government mandatory oil production curtailment. Realized crude oil prices declined significantly in the first half of 2020 due to the COVID-19 pandemic, but partially recovered in the third quarter of 2020.

Capital expenditures in the first three quarters of 2019 included drilling three and completing two horizontal wells at Leduc-Woodbend and one vertical well in a new area. Additionally, capital investment in 2019 included an electrification project at Altura's multi-well battery and associated pad sites, pipeline construction, and a solution gas compressor. In the second, third and fourth quarters of 2019, Altura changed its artificial lift system on 11 wells to improve run-time efficiencies and limit operating and capital workover events. In the fourth quarter of 2019, Altura completed a disposition of a 7% working interest in Altura's assets for cash of \$3.5 million. In the first quarter of 2020, Altura completed a horizontal oil well (93% working interest) that was drilled in the third quarter of 2019, drilled a horizontal oil well (93% working interest) at Leduc-Woodbend and drilled and completed a horizontal well (93% working interest) targeting the Pekisko Formation at Entice. In the second quarter of 2020, Altura closed a disposition of a 1.375% working interest for \$871,000 and closed a disposition of a 1.375% working interest for \$875,000 in the third quarter of 2020.

In the first and second quarters of 2019, Altura recorded net income of \$0.9 million and \$1.0 million, respectively, from increased production volumes and higher crude oil prices. Net income decreased in the second half of 2019 due to lower heavy oil production volumes. In the first quarter of 2020, Altura recorded a net loss of \$31.5 million, due to impairment and lower heavy oil production volumes and decreased crude oil prices. Altura recorded net losses of \$1.2 million and \$0.4 million in the second and third quarters of 2020, respectively, due to low realized oil prices, partially offset by gains on asset dispositions.

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 and the board of directors, 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.

The full extent of the impact of COVID-19 on the Corporation's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

A full list of the key sources of estimation uncertainty can be found in the Corporation's audited consolidated financial statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare its financial results, particularly related to the following key sources of estimation uncertainty:

Recoverable Amounts

Determining the recoverable amount of a CGU or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

Credit Facilities

The Corporation's Credit Facilities are payable on demand and contain customary material adverse change clauses. The maximum borrowing limit of the Operating Loan is based on the Lender's interpretation of the Corporation's reserves, future commodity prices and costs. As the maximum borrowing limit of the Operating Loan is based on the lender's interpretation of the Corporation's reserves and future commodity prices and costs, there can be no assurance that the amount of the Operating Loan will not be adjusted at the next scheduled review. Forecasted commodity prices have decreased significantly in the nine months ended September 30, 2020 which could impact the Lender's interpretation of the future value of the Corporation's reserves.

Accounts Receivable

The Corporation has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. The Corporation historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Corporation has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Corporation continues to expect that its receivables are collectible at September 30, 2020.

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.

Natural disasters, wars, terrorist attacks, riots or civil unrest, public health crises, including epidemics, pandemics or outbreaks of new infectious disease or viruses including COVID-19, and related events, could materially and negatively impact the Corporation's business, its revenues and ultimately its profitability. Such events or occurrences may have a materially negative affect on one or more factors upon which the Corporation's business relies, including without limitation the demand for, and therefore the price of, the natural resource products produced by the Corporation, supply chains to operate its business, and the availability of capital required by the Corporation to fund its operations.

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.

Climate change regulation has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. In addition, the Supreme Court's decision in *Orphan Well Association v Grant Thornton Limited* may impact the manner in which provincial regulators seek to regulate their liability management and end-of-life asset retirement regimes. Such climate change and other environmental regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as Altura is unable to predict additional legislation or amendments that governments may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Corporation's operations and adjusted funds flow.

Additional information is available in Altura's AIF that is filed on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

The Corporation adopted IFRS 3, "Business Combinations", on January 1, 2020. Amendments to IFRS 3 were issued by the IASB in October 2018 that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets are concentrated in a single identifiable asset or a group of similar identifiable assets. If the concentration test is not applied, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of IFRS 3 had no impact to the Corporation's Financial Statements.

In the second quarter of 2020, Altura added a new accounting policy related to government grants. Altura recognizes government grants as they are received or if there is reasonable assurance that the Corporation is in compliance with all associated conditions. When the grant relates to an expense item, it is recognized as a reduction to the related expense in the period in which the costs are incurred. If the grant relates to an asset, it is recognized as a reduction to the carrying value of the asset and amortized into income over the expected useful life of the asset through lower depletion and depreciation.

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, and transaction costs, if any.

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 (loss) and Adjusted Funds Flow" section of this MD&A on page 17. The following schedule sets out the reconciliation of net income to adjusted funds flow and cash flow from operating activities for the reporting period and the comparable prior period:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net income (loss)	(360)	298	(33,136)	2,271
Adjusted for the following non-cash items				
Deferred tax expense (recovery)	-	120	(1,472)	713
Depletion, depreciation and amortization	901	2,685	2,980	7,596
Impairment	-	-	34,750	-
Accretion of decommissioning liability	16	26	47	80
Share-based compensation	67	135	241	460
Gain on property disposition	(619)	-	(1,224)	-
Lease interest	-	3	-	9
Unrealized loss (gain) on financial instruments	373	265	(502)	(98)
Adjusted funds flow	378	3,532	1,684	11,031
Changes in non-cash operating working capital	127	(351)	516	(1,992)
Cash flow from operating activities	505	3,181	2,200	9,039

Net Debt

Management views net debt as key industry benchmarks and measures to assess the Corporation's financial position and liquidity. Net debt is calculated as current assets, excluding the fair value of financial instruments less current liabilities, excluding the fair value of financial instruments, less the current portion of lease liabilities, and the current portion of the decommissioning liability. Management has excluded the current portion of the decommissioning liability as this is an estimate based on management's assumptions and subject to volatility based on changes in cost and timing estimates, the risk-free discount rate and inflation rate. Altura's net debt is disclosed in the "Capital Resources and Liquidity" section of this MD&A on page 23.

Operating Netback

Altura calculates operating netback on a per boe basis as petroleum and natural gas sales plus (minus) realized gain (loss) on financial instruments 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 13.

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:

- uncertainty about the COVID-19 pandemic and the impact it will have on Altura's operations, the demand for Altura's products, and economic activity in general;
- Altura's plan to bring shut-in wells on production at Leduc-Woodbend in January 2021;
- plans to test the up-dip portion of the Entice pool through the recompletion of an existing vertical well in 2021;
- forecasted production volumes to range between 900 and 1,000 boe per day for the second half of 2020;
- the expected closing of two additional dispositions of a 1.375% working interest for \$875,000 each on January 31, 2021 and June 30, 2021;
- forecasted net debt of \$4.2 million as at December 31, 2020;
- Management's belief that operating costs will decrease in future quarters with lower repairs and maintenance activity;
- Management's belief that net G&A costs will decrease in future quarters from the \$482,000 incurred in the third quarter of 2020;
- Management's belief that Altura's abandonment and reclamation cost estimates could decrease in future quarters to reflect decreased oil and gas service costs in the current commodity price environment; and,
- Altura's expectation to start utilizing the SRP grant funding in the fourth quarter of 2020 to abandon up to five inactive wells and reclaim three wells that were previously abandoned.

The forward-looking information and statements contained in this MD&A and first quarter 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 return of industry conditions to pre-COVID-19 levels;
- 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, among other things, fund its planned expenditures.

Altura believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable based on prior operating history but no assurance can be given that these factors, expectations and assumptions will prove to be correct particularly in the current operating environment which is unprecedented by any standard. 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 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:

- the COVID-19 pandemic and related disruptions in oil and gas markets, including the duration and impacts thereof;
- changes in commodity prices including, without limitation, as a result of COVID-19 pandemic;
- changes in commodity prices including, without limitation, as a result of the COVID-19 pandemic and related disruptions in oil and gas markets;
- unanticipated operating results or production declines;
- public health crises, such as the recent outbreak of COVID-19 and the related economic disruption that can result in volatility in financial markets, disruption to global supply chains, and the ability to directly and indirectly staff the Corporation's day to day operations;
- 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 or debt 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.