

2019 THIRD QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
OPERATING					
Average daily production					
Heavy oil (bbls/d)	1,150	1,016	805	1,190	611
Medium oil (bbls/d)	-	-	51	22	242
Natural gas (Mcf/d)	3,733	2,914	1,128	3,057	1,257
NGLs (bbls/d)	108	88	23	81	28
Total (boe/d)	1,880	1,591	1,067	1,803	1,090
Total boe/d per million shares – diluted	17.2	14.4	9.5	16.4	9.9
Average realized prices					
Heavy oil (\$/bbl)	55.31	62.83	56.59	56.01	53.93
Medium oil (\$/bbl)	-	-	66.74	48.97	58.36
Natural gas (\$/Mcf)	0.95	1.30	1.23	1.36	1.58
NGLs (\$/bbl)	24.42	24.23	51.30	26.80	51.03
Total (\$/boe)	37.12	43.89	48.29	41.09	46.30
(\$/boe)					
Petroleum and natural gas sales	37.12	43.89	48.29	41.09	46.30
Realized gain (loss) on financial instruments	(0.22)	1.23	-	0.28	-
Royalties	(4.20)	(4.08)	(4.57)	(4.09)	(4.59)
Operating	(6.92)	(9.56)	(7.09)	(8.14)	(10.10)
Transportation	(2.93)	(4.92)	(2.17)	(3.79)	(1.84)
Operating netback ⁽¹⁾	22.85	26.56	34.46	25.35	29.77
General and administrative	(2.16)	(2.94)	(4.25)	(2.56)	(4.46)
Exploration expense	-	-	(0.21)	(0.04)	(0.07)
Credit facility interest and financing expense	(0.27)	(0.50)	(0.03)	(0.35)	(0.46)
Interest Income	-	-	0.34	-	0.17
Adjusted funds flow per boe ⁽¹⁾	20.42	23.12	30.31	22.40	24.95
FINANCIAL (\$000, except per share amounts)					
Petroleum and natural gas sales	6,420	6,353	4,741	20,226	13,785
Adjusted funds flow ⁽¹⁾	3,532	3,346	2,977	11,031	7,430
Per share – diluted ⁽¹⁾	0.03	0.03	0.03	0.10	0.07
Net income	298	1,044	750	2,271	3,677
Per share – diluted	-	0.01	0.01	0.02	0.03
Capital expenditures	3,553	6,350	16,717	11,356	30,406
Property acquisitions (dispositions), net	-	-	2,637	-	(25,075)
Total capital expenditures	3,553	6,350	19,354	11,356	5,331
Net debt ⁽¹⁾	5,130	5,109	1,887	5,130	1,887
Common shares outstanding (000)					
End of period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – basic ⁽²⁾	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – diluted ⁽²⁾	109,517	110,503	112,281	110,191	110,475

(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 the MD&A.

PRESIDENT'S MESSAGE

THIRD QUARTER 2019 HIGHLIGHTS

- Produced an average of 1,880 boe per day, a 76 percent increase from the third quarter of 2018 and an 18 percent increase from the second quarter of 2019, on an absolute and per share basis.
- Adjusted funds flow¹ was \$3.5 million, up 19 percent from the third quarter of 2018 and up six percent from the second quarter of 2019.
- Operating expenses were \$6.92 per boe, a two percent decrease from the third quarter of 2018 and a 28 percent decrease from the second quarter of 2019.
- Transportation expenses were \$2.93 per boe compared to \$2.17 per boe in the third quarter of 2018 and \$4.92 per boe in the second quarter of 2019.
- Net G&A was \$2.16 per boe, a decrease of 49 percent from the third quarter of 2018, and 26 percent from the second quarter of 2019.
- Capital expenditures totaled \$3.6 million. Altura completed and equipped two 1.5-mile extended reach horizontal ("ERH") wells and commenced drilling a third ERH well at Leduc-Woodbend.
- Year-to-date capital expenditures totaled \$11.4 million, consistent with year-to-date adjusted funds flow of \$11.0 million.
- Net debt¹ at September 30, 2019 was \$5.1 million, 0.4 times annualized third quarter adjusted funds flow.
- October 2019 AER Liability Management Rating ("LMR") of 9.98.

THIRD QUARTER REVIEW

Altura invested \$3.6 million of capital in the third quarter bringing the total capital invested in the nine months ended September 30, 2019 to \$11.4 million. Third quarter capital activity included completing and equipping two ERH wells at Leduc-Woodbend that were brought on production in August 2019. Altura commenced drilling a third ERH well at Leduc-Woodbend that was rig released in early October and which is planned to be completed and brought on production later in the fourth quarter of 2019 or first quarter of 2020.

Altura changed its artificial lift system from progressive cavity pumps to pump jacks on three wells to improve run-time efficiencies and limit operating and capital workover events. Nine of eleven wells have been converted in the nine months ended September 30, 2019, with the last two wells converted in the fourth quarter of 2019.

The two wells brought on production in August 2019 increased third quarter production volumes to 1,880 boe per day (67 percent oil and liquids) compared to 1,591 boe per day (69 percent oil and liquids) in the second quarter of 2019.

Altura's realized oil price decreased 12 percent in the third quarter from the second quarter of 2019 and the Corporation's average realized price decreased 15 percent from the second quarter of 2019 due to lower natural gas prices and an increased weighting of natural gas production relative to total production.

Operating expenses in the third quarter decreased 28 percent to \$6.92 per boe from the second quarter of 2019 due to lower repairs and maintenance costs from converting nine wells from progressive cavity pumps to pump jacks in the second and third quarters of 2019.

Transportation costs decreased 40 percent to \$2.93 per boe from the second quarter of 2019 due to reduced hauls to sales terminals in eastern Alberta that have higher trucking costs and no road restrictions that limited oil volumes per load in the second quarter of 2019.

The Corporation's operating netback¹ averaged \$22.85 per boe, down 14 percent from the second quarter of 2019 due to lower oil and natural gas prices and a loss on commodity hedging contracts, partially offset by lower operating and transportation expenses.

Adjusted funds flow¹ was \$3.5 million in the third quarter of 2019, up six percent from the second quarter of 2019 due to increased production volumes and lower operating and transportation expenses, partially offset by lower oil and natural gas prices.

Net income in the third quarter totaled \$0.3 million, down 71 percent from the second quarter of 2019 due mainly to an unrealized loss on financial instruments of \$265,000, compared to an unrealized gain on financial instruments in the second quarter of 2019 of \$363,000.

HEDGING

Altura currently has the following crude oil contracts for 300 barrels per day hedged to September 30, 2020:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Oct 1/19—Mar 31/20	Crude Oil	Fixed	300 bbls/d	WCS	CAD \$57.00
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$70.20
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$28.00)
Jul 1/20—Sep 30/20	Crude Oil	Fixed	300 Bbls/d	WCS	CAD \$43.75

OUTLOOK

In the second quarter of 2019 Altura drilled two ERH producing wells at 200 meter inter-well spacing as part of the waterflood pilot project. These ERH wells offset a producing well that was converted to a water injection well which commenced water injection in October. The Corporation will actively monitor the performance of the two offsetting producing ERH wells for positive production response.

The Corporation has secured over 84 sections (53,760 net acres) of land at a 100% working interest within its new oil play at Entice, south of Strathmore, Alberta. Altura is currently evaluating options to advance the drilling of a horizontal well to assess commerciality of its exciting new prospect at Entice.

Altura's annual average production is forecasted to be between 1,700 to 1,800 Boe per day in 2019, compared to 1,172 Boe per day in 2018, representing more than a 45 percent increase on an absolute and per share basis.

Planning for 2020 is focused on managing investment levels to protect balance sheet strength in the current volatile commodity price environment. Altura plans to provide guidance on its 2020 capital program in early 2020.

On behalf of the Board of Directors and the Altura management team, we would like to thank our shareholders for their ongoing support.

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer
November 8, 2019

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" contained within the "Advisories" section of Altura's MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Altura Energy Inc. (the "Corporation" or "Altura") is dated November 8, 2019 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, 2019, the audited consolidated financial statements and related notes for the year ended December 31, 2018, as well as the Corporation's Annual Information Form that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

DESCRIPTION OF BUSINESS

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

Q3 2019 BENCHMARK OIL PRICES

Crude oil prices declined in the third quarter of 2019, with the West Texas Intermediate ("WTI") benchmark price averaging six percent lower than the second quarter of 2019 and 19 percent lower than the third quarter of 2018. Canadian crude oil prices continued to benefit from the Alberta government production curtailment as the differential between WTI and the Western Canadian Select oil price ("WCS") averaged US\$12.24 per barrel in the third quarter of 2019, 45 percent lower than the third quarter of 2018, but 15 percent higher than the second quarter of 2019.

Altura primarily compares its oil price to the WCS oil price at the Hardisty, Alberta oil sales terminal which decreased 11 percent in the third quarter of 2019 relative to the second quarter of 2019 and decreased six percent relative to the third quarter of 2018.

2019 GUIDANCE

The following table summarizes the Corporation's 2019 guidance compared to year-to-date results.

	August 14, 2019 Guidance	2019 YTD Actual
2019 Capital expenditures (\$000)	13,500	11,356
Leduc-Woodbend extended reach horizontal ("ERH") wells	3	3
2019 Average production volumes (boe/d)	1,700–1,800	1,803

RESULTS OF OPERATIONS

Production

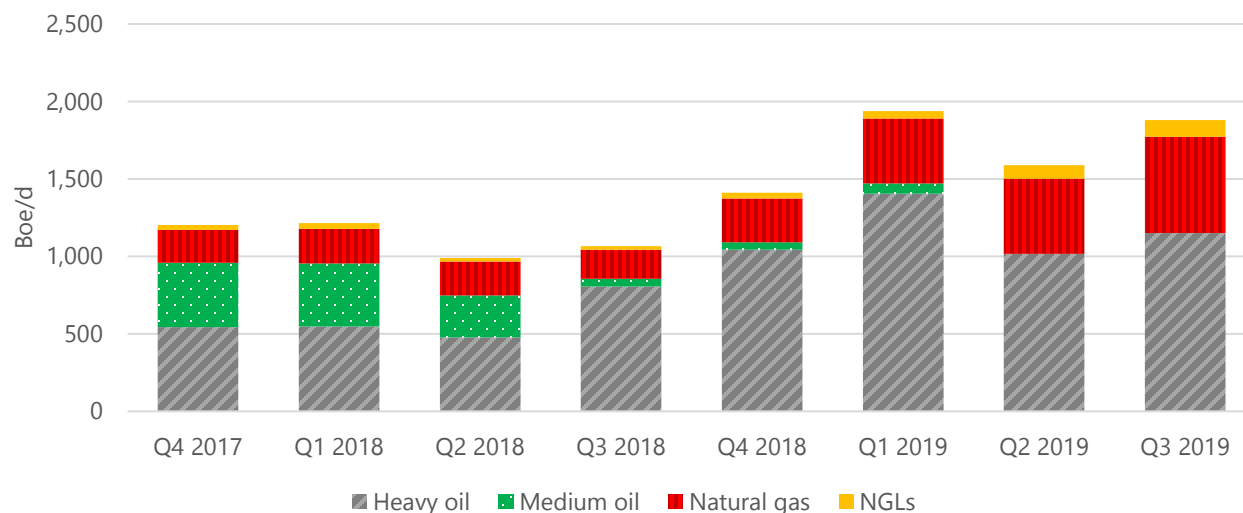
	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Heavy oil (bbls/d)	1,150	805	43	1,190	611	95
Medium oil (bbls/d)	-	51	(100)	22	242	(91)
Natural gas (Mcf/d)	3,733	1,128	231	3,057	1,257	143
Natural gas liquids ("NGLs") (bbls/d)	108	23	370	81	28	189
Total (boe/d)	1,880	1,067	76	1,803	1,090	65
Oil and natural gas liquids % of production	67%	82%	(18)	72%	81%	(11)

During the three and nine months ended September 30, 2019, heavy oil volumes increased 43 percent and 95 percent respectively, as compared to the same periods in the prior year. The increases are mainly due to Altura's development drilling program at Leduc-Woodbend over the past year. Year-to-date, Altura drilled three wells and brought two new wells on production at Leduc-Woodbend. The third well is expected to be completed and brought on production in the fourth quarter of 2019.

Altura's natural gas production increased 231 percent and 143 percent in the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018. The increases are due to Altura's development program at Leduc-Woodbend over the past year coupled with an increased weighting of natural gas production relative to total production as the pool is produced over time.

In the third quarter of 2019, the Corporation had no medium oil production volumes, compared to 51 boe per day in the same period in the prior year. The decrease is due to Altura pipeline connecting two heavy oil wells producing from the Rex member to its medium oil Glauconitic battery at the end of February 2019. Commencing in March 2019, oil from this battery has been blended and sold into the heavy oil stream, eliminating Altura's medium oil sales.

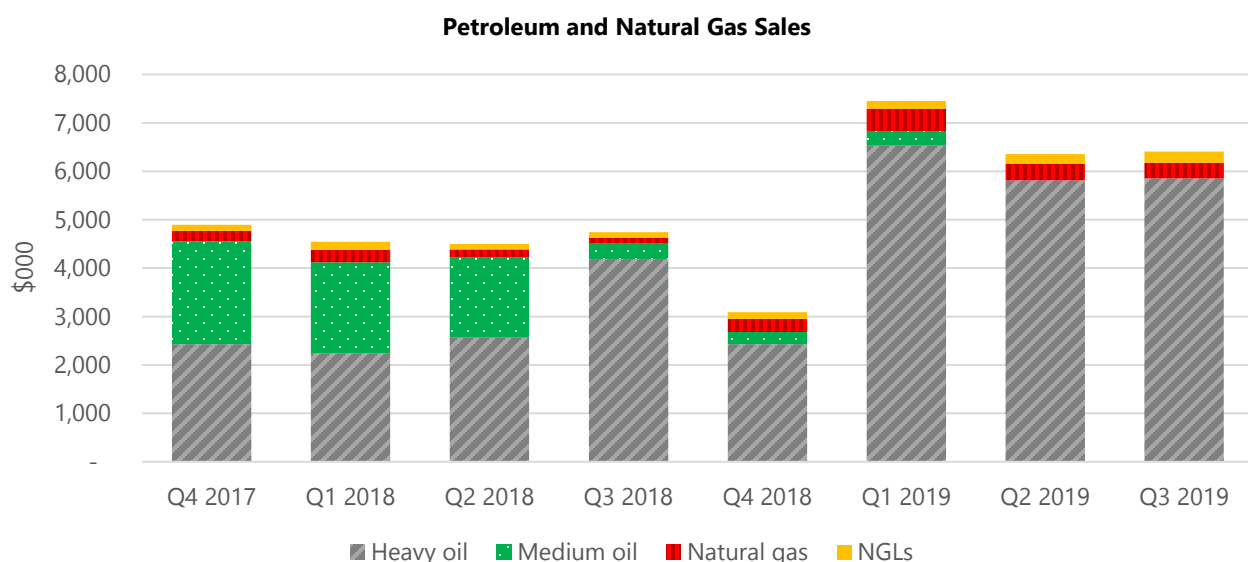
Quarterly Average Daily Production



Petroleum and Natural Gas Sales

(\$000)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Heavy oil	5,853	4,190	40	18,194	8,996	102
Medium oil	-	315	(100)	300	3,861	(92)
Natural gas	325	128	154	1,137	544	109
NGLs	232	108	115	595	384	55
Petroleum and natural gas sales	6,420	4,741	35	20,226	13,785	47

Petroleum and natural gas sales for the third quarter of 2019 increased 35 percent to \$6,420,000 compared to \$4,741,000 in the third quarter of 2018. The increase of \$1,679,000 consists of \$2,179,000 attributed to increased production volumes, partially offset by \$500,000 attributed to lower realized crude oil, NGL and natural gas prices. For the nine months ended September 30, 2019, petroleum and natural gas sales increased 47 percent to \$20,226,000 compared to \$13,785,000 in the same period of 2018. The increase of \$6,441,000 consists of \$6,543,000 attributed to increased production volumes and \$621,000 attributed to higher realized crude oil prices, partially offset by \$723,000 attributed to lower NGL and 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:

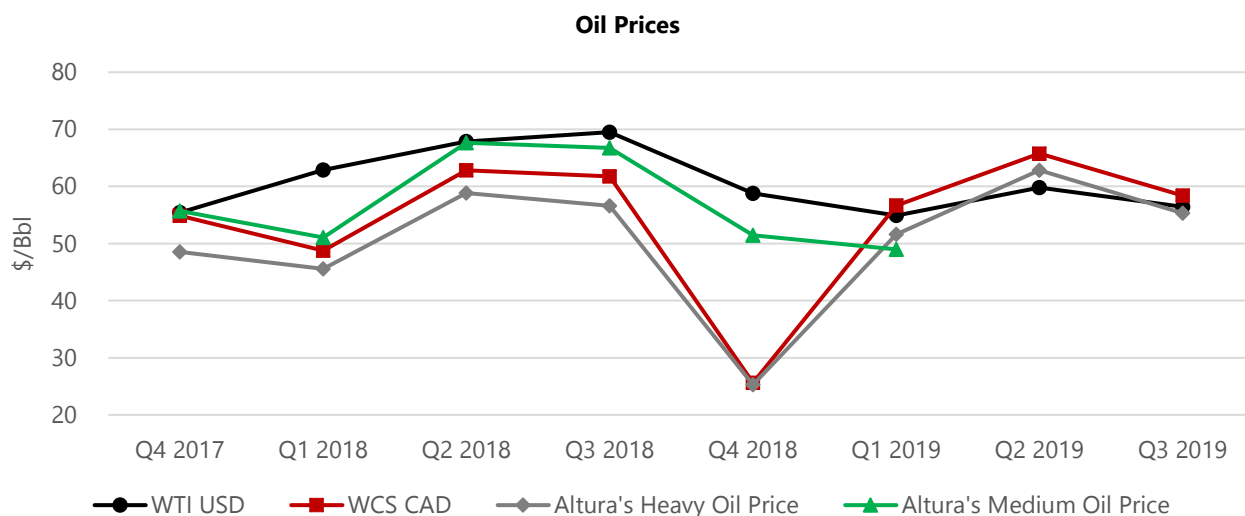
	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Average Benchmark Prices						
WTI crude oil (US\$/bbl) ⁽¹⁾	56.45	69.50	(19)	57.06	66.75	(15)
WCS differential (US\$/bbl) ⁽²⁾	(12.24)	(22.25)	(45)	(11.74)	(21.93)	(46)
US\$/Cdn\$ exchange rate	0.757	0.765	(1)	0.752	0.776	(3)
WCS (Cdn\$/bbl)	58.39	61.76	(5)	60.27	57.73	4
AECO daily spot (\$/GJ)	0.86	1.13	(24)	1.44	1.41	2
Average Realized Prices						
Heavy oil (\$/bbl)	55.31	56.59	(2)	56.01	53.93	4
Medium oil (\$/bbl)	-	66.74	(100)	48.97	58.36	(16)
Natural gas (\$/Mcf)	0.95	1.23	(23)	1.36	1.58	(14)
Natural gas liquids (\$/bbl)	24.42	51.30	(52)	26.80	51.03	(47)
Average realized price (\$/boe)	37.12	48.29	(23)	41.09	46.30	(11)

(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.

WTI decreased 19 percent and 15 percent during the three and nine months ended September 30, 2019, while Altura's realized heavy oil price decreased two percent and increased four percent, respectively. The impact of lower WTI prices was offset by the narrowing differential between WTI and WCS to an average discount of US\$12.24 per barrel and US\$11.74 per barrel compared to US\$22.25 per barrel and US\$21.93 per barrel, in the same periods in 2018, respectively. The WCS differential started narrowing in the first quarter of 2019 due to the Alberta government's mandatory production curtailment designed to balance the market and reduce crude oil differentials.

Altura's average realized price declined 23 percent to \$37.12 per boe in the third quarter of 2019 compared to \$48.29 per boe in the third quarter of 2018 due mainly to lower natural gas prices, lower NGL prices and an increased weighting of natural gas production relative to total production.



In the third quarter of 2019, Altura's realized natural gas price decreased by 23 percent to \$0.95 per Mcf from the third quarter of 2018 while the AECO daily spot price decreased 24 percent to \$0.86 per GJ. Year-to-date, Altura's realized natural gas price decreased by 14 percent to \$1.36 per Mcf from the same period in 2018 while the AECO daily spot price increased two percent to \$1.44 per GJ. The decreased realized natural gas price in the nine months ended September 30, 2019 relative to the increase in the AECO daily spot price is due to a gas balance recovery on the NOVA pipeline, negatively impacting Altura in February and March 2019.

Risk Management Contracts

Altura initiated a risk management program in the second quarter of 2019 to reduce the volatility of crude oil sales, increase the certainty of adjusted funds flow to protect development economics, and to comply with details of its banking covenant. The Corporation's risk management program is approved by Altura's Board of Directors.

	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Realized gain (loss) on financial instruments	(38)	-	-	140	-	-
Realized gain (loss) on financial instruments per boe	(0.22)	-	-	0.28	-	-

For the third quarter of 2019, the realized loss on financial instruments of \$38,000 reflects cash settlements paid on a WCS contract of 300 barrels per day at CAD \$57.00 per barrel. Year-to-date, Altura has a realized gain on financial instruments of \$140,000 due to cash settlements received on a May 2019 WTI contract and a June 2019 WCS contract.

At September 30, 2019, Altura held the following crude oil contracts:

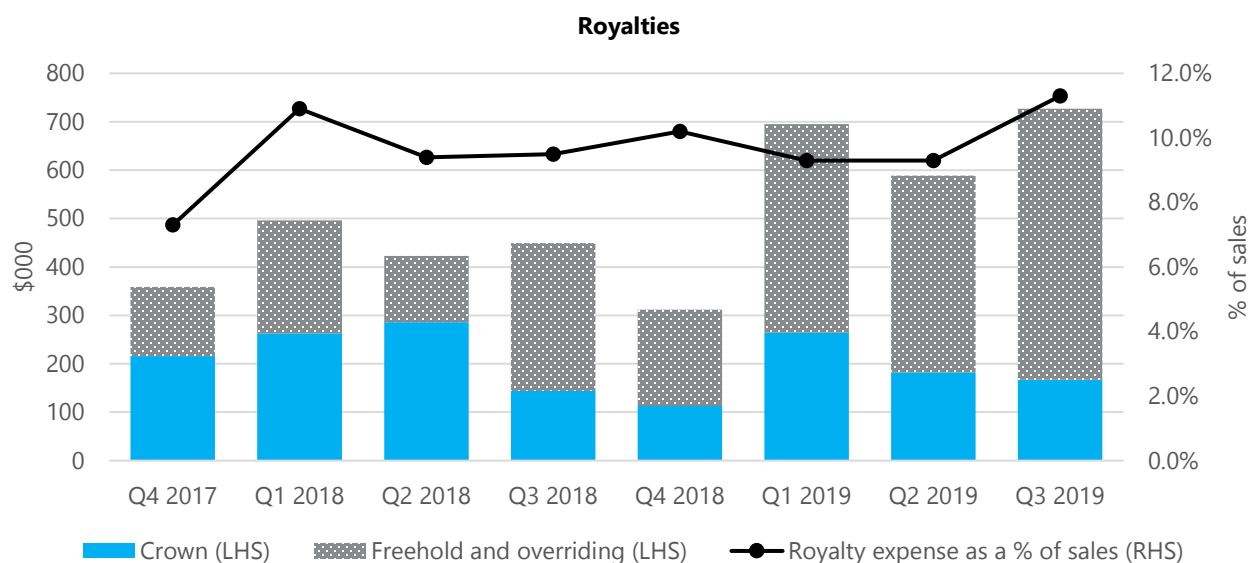
Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at September 30, 2019 (\$000)
Oct 1/19—Mar 31/20	Crude Oil	Fixed	300 bbls/d	WCS	CAD \$57.00	307
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$70.20	51
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$28.00)	(208)
Jul 1/20—Sep 30/20	Crude Oil	Fixed	300 Bbls/d	WCS	CAD \$43.75	(52)
						98

At September 30, 2019, the crude oil contracts were fair valued with an asset of \$98,000 (December 31, 2018 - \$nil) recorded on the balance sheet and an unrealized loss of \$265,000 and an unrealized gain of \$98,000 recorded in net income for the three and nine months ended September 30, 2019, respectively (September 30, 2018 - \$nil).

Royalties

(\$000, except % and per boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Crown royalties	167	144	16	613	693	(12)
Freehold and overriding royalties	560	305	84	1,398	675	107
Royalty expense	727	449	62	2,011	1,368	47
Royalty expense as a % of sales	11.3%	9.5%	19	9.9%	9.9%	-
Royalty expense per boe	4.20	4.57	(8)	4.09	4.59	(11)

Total royalties for the three and nine months ended September 30, 2019 were \$727,000 and \$2,011,000 (\$449,000 and \$1,368,000 for the same periods in 2018), respectively. Total royalties as a percentage of petroleum and natural gas sales increased in the third quarter of 2019 to 11.3 percent (\$4.20 per boe) compared to 9.5 percent (\$4.57 per boe) in the third quarter of 2018. For the nine months ended September 30, 2019, total royalties represented 9.9 percent of petroleum and natural gas sales (\$4.09 per boe) as compared to 9.9 percent (\$4.59 per boe) in the same period in 2018. The increased royalty rate in the third quarter of 2019 is attributed to an increased percentage of production on freehold land, which has higher royalty rates than Crown land, compared to the third quarter of 2018.



*LHS = Left Hand Side

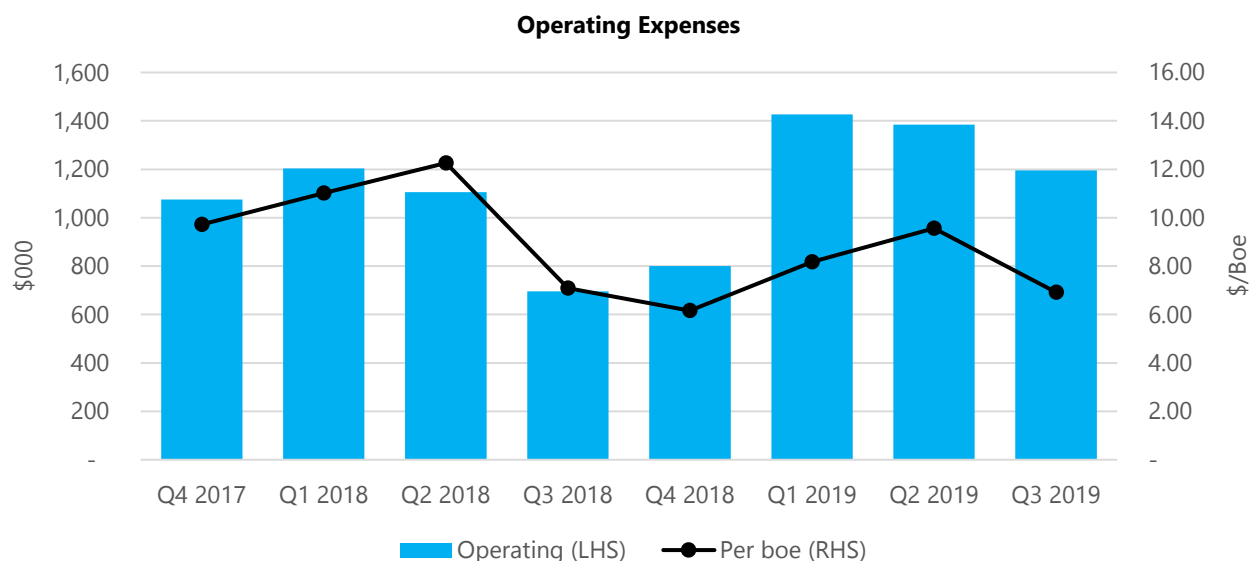
*RHS = Right Hand Side

Operating

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Operating	1,196	696	72	4,008	3,005	33
Operating per boe	6.92	7.09	(2)	8.14	10.10	(19)

Operating expenses increased \$500,000 in the third quarter of 2019 to \$1,196,000 as compared to \$696,000 in the third quarter of 2018. For the nine months ended September 30, 2019, operating expenses increased \$1,003,000 to \$4,008,000 compared to \$3,005,000 in the same period of the prior year. This increase in operating expenses for the three and nine months ended September 30, 2019 is primarily due to increased production volumes associated with Altura's Leduc-Woodend development.

On a per boe basis, operating expenses decreased \$0.17 per boe to \$6.92 per boe in the third quarter of 2019 compared to \$7.09 in the third quarter of 2018. Year-to-date, operating expenses decreased by \$1.96 per boe to \$8.14 per boe compared to \$10.10 per boe in the nine months ended September 30, 2018. Operating expenses on a per boe basis decreased in the nine months ended September 30, 2019 due to Altura's growth of lower cost production at Leduc-Woodend and an asset disposition on May 31, 2018 that had higher average operating costs.



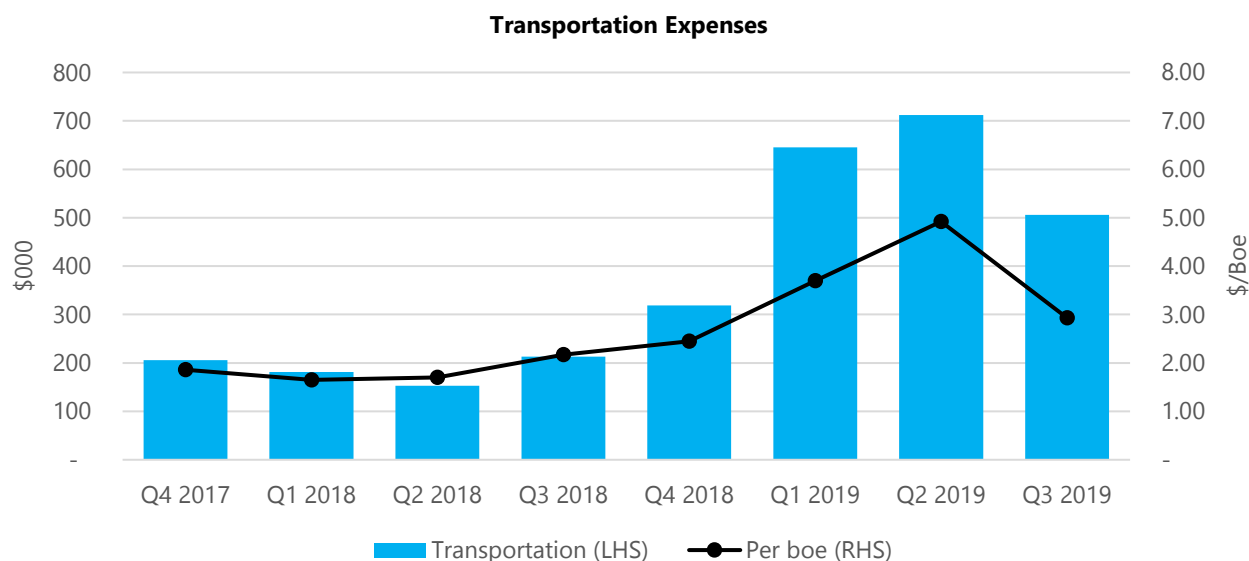
Operating expenses decreased \$2.64 per boe to \$6.92 per boe in the third quarter of 2019 compared to \$9.56 per boe in the second quarter of 2019. The decrease is mainly attributed to lower repairs and maintenance costs in the third quarter of 2019 from converting nine wells from progressive cavity pumps to pump jacks in the second and third quarters of 2019.

Transportation

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Transportation	506	213	138	1,863	547	241
Transportation per boe	2.93	2.17	35	3.79	1.84	106

Transportation expenses for the third quarter of 2019 increased to \$506,000 compared to \$213,000 in the third quarter of 2018. On a per boe basis, transportation expenses increased to \$2.93 per boe in the third quarter of 2019 compared to \$2.17 per boe in the same period of 2018. The increase on an absolute and per unit basis is due to increased production volumes and increased clean oil hauling associated with the completion of the Leduc-Woodbend multi-well battery.

Year-to-date, transportation expenses increased to \$1,863,000 compared to \$547,000 in the same period of 2018. On a per boe basis, transportation expenses increased to \$3.79 per boe in the nine months ended September 30, 2019 compared to \$1.84 per boe in the same period of 2018. The increase on an absolute and per unit basis is due to increased clean oil hauling associated with the completion of the Leduc-Woodbend multi-well battery, longer hauls to sales terminals in eastern Alberta to maximize crude oil prices and due to spring break-up road restrictions that limited oil volumes per load in the second quarter of 2019.



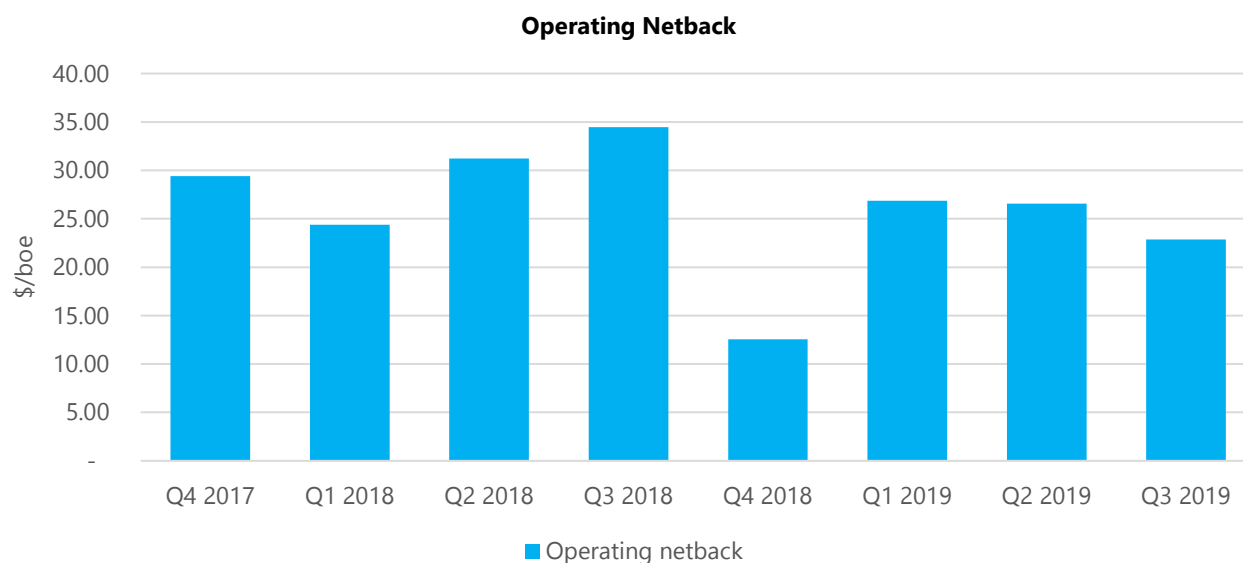
Transportation expenses in the third quarter of 2019 decreased \$1.99 per boe to \$2.93 per boe from the second quarter of 2019 due to reduced hauls to sales terminals in eastern Alberta that have higher trucking costs and no road restrictions that limited oil volumes per load in the second quarter of 2019.

Operating Netback

(\$/boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Petroleum and natural gas sales	37.12	48.29	(23)	41.09	46.30	(11)
Realized gain (loss) on financial instruments	(0.22)	-	-	0.28	-	-
Royalties	(4.20)	(4.57)	(8)	(4.09)	(4.59)	(11)
Operating	(6.92)	(7.09)	(2)	(8.14)	(10.10)	(19)
Transportation	(2.93)	(2.17)	35	(3.79)	(1.84)	106
Operating netback ⁽¹⁾	22.85	34.46	(34)	25.35	29.77	(15)

(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 \$22.85 per boe in the third quarter of 2019 compared to \$34.46 per boe in the third quarter of 2018. For the nine months ended September 30, 2019, Altura's operating netback was \$25.35 per boe compared to \$29.77 per boe in the same period of 2018. The decreases are mainly a result of lower petroleum and natural gas sales prices and higher per unit transportation costs, partially offset by decreased royalties and operating expenses.



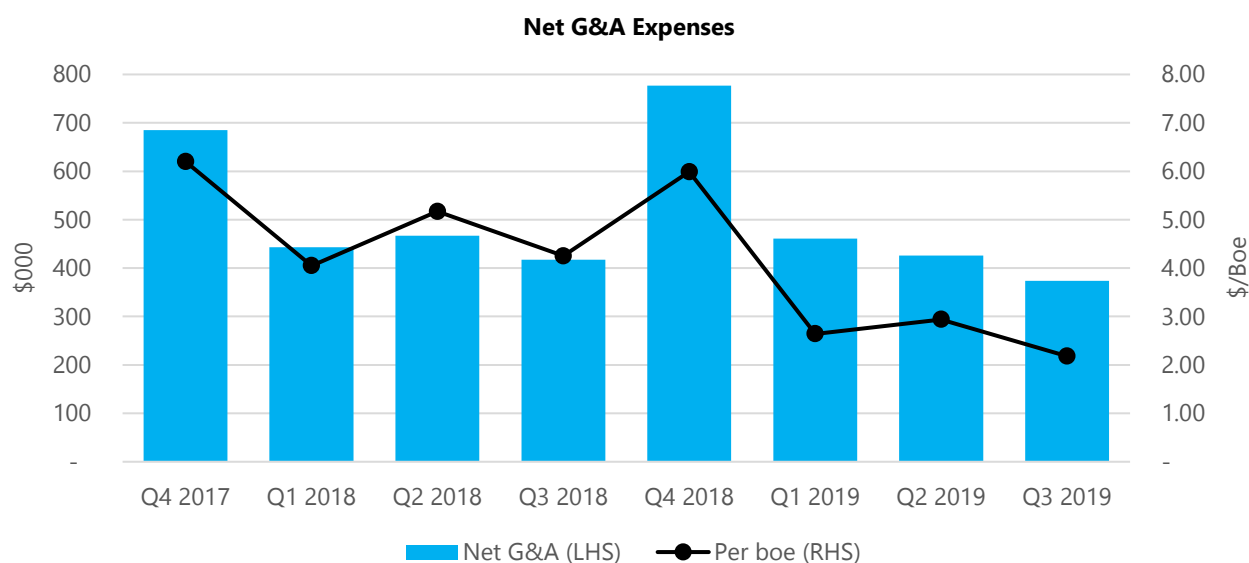
General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Gross G&A	567	560	1	1,765	1,738	2
Capitalized G&A and overhead recoveries	(193)	(143)	35	(504)	(411)	23
Net G&A expenses	374	417	(10)	1,261	1,327	(5)
Net G&A per boe	2.16	4.25	(49)	2.56	4.46	(43)

Net G&A expenses totaled \$374,000 in the third quarter of 2019, compared to \$417,000 for the third quarter of 2018. In the nine months ended September 30, 2019, Altura's net G&A expenses were \$1,261,000, a five percent decrease from the same period in 2018. The decreased net G&A in the three and nine months ended September 30, 2019 compared to the same periods in 2018 is mainly due to an increase in overhead recoveries related to Altura's Glauconitic property and increased capitalized G&A related to Altura's Entice area.

Net G&A expenses decreased 49 percent and 43 percent to \$2.16 per boe and \$2.56 per boe for the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018 due to increased 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 increased G&A observed in the fourth quarter of 2017 and the fourth quarter of 2018 primarily relate to additional costs associated with performance-based compensation.

Exploration Expense

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Exploration expense	-	20	(100)	21	20	5
Exploration expense per boe	-	0.21	(100)	0.04	0.07	(43)

Exploration expenses are costs incurred prior to acquiring the legal right to explore in an area. Exploration expense in the nine months ended September 30, 2019 relate to geophysical consulting incurred by the Corporation to evaluate Crown land sales and freehold lands available for leasing.

Interest and Financing Expenses

	Three months ended September 30			Nine months ended September 30		
(\$000, except per boe)	2019	2018	% Change	2019	2018	% Change
Credit facility interest and financing expenses	47	2	>500	171	137	25
Lease interest (non-cash)	3	-	-	9	-	-
Interest and financing expenses	50	2	>500	180	137	31
Credit facility interest and financing expenses per boe	0.27	0.03	>500	0.35	0.46	(24)

Interest and financing expenses totaled \$50,000 and \$180,000 in the three and nine months ended September 30, 2019, respectively, compared to \$2,000 and \$137,000 in the same periods of 2018. The increase in both periods is due to higher average bank debt, higher interest rates on Altura's credit facility and the recognition of lease interest. Altura's average interest rate in the nine months ended September 30, 2019 was 5.6 percent, compared to 5.0 percent in the same period of 2018.

Share-Based Compensation

	Three months ended September 30			Nine months ended September 30		
(\$000)	2019	2018	% Change	2019	2018	% Change
Share-based compensation	199	234	(15)	610	791	(23)
Capitalized share-based compensation	(64)	(58)	10	(150)	(184)	(18)
Share-based compensation expense	135	182	(26)	460	607	(24)

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 \$135,000 and \$460,000 in the three and nine months ended September 30, 2019, respectively, compared to \$182,000 and \$607,000 in the same periods of 2018. The decrease in the three and nine months ended September 30, 2019, as compared to the same periods of 2018, is mainly due to decreased performance warrant expense as two-thirds of the total performance warrants were fully expensed by July 2019.

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

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

	Three months ended September 30			Nine months ended September 30		
(\$000, except per boe)	2019	2018	% Change	2019	2018	% Change
DD&A	2,685	1,725	56	7,596	4,988	52
DD&A per boe	15.52	17.56	(12)	15.43	16.75	(8)

Altura uses proved and probable reserves to calculate DD&A expense. For the third quarter of 2019, DD&A increased 56 percent to \$2,685,000 compared to \$1,725,000 in the third quarter of 2018. On a per unit basis, DD&A decreased 12 percent to \$15.52 per boe compared to \$17.56 per boe in the third quarter of 2018.

For the nine months ended September 30, 2019, DD&A increased 52 percent to \$7,596,000 compared to \$4,988,000 in the same period of the prior year. On a per unit basis, DD&A was \$15.43 per boe compared to \$16.75 per boe in the same period of 2018.

The decreased DD&A per boe in the three and nine months ended September 30, 2019 compared to the same periods in 2018 reflects an increase in the Corporation's proved and probable reserves at a lower finding and development cost than the aggregate amount in the nine months ended September 30, 2018.

Impairment

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

At September 30, 2019, 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 was recorded on Altura's D&P and E&E assets for the third quarter of 2019.

Deferred Taxes

The Corporation recognized a deferred tax expense of \$120,000 and \$713,000 in the three and nine months ended September 30, 2019, respectively, compared to \$359,000 and \$1,035,000 in the same periods of 2018. The deferred tax expense in the three and nine months ended September 30, 2019 was primarily due to the pre-tax income recorded in the respective periods.

On June 28, 2019, the Alberta government enacted legislation which reduces the Alberta corporate income tax rate from 12 percent to 8 percent over the period of July 1, 2019 through January 1, 2022. As a result, at September 30, 2019, the Corporation recognized a reduction of \$186,000 in its deferred tax liability.

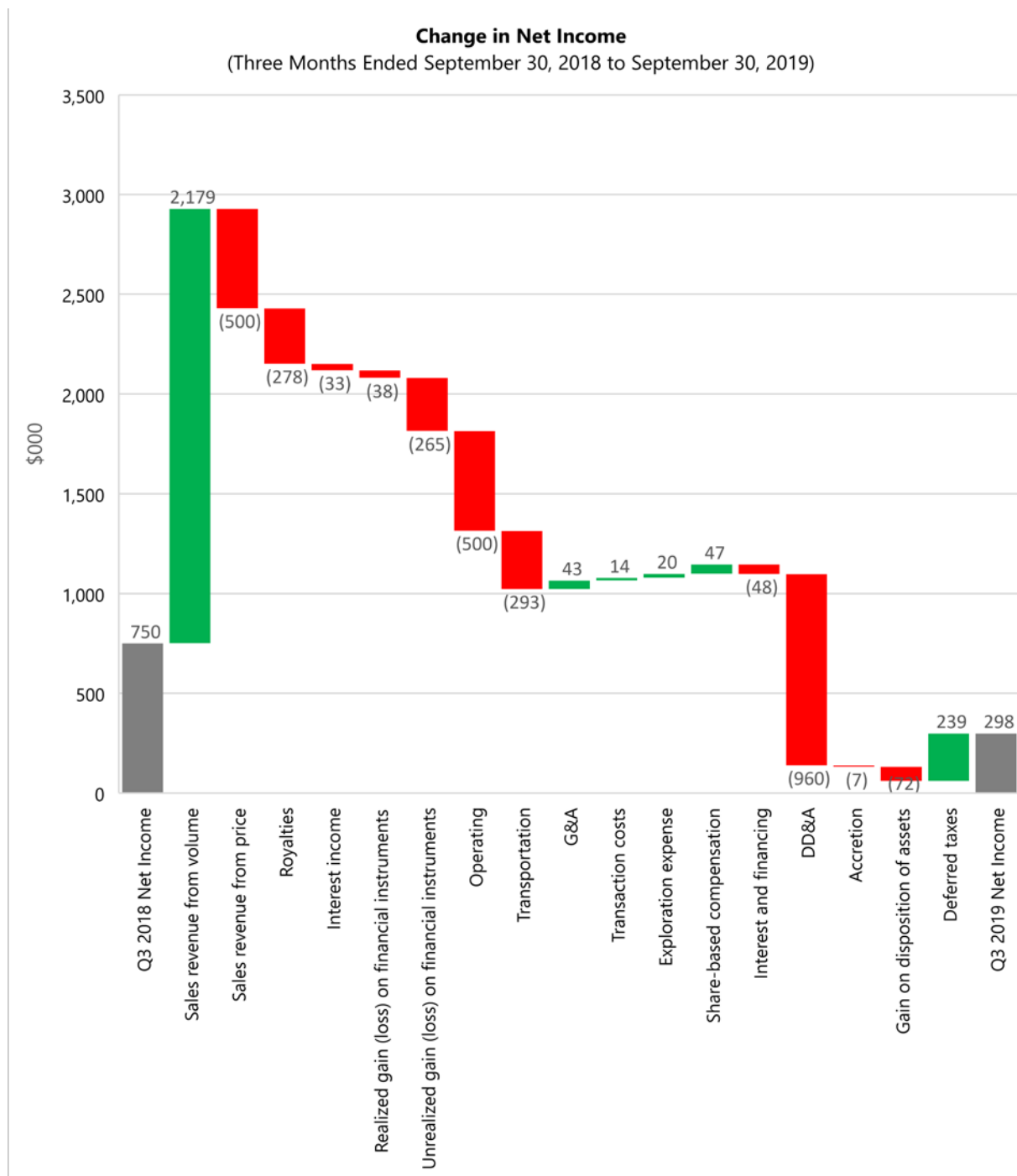
Net Income and Adjusted Funds Flow

	Three months ended September 30			Nine months ended September 30		
(\$000, except per share amounts and per boe)	2019	2018	% Change	2019	2018	% Change
Net income	298	750	(60)	2,271	3,677	(38)
Per share – diluted	-	0.01	(100)	0.02	0.03	(33)
Adjusted funds flow ⁽¹⁾	3,532	2,977	19	11,031	7,430	48
Per share – diluted ⁽¹⁾	0.03	0.03	-	0.10	0.07	43
Adjusted funds flow per boe ⁽¹⁾	20.42	30.31	(33)	22.40	24.95	(10)

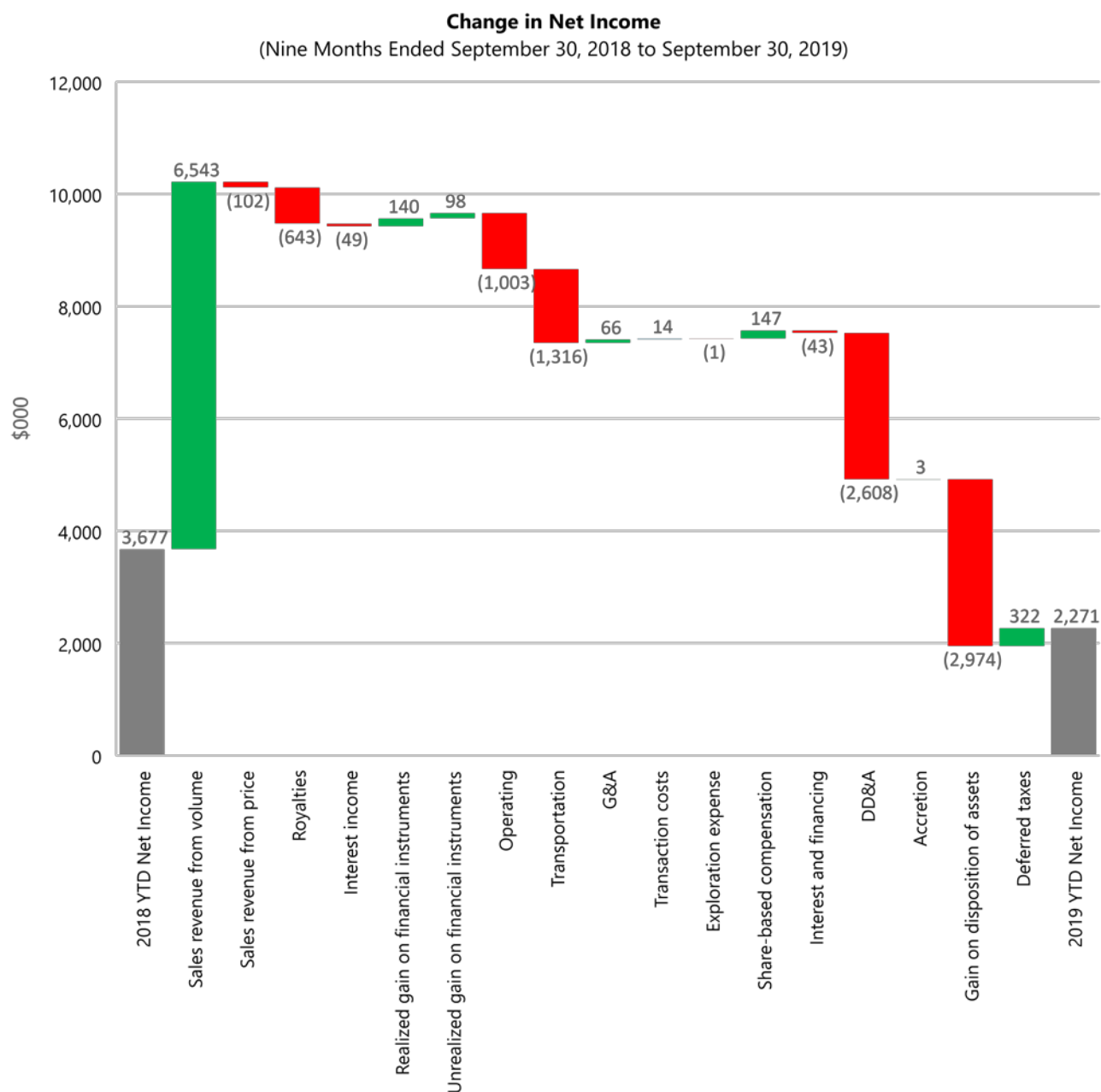
(1) Adjusted funds flow is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Net Income

In the third quarter of 2019, net income decreased by \$452,000 to \$298,000 compared to \$750,000 in the third quarter of 2018. The decreased net income primarily reflects decreased sales revenue from price, losses on financial instruments and increased royalties, operating, transportation and DD&A expenses, partially offset by increased sales revenue from production volumes and decreased deferred tax expense.

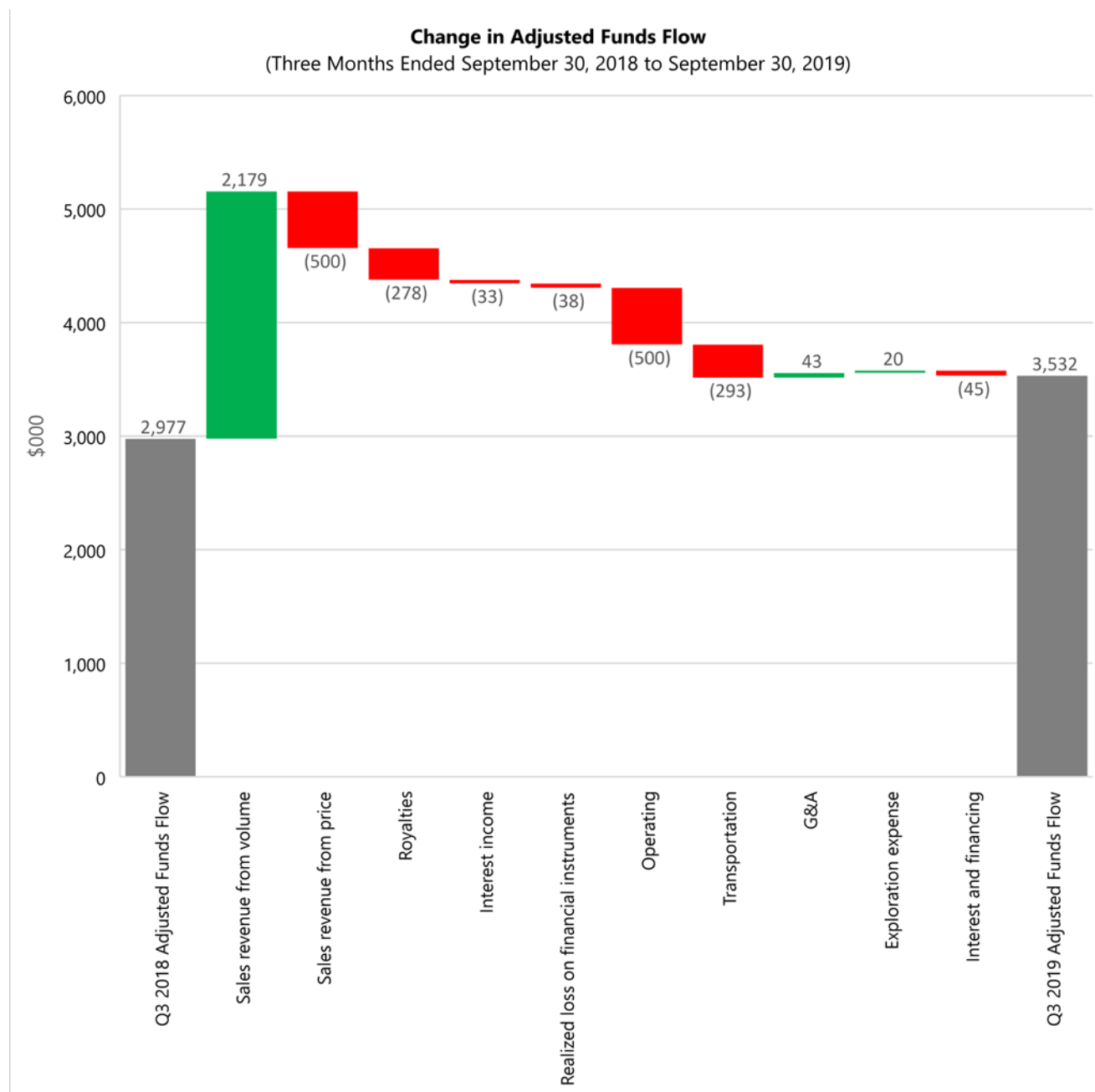


In the nine months ended September 30, 2019, net income decreased by \$1,406,000 to \$2,271,000 compared to \$3,677,000 in the same period of 2018. The decreased net income primarily reflects no gain on disposition of assets and increased royalties, operating, transportation, and DD&A expenses, partially offset by increased sales revenue from production volumes, lower share-based compensation and gains on financial instruments.

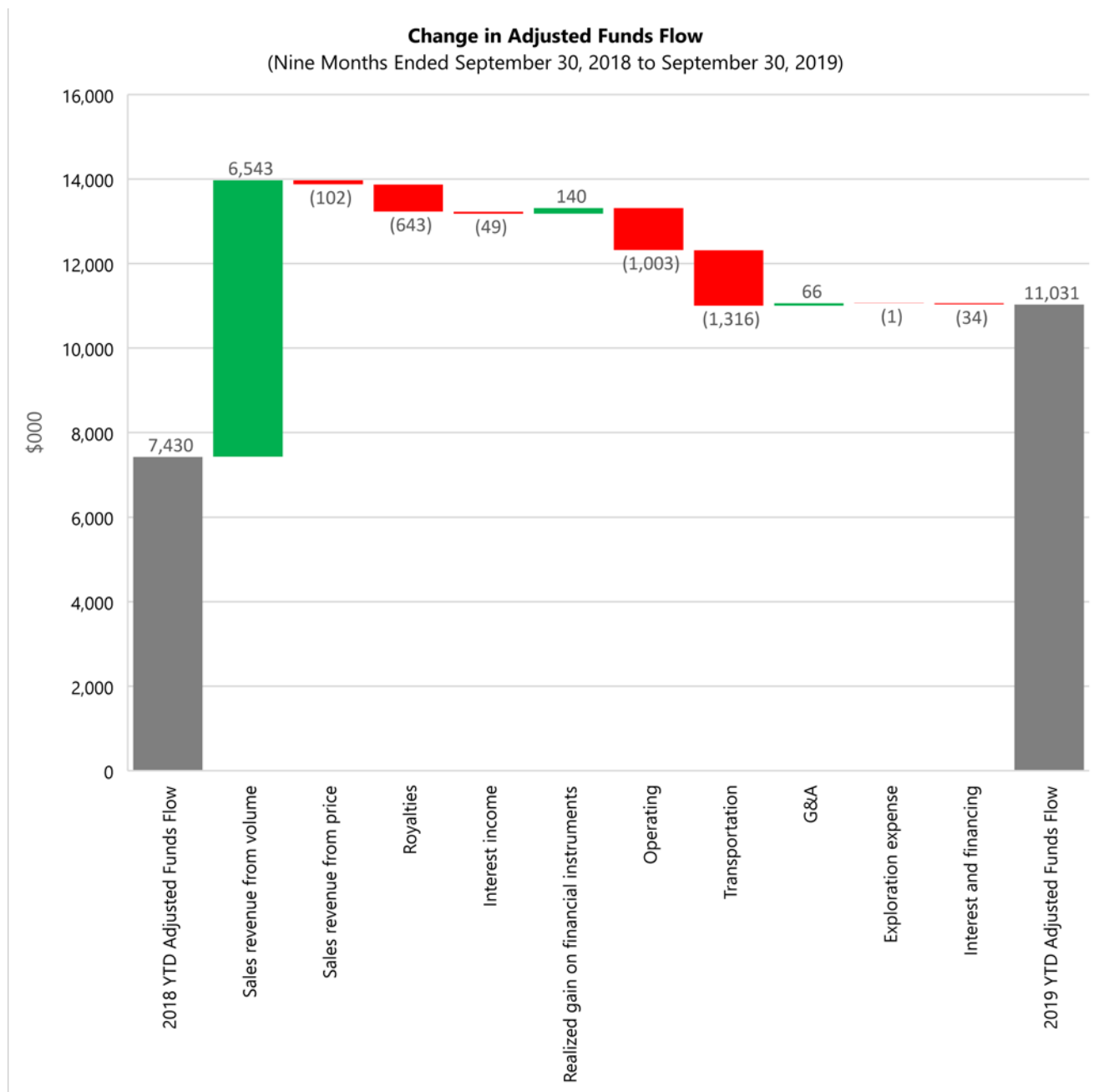


Adjusted Funds Flow

In the third quarter of 2019, adjusted funds flow increased by \$555,000 to \$3,532,000 compared to \$2,977,000 in the third quarter of 2018. The increase primarily reflects increased sales revenue from production volumes, partially offset by decreased sales revenue from price and increased royalties, operating and transportation expenses.



In the nine months ended September 30, 2019, adjusted funds flow increased by \$3,601,000 to \$11,031,000 compared to \$7,430,000 in the same period of 2018. The increase primarily reflects increased sales revenue from production volumes and a gain on realized financial instruments, partially offset by decreased sales revenue from price and increased royalties, operating, and transportation expenses.



Capital Expenditures

(\$000)	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Geological and geophysical	5	-	-	41	21	95
Land	70	73	(4)	821	266	209
Drilling and completions	2,588	14,443	(82)	5,830	22,260	(74)
Workovers	415	194	114	1,281	770	66
Equipping and tie-in	716	924	(23)	1,599	1,343	19
Facilities and pipelines	32	2,374	(99)	1,354	5,238	(74)
Other	(273)	(1,291)	(79)	430	508	(15)
Capital expenditures	3,553	16,717	(79)	11,356	30,406	(63)
Property acquisitions	-	2,608	(100)	-	2,608	(100)
Property dispositions	-	29	(100)	-	(27,683)	(100)
Total capital expenditures	3,553	19,354	(82)	11,356	5,331	113

In the third quarter of 2019, Altura invested \$3.6 million on property and equipment and exploration and evaluation assets. The Corporation completed two extended reach horizontal ("ERH") wells at Leduc-Woodbend that were brought on production in August 2019. Altura drilled a third ERH well at Leduc-Woodbend that is planned to be completed and brought on production in the fourth quarter of 2019.

The Corporation commenced its waterflood pilot project in the third quarter of 2019 with the conversion of a producing well to a water injection well. Additionally, Altura changed its artificial lift system on three wells to improve run-time efficiencies and limit operating and capital workover events. The credit of \$0.3 million in the "Other" category includes \$0.4 million of well casing and tubulars that were pre-purchased in the second quarter of 2019 and were transferred to drilling and completion costs in the third quarter of 2019.

Year-to-date, Altura has drilled three and completed two ERH wells at Leduc-Woodend and drilled a vertical stratigraphic well in a new area called Entice, located south of Strathmore, Alberta. Additionally, the Corporation changed its artificial lift system on nine wells totaling \$0.6 million of workovers expenditures and \$1.1 million related to equipping expenditures.

Decommissioning Liability

At September 30, 2019, Altura's decommissioning liability was \$6.7 million (December 31, 2018 - \$5.8 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 at September 30, 2019 and December 31, 2018) used to calculate the undiscounted total future liability. The future liability has been discounted at the Bank of Canada's long-term risk-free bond rate of 1.5 percent (December 31, 2018 - 2.2 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 change in liability is due to a revision of the risk-free discount rate from 2.2 percent to 1.5 percent, new wells drilled in the first nine months of 2019 and accretion expense.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three and nine months ended September 30, 2019, accretion expense totaled \$26,000 and \$80,000 (September 30, 2018 - \$19,000 and \$83,000), respectively.

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 9.98 at October 5, 2019. 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 9.98 at October 5, 2019, consistent with its LMR.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation had an adjusted working capital deficit of \$5.2 million at September 30, 2019 compared to an adjusted working capital deficit of \$4.8 million at December 31, 2018. At September 30, 2019, the major components of Altura's current assets were accounts receivable (75 percent) to be received from its oil and gas marketers in respect to September 2019 production. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectible. Current liabilities largely consist of trade and joint interest payables (13 percent) and accrued liabilities (28 percent) related to the Corporation's operations and bank debt (56 percent). The Corporation manages its working capital using a combination of its cash flow from operating activities and advances under its revolving operating demand loan credit facility and, if applicable, funds from debt and equity issuances and asset divestitures. Altura invests its excess cash, if any, in a short-term interest-bearing account with its lender.

Credit Facility

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$10.0 million. The Credit Facility is payable on demand and the interest rate is equal to the Lender's prime rate plus 1.75 percent per annum on the outstanding principal, payable monthly.

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 Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets.
- the Corporation will, at all times, maintain hedging agreements covering no less than 300 bbl/d oil (Western Canadian Select) for no less than the succeeding nine-month period, on a rolling basis; and
- the Corporation will maintain a LLR in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

As at September 30, 2019, the working capital ratio as defined was 2.30:1 (December 31, 2018 – 1.29:1) and the Corporation was compliant with the hedging covenant and the LLR covenant.

As at September 30, 2019, \$4.6 million (December 31, 2018 - \$2.1 million) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$160,000 (December 31, 2018 - \$160,000). The next review date for the Credit Facility has been scheduled for May 31, 2020 but may be set at an earlier or later date at the sole discretion of the Lender.

Shareholders' Equity

At September 30, 2019 there were 108,920,973 common shares outstanding, 9,749,879 performance warrants outstanding and 9,770,000 stock options outstanding. The number of common shares and performance warrants remain unchanged from December 31, 2018.

At November 8, 2019 the number of common shares, performance warrants and stock options outstanding remain unchanged from September 30, 2019.

Liquidity

(\$000)	September 30, 2019	December 31, 2018
Current assets	3,054	854
Fair value of financial instruments included in current assets	(98)	-
Current liabilities	(8,149)	(5,674)
Adjusted working capital deficit ⁽¹⁾	(5,193)	(4,820)
Credit Facility capacity ⁽²⁾	9,840	5,840
Available funding	4,647	1,020

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

(2) As at September 30, 2019, \$160,000 in letters of credit were issued and outstanding (December 31, 2018 - \$160,000).

At September 30, 2019, Altura had \$4.6 million of available funding capacity from its Credit Facility (December 31, 2018 - \$1.0 million).

Net debt

Net debt as at September 30, 2019 and December 31, 2018 is calculated as follows:

(\$000)	September 30, 2019	December 31, 2018
Adjusted working capital deficit ⁽¹⁾	5,193	4,820
Current portion of lease liabilities	(48)	-
Current portion of decommissioning liability	(15)	(15)
Net debt ⁽¹⁾	5,130	4,805
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	0.4	1.5

(1) Adjusted working capital deficit, 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 12 "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 \$5.1 million as at September 30, 2019 was comparable to \$4.8 million at December 31, 2018 as adjusted funds flow approximated capital expenditures in the nine months ended September 30, 2019. The increased adjusted funds flow compared to the fourth quarter of 2018 resulted in net debt to annualized adjusted funds flow improving to 0.4 times at September 30, 2019 compared to 1.5 times at December 31, 2018.

Capital Resources

Altura's 2019 capital expenditure forecast is \$13.5 million, as highlighted in the "2019 Guidance" section of this MD&A. As at September 30, 2019, \$11.4 million has been invested, with \$2.1 million forecasted for the fourth quarter of 2019. Altura expects to have the liquidity to fund the capital program through a combination of cash flow from operating activities and available funding from its Credit Facility.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
OPERATING								
Average daily production								
Heavy oil (bbls/d)	1,150	1,016	1,404	1,044	805	478	547	544
Medium oil (bbls/d)	-	-	68	46	51	271	408	414
Natural gas (Mcf/d)	3,733	2,914	2,510	1,699	1,128	1,309	1,336	1,286
NGLs (bbls/d)	108	88	47	38	23	23	37	30
Total (boe/d)	1,880	1,591	1,939	1,412	1,067	991	1,215	1,202
Average realized sales price								
Heavy oil (\$/bbl)	55.31	62.83	51.62	25.28	56.59	58.83	45.58	48.54
Medium oil (\$/bbl)	-	-	48.97	51.44	66.74	67.64	51.06	55.73
Natural gas (\$/Mcf)	0.95	1.30	2.06	1.74	1.23	1.32	2.14	1.81
NGLs (\$/bbl)	24.42	24.23	37.16	40.19	51.30	51.68	50.44	45.46
Total (\$/boe)	37.12	43.89	42.71	23.57	48.29	49.87	41.58	44.22
(\$/boe)								
Petroleum and natural gas sales	37.12	43.89	42.71	23.57	48.29	49.87	41.58	44.22
Realized gain (loss) on financial instruments	(0.22)	1.23	-	-	-	-	-	-
Royalties	(4.20)	(4.08)	(3.98)	(2.40)	(4.57)	(4.69)	(4.54)	(3.24)
Operating expenses	(6.92)	(9.56)	(8.18)	(6.16)	(7.09)	(12.26)	(11.01)	(9.72)
Transportation expenses	(2.93)	(4.92)	(3.70)	(2.45)	(2.17)	(1.70)	(1.65)	(1.86)
Operating netback ⁽¹⁾	22.85	26.56	26.85	12.56	34.46	31.22	24.38	29.40
General and administrative	(2.16)	(2.94)	(2.64)	(5.99)	(4.25)	(5.17)	(4.05)	(6.20)
Exploration expense	-	-	(0.12)	(0.04)	(0.21)	-	-	-
Credit facility interest and financing expense	(0.27)	(0.50)	(0.29)	(0.18)	(0.03)	(0.88)	(0.51)	(0.38)
Interest income	-	-	-	-	0.34	0.18	-	-
Adjusted funds flow per boe ⁽¹⁾	20.42	23.12	23.80	6.35	30.31	25.35	19.82	22.82
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	6,420	6,353	7,453	3,062	4,741	4,497	4,547	4,893
Adjusted funds flow ⁽¹⁾	3,532	3,346	4,153	826	2,977	2,285	2,168	2,526
Per share – diluted ⁽¹⁾	0.03	0.03	0.04	0.01	0.03	0.02	0.02	0.02
Cash flow from operating activities	3,181	3,568	2,290	4,200	831	2,313	2,443	1,940
Per share – diluted	0.03	0.03	0.02	0.04	0.01	0.02	0.02	0.02
Net income (loss)	298	1,044	929	(984)	750	2,750	177	(1,032)
Per share – diluted ⁽²⁾	-	0.01	0.01	(0.01)	0.01	0.02	-	(0.01)
(\$000)								
Capital expenditures	3,553	6,350	1,453	3,050	16,717	6,344	7,345	3,083
Property acquisitions (dispositions)	-	-	-	986	2,637	(27,712)	-	(355)
Total assets	61,202	59,719	55,704	54,023	54,793	49,957	55,973	50,807
Net debt (working capital surplus) ⁽¹⁾	5,130	5,109	2,105	4,805	1,872	(14,761)	8,495	3,663
Shareholders' equity	44,748	44,251	42,983	41,867	42,633	41,643	38,616	38,165
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⁾	109,517	110,503	110,430	110,260	112,281	110,546	109,133	109,570
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 2017 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. The decline in production in the second quarter of 2018 is a result of the disposition of assets in east central Alberta and Saskatchewan on May 31, 2018. Production volumes increased in the third and fourth quarters of 2018 and 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 Altura had decreased well run-time efficiency due to pump failures. Two wells were brought on production in the third quarter of 2019, increasing average production volumes. Realized crude oil prices declined sharply in the fourth quarter of 2018 due to wide Canadian oil differentials but recovered in the first quarter of 2019 as Canadian oil differentials narrowed as a result of the Alberta government mandatory curtailment.

Capital expenditures in the first quarter of 2018 included drilling two wells, pipeline construction costs and facility equipment purchases. In the second and third quarters of 2018, Altura drilled eight wells, completed seven wells and constructed a multi-well battery at Leduc-Woodbend. In the fourth quarter of 2018, Altura's capital investments included one well completion and facility work at the previously commissioned multi-well battery. 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 and third quarters of 2019, Altura changed its artificial lift system on nine wells to improve run-time efficiencies and limit operating and capital workover events.

In the fourth quarter of 2017, Altura recorded an impairment expense for \$1.5 million resulting in a loss. In the second quarter of 2018, Altura recorded net income of \$2.8 million mainly due to a gain on disposition of assets, partially offset by a deferred tax expense. In the third quarter of 2018, the Corporation recorded net income of \$0.8 million and in the fourth quarter of 2018 Altura recorded a net loss of \$1.0 million, due mainly to the decline in realized oil prices. 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 third quarter of 2019 due to lower realized commodity prices.

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.

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.

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

On January 1, 2019, Altura adopted IFRS 16, "Leases" ("IFRS 16"). The Corporation has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Corporation's financial statements have not been restated. On adoption, Altura elected to use the following practical expedient permitted under the standard:

- Short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

The impacts of adoption of IFRS 16 as at January 1, 2019 was a \$241,000 increase to right-of-use ("ROU") assets with a corresponding increase to lease liabilities. The ROU assets and lease liabilities were measured at the present value of the remaining lease payments, discounted using Altura's weighted average incremental borrowing rate of 5.6 percent, as at January 1, 2019.

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. The measurement of lease liabilities is subject to management's judgment of the applicable incremental borrowing rate.

Altura's adjusted funds flow was impacted by the adoption of IFRS 16. Where lease payments made for certain operating items were previously included in G&A, these payments are now reflected as payments of interest and lease liabilities, which increases adjusted funds flow. As IFRS 16 was adopted using a modified retrospective approach, prior period comparatives have not been restated and may not be comparable.

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

Adjusted Funds Flow

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

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

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net income	298	750	2,271	3,677
Adjusted for the following non-cash items				
Deferred tax expense	120	359	713	1,035
Depletion, depreciation and amortization	2,685	1,725	7,596	4,988
Accretion of decommissioning liability	26	19	80	83
Share-based compensation	135	182	460	607
Gain on disposition of assets	-	(72)	-	(2,974)
Lease interest	3	-	9	-
Unrealized loss (gain) on financial instruments	265	-	(98)	-
Transaction costs on acquisition	-	14	-	14
Adjusted funds flow	3,532	2,977	11,031	7,430
Decommissioning liabilities settled	-	(21)	-	(21)
Transaction costs on property acquisition	-	(14)	-	(14)
Transaction costs on property disposition	-	(14)	-	(411)
Changes in non-cash operating working capital	(351)	(2,097)	(1,992)	(1,397)
Cash flow from operating activities	3,181	831	9,039	5,587

Adjusted Working Capital Deficit and Net Debt

Management views adjusted working capital deficit and net debt as key industry benchmarks and measures to assess the Corporation's financial position and liquidity. Adjusted working capital deficit is calculated as current assets, excluding the Fair Value of Financial Instruments less current liabilities, excluding the Fair Value of Financial Instruments. Net debt is calculated as adjusted working capital deficit less the current portion of lease liabilities and less 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 adjusted working capital deficit and net debt are disclosed in the "Liquidity" and "Net Debt" sections of this MD&A on page 22.

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 12.

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:

- the completion and on production date for Altura's third ERH well;
- positive production response from the Corporation's waterflood pilot project;
- plans to advance the drilling of a horizontal well at Entice;
- forecasted average production and percent growth for 2019; and
- plans to provide guidance on its 2020 capital program in early 2020.

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

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

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

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

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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(\$000)	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Accounts receivable (note 12)	2,773	650
Prepaid expenses and deposits	183	204
Fair value of financial instruments (note 12)	98	-
	3,054	854
Exploration and evaluation (note 4)	1,092	-
Property and equipment (note 5)	56,846	53,169
Right-of-use assets (notes 3 and 6)	210	-
Total assets	61,202	54,023
LIABILITIES		
Current liabilities		
Bank debt (note 7)	4,583	2,144
Accounts payable and accrued liabilities	3,503	3,515
Current portion of lease liabilities (notes 3 and 8)	48	-
Current portion of decommissioning liability (note 9)	15	15
	8,149	5,674
Lease liabilities (notes 3 and 8)	202	-
Decommissioning liability (note 9)	6,664	5,756
Deferred taxes	1,439	726
Total liabilities	16,454	12,156
SHAREHOLDERS' EQUITY		
Share capital (note 10)	37,712	37,712
Performance warrants (note 10e)	2,466	2,176
Contributed surplus	4,264	3,944
Retained earnings (deficit)	306	(1,965)
Total shareholders' equity	44,748	41,867
Total liabilities and shareholders' equity	61,202	54,023

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME (unaudited)

	Three months ended September 30		Nine months ended September 30	
(\$000, except per share amounts)	2019	2018	2019	2018
REVENUE				
Petroleum and natural gas sales (note 11)	6,420	4,741	20,226	13,785
Royalties	(727)	(449)	(2,011)	(1,368)
Interest income	-	33	-	49
Realized gain (loss) on financial instruments	(38)	-	140	-
Unrealized gain (loss) on financial instruments	(265)	-	98	-
	5,390	4,325	18,453	12,466
EXPENSES				
Operating	1,196	696	4,008	3,005
Transportation	506	213	1,863	547
General and administrative	374	417	1,261	1,327
Transaction costs on acquisition	-	14	-	14
Exploration expense	-	20	21	20
Share-based compensation (note 10)	135	182	460	607
Interest and financing charges	50	2	180	137
Depletion, depreciation and amortization (notes 5 and 6)	2,685	1,725	7,596	4,988
Accretion of decommissioning liability (note 9)	26	19	80	83
	4,972	3,288	15,469	10,728
OTHER INCOME				
Gain on disposition of assets (note 5)	-	72	-	2,974
Income before taxes	418	1,109	2,984	4,712
Deferred tax expense	120	359	713	1,035
Net income and comprehensive income	298	750	2,271	3,677
Net income per share, (note 10d)				
Basic	-	0.01	0.02	0.03
Diluted	-	0.01	0.02	0.03

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(\$000)	Share capital	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2017	37,712	1,605	3,506	(4,658)	38,165
Share-based compensation expense (note 10)	-	374	233	-	607
Share-based compensation capitalized (note 10)	-	88	96	-	184
Net income for period	-	-	-	3,677	3,677
Balance, September 30, 2018	37,712	2,067	3,835	(981)	42,633
Balance, December 31, 2018	37,712	2,176	3,944	(1,965)	41,867
Share-based compensation expense (note 10)	-	237	223	-	460
Share-based compensation capitalized (note 10)	-	53	97	-	150
Net income for period	-	-	-	2,271	2,271
Balance, September 30, 2019	37,712	2,466	4,264	306	44,748

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for period	298	750	2,271	3,677
Items not involving cash:				
Deferred tax expense	120	359	713	1,035
Depletion, depreciation and amortization (notes 5 and 6)	2,685	1,725	7,596	4,988
Accretion of decommissioning liability (note 9)	26	19	80	83
Lease interest	3	-	9	-
Share-based compensation (note 10)	135	182	460	607
Unrealized loss (gain) on financial instruments	265	-	(98)	-
Gain on disposition of assets	-	(72)	-	(2,974)
Transaction costs on property dispositions	-	(14)	-	(411)
Decommissioning liabilities settled (note 8)	-	(21)	-	(21)
Change in non-cash working capital (note 14)	(351)	(2,097)	(1,992)	(1,397)
	3,181	831	9,039	5,587
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Change in bank debt (note 7)	3,118	-	2,439	(4,252)
	3,118	-	2,439	(4,252)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Property and equipment expenditures	(3,466)	(16,644)	(10,300)	(29,795)
Exploration and evaluation asset expenditures	(87)	(73)	(1,056)	(266)
Property acquisitions	-	(2,608)	-	(2,608)
Property dispositions	-	(29)	-	27,683
Long-term deposit	-	(263)	-	(263)
Change in non-cash working capital (note 14)	(2,746)	504	(122)	5,684
	(6,299)	(19,113)	(11,478)	435
CHANGE IN CASH AND CASH EQUIVALENTS	-	(18,282)	-	1,770
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	20,052	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	1,770	-	1,770
Cash interest paid	47	2	171	137

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As at and for the three and nine months ended September 30, 2019 and 2018

1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") is an oil and gas exploration and production company with producing assets in central Alberta. The Corporation is headquartered in Calgary and is an Alberta-based reporting entity whose shares are listed on the TSX Venture Exchange under the symbol: ATU.V. Altura's principal place of business is located at 2500, 605 5th Avenue SW, Calgary, Alberta, T2P 3H5.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2018, except as described below in note 3. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at September 30, 2019 and the results of its operations and cash flows for the three and nine months ended September 30, 2019 and 2018. Certain information and disclosures normally included in the notes to the audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 8, 2019.

(b) Basis of Measurement and Principles of Consolidation

These financial statements have been prepared on a historical cost basis and include the accounts of Altura and its wholly-owned subsidiary. All inter-entity transactions have been eliminated.

(c) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Corporation and its subsidiary's functional currency.

(d) Change in Presentation

Certain comparative information has been re-classified to conform to current presentation.

(e) Use of Estimates and Judgement

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ as a result of using estimates.

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. The measurement of lease liabilities is subject to management's judgment of the applicable incremental borrowing rate as discussed in note 3.

In preparing the financial statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2018, except for lease liabilities.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2019, Altura adopted IFRS 16, "Leases" ("IFRS 16"). The Corporation has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Corporation's financial statements have not been restated. On adoption, Altura elected to use the following practical expedient permitted under the standard:

- Short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

The impacts of adoption of IFRS 16 as at January 1, 2019 was a \$241,000 increase to right-of-use ("ROU") assets with a corresponding increase to lease liabilities. The ROU assets and lease liabilities were measured at the present value of the remaining lease payments, discounted using Altura's weighted average incremental borrowing rate of 5.6 percent, as at January 1, 2019.

Reconciliation of Commitments to Lease Liabilities

The following table provides a reconciliation of the contractual obligations and commitments as at December 31, 2018 to the Corporation's lease liabilities as at January 1, 2019:

(\$000)	Total
Commitments as at December 31, 2018	894
Less:	
Non-Lease Components	(603)
Lease liabilities commitments as at December 31, 2018	291
Impact of discounting	(50)
Lease liabilities as at January 1, 2019	241

The additional disclosures required by IFRS 16 are detailed in notes 2, 6 and 8.

Leases Policy

The following accounting policy is applicable from January 1, 2019:

The Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by the Corporation. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not readily available.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the commencement date.

The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

4. EXPLORATION AND EVALUATION

The following table reconciles Altura's exploration and evaluation ("E&E") assets:

(\$000)	Total
Balance, December 31, 2017	4,517
Additions	719
Acquisition	603
Disposition	(1,071)
Transfer to property and equipment (note 5)	(4,768)
Balance, December 31, 2018	-
Additions	1,092
Balance, September 30, 2019	1,092

E&E assets consist of the Corporation's projects that have yet to be established as technically feasible and commercially viable. Additions represent Altura's share of costs incurred on E&E assets during the periods. E&E asset additions in the three and nine months ended September 30, 2019, include land costs, geological and geophysical costs and drilling costs related to a vertical stratigraphic well that was drilled and logged in a new area called Entice, south of Strathmore, Alberta. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$69,000 and \$120,000 in the three and nine months ended September 30, 2019 (September 30, 2018 – \$nil), respectively.

5. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2017	62,100	48	62,148
Additions	32,830	130	32,960
Acquisitions	3,983	-	3,983
Dispositions	(47,622)	-	(47,622)
Transfers from E&E assets (note 4)	4,768	-	4,768
Change in decommissioning costs	4,145	-	4,145
Balance, December 31, 2018	60,204	178	60,382
Additions	10,403	11	10,414
Change in decommissioning costs	828	-	828
Balance, September 30, 2019	71,435	189	71,624
Depletion, depreciation and impairment (\$000)			
Balance, December 31, 2017	(18,579)	(25)	(18,604)
Depletion, depreciation and amortization	(6,885)	(21)	(6,906)
Dispositions	18,297	-	18,297
Balance, December 31, 2018	(7,167)	(46)	(7,213)
Depletion, depreciation and amortization	(7,541)	(24)	(7,565)
Balance, September 30, 2019	(14,708)	(70)	(14,778)
Carry amounts (\$000)			
As at December 31, 2018	53,037	132	53,169
As at September 30, 2019	56,727	119	56,846

Estimated future development costs of \$89.6 million (December 31, 2018 – \$95.5 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Altura capitalized cash and non-cash administrative costs directly attributable to property and equipment of \$151,000 and \$440,000 in the three and nine months ended September 30, 2019 (September 30, 2018 – \$194,000 and \$578,000), respectively.

On May 31, 2018, Altura closed the disposition of the Corporation's crude oil and natural gas assets, to an unrelated third party, in east central Alberta and Saskatchewan. Consideration for the disposed assets totaled \$27,265,000 of cash, net of customary post-closing adjustments and transaction costs. The Corporation recorded a gain of \$2,974,000 on the disposition in the nine months ended September 30, 2018.

6. RIGHT-OF-USE ASSETS

The following table reconciles Altura's ROU assets associated with its office space and office equipment:

Cost (\$000)	Total
Balance, January 1 and September 30, 2019 (note 3)	241
Depreciation (\$000)	
Balance, January 1, 2019	-
Depreciation	(31)
Balance, September 30, 2019	(31)
Carry amounts (\$000)	
As at January 1, 2019	241
As at September 30, 2019	210

7. CREDIT FACILITY

The Corporation has 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 the interest rate is equal to the Lender's prime rate plus 1.75 percent per annum on the outstanding principal, payable monthly. The Credit Facility can be drawn in whole multiples of a minimum of \$10,000, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.75 million. A standby fee calculated at a rate of 0.35 percent per annum on the unused portion of the authorized amount is payable monthly.

The Credit Facility is secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$30.0 million debenture with a first floating charge over all assets of the Corporation.

Altura is subject to certain reporting and financial covenants 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 Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets.
- the Corporation will, at all times, maintain hedging agreements covering no less than 300 bbl/d oil (Western Canadian Select) for no less than the succeeding nine-month period, on a rolling basis; and
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

As at September 30, 2019, the working capital ratio as defined was 2.30:1 (December 31, 2018 – 1.29:1) and the Corporation was compliant with the hedging covenant and the LLR covenant.

As at September 30, 2019, \$4.6 million (December 31, 2018 - \$2.1 million) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$160,000 (December 31, 2018 - \$160,000). The next review date for the Credit Facility has been scheduled for May 31, 2020 but may be set at an earlier or later date at the sole discretion of the Lender.

8. LEASE LIABILITIES

Altura has the following future commitments associated with its office space and office equipment obligations:

(\$000)	As at September 30, 2019
2019	12
2020	48
2021–2022	111
2023–2024	119
Total lease payments	290
Impact of discounting	(40)
Lease liabilities	250
Payments due within one year	48
Payments due beyond one year	202

9. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from its net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at September 30, 2019 to be approximately \$6.1 million (December 31, 2018 – \$5.9 million) with the majority of costs anticipated to be incurred between 2030 and 2038. A risk-free discount rate of 1.5 percent (December 31, 2018 – 2.2 percent) and an inflation rate of 2.0 percent (December 31, 2018 – 2.0 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Nine months ended September 30, 2019	Year ended December 31, 2018
Balance, beginning of period	5,771	6,578
Additions	243	923
Liabilities disposed	-	(6,099)
Liabilities acquired	-	1,055
Change in estimates ⁽¹⁾	585	800
Revaluation of liabilities acquired ⁽²⁾	-	2,422
Decommissioning liabilities settled	-	(17)
Accretion	80	109
Balance, end of period	6,679	5,771
Expected to be incurred within one year	15	15
Expected to be incurred beyond one year	6,664	5,756

(1) The change in estimates is due to a change in the risk-free discount rate of \$631,000 (December 31, 2018 - \$153,000) and a change in abandonment and remediation cost estimates and future abandonment dates totaling a credit of \$46,000 (December 31, 2018 - \$647,000).

(2) Amount relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisitions, decommissioning obligations were estimated using a credit adjusted discount rate of 10%.

10. SHARE CAPITAL

(a) Authorized:

- Unlimited number of voting common shares.
- Unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance.

(b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2017, December 31, 2018, and September 30, 2019	108,920,973	37,712

(c) Stock options:

The Corporation has a stock option plan for directors, employees and service providers. Under the plan, options may be granted to purchase up to 10 percent of the outstanding shares of Altura and the maximum term of options granted is five years. Unless otherwise determined by the Board of Directors at the time of grant, options vest as to one-third on each of the first, second and third anniversary dates of the date of grant. As at September 30, 2019 the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the three and nine months ended September 30, 2019 and 2018.

A summary of the Corporation's outstanding stock options at September 30, 2019 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	7,210,000	0.33
Granted	1,180,000	0.38
Balance, December 31, 2018	8,390,000	0.34
Granted	1,380,000	0.42
Balance, September 30, 2019	9,770,000	0.35

The range of exercise prices for stock options outstanding and exercisable under the plan at September 30, 2019 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low (\$)	High (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)
0.27	0.425	9,770,000	2.5	0.35	5,526,669	1.6	0.33
		9,770,000	2.5	0.35	5,526,669	1.6	0.33

The fair value of each option granted in the period is estimated using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Weighted average fair value of options granted (\$)	-	-	0.23	-
Risk-free interest rate (%)	-	-	1.43	-
Expected life (years)	-	-	3.5	-
Expected volatility (%)	-	-	78.1	-
Estimated forfeiture rate (%)	-	-	5.0	-
Expected dividends (\$)	-	-	-	-

The Corporation's share-based compensation relating to stock options, fair valued on the date of grant using a Black Scholes model, for the three and nine months ended September 30, 2019 was \$125,000 and \$320,000 (September 30,

2018 – \$111,000 and \$329,000) of which \$44,000 and \$97,000 was capitalized (September 30, 2018 – \$34,000 and \$96,000), respectively.

(d) Weighted average common shares:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Basic	108,920,973	108,920,973	108,920,973	108,920,973
Diluted	109,517,320	112,281,480	110,191,060	110,474,810

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Corporation upon the exercise of in-the-money stock options or performance warrants plus unamortized share-based compensation expense would be used to buy back common shares at the average market price for the period.

For the three months ended September 30, 2019, 4,200,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (September 30, 2018 – nil).

For the nine months ended September 30, 2019, 4,200,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (September 30, 2018 – 1,640,000 stock options and 9,749,879 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at September 30, 2019 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2017, December 31, 2018, and September 30, 2019	9,749,879	0.449

The performance warrants vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.675, an additional one-third upon the trading price equaling or exceeding \$0.901 and a final one-third upon the trading price equaling or exceeding \$1.124. The performance warrants expire on July 31, and August 28, 2020. As at September 30, 2019 no performance warrants are exercisable. On the grant date, the weighted average fair value of \$0.27 per performance warrant was determined using an adjusted Black Scholes model using the following assumptions: exercise price of \$0.449 per warrant; risk free rate of 0.95 percent; volatility of 110 percent; forfeiture rate of 0 percent; and expected life ranging from 3.0 to 5.0 years. The Corporation's share-based compensation relating to performance warrants for the three and nine months ended September 30, 2019 was \$74,000 and \$290,000 (September 30, 2018 – \$129,000 and \$462,000) of which \$20,000 and \$53,000 was capitalized (September 30, 2018 – \$24,000 and \$88,000), respectively. The fair value of the performance warrants is being expensed over the expected life.

11. REVENUE

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

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

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

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Heavy oil	5,853	4,190	18,194	8,996
Medium oil	-	315	300	3,861
Natural gas	325	128	1,137	544
Natural gas liquids	242	108	595	384
Petroleum and natural gas sales	6,420	4,741	20,226	13,785

As at September 30, 2019, receivables from contracts with customers were \$2.4 million, which are included in accounts receivable (\$2.3 million at September 30, 2018).

12. FINANCIAL INSTRUMENTS

Credit Risk

Altura is exposed to third party credit risk through its contractual arrangements with its joint interest partners, marketers of petroleum and natural gas, financial instrument counterparties and other parties. In the event such entities fail to meet their contractual obligations to Altura, such failures could have a material adverse effect. The Corporation manages the risk by reviewing the credit risk of these entities and by entering into agreements only with parties that meet certain credit tests. The maximum credit risk that the Corporation is exposed to at any point in time is the carrying value of cash and cash equivalents, if any, accounts receivable and the fair value of financial instrument assets.

The majority of the credit exposure on accounts receivable at September 30, 2019, pertains to revenue for accrued September 2019 production volumes. Altura primarily transacts with five oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. A significant portion of Altura's accounts receivable is carried by four marketing companies with sound financial positioning. At September 30, 2019, 32 percent, 18 percent, 17 percent and 12 percent of total outstanding accounts receivable pertains to these companies. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at September 30, 2019. For the nine months ended September 30, 2019, the Corporation received approximately 33 percent, 23 percent and 17 percent of its revenue from three marketing companies (September 30, 2018 – 24 percent, 24 percent and 10 percent of its revenue from three marketing companies).

At September 30, 2019, the Corporation's trade receivables have been aged as follows:

As at (\$000)	September 30, 2019	December 31, 2018
Current	2,663	263
31 – 60 days	-	151
61 – 90 days	105	47
> 90 days	5	189
Allowance for doubtful accounts	-	-
Total	2,773	650

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its Credit Facility. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada and the United States of America, but also by world events that dictate the levels of supply and demand.

Altura manages the risks associated with changes in commodity prices by entering into risk management contracts. At September 30, 2019, Altura held the following crude oil contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at September 30, 2019 (\$000)
Oct 1/19—Mar 31/20	Crude Oil	Fixed	300 bbls/d	WCS	CAD \$57.00	307
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$70.20	51
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$28.00)	(208)
Jul 1/20—Sep 30/20	Crude Oil	Fixed	300 Bbls/d	WCS	CAD \$43.75	(52)
						98

At September 30, 2019, the crude oil contracts were fair valued with an asset of \$98,000 (December 31, 2018 - \$nil) recorded on the balance sheet.

13. CAPITAL MANAGEMENT

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. The Corporation considers its capital structure to include shareholders' equity, bank debt and working capital. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. The annual and updated budgets are approved by the Board of Directors.

The key measure that the Corporation utilizes in evaluating its capital structure is net debt to annualized adjusted funds flow.

Annualized Adjusted Funds Flow

Altura considers adjusted funds flow to be a key measure of performance as it demonstrates the Corporation's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and to repay debt. Management believes that such a measure provides a useful assessment of Altura's business on a continuing basis by eliminating certain non-cash charges, transaction costs, if any, and actual settlements of decommissioning liabilities, the timing of which, in the opinion of management, is discretionary. Adjusted funds flow is a non-GAAP measure and the underlying calculation is not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used.

Annualized adjusted funds flow for the third quarters of 2019 and 2018 is calculated as follows:

(\$000)	Three months ended September 30	
	2019	2018
Net income	298	750
Adjusted for the following non-cash items		
Deferred tax expense	120	359
Depletion, depreciation and amortization	2,685	1,725
Accretion of decommissioning liability	26	19
Share-based compensation	135	182
Gain on disposition of assets	-	(72)
Lease interest	3	-
Unrealized loss on financial instruments	265	-
Transaction costs on acquisition	-	14
Quarterly adjusted funds flow	3,532	2,977
Annualized adjusted funds flow	14,128	11,908

Net Debt

Management views net debt as a key industry benchmark and measure to assess the Corporation's financial position and liquidity.

Net debt is calculated as current assets less current liabilities, excluding the fair value of financial instruments, 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. Net debt is a non-GAAP measure and the underlying calculation is not necessarily comparable or calculated in an identical manner to similarly titled measures of other companies where similar terminology is used.

Net debt as at September 30, 2019 and 2018 is summarized as follows:

(\$000)	September 30, 2019	September 30, 2018
Current assets	(3,054)	(5,271)
Current liabilities	8,149	7,158
Working capital deficit	5,095	1,887
Fair value of financial instruments	98	-
Current portion of lease liabilities	(48)	-
Current portion of decommissioning liability	(15)	(15)
Net debt	5,130	1,872

Net debt to annualized adjusted funds flow represents a measure of the time it is expected to take to pay off the debt if no further capital expenditures were incurred and if cash flow in the next year were equal to the amount in the most recent quarter annualized.

The Corporation monitors this ratio and endeavors to maintain it at, or below, 1:1 in a normalized commodity price environment. This ratio may increase at certain times as a result of acquisitions or low commodity prices. As shown below, the Corporation's ratio of net debt to annualized adjusted funds flow was 0.4:1 at September 30, 2019.

	September 30, 2019	September 30, 2018
Net debt (\$000)	5,130	1,872
Annualized adjusted funds flow (\$000)	14,128	11,908
Net debt to annualized adjusted funds flow (times)	0.4	0.2

The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There have been no changes in the Corporation's approach to capital management in 2019.

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30		Nine months ended September 30	
(\$000)	2019	2018	2019	2018
Provided by (used in):				
Accounts receivable	(680)	(2,389)	(2,123)	(1,008)
Prepaid expenses and deposits	49	(31)	21	(92)
Accounts payable and accrued liabilities	(2,466)	771	(12)	5,331
Prepaid expenses acquired in acquisition	-	56	-	56
	(3,097)	(1,593)	(2,114)	4,287
Provided by (used in):				
Operating activities	(351)	(2,097)	(1,992)	(1,397)
Investing activities	(2,746)	504	(122)	5,684
	(3,097)	(1,593)	(2,114)	4,287

CORPORATE INFORMATION

BOARD OF DIRECTORS

David Burghardt
President & Chief Executive Officer
Altura Energy Inc.

John Chambers
Independent Businessman

Darren Gee
President & Chief Executive Officer
Peyto Exploration & Development Corp.

Brian Lavergne
President & Chief Executive Officer
Storm Resources Ltd.

Robert Maitland
Independent Businessman

John McAleer
Managing Director
Palisade Capital Management Ltd.

OFFICERS

David Burghardt
President & Chief Executive Officer

Tavis Carlson
Vice President, Finance & Chief Financial Officer

Jeff Mazurak
Vice President, Operations

D. Robert Pinckston
Vice President, Exploration

Craig Stayura
Vice President, Land

Travis Stephenson
Vice President, Engineering

AUDITORS

KMPG LLP
Calgary, Alberta

BANKERS

ATB Financial
Calgary, Alberta

LEGAL COUNSEL

Lawson Lundell LLP
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

STOCK TRADING

TSX Venture Exchange
Trading Symbol: **ATU**

