

2020 FIRST QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
OPERATING			
Average daily production			
Heavy oil (bbls/d)	667	881	1,404
Light & medium oil (bbls/d)	8	-	68
Natural gas (Mcf/d)	2,926	3,406	2,510
NGLs (bbls/d)	87	113	47
Total (boe/d)	1,250	1,561	1,939
Total boe/d per million shares – diluted	11.5	14.3	17.6
Average realized prices			
Heavy oil (\$/bbl)	33.06	54.40	51.62
Light & medium oil (\$/bbl)	20.85	-	48.97
Natural gas (\$/Mcf)	2.20	2.70	2.06
NGLs (\$/bbl)	22.02	26.64	37.16
Total (\$/boe)	24.46	38.50	42.71
(\$/boe)			
Petroleum and natural gas sales	24.46	38.50	42.71
Realized gain (loss) on financial instruments	5.53	0.53	-
Royalties	(1.96)	(4.43)	(3.98)
Operating	(12.19)	(8.63)	(8.18)
Transportation	(2.49)	(2.45)	(3.70)
Operating netback ⁽¹⁾	13.35	23.52	26.85
General and administrative	(3.50)	(2.52)	(2.64)
Exploration expense	-	-	(0.12)
Interest and financing expense (cash)	(0.17)	(0.37)	(0.29)
Adjusted funds flow per boe ⁽¹⁾	9.68	20.63	23.80
FINANCIAL (\$000, except per share amounts)			
Petroleum and natural gas sales	2,783	5,531	7,453
Cash flow from operating activities	1,183	3,955	2,290
Per share – diluted	0.01	0.04	0.02
Adjusted funds flow ⁽¹⁾	1,102	2,963	4,153
Per share – diluted ⁽¹⁾	0.01	0.03	0.04
Net income (loss)	(31,529)	(56)	929
Per share – basic	(0.29)	-	0.01
Per share – diluted ⁽²⁾	(0.29)	-	0.01
Capital expenditures	7,082	1,528	1,453
Property acquisitions (dispositions), net	-	(3,508)	-
Total capital expenditures, net	7,082	(1,980)	1,453
Net debt ⁽¹⁾	6,183	563	2,105
Common shares outstanding (000)			
End of period – basic	108,921	108,921	108,921
Weighted average for the period – basic ⁽²⁾	108,921	108,921	108,921
Weighted average for the period – diluted ⁽²⁾	108,936	109,097	110,430

(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.

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

PRESIDENT'S MESSAGE

FIRST QUARTER 2020 REVIEW

The crude oil demand destruction caused by the COVID-19 global pandemic and the actions of OPEC and Russia abandoning production quotas resulted in an unprecedented decline in crude oil prices in the first quarter of 2020. The decline in oil prices has negatively impacted Altura's first quarter results and financial position at March 31, 2020. The Corporation's crude oil hedging contracts of 300 barrels per day, however, have mitigated Altura's exposure to the severe price decline and help protect its balance sheet in the current volatile commodity price environment.

In the first quarter, prior to the COVID-19 pandemic, Altura invested \$7.1 million to further develop its core Leduc-Woodbend property and advance its exploration play at Entice. At Leduc-Woodbend, Altura completed a horizontal oil well (0.9 net) that was drilled in the third quarter of 2019. The well was equipped for production and brought on stream in February 2020. Additionally, Altura drilled a horizontal oil well (0.9 net) in January 2020 at Leduc-Woodbend. At Entice, Altura's capital expenditures included land acquisition costs and drilling, completing, and equipping a horizontal well (0.9 net) targeting the Pekisko Formation.

In March 2020, Altura halted all discretionary capital expenditures due to the impact of the COVID-19 pandemic on the global economy and left one Leduc-Woodbend well (0.9 net) drilled but uncompleted on an existing pad which can be completed and brought on production at any time.

Production volumes averaged 1,250 boe per day in the first quarter, a 20% decrease from the fourth quarter of 2019. Production in the quarter was impacted by natural declines, well down time from repairs and maintenance, the 7.0% working interest disposition that closed on December 4, 2019 and Altura's voluntary production curtailment during the month of March.

Altura's Entice well was equipped with artificial lift and temporary facilities on March 5, 2020 and produced 771 gross (717 net) barrels of sweet 25°API oil, 6.5 MMcf of natural gas, which was flared, and 4,500 barrels of water before it was shut-in on March 18, 2020. Approximately 73% of the total water volume used in the completion has been recovered to date. The well was shut-in due to the severe decline in oil prices and management plans to continue the production test once oil prices improve.

Altura's realized heavy oil price decreased 39% to \$33.06 per barrel in the first quarter compared to \$54.40 per barrel in the fourth quarter of 2019. The realized heavy oil price decreased from \$48.64 per barrel in January 2020 to \$14.00 per barrel in March 2020 due to the COVID-19 pandemic and the abandonment of production quotas by OPEC and Russia.

The Corporation realized a gain on financial instruments of \$629,000 (\$5.53 per boe) which reflected cash settlements received on a Western Canadian Select ("WCS") contract of 300 barrels per day at CAD \$57.00 per barrel in the quarter.

Operating expenses in the first quarter were \$12.19 per boe, compared to \$8.63 per boe in the fourth quarter of 2019. The increase was due to lower production volumes, increased repairs and maintenance and increased power costs. Transportation expenses were \$2.49 per boe, consistent with \$2.45 per boe in the fourth quarter of 2019.

The Corporation's operating netback¹ averaged \$13.35 per boe, down 43% from the fourth quarter of 2019 due mainly to lower crude oil prices and higher per unit operating expenses, partially offset by the gain on financial instruments and lower royalty expenses.

Adjusted funds flow¹ was \$1.1 million in the first quarter of 2020, down 63% from the fourth quarter of 2019 primarily due to lower production volumes, lower crude oil prices and higher per unit operating expenses.

Altura recorded a net loss of \$31.5 million in the first quarter. Independent reserve evaluators materially decreased their forward oil price forecasts which resulted in a non-cash impairment charge of \$34.7 million as the carrying value of Altura's oil and gas properties exceeded their current estimated recoverable amounts. Management believes the reserve evaluators' forward oil price forecasts will increase over time which may result in impairment reversals in the future.

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.

Altura's net debt¹ was \$6.2 million at March 31, 2020, resulting in a ratio of net debt to annualized first quarter adjusted funds flow¹ of 1.40. In April 2020, Altura's credit facility was amended on an interim basis to \$7.5 million from \$9.0 million due to the unprecedented decline and volatility in crude oil prices. Due to the ongoing economic volatility from the COVID-19 pandemic, Altura and its lender have agreed to extend the credit facility renewal from May 31, 2020 to June 30, 2020.

HEDGING

Altura had the following crude oil contracts at March 31, 2020 for 300 barrels of oil per day hedged to December 31, 2020:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
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
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$71.35
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$24.00)

Subsequent to March 31, 2020, Altura unwound the May 2020 fixed price contracts for West Texas Intermediate ("WTI") and the WCS-WTI Differential realizing a gain of \$356,000. Altura's hedging gains for 2020 are forecasted at \$2.1 million based on settlements to April 30, 2020 and strip pricing at May 27, 2020, providing the Corporation with positive forecasted adjusted funds flow.

OUTLOOK

Altura eliminated all discretionary capital spending for the remainder of the year and voluntarily curtailed production volumes in April 2020 to its hedged oil production of 300 barrels per day, which was approximately 550 boe per day including NGLs and natural gas. As crude oil prices continued to rapidly decline in April, Altura made the decision to unwind its May 2020 hedging contracts, realizing a gain of \$356,000, and shut in all corporate production for the month of May 2020.

Since shutting in production at the beginning of May, there has been some optimism in respect to the global crude oil supply/demand balance and oil prices have improved significantly. Given this improvement in prices, Altura is planning to restart production and sell crude oil into the spot market beginning in June.

Further to the December 4, 2019 definitive agreement, Altura expects to close the second transaction of its previously announced asset disposition in the second half of 2020. The definitive agreement requires the proceeds from the second transaction to be used primarily to fund the drilling of a horizontal well in either the Entice area or the Leduc-Woodbend area before December 31, 2020 with no anticipated net capital outlay by Altura.

In May 2020, Altura began receiving funds from the Government of Canada related to the Canadian Emergency Wage Subsidy program, which has been extended to August 29, 2020. Additionally, Altura has submitted applications for 15 wells under the Government of Alberta's Site Rehabilitation Program.

The Corporation is focused on protecting balance sheet strength during the current volatile commodity price environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Altura's Board of Directors has established an ESG Committee to assist the Board in carrying out its responsibilities by having responsible persons ensure that Altura's activities are conducted in an environmentally responsible manner and that the Corporation maintains the integrity of its social and governance policies. Altura has posted its ESG Committee Mandate, Corporate Social Responsibility Policy and 2019 Sustainability Report on its website at www.alturaenergy.ca.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of shareholders will be held at the Corporation's offices at 2500, 605 - 5th Avenue S.W., Calgary, Alberta, on Thursday, June 4, 2020 at 10:30 am (Mountain Time). In view of the COVID-19 pandemic and the restrictions on mass gatherings implemented by the Government of Alberta, the Corporation strongly encourages shareholders to consider voting their shares via proxy rather than attending the AGM in person, particularly if they are experiencing any of the described COVID-19 symptoms. Subject to the Corporation's by-laws, access to the AGM will be limited to essential personnel and registered shareholders and proxyholders entitled to attend and vote at the AGM. No external guests will be allowed to attend the AGM.

A link to a live audio webcast of the AGM will be available on the Corporation's website at www.alturaenergy.ca. Following the formal business of the AGM, the Corporation is planning a brief presentation by management. A recording of the webcast will be available on Altura's website following the AGM.

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

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer
May 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Altura Energy Inc. (the "Corporation" or "Altura") is dated May 27, 2020 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2020, the audited consolidated financial statements and related notes for the year ended December 31, 2019, as well as the Corporation's Annual Information Form ("AIF") that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

DESCRIPTION OF BUSINESS

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

COVID-19

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

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

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

OUTLOOK

Altura eliminated all discretionary capital spending for the remainder of 2020 and voluntarily curtailed production volumes in April 2020 to its hedged oil production of 300 barrels of oil per day, which was approximately 550 boe per day, including NGLs and natural gas. As crude oil prices continued to rapidly decline in April, Altura made the decision to unwind its May 2020 hedging contracts realizing a gain of \$356,000 and shut-in all corporate production for the month of May 2020.

Since shutting in production at the beginning of May, there has been some optimism in respect to the global crude oil supply/demand balance and oil prices have improved significantly. Given this improvement in prices, Altura is planning to restart production and sell crude oil into the spot market beginning in June.

Further to the December 4, 2019 definitive agreement with a private company ("PrivateCo"), Altura expects to close the second transaction of the asset disposition in the second half of 2020, where PrivateCo will acquire an additional 5.5% working interest in Altura's production, wells, lands and facilities for \$3.5 million. The definitive agreement for the asset disposition requires the proceeds from the second transaction to be used to fund the drilling of a horizontal well in either the Entice or the Leduc-Woodbend area before December 31, 2020 with no anticipated net capital outlay by Altura. See the "Contractual Obligations and Commitments" section of this MD&A on page 23.

In May 2020 Altura began receiving funds from the Government of Canada related to the Canadian Emergency Wage Subsidy program, which has been extended to August 29, 2020. Additionally, Altura has submitted applications under the Government of Alberta's Site Rehabilitation Program for 15 wells.

RESULTS OF OPERATIONS

Production

	Three months ended March 31		
	2020	2019	% Change
Heavy oil (Bbls/d)	667	1,404	(52)
Light & medium oil (bbls/d)	8	68	(88)
Natural gas (Mcf/d)	2,926	2,510	17
Natural gas liquids ("NGLs") (Bbls/d)	87	47	85
Total (Boe/d)	1,250	1,939	(36)
Oil and natural gas liquids % of production	61%	78%	(22)

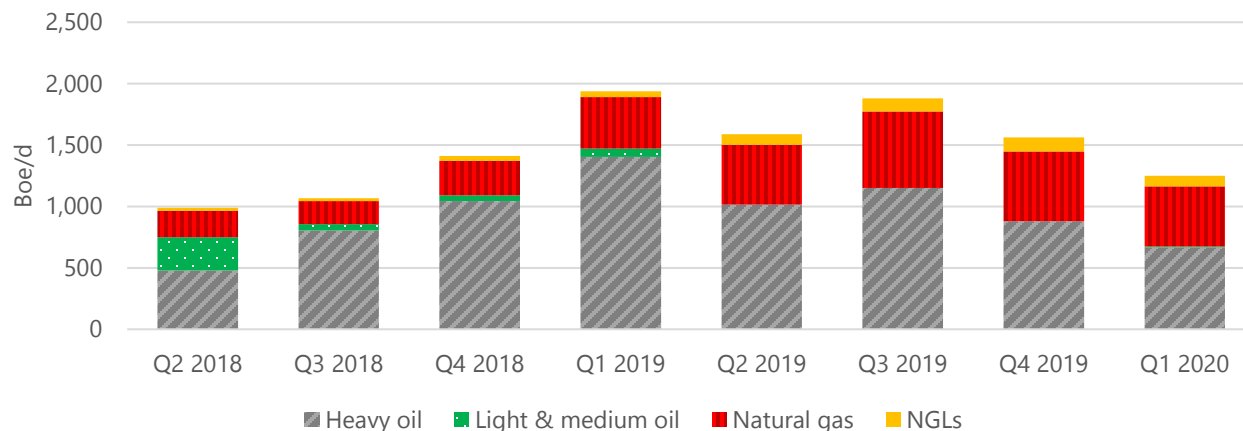
During the first quarter of 2020, heavy oil production decreased 52 percent from the first quarter of 2019, while natural gas and NGL production increased 17 percent and 85 percent over the same period, respectively. The decreased oil production primarily relates to natural declines with fewer new wells brought on production in the second half of 2019 and first quarter of 2020 compared to the second half of 2018 and first quarter of 2019. Production volumes in the first quarter of 2020 were also lower by approximately 94 boe per day from the 7.0 percent working interest disposition on December 4, 2019 (the "7% Asset Disposition") to a private company ("PrivateCo"). Additionally, well down time from repairs and maintenance activity in the first quarter of 2020 increased, which negatively impacted production volumes and increased operating expenses and Altura started to voluntarily curtail production in March as a result of the oil price decline.

The increased natural gas and NGL production is due to an increased weighting of natural gas production relative to total production as the Leduc-Woodbend pool is produced over time.

In the first quarter of 2020, light & medium oil production was eight barrels per day from a new well in the Entice area of Alberta that commenced testing on March 5, 2020. The well produced medium oil for 14 days but was shut-in on March 18, 2020 due to the significant decline in oil prices. The Corporation plans to bring the well back on production when oil prices improve.

The decrease in light and medium oil production in the first quarter of 2020 compared to the first quarter of 2019 is due to Altura pipeline connecting two heavy oil wells producing from the Rex member to its light 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 light & medium oil sales at Leduc-Woodbend.

Quarterly Average Daily Production

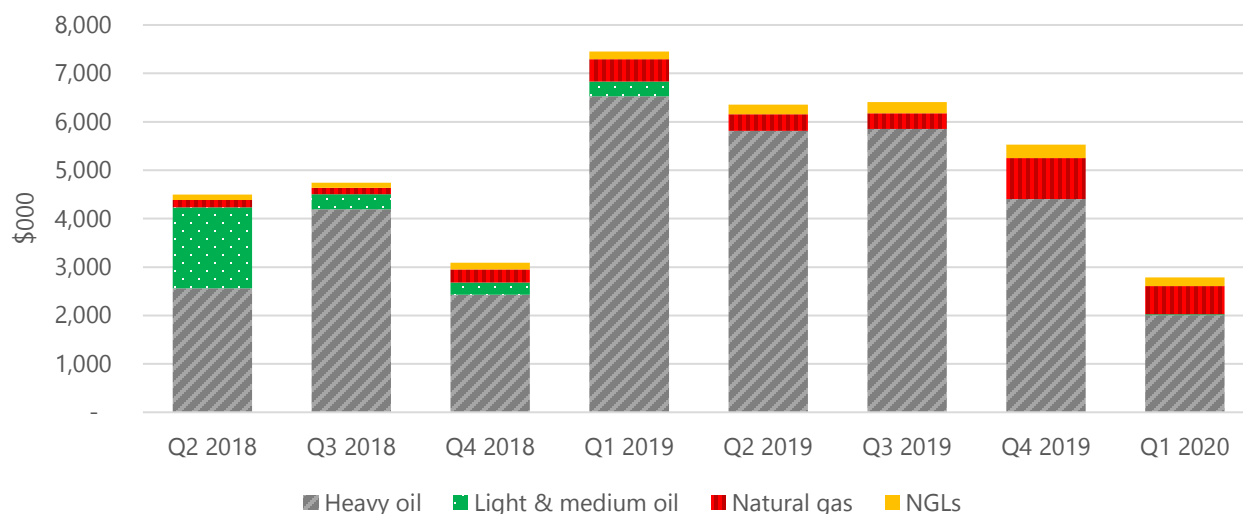


Petroleum and Natural Gas Sales

(\$000)	Three months ended March 31		
	2020	2019	% Change
Heavy oil	2,008	6,529	(69)
Light & medium oil	15	300	(95)
Natural gas	585	466	26
Natural gas liquids	175	158	11
Petroleum and natural gas sales	2,783	7,453	(63)

Petroleum and natural gas sales for the first quarter of 2020 decreased 63 percent to \$2,783,000 compared to \$7,453,000 in the first quarter of 2019. The quarter-over-quarter decrease of \$4,670,000 consists of \$3,659,000 attributed to decreased oil production volumes and \$1,267,000 due to decreased realized oil and NGL prices, partially offset by \$220,000 attributed to increased natural gas and NGL production volumes and \$36,000 attributed to higher realized natural gas prices.

Petroleum and Natural Gas Sales



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:

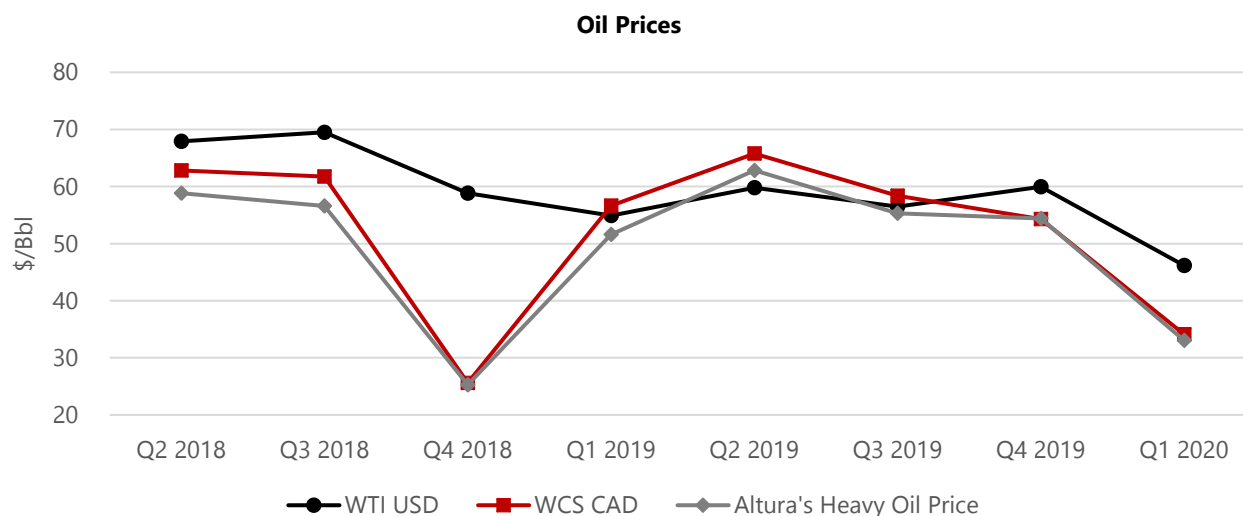
	Three months ended March 31		
	2020	2019	% Change
Average Benchmark Prices			
WTI crude oil (US\$/Bbl) ⁽¹⁾	46.17	54.90	(16)
WCS differential (US\$/Bbl) ⁽²⁾	(20.53)	(12.29)	67
US\$/Cdn\$ exchange rate	0.743	0.752	(1)
WCS (Cdn\$/Bbl)	34.12	56.65	(40)
AECO daily spot (\$/GJ)	1.93	2.49	(22)
Average Realized Prices			
Heavy oil (\$/Bbl)	33.06	51.62	(36)
Light & medium oil (\$/Bbl)	20.85	48.97	(57)
Natural gas (\$/Mcf)	2.20	2.06	7
Natural gas liquids (\$/Bbl)	22.02	37.16	(41)
Average realized price (\$/Boe)	24.46	42.71	(43)

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

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

For the first quarter of 2020, WTI decreased 16 percent to US\$46.17 per barrel compared to the first quarter of 2019 and the differential between WTI and WCS widened 67 percent to US\$20.53 per barrel. These changes, along with the weakening Canadian dollar, resulted in Altura's realized heavy oil price decreasing 36 percent to \$33.06 from the first quarter of 2019.

Altura's realized light & medium oil price in the first quarter of 2020 relates to the new well in the Entice area of Alberta that produced from March 5, 2020 to March 18, 2020 when it was shut-in due to low oil prices from the COVID-19 pandemic.



In the first quarter of 2020, Altura's realized natural gas price increased by seven percent to \$2.20 per Mcf from the first quarter of 2019 while the AECO daily spot price decreased 22 percent to \$1.93 per GJ. The realized natural gas price increase in the first quarter of 2020 relative to the decrease in the AECO daily spot price was due to a gas balance recovery on the NOVA pipeline, that negatively impacted Altura in the first quarter of 2019.

Risk Management Contracts

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

(\$000, except per boe)	Three months ended March 31		
	2020	2019	% Change
Realized gain on financial instruments	629	-	-
Realized gain on financial instruments per boe	5.53	-	-

For the first quarter of 2020, the realized gain on financial instruments of \$629,000 reflects cash settlements received on a WCS contract of 300 barrels per day at CAD \$57.00 per barrel.

At March 31, 2020, Altura held the following crude oil contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at
						March 31, 2020
						(\$000)
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$70.20	946
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$28.00)	(239)
Jul 1/20—Sep 30/20	Crude Oil	Fixed	300 Bbls/d	WCS	CAD \$43.75	572
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WTI	CAD \$71.35	658
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WCS-WTI Differential	CAD (\$24.00)	-
						1,937

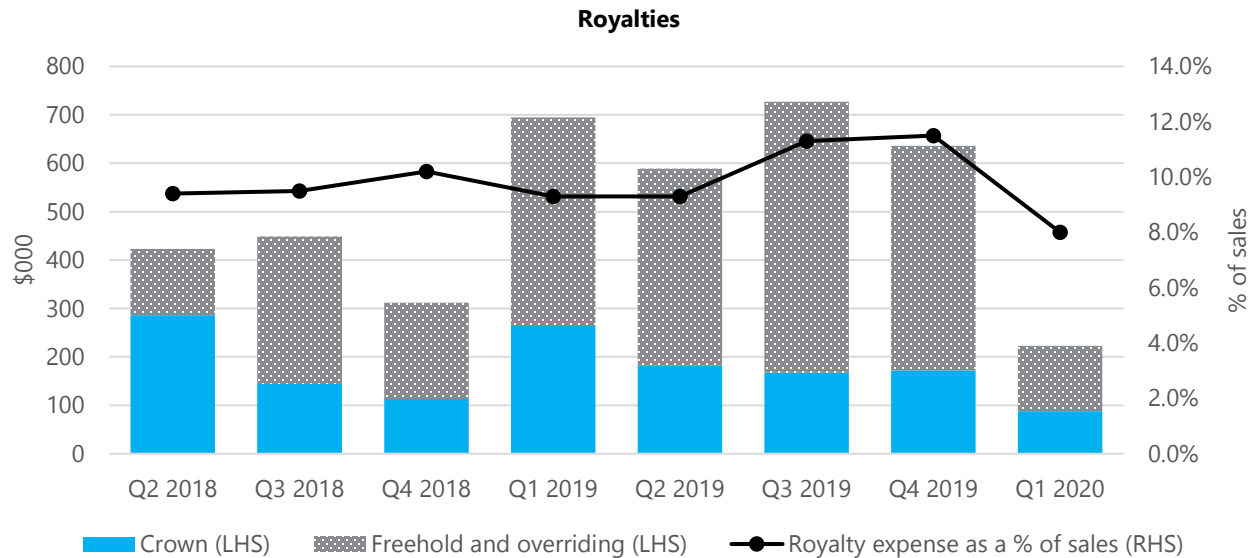
At March 31, 2020, the crude oil contracts were fair valued with an asset of \$1,937,000 (December 31, 2019 - \$432,000 liability) recorded on the balance sheet and an unrealized gain of \$2,369,000 recorded in net income (loss) for the three months ended March 31, 2020 (March 31, 2019 - \$nil).

Subsequent to March 31, 2020, Altura unwound the May 2020 fixed price contracts for WTI and the WCS-WTI Differential realizing a gain of \$356,000.

Royalties

(\$000, except % and per Boe)	Three months ended March 31		
	2020	2019	% Change
Crown royalties	88	264	(67)
Freehold and overriding royalties	135	431	(69)
Royalty expense	223	695	(68)
Royalty expense as a % of sales	8.0%	9.3%	(14)
Royalty expense per Boe	1.96	3.98	(51)

Royalty expense for the first quarter of 2020 was \$223,000 compared to \$695,000 in the first quarter of 2019. The decrease in total royalty expense is due to the decrease in petroleum and natural gas sales. Total royalties as a percentage of petroleum and natural gas sales decreased from 9.3 percent (\$3.98 per boe) in the first quarter of 2019 to 8.0 percent (\$1.96 per boe) in the first quarter of 2020. The decrease in royalty expense as a percentage of sales is due to lower freehold mineral tax expenses compared to the first quarter of 2019.

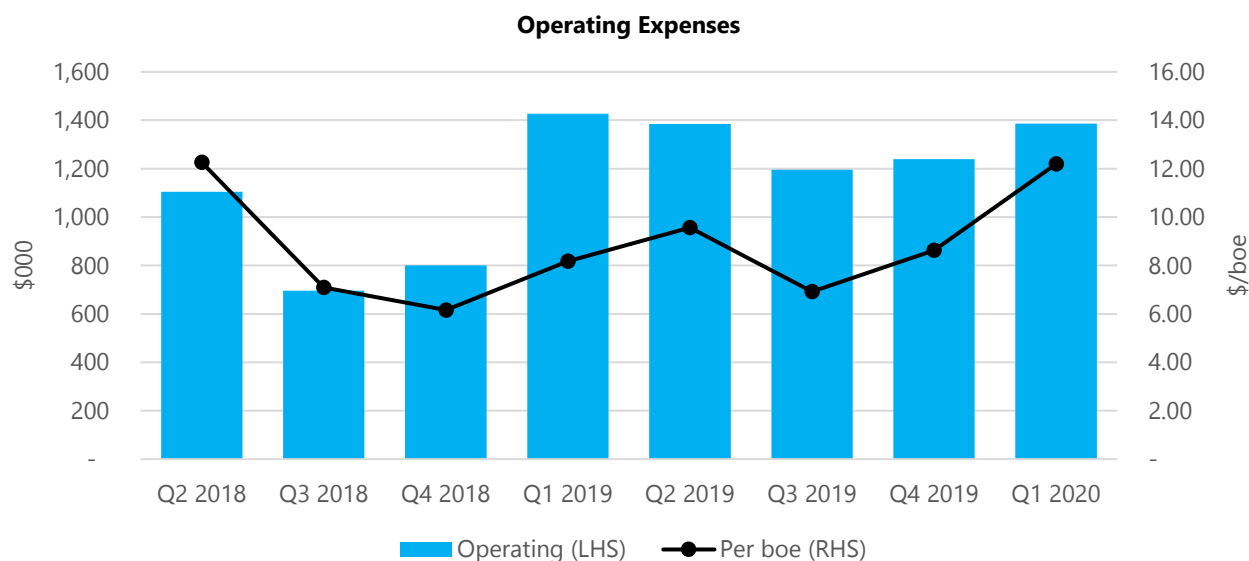


*LHS = Left Hand Side
 *RHS = Right Hand Side

Operating

(\$000, except per boe)	Three months ended March 31		
	2020	2019	% Change
Operating	1,386	1,427	(3)
Operating per boe	12.19	8.18	49

Operating expenses decreased \$41,000 in the first quarter of 2020 to \$1,386,000 as compared to \$1,427,000 in the first quarter of 2019. On a per boe basis, operating expenses increased \$4.01 per boe to \$12.19 per boe in the first quarter of 2020 compared to \$8.18 per boe in the first quarter of 2019. This increase is mainly due to lower production volumes, higher repairs and maintenance costs, increased gas processing fees associated with increased gas production volumes, and increased utility costs.

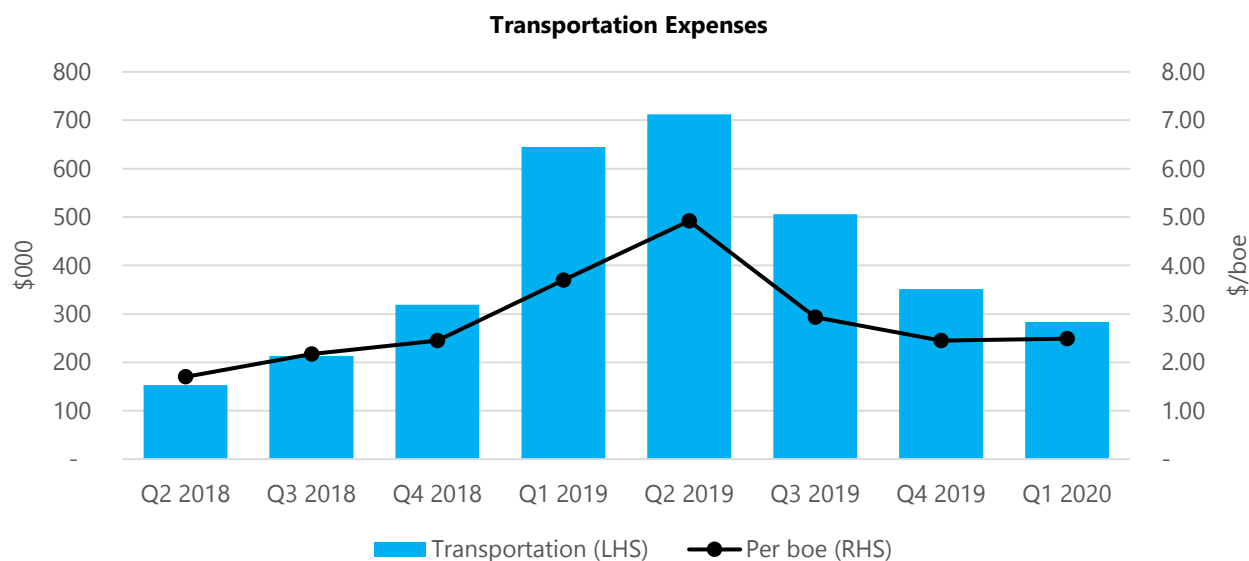


Operating expenses increased \$3.56 per boe to \$12.19 per boe in the first quarter of 2020 compared to \$8.63 per boe in the fourth quarter of 2019 due mainly to lower production volumes, increased repairs and maintenance and increased power costs.

Transportation

(\$000, except per boe)	Three months ended March 31		
	2020	2019	% Change
Transportation	283	645	(56)
Transportation per boe	2.49	3.70	(33)

Transportation expenses for the first quarter of 2020 decreased to \$283,000 compared to \$645,000 in the first quarter of 2019 due to decreased oil production volumes. On a per boe basis, transportation expenses decreased to \$2.49 per boe in the first quarter 2020 compared to \$3.70 per boe in the first quarter of 2019. The decrease on a per boe basis is due to lower clean oil hauling costs from shorter hauls to sales terminals in central Alberta compared to the first quarter of 2019 when Altura was hauling significant volumes to eastern Alberta.

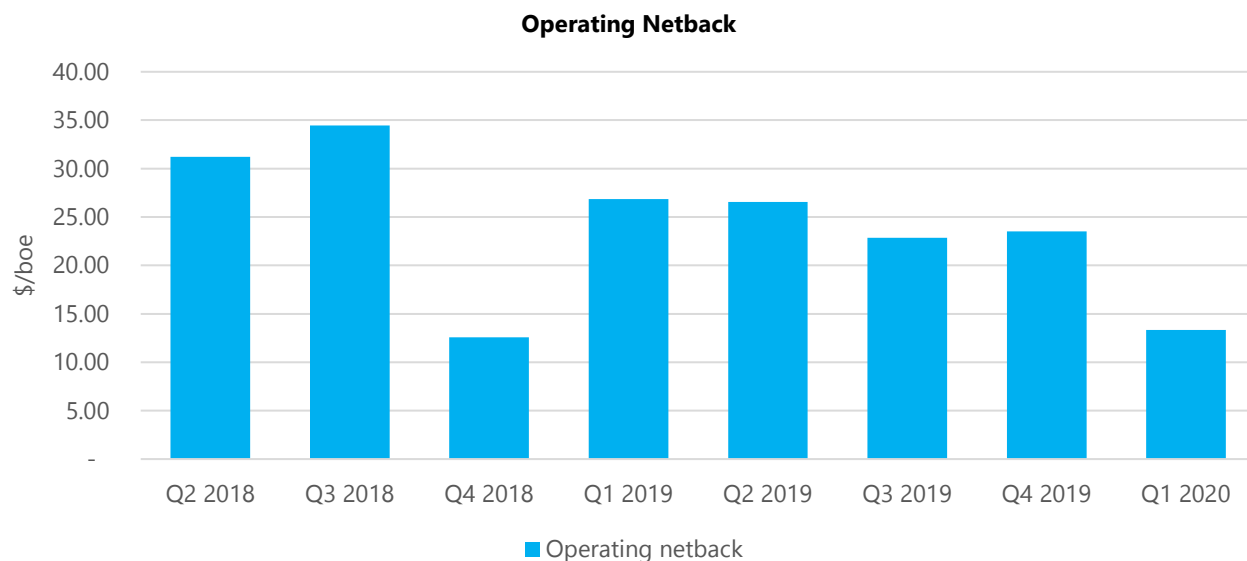


Operating Netback

(\$/boe)	Three months ended March 31		
	2019	2018	% Change
Petroleum and natural gas sales	24.46	42.71	(43)
Realized gain on financial instruments	5.53	-	-
Royalties	(1.96)	(3.98)	(51)
Operating	(12.19)	(8.18)	49
Transportation	(2.49)	(3.70)	(33)
Operating netback⁽¹⁾	13.35	26.85	(50)

(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 \$13.35 per boe in the first quarter of 2020 compared to \$26.85 per boe in the first quarter of 2019. The decrease is mainly a result of lower petroleum and natural gas sales prices and higher operating expenses, partially offset by decreased royalties and transportation expenses and a realized gain on financial instruments.



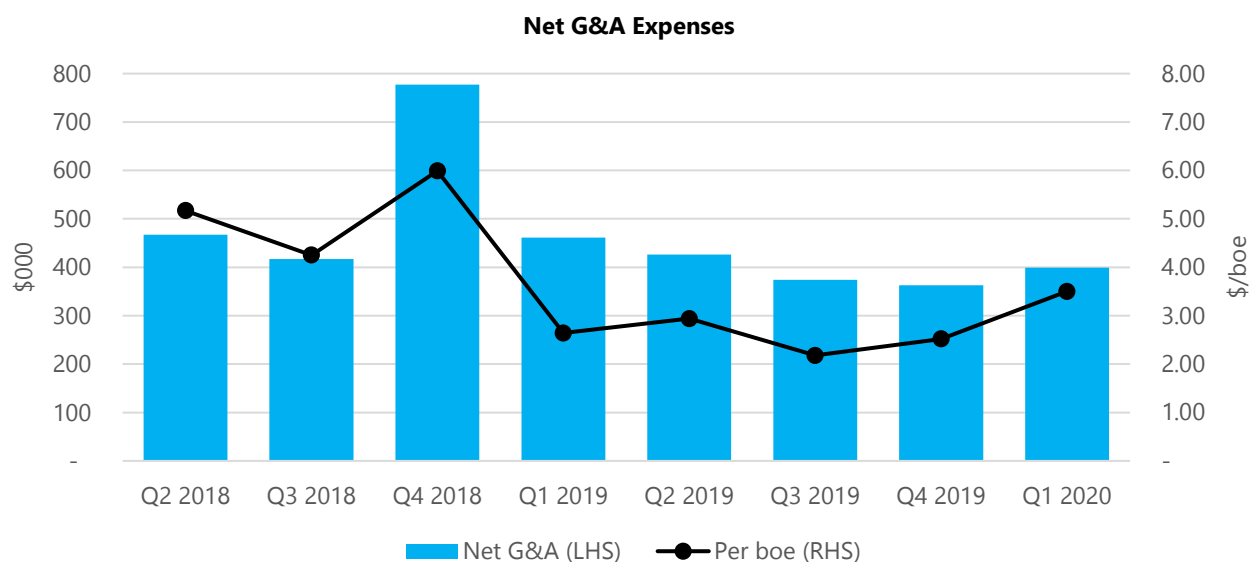
General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three months ended March 31		
	2020	2019	% Change
Gross G&A	595	593	-
Capitalized G&A and overhead recoveries	(196)	(132)	48
Net G&A expenses	399	461	(13)
Net G&A per boe	3.50	2.64	33

Net G&A expenses totaled \$399,000 in the first quarter of 2020, compared to \$461,000 for the first quarter of 2019. The decreased net G&A 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 increased 33 percent to \$3.50 per boe for the first quarter of 2020 compared to the first quarter of 2019 due to decreased production volumes.

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



Interest and Financing Expenses

(\$000, except per boe)	Three months ended March 31		
	2020	2019	% Change
Credit facility interest and financing expenses	16	51	(69)
Lease interest (cash and non-cash)	3	3	-
Interest and financing expenses	19	54	(65)
Interest and financing expenses per boe (cash)	0.17	0.29	(41)

Interest and financing expenses totaled \$19,000 in the first quarter of 2020 compared to \$54,000 incurred in the first quarter of 2019. The decrease is due to lower average bank debt and a lower interest rate on Altura's credit facility. The Corporation's average interest rate on its credit facility for the first quarter of 2020 was 5.0 percent as compared to 5.5 percent in the first quarter of 2019.

Share-Based Compensation

(\$000)	Three months ended March 31		
	2020	2019	% Change
Share-based compensation	129	187	(31)
Capitalized share-based compensation	(35)	(29)	21
Share-based compensation expense	94	158	(41)

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 \$94,000 for the first quarter of 2020 compared to \$158,000 for the first quarter of 2019. The quarter-over-quarter decrease reflects a decrease in performance warrant expense due to two-thirds of the total performance warrants being fully expensed in 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")

(\$000, except per Boe)	Three months ended March 31		
	2020	2019	% Change
DD&A	1,650	2,637	(37)
DD&A per Boe	14.50	15.11	(4)

Altura uses proved and probable reserves to calculate DD&A expense. For the first quarter of 2020, DD&A decreased 37 percent to \$1,650,000 compared to \$2,637,000 in the first quarter of 2019, due to lower production volumes. On a per unit basis, DD&A decreased four percent to \$14.50 per boe compared to \$15.11 per boe in the first quarter of 2019.

Impairment

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

Exploration and Evaluation ("E&E")

As at March 31, 2020, the Corporation determined that indicators of impairment existed with respect to its E&E assets which are all in the Entice area. For impairment testing, the recoverable amount of E&E assets was determined using internal estimates of the fair value of certain undeveloped land based principally on relevant land sales. No value was assigned to the well drilled in the first quarter of 2020 based on production testing results to date and the significant decline in forward oil benchmark prices. For the three months ended March 31, 2020, Altura recognized an impairment charge of \$4.8 million (no impairment at December 31, 2019) on E&E assets.

Property and Equipment

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

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved plus probable reserve values from Altura's December 31, 2019 reserve report prepared by its independent reserve evaluator, updated using forward commodity price estimates at April 1, 2020, revised operating cost assumptions and timing of future development costs and removed production from January 1, 2020 to March 31, 2020. The estimated recoverable amount was determined to be value in use

and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included value for certain undeveloped land included in property and equipment based on management's estimates as at March 31, 2020, based principally on relevant land sales. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 17 percent.

Deferred Taxes

The Corporation recognized a deferred tax recovery of \$1,472,000 in the first quarter of 2020, compared to a deferred tax expense of \$398,000 in the first quarter of 2019. The deferred tax recovery is due to the pre-tax loss recorded in the first quarter of 2020 and reduced the Corporation's deferred tax liability to nil as at March 31, 2020. The Corporation has not recognized a deferred tax asset at March 31, 2020 as Altura did not feel there was sufficient certainty regarding the future utilization of all of its tax pools due to the significant decrease in forecast prices caused by the COVID-19 pandemic.

Net Income and Adjusted Funds Flow

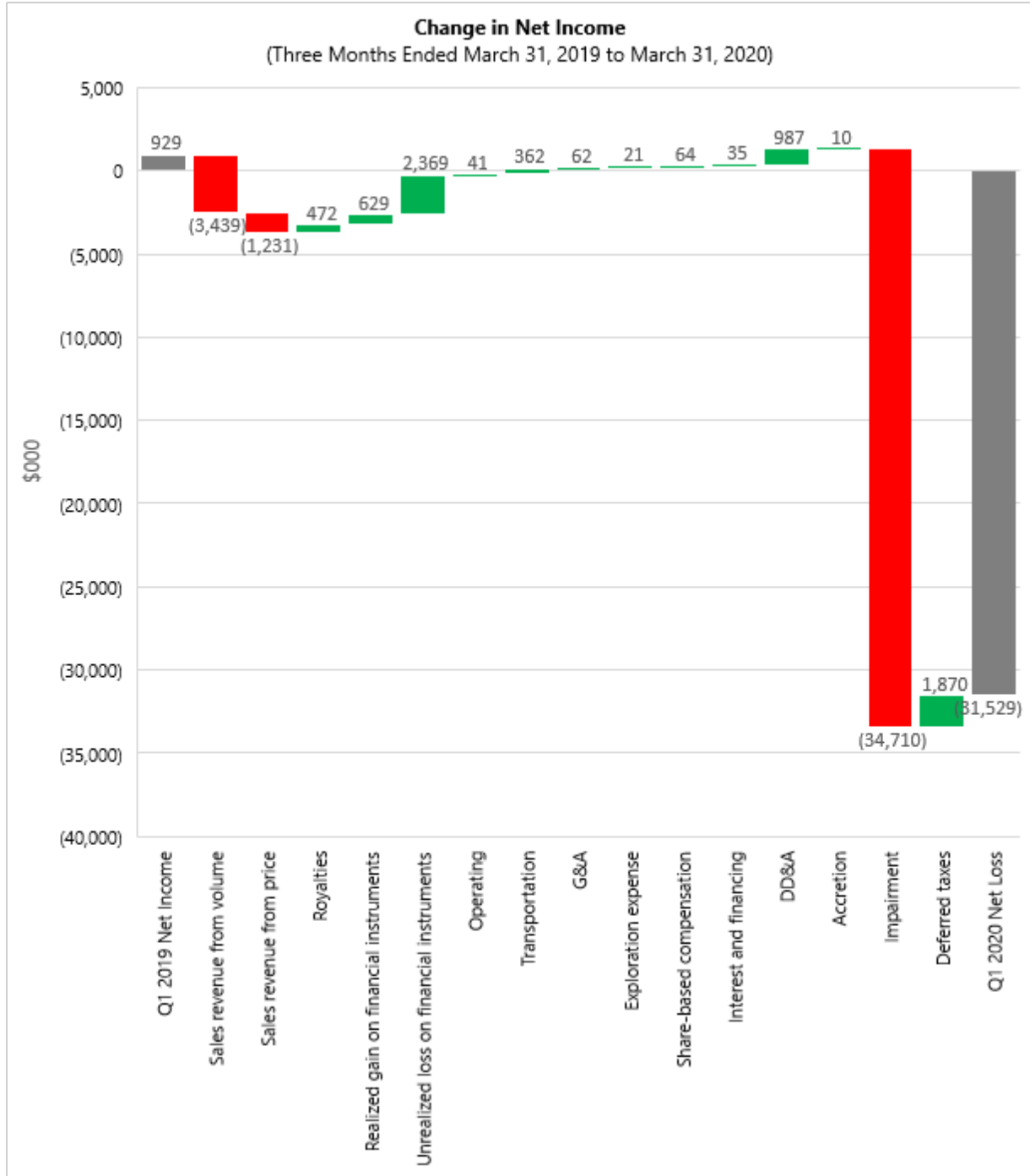
(\$000, except per share amounts and per boe)	Three months ended March 31		
	2020	2019	% Change
Net income (loss)	(31,529)	929	(>500)
Per share – basic	(0.29)	0.01	(>500)
Per share – diluted ⁽¹⁾	(0.29)	0.01	(>500)
Cash flow from operating activities	1,183	2,290	(48)
Per share – diluted	0.01	0.02	(50)
Adjusted funds flow ⁽²⁾	1,102	4,153	(73)
Per share – diluted ⁽²⁾	0.01	0.04	(75)
Adjusted funds flow per boe ⁽²⁾	9.68	23.80	(59)

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

(2) 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.

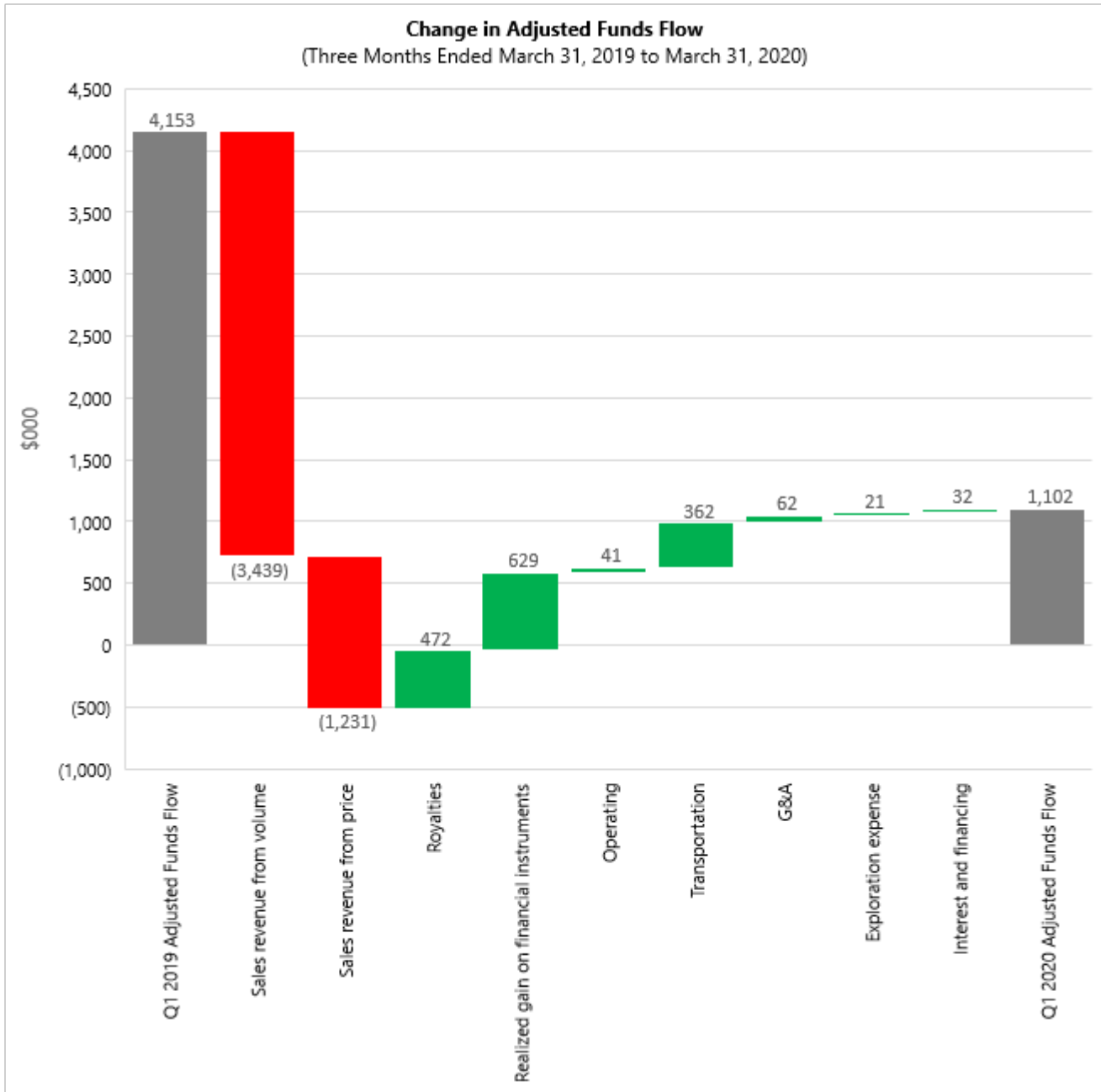
Net Income

In the first quarter of 2020, Altura recorded a net loss of \$31.5 million compared to net income of \$0.9 million in the first quarter of 2019. The increased net loss is due to the impairment expense and lower sales revenue from decreased production volumes and decreased crude oil prices, partially offset by realized and unrealized gains on financial instruments, decreased royalties, transportation, DD&A and a deferred tax recovery.



Adjusted Funds Flow

In the first quarter of 2020, adjusted funds flow decreased by \$3,051,000 to \$1,102,000 compared to \$4,153,000 in the first quarter of 2019. The decrease primarily reflects lower sales revenue from decreased production volumes and decreased crude oil prices, partially offset by a realized gain on financial instruments, and decreased royalties and transportation expenses.



Capital Expenditures

(\$000)	Three months ended March 31		
	2020	2019	% Change
Geological and geophysical	3	10	(70)
Land	326	38	>500
Drilling and completions	6,248	(9)	(>500)
Workovers	(12)	492	(102)
Equipping and tie-in	338	211	60
Facilities and pipelines	29	588	(95)
Other	150	123	22
Total capital expenditures	7,082	1,453	387

Capital expenditures were allocated as follows:

(\$000)	Three months ended March 31		
	2020	2019	% Change
Exploration and evaluation	3,918	-	-
Property and equipment	3,164	1,453	-
Total capital expenditures	7,082	1,453	387

In the first quarter of 2020, prior to the COVID-19 pandemic, Altura invested \$3.2 million in property and equipment at Leduc-Woodbend, gross of the Contract Liability discussed in the "Contractual Obligations and Commitments" section of this MD&A. Altura completed a horizontal oil well in January 2020 that was drilled in the third quarter of 2019. The well was equipped for production and brought on stream in the first quarter of 2020. Additionally, Altura drilled a horizontal oil well (93% working interest) in January 2020 at Leduc-Woodbend.

Altura incurred \$3.9 million in E&E asset additions in the first quarter of 2020, gross of the Contract Liability discussed in the "Contractual Obligations and Commitments" section of this MD&A. E&E asset additions included land acquisition costs and drilling, completing, and equipping a horizontal well targeting the Pekisko Formation in the Entice area. The well was equipped with temporary facilities and Altura commenced production testing in March 2020. All Entice area costs are recorded to E&E as technical feasibility and commercial viability of the area has not been established.

In March 2020, Altura halted all discretionary capital expenditures in response to the impacts of COVID-19 on the global economy and left one Leduc-Woodbend well drilled but uncompleted that is on an existing pad and can be completed and brought on production at any time.

Decommissioning Liability

At March 31, 2020, Altura's decommissioning liability was \$5.4 million (December 31, 2019 - \$5.4 million) for the future abandonment and reclamation of Altura's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The future liability has been inflated at 0.89 percent (December 31, 2019- 1.35 percent) and discounted at the Bank of Canada's long-term risk-free bond rate of 1.32 percent (December 31, 2019 - 1.76 percent).

Abandonment cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three months ended March 31, 2020, accretion expense totaled \$18,000 (March 31, 2019 - \$28,000).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 9.92 at May 2, 2020. The LMR is the ratio of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Corporation to pay a deposit to the AER. Additionally, Altura's revolving operating demand loan includes a covenant requiring the Corporation to maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0. Altura's LLR with the AER was 9.92 at May 2, 2020, consistent with its LMR.

CAPITAL RESOURCES AND LIQUIDITY

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

(\$000)	March 31, 2020	December 31, 2019
Current assets	(3,540)	(2,110)
Current liabilities	7,849	3,168
Working capital deficit	4,309	1,058
Fair value of financial instruments	1,937	(432)
Current portion of lease liabilities	(48)	(48)
Current portion of decommissioning liability	(15)	(15)
Net debt ⁽¹⁾	6,183	563
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	1.40	0.05

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

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

The Corporation's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Altura's net debt of \$6.2 million as at March 31, 2020 increased from \$0.6 million at December 31, 2019 due to capital expenditures in the first quarter of 2020 exceeding adjusted funds flow. The increased net debt and decreased adjusted funds flow in the first quarter of 2020 resulted in net debt to annualized adjusted funds flow increasing to 1.40 times at March 31, 2020 compared to 0.05 times at December 31, 2019.

Working Capital

Altura targets to maintain sufficient unused credit facility capacity to satisfy working capital deficiencies. The Corporation had a working capital deficit of \$4.3 million at March 31, 2020 compared to a working capital deficit of \$1.1 million at December 31, 2019. At March 31, 2020, the major components of Altura's current assets were accounts receivable (40 percent) to be received from the Canada Revenue Agency, Altura's financial instrument counterparty, its oil and gas marketers in respect to March production and joint interest partners, and the fair value of financial instruments (55 percent). 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 (26 percent) and accrued liabilities (29 percent) related to the Corporation's operations and bank debt (44 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 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

As at March 31, 2020, the Corporation had a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$9.0 million. The Credit Facility is payable on demand and contains customary material adverse change clauses. The Credit Facility bears interest 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 March 31, 2020, the working capital ratio as defined was 1.61:1 (December 31, 2019 – 4.0:1) and the Corporation was compliant with the LLR covenant. In March 2020, Altura's Lender waived the hedging covenant for the quarter ended March 31, 2020 relating to maintaining hedge agreements for the succeeding nine-month period.

As at March 31, 2020, \$3.4 million (December 31, 2019 - \$nil) was drawn on the Credit Facility and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2019 - \$160,000).

Altura's Credit Facility was reviewed in April 2020, on an interim basis, and the maximum borrowing limit was decreased to \$7.5 million. The next review date for the Credit Facility has been extended from May 31, 2020 to June 30, 2020. If the reduction to Altura's borrowing limit is below the balance drawn at the renewal date, Altura will be required to repay the shortfall within 30 days of receiving notice of the new borrowing limit and all rates and fees for the Credit Facility will increase by 1.5 percent. Alternative external sources of funding could be necessary to repay a shortfall.

Liquidity Risk

Altura's Credit Facility was reviewed in April 2020, on an interim basis, and the maximum borrowing limit was decreased to \$7.5 million. As a result of the COVID-19 pandemic and the significant deterioration in commodity prices due to global supply and demand imbalances, there is significant uncertainty regarding the Corporation's ability to maintain its already reduced Credit Facility borrowing limit and its ability to repay any debt should there be a shortfall in this lower commodity price environment. The next review date for the Credit Facility has been extended from May 31, 2020 to June 30, 2020. If the reduction to Altura's borrowing limit is below the balance drawn at the renewal date, Altura will be required to repay the shortfall within 30 days of receiving notice of the new borrowing limit and all rates and fees for the Credit Facility will increase by 1.5 percent. Alternative external sources of funding could be necessary to repay a shortfall. Additionally, a reduction in the borrowing limit could result in the Corporation being unable to comply with its working capital covenant of 1:1 which may cause the Corporation's lender to demand repayment of the balance outstanding on the Credit Facility at the demand date. These factors may jeopardize the Corporation's ability to continue as a going concern.

Future liquidity depends on the ability of the Corporation to access debt markets and generate cash flow from operations, which are also impacted by the availability under credit facilities and additional equity. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect the Corporation's future liquidity as pertains to these operational and financing requirements.

Shareholders' Equity

At March 31, 2020 there were 108,920,974 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, 2019.

At May 27, 2020 the number of common shares, performance warrants and stock options outstanding remain unchanged from March 31, 2020.

Capital Resources

In March 2020, Altura halted all discretionary capital expenditures in response to the impacts of COVID-19 on the global economy. Altura is committed to drill a well in the second half of 2020 and management expects to have sufficient liquidity available from its Credit Facility and proceeds from closing the second transaction of Altura's December 2019 asset disposition as discussed in the following "Contractual Obligations and Commitments" section of this MD&A.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

On December 4, 2019, Altura entered into a definitive agreement with PrivateCo for the sale of a 12.5 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$7.0 million through two transactions. The first transaction closed on December 4, 2019, whereby Altura divested a 7.0 percent working interest for cash of \$3.5 million.

The agreement committed Altura to drill, complete and equip or abandon a horizontal well (the "First Well") in the Entice area of Alberta by March 31, 2020. Additionally, the agreement provided that Altura will pay PrivateCo's 7.0 percent working interest in the First Well and a 7.0 percent working interest in the completion of the Leduc-Woodbend 100/03-03-049-26W4 ("03-03") well (collectively the "Contract Liability"). Altura estimated the Contract Liability to be \$368,000 as at December 31, 2019. The Corporation fulfilled the First Well commitment and the 03-03 completion by March 2020 and \$245,000 of the Contract Liability was netted against E&E asset additions and \$123,000 of the Contract Liability was netted against property and equipment additions in the first quarter of 2020.

The agreement also committed Altura to the following:

1. Spud a second horizontal well by December 31, 2020. On or before October 30, 2020, Altura and PrivateCo shall meet and review the production information and other data from the first Entice well drilled in January 2020. If it is mutually agreed that the drilling of a second well at Entice is warranted, Altura will select a location for the drilling of a horizontal well in the Entice area. If not mutually agreed, Altura will select a location for the drilling of a horizontal well in the Leduc-Woodbend area. If the second well is drilled in the Entice area, PrivateCo will pay 7.0 percent of well costs and earn a 12.5 percent working interest in the well. If the second well is drilled in the Leduc-Woodbend area, PrivateCo will pay 12.5 percent of well costs and earn a 12.5 percent working interest in the well.
2. Within 10 business days of delivering the second well location notice to PrivateCo, Altura and PrivateCo shall enter into a purchase and sale agreement for the second transaction whereby Altura will divest of an additional 5.5 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$3.5 million. Proceeds will be used to fund the second well.
3. In the event a second well is drilled at Entice and both parties agree to drill a third well at Entice, the agreement provides for a third transaction whereby Altura will divest of an additional 4.0 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$3.0 million. Proceeds would primarily be used to drill a third horizontal well at Entice on or before December 31, 2021. PrivateCo would pay 12.5 percent of well costs and earn a 16.5 percent working interest in the well.

Altura is also committed to drill one horizontal well by December 31, 2020 in the Leduc-Woodbend area pursuant to a freehold petroleum lease agreement. The Corporation is subject to a non-performance penalty of \$125,000 if the commitment is not fulfilled.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
OPERATING								
Average daily production								
Heavy oil (bbls/d)	667	881	1,150	1,016	1,404	1,044	805	478
Light & medium oil (bbls/d)	8	-	-	-	68	46	51	271
Natural gas (Mcf/d)	2,926	3,406	3,733	2,914	2,510	1,699	1,128	1,309
NGLs (bbls/d)	87	113	108	88	47	38	23	23
Total (boe/d)	1,250	1,561	1,880	1,591	1,939	1,412	1,067	991
Average realized sales price								
Heavy oil (\$/bbl)	33.06	54.40	55.31	62.83	51.62	25.28	56.59	58.83
Light & medium oil (\$/bbl)	20.85	-	-	-	48.97	51.44	66.74	67.64
Natural gas (\$/Mcf)	2.20	2.70	0.95	1.30	2.06	1.74	1.23	1.32
NGLs (\$/bbl)	22.02	26.64	24.42	24.23	37.16	40.19	51.30	51.68
Total (\$/boe)	24.46	38.50	37.12	43.89	42.71	23.57	48.29	49.87
(\$/boe)								
Petroleum and natural gas sales	24.46	38.50	37.12	43.89	42.71	23.57	48.29	49.87
Realized gain (loss) on financial instruments	5.53	0.53	(0.22)	1.23	-	-	-	-
Royalties	(1.96)	(4.43)	(4.20)	(4.08)	(3.98)	(2.40)	(4.57)	(4.69)
Operating expenses	(12.19)	(8.63)	(6.92)	(9.56)	(8.18)	(6.16)	(7.09)	(12.26)
Transportation expenses	(2.49)	(2.45)	(2.93)	(4.92)	(3.70)	(2.45)	(2.17)	(1.70)
Operating netback ⁽¹⁾	13.35	23.52	22.85	26.56	26.85	12.56	34.46	31.22
General and administrative	(3.50)	(2.52)	(2.16)	(2.94)	(2.64)	(5.99)	(4.25)	(5.17)
Exploration expense	-	-	-	-	(0.12)	(0.04)	(0.21)	-
Interest and financing expense (cash)	(0.17)	(0.37)	(0.27)	(0.50)	(0.29)	(0.18)	(0.03)	(0.88)
Interest income	-	-	-	-	-	-	0.34	0.18
Adjusted funds flow per boe ⁽¹⁾	9.68	20.63	20.42	23.12	23.80	6.35	30.31	25.35
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	2,783	5,531	6,420	6,353	7,453	3,062	4,741	4,497
Cash flow from operating activities	1,183	3,955	3,181	3,568	2,290	4,200	831	2,313
Per share – diluted	0.01	0.04	0.03	0.03	0.02	0.04	0.01	0.02
Adjusted funds flow ⁽¹⁾	1,102	2,963	3,532	3,346	4,153	826	2,977	2,285
Per share – diluted ⁽¹⁾	0.01	0.03	0.03	0.03	0.04	0.01	0.03	0.02
Net income (loss)	(31,529)	(56)	298	1,044	929	(984)	750	2,750
Per share – basic	(0.29)	-	-	0.01	0.01	(0.01)	0.01	0.03
Per share – diluted ⁽²⁾	(0.29)	-	-	0.01	0.01	(0.01)	0.01	0.02
(\$000)								
Capital expenditures	7,082	1,528	3,553	6,350	1,453	3,050	16,717	6,344
Property acquisitions (dispositions)	-	(3,508)	-	-	-	986	2,637	(27,712)
Total assets	26,895	55,053	61,202	59,719	55,704	54,023	54,793	49,957
Net debt ⁽¹⁾	6,183	563	5,130	5,109	2,105	4,805	1,872	(14,761)
Shareholders' equity	13,456	44,856	44,748	44,251	42,983	41,867	42,633	41,643
Common shares outstanding (000)								
Weighted average for the period - basic ⁽²⁾	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921
Weighted average for the period - diluted ⁽²⁾	108,936	109,097	109,517	110,503	110,430	110,260	112,281	110,546
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 second quarter of 2018 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. Production volumes increased in the 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. Average production volumes declined in the fourth quarter of 2019 from no new wells being brought on production and the 7% Asset Disposition. Average production volumes declined in the first quarter of 2020 from natural declines and increased down-time associated with repairs and maintenance activity. 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 oil production curtailment. Realized crude oil prices declined significantly in the first quarter of 2020 as a result of the COVID-19 pandemic.

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, third and fourth quarters of 2019, Altura changed its artificial lift system on 11 wells to improve run-time efficiencies and limit operating and capital workover events. In the fourth quarter of 2019, Altura completed the 7% Asset Disposition for cash of \$3.5 million. In the first quarter of 2020, Altura completed a horizontal oil well (93% working interest) that was drilled in the third quarter of 2019, drilled a horizontal oil well (93% working interest) at Leduc-Woodbend and drilled and completed a horizontal well (93% working interest) targeting the Pekisko Formation.

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 second half of 2019 due to lower heavy oil production volumes. In the first quarter of 2020, Altura recorded a net loss of \$31.5 million, due to impairment and lower heavy oil production volumes and decreased crude oil prices.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A that are based on estimates of oil and gas reserves that the Corporation expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;

- estimated value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated share-based compensation expense using the Black-Scholes option pricing model; and
- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

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

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

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

Recoverable Amounts

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

Credit Facility

The Corporation's Credit Facility is payable on demand and contains customary material adverse change clauses. The maximum borrowing limit is based on the Lender's interpretation of the Corporation's reserves, future commodity prices and costs. As the maximum borrowing limit of the Credit Facility is based on the lender's interpretation of the Corporation's reserves and future commodity prices and costs, there can be no assurance that the amount of the Credit Facility will not be adjusted at the next scheduled review. Forecasted commodity prices have decreased significantly at March 31, 2020 which could impact the Lender's interpretation of the future value of the Corporation's reserves. The federal government has announced liquidity support programs for the junior and intermediate exploration and production industry which the Corporation feels it would be eligible for however there is no certainty the Corporation will be successful enrolling in, and receiving benefits from these programs.

Accounts Receivable

The Corporation has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. The Corporation historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Corporation has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Corporation continues to expect that its receivables are collectible at March 31, 2020.

RISK FACTORS & RISK MANAGEMENT

Altura monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Altura maintains a level of liability, and property insurance, which is believed to be adequate for the Corporation's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

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

See "Forward-Looking Information" in this MD&A and "Risk Factors" in Altura's most recently filed annual information form for additional information.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

ADVISORIES

Non-GAAP Measures

This MD&A and first quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "net debt", and "operating netback". The data presented in this MD&A and first 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 17. The following schedule sets out the reconciliation of net income to adjusted funds flow and cash flow from operating activities for the reporting period and the comparable prior period:

(\$000)	Three months ended March 31	
	2020	2019
Net income (loss)	(31,529)	929
Adjusted for the following non-cash items		
Deferred tax expense (recovery)	(1,472)	398
Depletion, depreciation and amortization	1,650	2,637
Impairment	34,710	-
Accretion of decommissioning liability	18	28
Share-based compensation	94	158
Lease interest	-	3
Unrealized gain on financial instruments	(2,369)	-
Adjusted funds flow	1,102	4,153
Changes in non-cash operating working capital	81	(1,863)
Cash flow from operating activities	1,183	2,290

Net Debt

Management views net debt as key industry benchmarks and measures to assess the Corporation's financial position and liquidity. Net debt is calculated as current assets, excluding the Fair Value of Financial Instruments less current liabilities, excluding the Fair Value of Financial Instruments, less the current portion of lease liabilities, and the current portion of the decommissioning liability. Management has excluded the current portion of the decommissioning liability as this is an estimate based on management's assumptions and subject to volatility based on changes in cost and timing estimates, the risk-free discount rate and inflation rate. Altura's net debt is disclosed in the "Capital Resources and Liquidity" section of this MD&A on page 21.

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 14.

Barrels of Oil Equivalent

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Initial Production Rates

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

Forward-looking Information

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

- uncertainty about the COVID-19 pandemic and the impact it will have on Altura's operations, the demand for Altura's products, and economic activity in general;
- plans to continue the Entice production test when oil prices improve;
- management's belief that the reserve evaluators' forward oil price forecasts will increase over time which could result in impairment reversals in the future;
- the credit facility renewal date of June 30, 2020;
- forecasted hedging gains in 2020;
- plans to restart production and sell oil into the sport market in June;
- plans to close the second transaction of the December 4, 2019 definitive agreement in the second half of 2020;
- plans to drill a horizontal well in the Entice or the Leduc-Woodbend areas before December 31, 2020, with no anticipated net capital outlay by Altura;
- Altura's AGM date of June 4, 2020 and plans to host a live webcast of the event;
- expectations that the Corporation's receivables are substantially collectible; and
- Altura's future taxability and future taxable income.

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

- the continued performance of Altura's oil and gas properties in a manner consistent with its past experiences;
- that Altura will continue to conduct its operations in a manner consistent with past operations;
- the return of industry conditions to pre-COVID-19 levels;
- the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes;
- the accuracy of the estimates of Altura's reserves and resource volumes;
- certain commodity price and other cost assumptions;
- the continued availability of oilfield services; and
- the continued availability of adequate debt and equity financing and cash flow from operations to, among other things, fund its planned expenditures.

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

standard. To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeted and developing future plans and readers are cautioned that the information may not be appropriate for other purposes.

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

- the COVID-19 pandemic and related disruptions in oil and gas markets, including the duration and impacts thereof;
- changes in commodity prices including, without limitation, as a result of COVID-19 pandemic;
- changes in commodity prices including, without limitation, as a result of the COVID-19 pandemic and related disruptions in oil and gas markets;
- unanticipated operating results or production declines;
- public health crises, such as the recent outbreak of COVID-19 and the related economic disruption that can result in volatility in financial markets, disruption to global supply chains, and the ability to directly and indirectly staff the Corporation's day to day operations;
- changes in tax or environmental laws, royalty rates or other regulatory matters;
- changes in development plans of Altura or by third-party operators of Altura's properties;
- increased debt levels or debt service requirements;
- inaccurate estimation of Altura's oil and gas reserve and resource volumes;
- limited, unfavorable or a lack of access to capital or debt markets;
- increased costs;
- a lack of adequate insurance coverage;
- the impact of competitors; and
- certain other risks detailed from time to time in Altura's public documents.

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(\$000)	March 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	-	142
Accounts receivable (note 12)	1,424	1,819
Prepaid expenses and deposits	179	149
Fair value of financial instruments (note 12)	1,937	-
	3,540	2,110
Exploration and evaluation (note 4)	154	1,170
Property and equipment (note 5)	23,201	51,574
Right-of-use assets (note 6)	-	199
Total assets	26,895	55,053
LIABILITIES		
Current liabilities		
Bank debt (note 7)	3,442	-
Accounts payable and accrued liabilities	4,344	2,305
Current portion of lease liabilities (note 8)	48	48
Current portion of decommissioning liability (note 9)	15	15
Contract liability (note 15)	-	368
Fair value of financial instruments (note 12)	-	432
	7,849	3,168
Lease liabilities (note 8)	186	194
Decommissioning liability (note 9)	5,404	5,363
Deferred taxes	-	1,472
Total liabilities	13,439	10,197
SHAREHOLDERS' EQUITY		
Share capital (note 10)	37,712	37,712
Performance warrants (note 10e)	2,570	2,517
Contributed surplus	4,453	4,377
Retained earnings (deficit)	(31,279)	250
Total shareholders' equity	13,456	44,856
Total liabilities and shareholders' equity	26,895	55,053
Liquidity risk (note 2b)		
Commitments (note 15)		
Subsequent events (notes 7 and 12)		

See accompanying notes to the interim condensed consolidated financial statements.

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

(\$000, except per share amounts)	Three months ended March 31	
	2020	2019
REVENUE		
Petroleum and natural gas sales (note 11)	2,783	7,453
Royalties	(223)	(695)
Realized gain on financial instruments	629	-
Unrealized gain on financial instruments (note 12)	2,369	-
	5,558	6,758
EXPENSES		
Operating	1,386	1,427
Transportation	283	645
General and administrative	399	461
Exploration expense	-	21
Share-based compensation (note 10)	94	158
Interest and financing charges	19	54
Depletion, depreciation and amortization (notes 5 and 6)	1,650	2,637
Impairment (note 5)	34,710	-
Accretion of decommissioning liability (note 9)	18	28
	38,559	5,431
Income (loss) before taxes	(33,001)	1,327
Deferred tax expense (recovery)	(1,472)	398
Net income (loss) and comprehensive income (loss)	(31,529)	929
Net income (loss) per share, (note 10d)		
Basic	(0.29)	0.01
Diluted	(0.29)	0.01

See accompanying notes to the interim condensed consolidated financial statements.

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

For the periods ended March 31

(\$000)	Share capital	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2018	37,712	2,176	3,944	(1,965)	41,867
Share-based compensation expense (note 10)	-	96	62	-	158
Share-based compensation capitalized (note 10)	-	12	17	-	29
Net income for the period	-	-	-	929	929
Balance, March 31, 2019	37,712	2,284	4,023	(1,036)	42,983
Balance, December 31, 2019	37,712	2,517	4,377	250	44,856
Share-based compensation expense (note 10)	-	41	53	-	94
Share-based compensation capitalized (note 10)	-	12	23	-	35
Net loss for the period	-	-	-	(31,529)	(31,529)
Balance, March 31, 2020	37,712	2,570	4,453	(31,279)	13,456

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$000)	Three months ended March 31	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) for the period	(31,529)	929
Items not involving cash:		
Deferred tax expense (recovery)	(1,472)	398
Depletion, depreciation and amortization (notes 5 and 6)	1,650	2,637
Impairment (note 5)	34,710	-
Accretion of decommissioning liability (note 9)	18	28
Lease interest	-	3
Share-based compensation (note 10)	94	158
Unrealized gain on financial instruments (note 12)	(2,369)	-
Change in non-cash working capital (note 14)	81	(1,863)
	1,183	2,290
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Change in bank debt (note 7)	3,442	(253)
Repayment of principal relating to lease liabilities	(8)	-
	3,434	(253)
CASH FLOW USED IN INVESTING ACTIVITIES		
Property and equipment expenditures	(3,164)	(1,453)
Exploration and evaluation asset expenditures	(3,918)	-
Change in non-cash working capital (note 14)	2,323	(584)
	(4,759)	(2,037)
CHANGE IN CASH AND CASH EQUIVALENTS	(142)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	142	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	-
Cash interest paid	19	51

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 months ended March 31, 2020 and 2019

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, 2019, except as noted in note 3. In the opinion of management, these Financial Statements contain all adjustments necessary to present fairly Altura's financial position as at March 31, 2020 and the results of its operations and cash flows for the three months ended March 31, 2020 and 2019. 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, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were approved by the Board of Directors on May 27, 2020.

(b) Liquidity Risk

Altura's revolving operating demand loan (the "Credit Facility") was reviewed in April 2020, on an interim basis, and the maximum borrowing limit was decreased to \$7.5 million. As a result of the COVID-19 pandemic and the significant deterioration in commodity prices due to global supply and demand imbalances, there is significant uncertainty regarding the Corporation's ability to maintain its already reduced Credit Facility borrowing limit and its ability to repay any debt should there be a shortfall in this lower commodity price environment. The next review date for the Credit Facility has been extended from May 31, 2020 to June 30, 2020. If the reduction to Altura's borrowing limit is below the balance drawn at the renewal date, Altura will be required to repay the shortfall within 30 days of receiving notice of the new borrowing limit and all rates and fees for the Credit Facility will increase by 1.5 percent. Alternative external sources of funding could be necessary to repay a shortfall. Additionally, a reduction in the borrowing limit could result in the Corporation being unable to comply with its working capital covenant of 1:1 which may cause the Corporation's lender to demand repayment of the balance outstanding on the Credit Facility at the demand date (see note 7). These factors may jeopardize the Corporation's ability to continue as a going concern. Refer to note 7 for further discussion regarding Altura's Credit Facility including the recent reduction to the borrowing base.

Future liquidity depends on the ability of the Corporation to access debt markets and generate cash flow from operations, which are also impacted by the availability under credit facilities and additional equity. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect the Corporation's future liquidity as pertains to these operational and financing requirements.

(c) 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.

(d) Functional and Presentation Currency

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

(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.

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

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

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

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

Recoverable Amounts

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices. Refer to note 5 for discussion regarding impairment.

Credit Facility

The Corporation's Credit Facility is payable on demand and contains customary material adverse change clauses. The maximum borrowing limit is based on the lender's interpretation of the Corporation's reserves, future commodity prices and costs. As the maximum borrowing limit of the Credit Facility is based on the lender's interpretation of the Corporation's reserves and future commodity prices and costs, there can be no assurance that the amount of the Credit Facility will not be adjusted at the next scheduled review. Forecasted commodity prices have decreased significantly at March 31, 2020 which could impact the lender's interpretation of the future value of the Corporation's reserves. The federal government has announced liquidity support programs for the junior and intermediate exploration and production industry which the Corporation feels it would be eligible for however there is no certainty

the Corporation will be successful enrolling in, and receiving benefits from these programs. Refer to note 7 for discussion regarding Altura's Credit Facility.

Accounts Receivable

The Corporation has increased its monitoring of receivables due from petroleum and natural gas marketers and from joint asset partners to manage credit risk. The Corporation historically has not experienced any collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Corporation has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Corporation continues to expect that its receivables are collectible at March 31, 2020.

3. CHANGES IN ACCOUNTING POLICIES

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

4. EXPLORATION AND EVALUATION

The following table reconciles Altura's Exploration and Evaluation ("E&E") assets:

(\$000)	Total
Balance, December 31, 2018	-
Additions	1,224
Dispositions	(85)
Change in decommissioning costs	31
Balance, December 31, 2019	1,170
Additions	3,689
Change in decommissioning costs	50
Impairment	(4,755)
Balance, March 31, 2020	154

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 at its Entice area during the periods. E&E asset additions in the three months ended March 31, 2020 include land, drilling, completion, and equipping costs related to a horizontal well drilled at Entice. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$87,000 in the three months ended March 31, 2020 (March 31, 2019 – \$nil).

Impairment

As at March 31, 2020, the Corporation determined that indicators of impairment existed with respect to its E&E assets, which are all in the Entice area. For impairment testing, the recoverable amount of E&E assets was determined using internal estimates of the fair value of undeveloped land based principally on relevant land sales. For the three months ended March 31, 2020, Altura recognized an impairment charge of \$4.8 million (no impairment at December 31, 2019) on E&E assets. The impairment recorded at March 31, 2020 may be reversed at such time that the estimated recoverable amount of the impaired E&E assets increase.

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, 2018	60,204	178	60,382
Additions	11,843	15	11,858
Disposition	(5,064)	-	(5,064)
Change in decommissioning costs	(58)	-	(58)
Balance, December 31, 2019	66,925	193	67,118
Additions	3,058	2	3,060
Change in decommissioning costs	(27)	-	(27)
Balance, March 31, 2020	69,956	195	70,151
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2018	(7,167)	(46)	(7,213)
Depletion, depreciation and amortization	(9,420)	(33)	(9,453)
Disposition	1,122	-	1,122
Balance, December 31, 2019	(15,465)	(79)	(15,544)
Depletion, depreciation and amortization	(1,632)	(7)	(1,639)
Impairment	(29,767)	-	(29,767)
Balance, March 31, 2020	(46,864)	(86)	(46,950)
Carry amounts			
(\$000)			
As at December 31, 2019	51,460	114	51,574
As at March 31, 2020	23,092	109	23,201

Estimated future development costs of \$81.4 million (December 31, 2019 – \$85.8 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 \$95,000 in the three months ended March 31, 2020 (March 31, 2019 – \$140,000).

Impairment

At March 31, 2020, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend CGU due to the potential long-term impact of the COVID-19 pandemic which caused a significant decline in forward oil benchmark prices and due to a decline in Altura's market capitalization in the first quarter of 2020. Altura has only one CGU. In the three months ended March 31, 2020, the Corporation recognized an impairment charge of \$30.0 million (no impairment at December 31, 2019) related to its Leduc-Woodbend CGU due to the carrying value exceeding the estimated recoverable amount. Included in the impairment charge is \$0.2 million related to impairment of the Corporation's ROU assets.

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

The following table details the forward pricing used in estimating the recoverable amount of Altura's Leduc-Woodbend CGU at March 31, 2020:

	WTI Crude Oil (\$US/bbl) ^(1,2)	Western Canadian Select Crude Oil (\$CAD/bbl) ^(1,2)	Alberta AECO Gas (\$CAD/mmbtu) ^(1,2)	Foreign Exchange (\$US/\$CAD) ⁽¹⁾
2020 (9 mos)	29.17	19.21	1.74	0.707
2021	40.45	34.65	2.20	0.728
2022	49.17	46.34	2.38	0.745
2023	53.28	51.25	2.45	0.747
2024	55.66	54.28	2.53	0.748
2025	56.87	55.72	2.60	0.750
2026	58.01	56.96	2.66	0.750
2027	59.17	58.22	2.72	0.750
2028	60.35	59.51	2.79	0.750
2029	61.56	60.82	2.85	0.750
2030	62.79	62.04	2.91	0.750
2031	64.05	63.28	2.97	0.750
2032	65.33	64.55	3.03	0.750
2033	66.63	65.84	3.09	0.750
2034	67.97	67.15	3.15	0.750
thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.750

(1) Source: Three Consultants' average, McDaniel & Associates Consultants, GLJ Petroleum Consultants, and Sproule Associates price forecasts, effective April 1, 2020.

(2) Product sale prices will reflect these reference prices with further adjustments for product quality differentials and transportation to point of sale.

The impairment recorded at March 31, 2020 may be reversed at such time that the estimated recoverable amount of the impaired property and equipment increases.

The following table demonstrates the sensitivity of the impairment amount at March 31, 2020 from reasonably possible changes in key assumptions inherent in the estimate:

(\$000)	Increase in discount rate of 1 percent	Decrease in discount rate of 1 percent	Decrease in forecasted combined average realized prices of 5 percent	Increase in forecasted combined average realized prices of 5 percent
Impairment increase (decrease)	1,277	(679)	2,514	(2,486)

6. RIGHT-OF-USE ASSETS

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

(\$000)	Total
Balance, January 1, 2019	241
Additions	-
Depreciation	(42)
Balance, December 31, 2019	199
Additions	-
Depreciation	(11)
Impairment	(188)
Balance, March 31, 2020	-

During the three months ended March 31, 2020, Altura performed an impairment test on its Leduc-Woodbend CGU which incorporated the above office space, and office equipment ROU assets. Please refer to note 5 for further discussion regarding impairment.

7. CREDIT FACILITY

As at March 31, 2020, the Corporation's Credit Facility with a Canadian bank (the "Lender") had a maximum borrowing limit of \$9.0 million. The Credit Facility is a revolving operating loan, is payable on demand and contains customary material adverse change clauses. The Credit Facility bears interest 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 March 31, 2020, the working capital ratio as defined was 1.61:1 (December 31, 2019 – 4.0:1) and the Corporation was compliant with the LLR covenant. In March 2020, Altura's Lender waived the hedging covenant for the quarter ended March 31, 2020 relating to maintaining hedge agreements for the succeeding nine-month period.

As at March 31, 2020, \$3.4 million (December 31, 2019 - \$nil) was drawn on the Credit Facility and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2019 - \$160,000).

Altura's Credit Facility was reviewed in April 2020, on an interim basis, and the maximum borrowing limit was decreased to \$7.5 million. The next review date for the Credit Facility has been extended from May 31, 2020 to June 30, 2020. If the reduction to Altura's borrowing limit is below the balance drawn at the renewal date, Altura will be required to repay the shortfall within 30 days of receiving notice of the new borrowing limit and all rates and fees for the Credit Facility will increase by 1.5 percent. Alternative external sources of funding could be necessary to repay a shortfall.

8. LEASE LIABILITIES

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

(\$000)	As at March 31, 2020
April 2020–December 2020	36
2021–2022	111
2023–2024	119
Total lease payments	266
Impact of discounting	(32)
Lease liabilities	234
Payments due within one year	48
Payments due beyond one year	186

The following table reconciles lease liabilities:

(\$000)	Total
Balance, January 1, 2019	241
Lease interest (non-cash)	9
Lease interest (cash)	5
Total cash outflow	(13)
Balance, December 31, 2019	242
Lease interest (cash)	3
Total cash outflow	(11)
Balance, March 31, 2020	234

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 March 31, 2020 to be approximately \$5.7 million (December 31, 2019 – \$5.6 million) with the majority of costs anticipated to be incurred between 2030 and 2038. A risk-free Government of Canada long-term bond discount rate of 1.32 percent (December 31, 2019 – 1.76 percent) and an inflation rate of 0.89 percent (December 31, 2019 – 1.35 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Three months ended March 31, 2020	Year ended December 31, 2019
Balance, beginning of period	5,378	5,771
Additions	80	274
Liabilities disposed	-	(470)
Change in estimates ⁽¹⁾	(57)	(301)
Accretion	18	104
Balance, end of period	5,419	5,378
Expected to be incurred within one year	15	15
Expected to be incurred beyond one year	5,404	5,363

(1) The change in estimates is due to a change in the discount and inflation rates totaling a credit of \$57,000 (December 31, 2019 - \$237,000 credit) with no change in abandonment and remediation cost estimates and future abandonment dates (December 31, 2019 - \$64,000 credit).

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, 2018, December 31, 2019 and March 31, 2020	108,920,974	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 March 31, 2020 the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the three months ended March 31, 2020 and 2019.

A summary of the Corporation's outstanding stock options at March 31, 2020 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2018	8,390,000	0.34
Granted	1,380,000	0.42
Balance, December 31, 2019 and March 31, 2020	9,770,000	0.35

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2020 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	2.0	0.35	7,449,995	1.6	0.34
		9,770,000	2.0	0.35	7,449,995	1.6	0.34

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 months ended March 31, 2020 was \$76,000 (March 31, 2019 – \$79,000) of which \$23,000 was capitalized (March 31, 2019 – \$17,000).

- (d) Weighted average common shares:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Basic	108,920,974	108,920,974
Diluted	108,920,974	110,429,879

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 March 31, 2020, 9,770,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (March 31, 2019 – 2,885,556 stock options and 9,749,879 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at March 31, 2020 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2018, December 31, 2019, and March 31, 2020	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 March 31, 2020 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 months ended March 31, 2020 was \$53,000 (March 31, 2019 – \$108,000) of which \$12,000 was capitalized (March 31, 2019 – \$12,000), 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 March 31, 2020	Three months ended March 31, 2019
Heavy oil	2,008	6,529
Light & medium oil	15	300
Natural gas	585	466
Natural gas liquids	175	158
Petroleum and natural gas sales	2,783	7,453

As at March 31, 2020, receivables for revenue were \$564,000, which are included in accounts receivable (December 31, 2019 - \$1,498,000).

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 March 31, 2020, pertain to revenue for accrued March 2020 production volumes and receivables from the Canada Revenue Agency, Altura's financial instrument counterparty and joint interest partners. Altura primarily transacts with four oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. At March 31, 2020, 12 percent of total outstanding accounts receivable pertains to one marketing company, 16 percent pertains the Canada Revenue Agency, 26 percent pertains to Altura's financial instrument counterparty and 11 percent pertains to a joint interest partner. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at March 31, 2020. For the three months ended March 31, 2020, the Corporation received approximately 36 percent, 20 percent, 18 percent and 17 percent of its revenue from four marketing companies (2019 – 35 percent, 20 percent, 13 percent and 12 percent of its revenue from four marketing companies).

At March 31, 2020, the Corporation's trade receivables have been aged as follows:

As at (\$000)	March 31, 2020	December 31, 2019
Current	1,239	1,674
31 – 60 days	153	7
61 – 90 days	-	85
> 90 days	32	53
Allowance for doubtful accounts	-	-
Total	1,424	1,819

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 March 31, 2020, Altura held the following crude oil contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at March 31, 2020 (\$000)
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WTI	CAD \$70.20	946
Apr 1/20—Jun 30/20	Crude Oil	Fixed	300 bbls/d	WCS-WTI Differential	CAD (\$28.00)	(239)
Jul 1/20—Sep 30/20	Crude Oil	Fixed	300 Bbls/d	WCS	CAD \$43.75	572
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WTI	CAD \$71.35	658
Oct 1/20—Dec 31/20	Crude Oil	Fixed	300 Bbls/d	WCS-WTI Differential	CAD (\$24.00)	-
						1,937

At March 31, 2020, the crude oil contracts were fair valued with an asset of \$1,937,000 (December 31, 2019 - \$432,000 liability) recorded on the balance sheet.

Subsequent to March 31, 2020, Altura unwound the May 2020 fixed price contracts for WTI and the WCS-WTI Differential realizing a gain of \$356,000.

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 first quarter of 2020 and fourth quarter of 2019 is calculated as follows:

(\$000)	Three months ended March 31, 2020	Three months ended December 31, 2019
Net loss	(31,529)	(56)
Adjusted for the following non-cash items		
Deferred tax expense (recovery)	(1,472)	33
Depletion, depreciation and amortization	1,650	1,899
Impairment	34,710	-
Accretion of decommissioning liability	18	24
Share-based compensation	94	116
Loss on disposition of assets	-	417
Unrealized (gain) loss on financial instruments	(2,369)	530
Quarterly adjusted funds flow	1,102	2,963
Annualized adjusted funds flow	4,408	11,852

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 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 March 31, 2020 and December 31, 2019 is summarized as follows:

(\$000)	March 31, 2020	December 31, 2019
Current assets	(3,540)	(2,110)
Current liabilities	7,849	3,168
Working capital deficit	4,309	1,058
Fair value of financial instruments in current liabilities	1,937	(432)
Current portion of lease liabilities	(48)	(48)
Current portion of decommissioning liability	(15)	(15)
Net debt	6,183	563

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. As shown below, the Corporation's ratio of net debt to annualized adjusted funds flow increased to 1.40:1 at March 31, 2020. The increase is due to Altura's capital expenditures in the first quarter of 2020 exceeding adjusted

funds flow and added \$5.6 million to net debt from December 31, 2019 while adjusted funds flow decreased in the first quarter of 2020 compared to the fourth quarter of 2019 from lower production volumes and lower oil prices.

	March 31, 2020	December 31, 2019
Net debt (\$000)	6,183	563
Annualized adjusted funds flow (\$000)	4,408	11,852
Net debt to annualized adjusted funds flow (times)	1.40	0.05

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 2020.

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended March 31, 2020	Three months ended March 31, 2019
Provided by (used in):		
Accounts receivable	395	(2,323)
Prepaid expenses and deposits	(30)	(2)
Accounts payable and accrued liabilities	2,039	(122)
	2,404	(2,447)
Provided by (used in):		
Operating activities	81	(1,863)
Investing activities	2,323	(584)
	2,404	(2,447)

15. COMMITMENTS

On December 4, 2019, Altura entered into a definitive agreement with an unrelated third party ("PrivateCo") for the sale of a 12.5 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$7.0 million through two transactions. The first transaction closed on December 4, 2019, whereby Altura divested a 7.0 percent working interest for cash of \$3.5 million.

The agreement committed Altura to drill, complete and equip or abandon a horizontal well (the "First Well") in the Entice area of Alberta by March 31, 2020. Additionally, the agreement provided that Altura will pay PrivateCo's 7.0 percent working interest in the First Well and a 7.0 percent working interest in the completion of the Leduc-Woodbend 100/03-03-049-26W4 ("03-03") well (collectively the "Contract Liability"). Altura estimated the Contract Liability to be \$368,000 as at December 31, 2019. Altura fulfilled the First Well commitment and the 03-03 completion by March 2020 and \$245,000 of the Contract Liability was netted against E&E asset additions and \$123,000 of the Contract Liability was netted against property and equipment additions in the first quarter of 2020.

The agreement also committed Altura to the following:

1. Spud a second horizontal well by December 31, 2020. On or before October 30, 2020, Altura and PrivateCo shall meet and review the production information and other data from the first Entice well. If it is mutually agreed that the drilling of a second well at Entice is warranted, Altura will select a location for the drilling of a horizontal well in the Entice area. If not mutually agreed that the drilling of a second well at Entice is warranted, Altura will select a location for the drilling of a horizontal well in the Leduc-Woodbend area. If the second well is drilled in the Entice area, PrivateCo will pay 7.0 percent of well costs and earn a 12.5 percent working interest in the well. If the second well is drilled in the Leduc-Woodbend area, PrivateCo will pay 12.5 percent of well costs and earn a 12.5 percent working interest in the well.
2. Within 10 business days of delivering the second well location notice to PrivateCo, Altura and PrivateCo shall enter into a purchase and sale agreement for the second transaction whereby Altura will divest of an additional 5.5 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.5 million. Proceeds will primarily be used to fund the second well.

3. In the event a second well is drilled at Entice and both parties agree to drill a third well at Entice, the agreement provides for a third transaction whereby Altura will divest of an additional 4.0 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.0 million. Proceeds would primarily be used to drill a third horizontal well at Entice on or before December 31, 2021. PrivateCo would pay 12.5 percent of well costs and earn a 16.5 percent working interest in the well.

Altura is committed to drill one horizontal well by December 31, 2020 in the Leduc-Woodbend area pursuant to a freehold petroleum lease agreement. The Corporation is subject to a non-performance penalty of \$125,000 if the commitment is not fulfilled.

CORPORATE INFORMATION

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Independent Businessman

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

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ATB Financial
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Lawson Lundell LLP
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

STOCK TRADING

TSX Venture Exchange
Trading Symbol: **ATU**

