

2017 THIRD QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
OPERATING					
Average daily production					
Light and medium oil (bbls/d)	624	652	472	605	354
Heavy oil (bbls/d)	274	346	18	309	14
Natural gas (mcf/d)	1,045	1,098	473	1,018	371
NGLs (bbls/d)	16	25	6	19	6
Total (boe/d)	1,088	1,205	574	1,103	435
Total boe/d per million shares – basic	10.0	11.1	5.3	10.1	4.0
Average realized prices					
Light and medium oil (\$/bbl)	47.64	50.69	46.04	50.46	40.20
Heavy oil (\$/bbl)	47.38	45.36	37.68	46.25	32.33
Natural gas (\$/mcf)	1.71	3.03	2.53	2.55	2.09
NGLs (\$/bbl)	49.54	36.44	33.53	41.37	34.48
Total (\$/boe)	41.62	43.93	41.41	43.72	35.95
NETBACK AND COST (\$/boe)					
Petroleum and natural gas sales	41.62	43.93	41.41	43.72	35.95
Royalties	(3.70)	(4.41)	(3.13)	(4.11)	(2.31)
Operating	(10.01)	(10.52)	(7.53)	(10.18)	(9.16)
Transportation	(2.89)	(2.71)	(2.73)	(2.64)	(2.79)
Operating netback ⁽¹⁾	25.02	26.29	28.02	26.79	21.69
General and administrative	(3.78)	(3.28)	(5.49)	(3.62)	(9.78)
Exploration expense	-	-	(0.70)	-	(0.56)
Interest and financing expense	(0.06)	(0.27)	(0.08)	(0.14)	(0.26)
Interest income	-	0.03	0.78	0.06	1.16
Corporate netback ⁽¹⁾	21.18	22.77	22.53	23.09	12.25
FINANCIAL (\$000, except per share amounts)					
Petroleum and natural gas sales	4,167	4,818	2,189	13,163	4,284
Funds from operations ⁽¹⁾	2,119	2,496	1,193	6,952	1,459
Per share – basic and diluted ⁽¹⁾	0.02	0.02	0.01	0.06	0.01
Cash flow from operating activities	2,545	2,269	763	7,608	654
Per share – basic and diluted	0.02	0.02	0.01	0.07	0.01
Income (loss)	322	594	(68)	929	(1,513)
Per share – basic and diluted	-	0.01	-	0.01	(0.01)
Capital expenditures, acquisitions and dispositions	6,439	3,078	8,049	18,469	10,547
Net debt (working capital surplus) ⁽¹⁾	2,881	(1,156)	(13,209)	2,881	(13,209)
Common shares outstanding (000)					
End of period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – diluted	108,922	109,082	108,921	109,019	108,921

(1) Funds from operations, net debt, funds from operations per share, corporate netback, and operating netback do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Measures paragraph in the Advisories section of the MD&A.

PRESIDENT'S MESSAGE

THIRD QUARTER 2017 HIGHLIGHTS

- Production volumes averaged 1,088 boe per day, a per share increase of 89% from the third quarter of 2016, with year-to-date production increasing by 154% from 2016.
- Funds from operations were \$2.1 million, up 78% from the third quarter of 2016.
- Earnings of \$322,000 compared to a loss of \$68,000 in the third quarter of 2016.
- Total cash costs (royalties, operating, transportation, G&A, exploration, and interest and financing expenses) were flat at approximately \$20.00 per boe for the past five quarters, driving a corporate netback of \$21.18 per boe for the quarter.
- Net capital expenditures totaled \$6.4 million. This included \$3.7 million for drilling two extended reach horizontal ("ERH") oil wells and completing one ERH oil well at Leduc-Woodbend. The second ERH well was completed at the beginning of October.
- Invested \$1.7 million in infrastructure relating to the construction of gas gathering, emulsion and produced water pipelines for the two new ERH wells and equipment purchases for the planned multi-well battery at Leduc-Woodbend.
- The credit facility was increased to \$10.0 million from \$7.5 million in October. Net debt at September 30, 2017 was \$2.9 million, or 0.3 times annualized third quarter funds from operations.

OPERATIONAL REVIEW

Leduc-Woodbend

Altura continues to build on its dominant land position in the Leduc-Woodbend area with approximately 60 net sections of 100% working interest lands secured in this large Upper Mannville Rex oil pool.

Altura drilled two 1.5-mile ERH wells in the third quarter of 2017. Completion operations commenced at the end of September and the wells were brought on production at the end of October. Each well was drilled to a vertical depth of 1,300 meters with a horizontal length of approximately 2,000 meters and an average of 43 frac stages. Drilling and completion costs are estimated at \$2.5 million per well.

Operational efficiencies continue to improve on this play with the most recent spud to rig release time on the second ERH well at 10.2 days (344 meters per day) compared to a one mile horizontal at 8.8 days (329 meters per day). When compared to a one-mile horizontal well, the ERH wells access an additional 50% or 650 meters of reservoir which is expected to improve production rates and reserve recovery. The ERH wells were placed on production on October 27, 2017, and the initial production rates for the first few days meet expectations. Altura plans to update shareholders with 30-day and 45-day initial production rates for both wells in December.

Altura successfully recompleted a standing wellbore in the southern area of the field to a produced water disposal well and commenced water injection in October. In the northern area of the field, the Corporation converted a second well to a produced water disposal well and completed the construction of gas gathering, emulsion and water disposal infrastructure. This investment will allow Altura to conserve natural gas and improve operating cost efficiencies by significantly reducing produced water trucking and disposal costs. The Corporation estimates that the pipeline and disposal wells will reduce area operating costs by approximately \$3.50 per boe (\$0.90 per boe corporately).

Infrastructure in the area will expand with the construction of a multi-well battery and an additional natural gas gathering pipeline planned for 2018. The battery will have an initial capacity of 3,000 barrels of oil per day and the gas gathering pipeline will connect Altura's northern area wells to a second third-party gas plant in the southern half of the Leduc-Woodbend field. This pipeline connection will increase Altura's gathering and processing capacity, avoid curtailments and reduce processing fees.

Eyehill

Altura converted a one-mile horizontal well to a water injection well and commenced the waterflood pilot in August. The injection well is performing as expected and the offsetting producers will be monitored for positive oil production response. Produced water injection has eliminated water hauling and disposal costs and reduced the area operating costs by approximately \$2.00 per boe (\$0.80 per boe corporately).

Macklin

In September, Altura executed a three-way asset exchange including undeveloped land and a wellbore in the Provost area in exchange for three sections of Sparky rights contiguous to Altura's producing well that was drilled in the first quarter of 2017. The additional sections have increased Altura's position in the Sparky pool to 9.5 sections of 100% WI land. Following the positive results of the producing Sparky horizontal well, Altura has initiated surface land acquisition activities for future drilling pads.

CREDIT FACILITY INCREASED

In October 2017, Altura's credit facility was increased to \$10.0 million from \$7.5 million based on the mid-year 2017 reserve report. The Corporation ended the quarter with net debt of \$2.9 million, or 0.3 times annualized third quarter funds from operations.

OUTLOOK

2017 average production is forecasted to increase by 96% from 2016 on a per share basis. Altura forecasts a 2017 exit rate of 1,350 boe per day, which represents a 37% increase over fourth quarter 2016 of 988 boe per day.

Altura is very encouraged with the early production results from the two new Leduc-Woodbend ERH wells. The Corporation plans to update shareholders in mid-December in respect to the initial production rates of these wells and to provide guidance concerning the 2018 capital budget.

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer
November 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Altura Energy Inc. (the "Corporation" or "Altura") is dated November 8, 2017 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2017, the audited consolidated financial statements and related notes for the year ended December 31, 2016, as well as the Corporation's Annual Information Form that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

DESCRIPTION OF BUSINESS

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

RESULTS OF OPERATIONS

Production

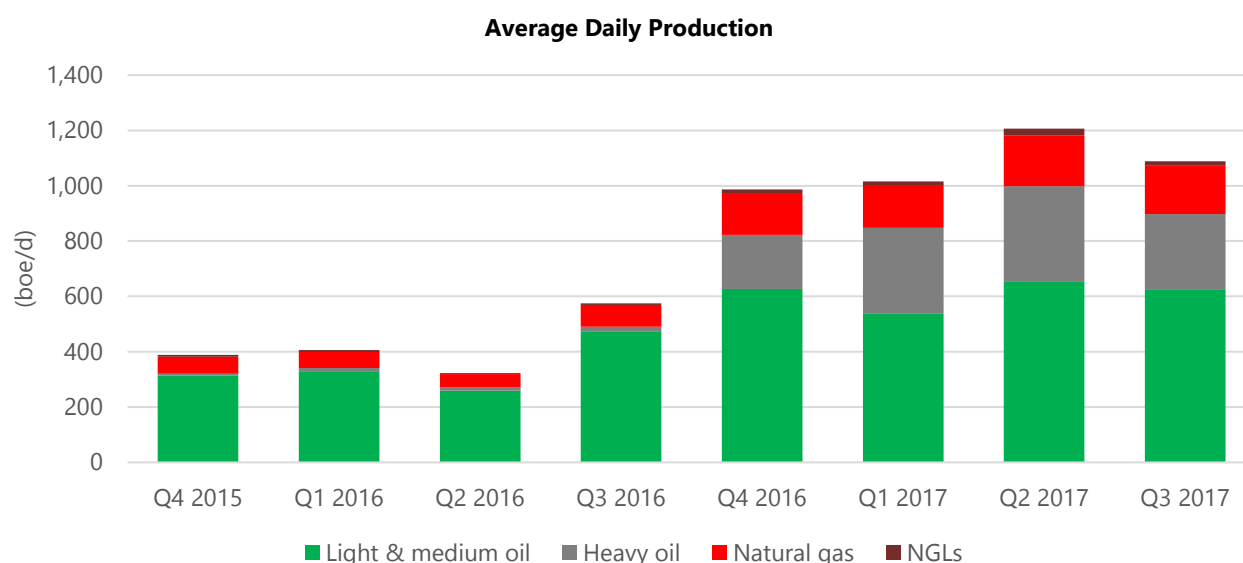
	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Light and medium oil (bbls/d)	624	472	32	605	354	71
Heavy oil (bbls/d)	274	18	>500	309	14	>500
Natural gas (mcf/d)	1,045	473	121	1,018	371	174
Natural gas liquids (bbls/d)	16	6	167	19	6	217
Total (boe/d)	1,088	574	90	1,103	435	154
Oil and natural gas liquids % of production	84%	86%	(2)	85%	86%	(1)

Production volumes increased 90 percent to average 1,088 boe per day in the third quarter of 2017 compared to 574 boe per day in the third quarter of 2016. Light and medium oil production increased 32 percent to 624 barrels per day from 472 barrels per day in the third quarter of 2016. Heavy oil production increased to 274 barrels per day from 18 barrels per day in the third quarter of 2016. Natural gas production increased 121 percent to 1,045 mcf per day from 473 mcf per day in the third quarter of 2016.

On a year-to-date basis, production volumes were 1,103 boe per day compared to 435 boe per day in 2016.

The increase in production volumes is due to the Corporation's successful drilling program in the second half of 2016 and first half of 2017, coupled with an asset acquisition that closed on September 14, 2016, in the Killam area of Alberta. Altura drilled eight horizontal wells year-to-date, of which six were brought on production in the first three quarters of 2017. Altura drilled two 1 ½ mile extended reach horizontal wells in the third quarter of 2017 that were brought on production at the end of October.

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



The decreased production volumes in the third quarter of 2017 from the second quarter of 2017 is related to no new wells brought on production in the quarter, natural production declines, production downtime from TCPL pipeline maintenance and well workover activity.

Revenue

(\$000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Light and medium oil	2,734	1,997	37	8,334	3,897	114
Heavy oil	1,194	63	>500	3,906	122	>500
Natural gas	164	110	49	709	212	234
Natural gas liquids	75	19	295	214	53	304
Petroleum and natural gas sales	4,167	2,189	90	13,163	4,284	207

Petroleum and natural gas sales for the third quarter of 2017 increased 90 percent to \$4,167,000 compared to \$2,189,000 in the third quarter of 2016. The quarter-over-quarter increase of \$1,978,000 consists of \$1,924,000 attributed to increased production volumes, and \$54,000 attributed to higher realized crude oil and natural gas liquid prices. For the year-to-date, petroleum and natural gas sales increased 207 percent compared to the same period in 2016. The increase of \$8,879,000 consists of \$6,973,000 attributed to increased production volumes, and \$1,906,000 attributed to higher realized prices.

Altura sells all of its crude oil and natural gas production on a spot basis. The average realized price the Corporation receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate and transportation and product quality differentials.

The average benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for these commodities. The principal crude oil benchmarks that Altura compares its oil price to are the West Texas Intermediate ("WTI") oil spot price, the mixed sweet par price at Edmonton ("MSW"), and the Western Canadian Select ("WCS") spot price. The differential between the WTI spot price, MSW par price and WCS spot price can widen due to several factors, including, but not limited to, downtime in North American refineries, rising domestic and international production, high inventory levels in North America and lack of pipeline infrastructure connecting key consuming oil markets.

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

	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Average Benchmark Prices						
WTI crude oil (US\$/bbl) ⁽¹⁾	48.05	44.94	7	49.42	41.33	20
US\$/Cdn\$ exchange rate	0.800	0.776	3	0.765	0.757	1
MSW (Edmonton) Par (Cdn\$/bbl)	56.62	54.68	4	60.78	50.88	19
WCS (Cdn\$/bbl)	47.90	41.00	17	49.09	36.30	35
AECO daily spot (\$/GJ)	1.38	2.20	(37)	2.19	1.75	25
Average Realized Prices						
Light and medium oil (\$/bbl)	47.64	46.04	3	50.46	40.20	26
Heavy oil (\$/bbl)	47.38	37.68	26	46.25	32.33	43
Natural gas (\$/mcf)	1.71	2.53	(32)	2.55	2.09	22
Natural gas liquids (\$/bbl)	49.54	33.53	48	41.37	34.48	20
Average realized price (\$/boe)	41.62	41.41	1	43.72	35.95	22
Oil Price Differentials						
Light and medium oil differential to MSW (\$/bbl)	(8.98)	(8.64)	4	(10.32)	(10.68)	(3)
Heavy oil differential to WCS (\$/bbl)	(0.52)	(3.32)	(84)	(2.84)	(3.97)	(28)

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

(2) MSW (Edmonton) Par represents the mixed sweet par price at Edmonton.

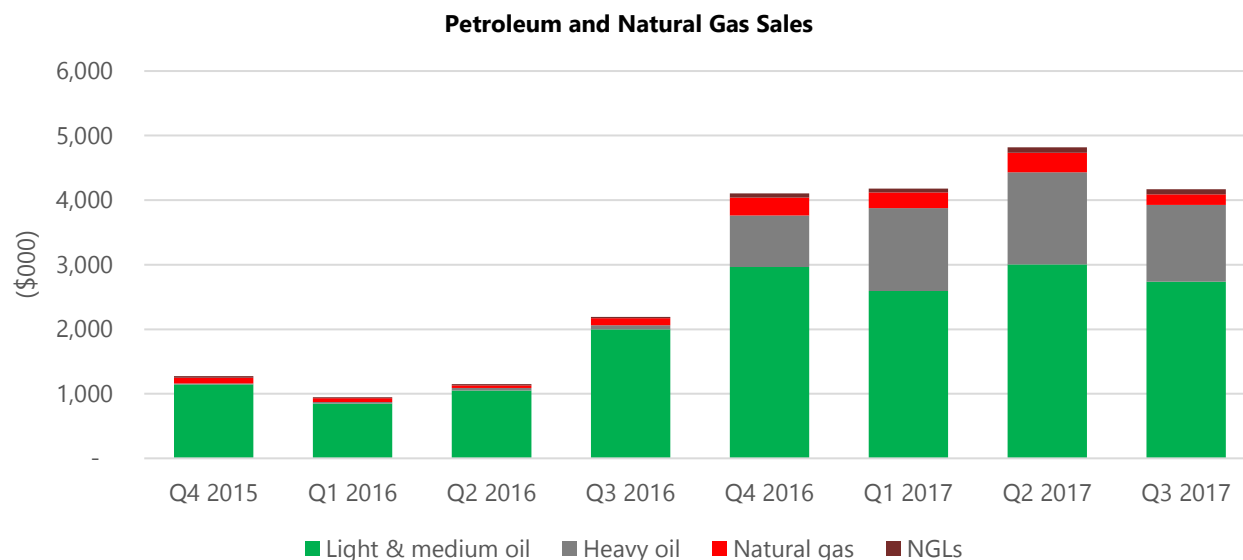
(3) WCS represents the benchmark Western Canadian Select heavy crude oil price.

For the three and nine months ended September 30, 2017 Altura's realized light and medium oil price increased by 3 percent and 26 percent, respectively, as compared to the comparable prior periods. This price increase is primarily attributed to the increase in MSW over the same time periods.

Realized heavy oil prices increased by 26 percent and 43 percent in the three and nine months ended September 30, 2017, respectively, as compared to the comparable prior periods. This realized price increase is primarily attributed to the price increase in WTI over the same time periods, the effect of a narrowing differential, or discount, between WTI and WCS crude oil prices and an increase in average oil quality from the wells drilled in the fourth quarter of 2016 and first half of 2017 compared to the average heavy oil quality in the comparable prior periods.

For the three and nine months ended September 30, 2017 Altura's realized natural gas price decreased by 32 percent and increased by 22 percent, respectively, compared to the same periods in 2016. These price changes are consistent with the changes in the AECO daily spot prices over the same periods.

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



Royalties

(\$000, except % and per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Crown royalties	223	153	46	730	251	191
Freehold and overriding royalties	148	12	>500	508	24	>500
Royalty expense	371	165	125	1,238	275	350
Royalty expense as a % of sales	8.9%	7.6%	17	9.4%	6.4%	47
Royalty expense per boe	3.70	3.13	18	4.11	2.31	78

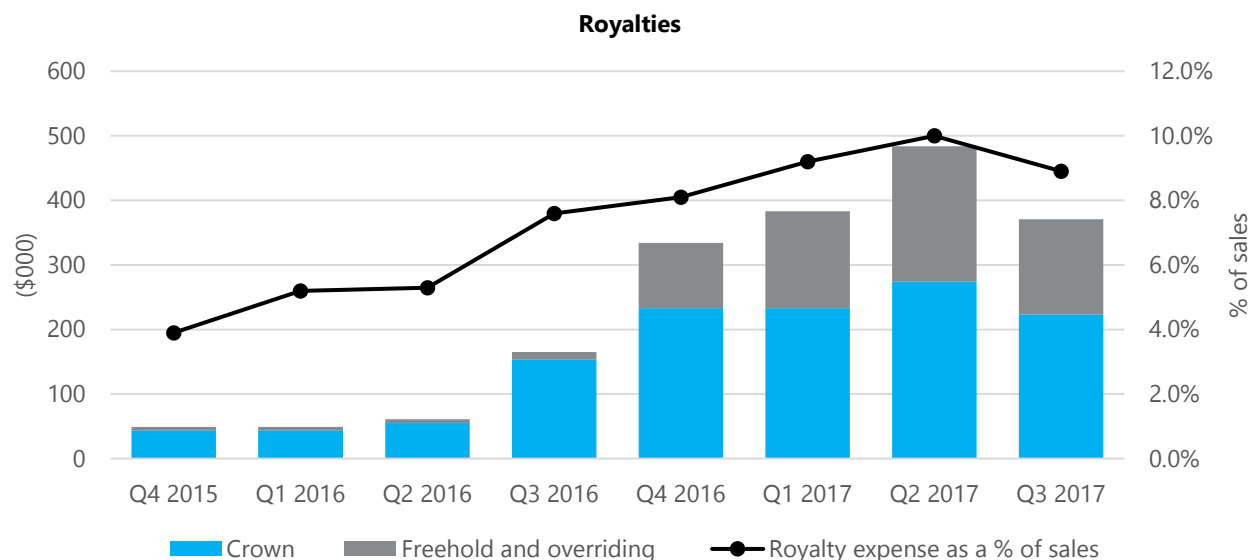
The Corporation's royalties are owed to the provincial governments of Alberta and Saskatchewan, and mineral rights owners. Royalties are either paid or taken in kind. The terms of the provincial government royalty regimes and mineral rights owner agreements impact the Corporation's overall corporate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

In 2016, the provincial government of Alberta announced the key highlights of the Modernized Royalty Framework ("MRF") that was effective on January 1, 2017. These highlights include the replacement of royalty credits and holidays on conventional wells through a Drilling and Completion Cost Allowance to emulate a revenue minus cost framework, a post-payout royalty rate based on commodity prices, and the reduction of royalty rates for mature wells, with the intent of delivering a neutral internal rate of return for any given play compared to the previous Alberta Royalty Framework. No changes will be made to the royalty structure of wells drilled prior to January 2017 for a 10-year period from the royalty program's implementation date. Details of the MRF calibration formulas have been released and more specific information can be found on the Alberta government's website.

In the three and nine months ended September 30, 2017, royalties as a percentage of sales increased 17 percent and 47 percent, respectively, from the comparative prior periods, due to increases in both Crown and freehold and overriding royalties. Alberta Crown royalties are based on a sliding scale with sensitivity to price, total volume produced and royalty incentives for new wells drilled on Crown lands. Crown royalties increased during the three and nine months ended September 30, 2017 due to increased oil production. The increase in freehold and overriding royalties is mainly due to production from wells drilled on freehold mineral lands in the Leduc-Woodbend area that are not subject to Crown royalty incentives, coupled with an increase in freehold royalties associated with the Killam asset acquisition.

For Altura, the economics of drilling in its Upper Mannville oil plays subject to the recently introduced MRF, within expected commodity price ranges, are comparable to the Alberta Royalty Framework in place before the MRF.

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



Operating and Transportation Costs

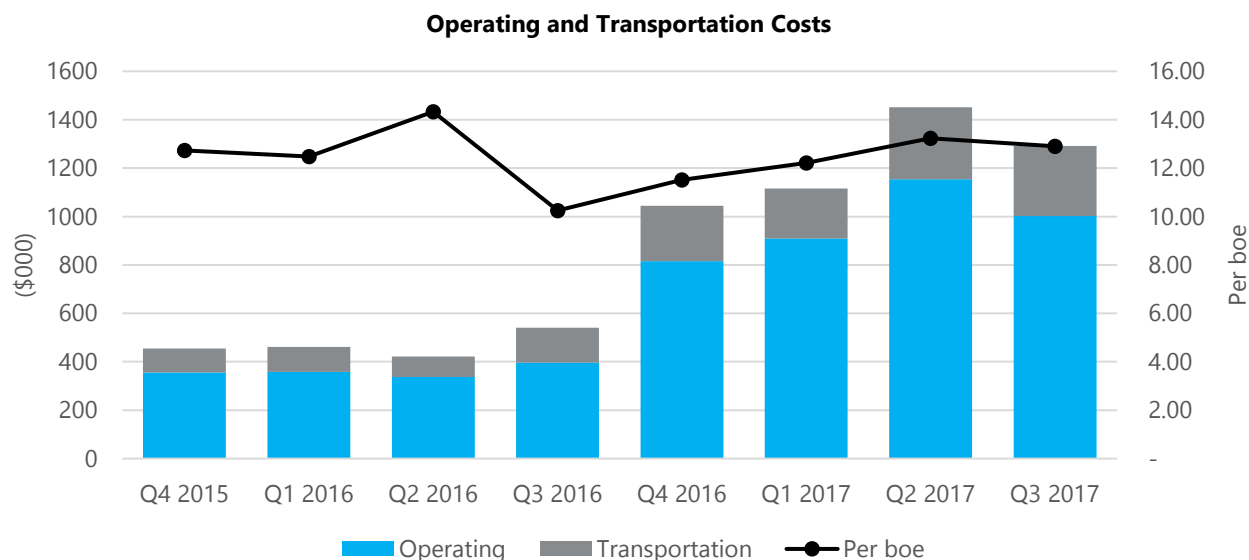
(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Operating	1,002	397	152	3,066	1,092	181
Transportation	290	144	101	794	333	138
Operating and transportation	1,292	541	139	3,860	1,425	171
Operating per boe	10.01	7.53	33	10.18	9.16	11
Transportation per boe	2.89	2.73	6	2.64	2.79	(5)
Operating and transportation per boe	12.90	10.26	26	12.82	11.95	7

Operating and transportation costs increased to \$1,292,000 and \$3,860,000 for the three and nine months ended September 30, 2017, compared to \$541,000 and \$1,425,000 for the same periods in 2016, respectively. This increase is due to Altura's increase in overall production volumes coupled with an increased percentage of production from higher operating cost properties including Leduc-Woodbend, Macklin, and Killam. Operating costs at Leduc-Woodbend are relatively higher due to additional water hauling, water disposal and repairs and maintenance costs. At Macklin, operating costs are relatively higher due to additional water hauling and disposal costs. The Killam area has a higher fixed cost profile due to higher relative property taxes and lease rental costs. As the Killam area was acquired on September 14, 2016, it included only 17 days of production in the third quarter of 2016.

On a per boe basis, operating and transportation costs were \$12.90 and \$12.82, for the three and nine months ended September 30, 2017. The increases of 26 percent and seven percent when compared with the same periods in 2016 were primarily a result of increased production from the Leduc-Woodbend, Macklin, and Killam areas which all have higher operating costs than Altura's corporate average as noted above.

At Leduc-Woodbend, Altura converted two standing wellbores to water disposal wells in the third quarter of 2017. In October, Altura commenced water injection at the southern disposal well which will reduce third party water disposal costs.

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



General and Administrative ("G&A") Expenses

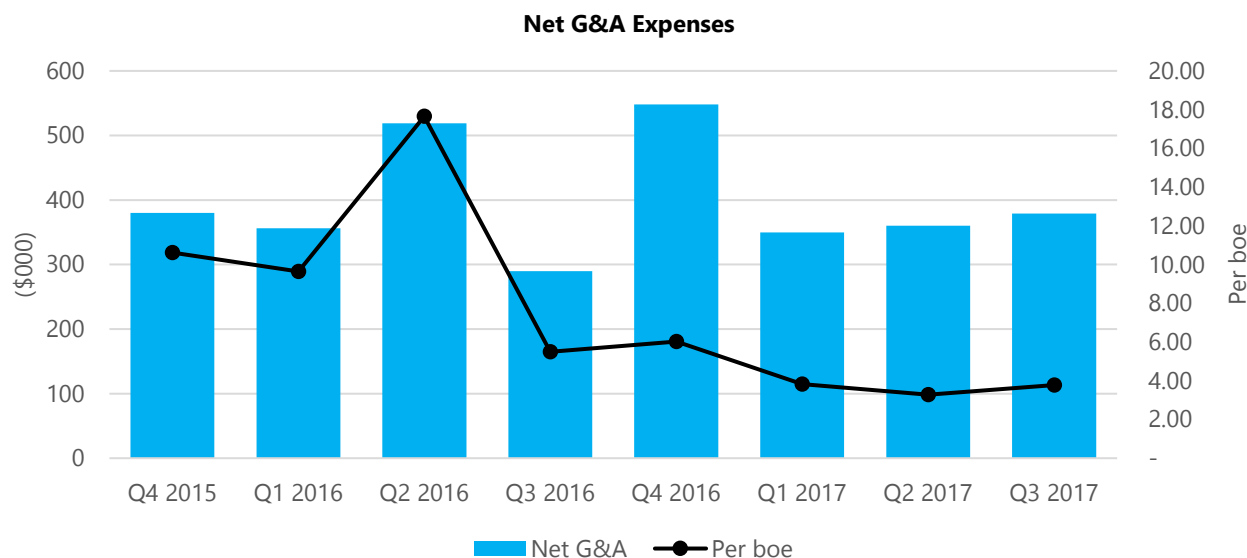
(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Gross G&A	504	371	36	1,460	1,369	7
Capitalized G&A and overhead recoveries	(125)	(81)	54	(371)	(204)	82
Net G&A expenses	379	290	31	1,089	1,165	(7)
Net G&A per boe	3.78	5.49	(31)	3.62	9.78	(63)

Net G&A expenses totaled \$379,000 and \$1,089,000 for the three and nine months ended September 30, 2017, respectively, compared to \$290,000 and \$1,165,000 for the same periods in 2016. The increase is primarily related to increased salaries and benefits, professional services, and director fees associated with the Corporation's growth, partially offset by increased capitalized G&A.

Net G&A expenses decreased 31 percent and 63 percent to \$3.78 per boe and \$3.62 per boe for the three and nine months ended September 30, 2017, respectively, due to higher production volumes.

Altura's policy is to capitalize costs that are directly attributable to investments of property and equipment or exploration and evaluation assets. The increase in capitalized G&A and overhead recoveries in the three and nine months ended September 30, 2017 is a result of increased capital spending compared to the same periods in 2016.

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



The increased net G&A observed in the second quarter of 2016 and the fourth quarter of 2016 primarily relate to additional costs associated with severance to a former officer, and management bonuses, respectively.

Exploration Expense

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Exploration expense	-	37	(100)	-	67	(100)
Exploration expense per boe	-	0.70	(100)	-	0.56	(100)

Exploration expenses are costs incurred prior to acquiring the legal right to explore in an area. Exploration expense in the three and nine months ended September 30, 2016, relate to seismic acquisition and processing costs incurred by the Corporation to evaluate Crown land sales.

Interest and Financing Expenses

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Interest and financing expenses	6	4	50	42	31	35
Interest and financing expenses per boe	0.06	0.08	(25)	0.14	0.26	(46)

Interest and financing expenses totaled \$6,000 and \$42,000 in the three and nine months ended September 30, 2017, respectively, compared to \$4,000 and \$31,000 in the same periods of 2016. The increases are due to higher standby fees and credit facility renewal fees in 2017 associated with the increase in the borrowing base from \$4.0 million to \$7.5 million.

Interest Income

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Interest income	-	41	(100)	18	138	(87)
Interest income per boe	-	0.78	(100)	0.06	1.16	(95)

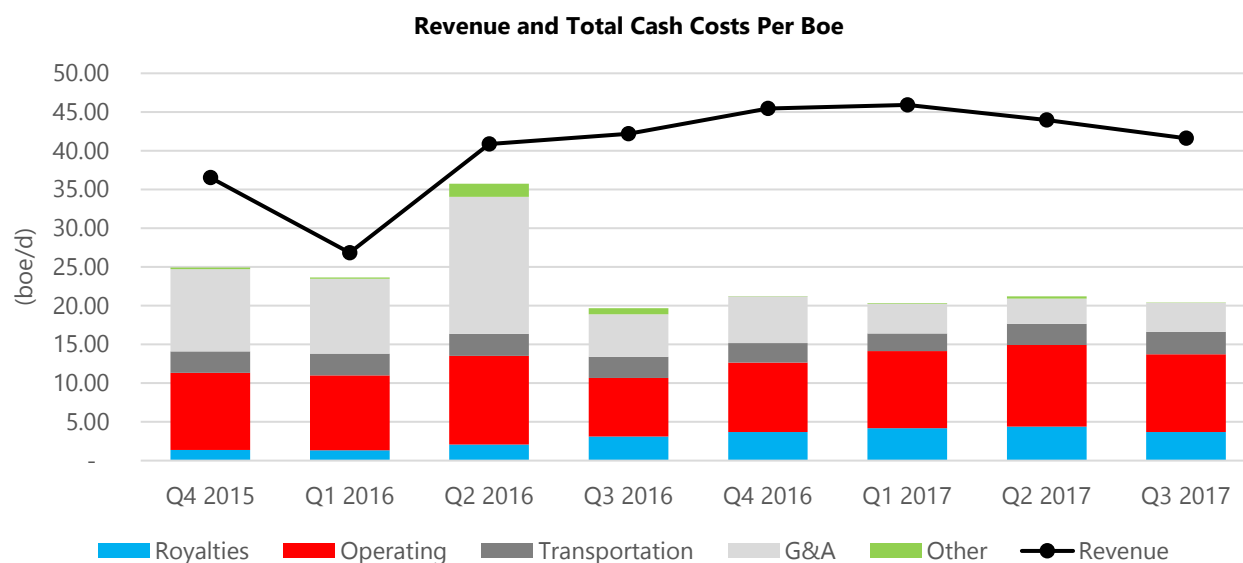
Interest income was nil and \$18,000 in the three and nine months ended September 30, 2017, respectively, compared to \$41,000 and \$138,000 in the same periods of 2016. The decrease is due to a lower average cash balance invested in 2017.

Netbacks

(\$/boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Average realized sales price	41.62	41.41	1	43.72	35.95	22
Royalties	(3.70)	(3.13)	18	(4.11)	(2.31)	78
Operating	(10.01)	(7.53)	33	(10.18)	(9.16)	11
Transportation	(2.89)	(2.73)	6	(2.64)	(2.79)	(5)
Operating netback	25.02	28.02	(11)	26.79	21.69	24
General and administrative	(3.78)	(5.49)	(31)	(3.62)	(9.78)	(63)
Exploration expense	-	(0.70)	(100)	-	(0.56)	(100)
Interest and financing expenses	(0.06)	(0.08)	(25)	(0.14)	(0.26)	(46)
Interest income	-	0.78	(100)	0.06	1.16	(95)
Corporate netback	21.18	22.53	(6)	23.09	12.25	88

Altura's corporate netback was \$21.18 per boe in the third quarter of 2017 compared to \$22.53 per boe in the same period of 2016. The decrease is mainly a result of increased per unit royalties, operating and transportation costs and no interest income, partially offset by decreased per unit G&A and no exploration expense. For the year-to-date, Altura's corporate netback was \$23.09 per boe compared to \$12.25 per boe in the same period of 2016. The increase is mainly a result of increased realized prices and increased production volumes resulting in decreased per unit G&A and transportation costs and no exploration expense, partially offset by increased royalties and operating expenses and decreased interest income.

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



Share-Based Compensation

(\$000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Share-based compensation	275	290	(5)	822	824	-
Capitalized share-based compensation	(61)	(44)	39	(175)	(102)	72
Share-based compensation expense	214	246	(13)	647	722	(10)

Altura's share-based compensation is comprised of stock option expense and performance warrant expense. The Corporation uses the fair-value method for the determination of non-cash related share-based compensation and the expense is recorded over the expected life. Share-based compensation, before capitalized amounts, totaled \$275,000 and \$822,000 in the three and nine months ended September 30, 2017, respectively, compared to \$290,000 and \$824,000 in the same periods of 2016.

Altura's policy is to capitalize costs that are directly attributable to the construction of property and equipment or exploration and evaluation assets. The increase in capitalized share-based compensation in the three and nine months ended September 30, 2017, is a result of increased capital spending compared to the same periods in 2016.

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

(\$000, except per boe)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
DD&A	1,545	1,010	53	5,410	2,403	125
DD&A per boe	15.43	19.12	(19)	17.97	20.17	(11)

Altura uses proved and probable reserves to calculate DD&A expense. For the three and nine months ended September 30, 2017, DD&A increased 53 percent and 125 percent to \$1,545,000 and \$5,410,000, respectively, over the same periods in 2016 due to increased production volumes.

DD&A decreased to \$15.43 per boe and \$17.97 per boe in the three and nine months ended September 30, 2017, respectively, from \$19.12 per boe and \$20.17 per boe in the same periods of 2016 reflecting an increase in the Corporation's proved and probable reserves at a lower finding and development cost than the aggregate amount in the comparable prior periods.

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 costs of disposal. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment.

At September 30, 2017, Altura evaluated its developed and producing ("D&P") assets and exploration and evaluation ("E&E") assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on Altura's D&P assets and E&E assets for the three and nine month periods ended September 30, 2017.

Deferred Taxes

The Corporation had no deferred income tax expense or recovery in the three and nine month periods ended September 30, 2017 and 2016. As at September 30, 2017 and 2016, the Corporation had an unrecognized deferred tax asset.

Cash Flow from Operating Activities and Funds from Operations

Management uses funds from operations to analyze operating performance. Funds from operations and funds from operations per share are non-GAAP measures defined by the Corporation as cash flow from operating activities from the statements of cash flows before decommissioning expenditures, if any, transaction costs and changes in non-cash operating working capital. Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Altura's performance or liquidity. Funds from operations per share is calculated based on the weighted average number of basic and diluted common shares outstanding. Altura's calculation of funds from operations is considered to be a key measure of the ability to generate the cash necessary to fund capital expenditures and repay indebtedness. The following schedule sets out the reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to funds from operations for the reporting periods and the comparable prior periods:

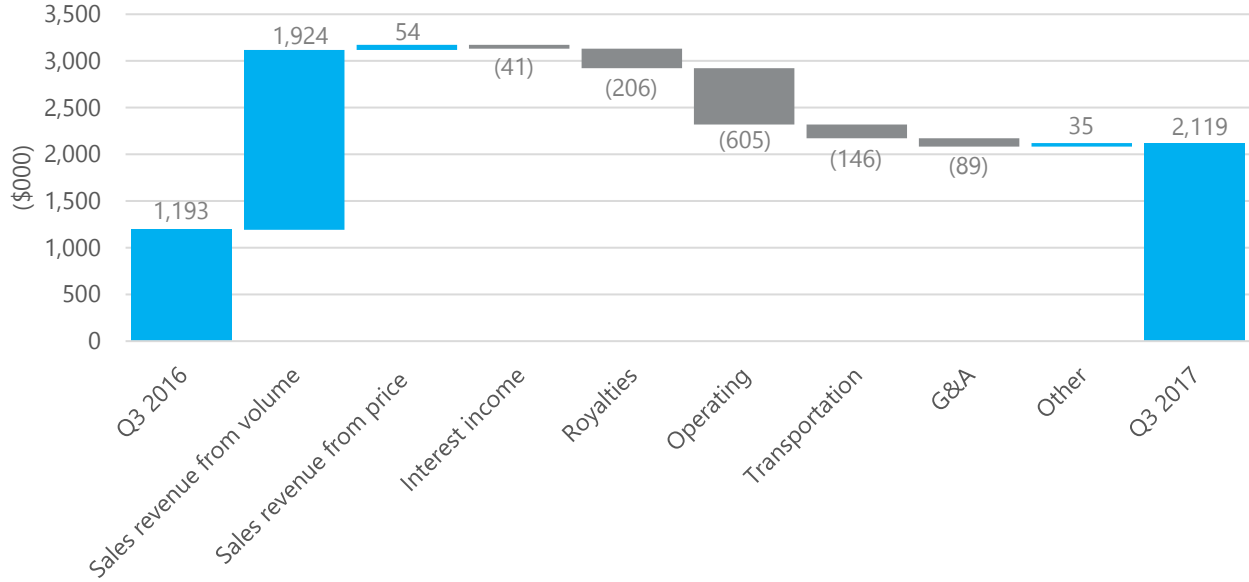
(\$000, except per share amounts)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Cash flow from (used in) operating activities	2,545	763	234	7,608	654	>500
Transaction costs	-	12	(100)	-	12	(100)
Decommissioning liabilities settled	27	2	>500	38	3	>500
Changes in non-cash operating working capital	(453)	416	(209)	(694)	790	(188)
Funds from operations	2,119	1,193	78	6,952	1,459	376
Per share – basic	0.02	0.01	100	0.06	0.01	500
Per share – diluted	0.02	0.01	100	0.06	0.01	500

Cash flow from operating activities increased to \$2,545,000 and \$7,608,000 for the three months and nine months ended September 30, 2017, compared to \$763,000 and \$654,000 in the same periods of 2016. The increases are due to increased revenue from incremental production volumes and higher commodity prices coupled with decreases in non-cash operating working capital, partially offset by higher royalties, operating and transportation costs associated with increased production volumes, and lower interest income. Non-cash operating working capital decreased by \$453,000 for the three months ended September 30, 2017, mainly due to the decrease in accounts receivable as at September 30, 2017, compared to June 30, 2017. For the year-to-date, non-cash working capital decreased by \$694,000, mainly due to the decrease in accounts receivable from December 31, 2016.

Details of the change in funds from operations and corporate netback per boe from the three and nine months ended September 30, 2016, to the three and nine months ended September 30, 2017, are as follows:

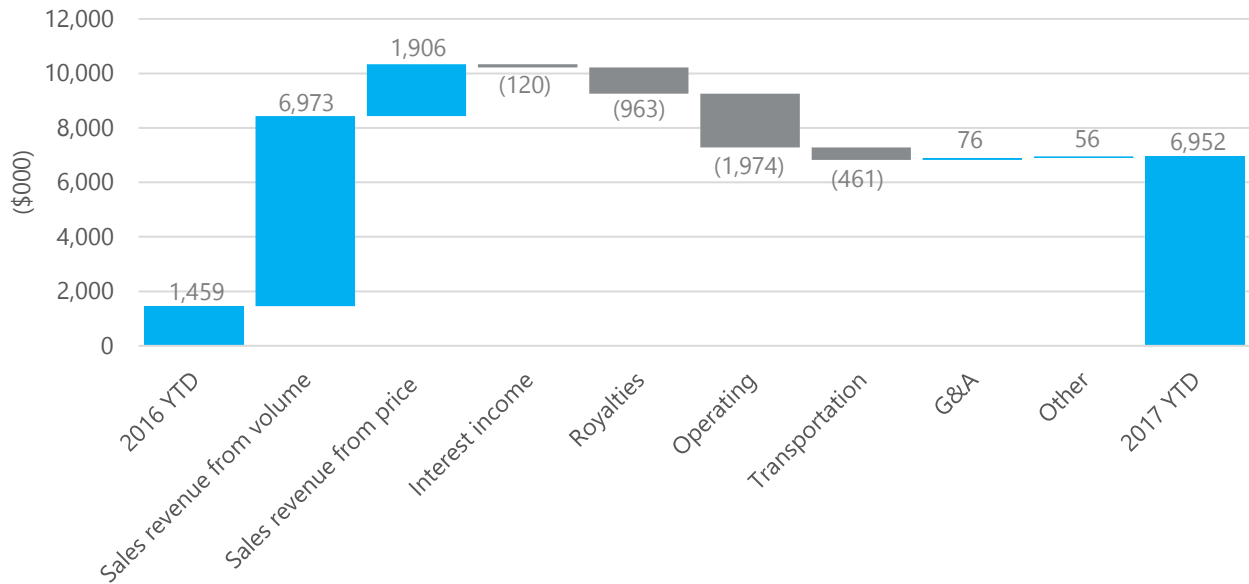
	Three months ended September 30		Nine months ended September 30	
	\$000	\$/boe	\$000	\$/boe
Funds from operations / Corporate netback – 2016	1,193	22.53	1,459	12.25
Volume variance	1,924	-	6,973	-
Price variance	54	0.21	1,906	7.77
Interest and other income	(41)	(0.78)	(120)	(1.10)
Royalties	(206)	(0.57)	(963)	(1.80)
Expenses:				
Operating	(605)	(2.48)	(1,974)	(1.02)
Transportation	(146)	(0.16)	(461)	0.15
General and administrative	(89)	1.71	76	6.16
Exploration expense	37	0.70	67	0.56
Interest and financing	(2)	0.02	(11)	0.12
Funds from operations / Corporate netback – 2017	2,119	21.18	6,952	23.09

Third Quarter 2016 to Third Quarter 2017 Changes in Funds from Operations



Funds from operations increased \$926,000 in the third quarter of 2017 to \$2,119,000 from \$1,193,000 generated in the third quarter of 2016. The increase is mainly due to higher revenue attributed to increased production volumes, partially offset by higher royalties, operating and transportation costs associated with increased production volumes, and higher G&A.

2016 YTD to 2017 YTD Changes in Funds from Operations



Year-to-date, funds from operations increased \$5,493,000 to \$6,952,000 from \$1,459,000 generated in 2016. The increase mainly reflects higher revenue due to increased production volumes, and higher commodity prices, partially offset by higher royalties, operating and transportation costs associated with increased production volumes, and decreased interest income.

Income (loss)

(\$000, except per share amounts)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Income (loss)	322	(68)	(>500)	929	(1,513)	(161)
Per share – basic	-	-	-	0.01	(0.01)	(200)
Per share – diluted	-	-	-	0.01	(0.01)	(200)

For the three and nine months ended September 30, 2017, Altura generated income of \$322,000 and \$929,000, respectively, compared to losses of \$68,000 and \$1,513,000 in the same periods of 2016. The increased income of \$390,000 in the quarter is primarily attributed to increased revenue, partially offset by increased operating, transportation, G&A and DD&A associated with the Corporation's production growth. Year-to-date, the increase of \$2,442,000 is primarily attributed to increased revenue, partially offset by increased operating, transportation, and DD&A associated with the Corporation's production growth.

Capital Expenditures

(\$000)	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	2017	2016	% Change
Geological and geophysical	42	14	200	132	219	(40)
Land	387	1,271	(70)	1,725	1,390	24
Drilling and completions	3,688	1,943	90	11,066	3,743	196
Workovers	554	143	287	1,062	183	480
Equipping and facilities	1,650	633	161	4,876	845	477
Other	118	77	53	358	199	80
	6,439	4,081	58	19,219	6,579	192
Property acquisitions	-	4,093	(100)	-	4,093	(100)
Property dispositions	-	(125)	(100)	(750)	(125)	500
Total capital expenditures	6,439	8,049	(20)	18,469	10,547	75

In the third quarter of 2017, Altura invested a total of \$6.4 million on capital expenditures. Drilling and completion projects in the quarter included drilling two and completing one well at Leduc-Woodbend. The second well was completed at the beginning of October. Equipping and facilities capital related mainly to the construction of a gas gathering, emulsion and produced water pipeline that was completed at the beginning of November, equipping costs for the two new wells and equipment purchases for a future multi-well battery at Leduc-Woodbend. Workover costs in the quarter relate to two standing wells in Leduc-Woodbend that were converted to water disposal wells, and two workovers on wells at Eyehill.

Year-to-date, Altura invested a total of \$18.5 million on capital expenditures including: \$15.9 million on drilling, completing, and equipping and facilities; \$1.9 million on land, geological and geophysical costs; and \$1.5 million on workovers and other, partially offset by the property disposition for \$0.8 million. The Corporation has drilled eight horizontal wells including: three Rex oil wells at Leduc-Woodbend; three Sparky oil wells at Eyehill; one Rex oil well at Killam; and one Sparky oil well in the Macklin area on the Saskatchewan side of the border.

Decommissioning Liability

At September 30, 2017, Altura recorded a decommissioning liability of \$6.3 million (December 31, 2016 - \$6.2 million) for the future abandonment and reclamation of Altura's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors (2.0 percent) used to calculate the undiscounted total future liability. The future liability has been discounted at the risk-free rate of 2.5 percent (December 31, 2016 – 2.3 percent). Abandonment cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined. The increase in liability is mainly due to new wells drilled in the first three quarters of 2017, partially offset by changes in estimates.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the nine months ended September 30, 2017, accretion expense totaled \$109,000 (September 30, 2016 - \$25,000).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 9.0 at September 30, 2017. The LMR is the ratio of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Corporation to pay a deposit to the AER.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation had a working capital deficit, or net debt, of \$2.9 million at September 30, 2017, compared to a working capital surplus of \$8.5 million at December 31, 2016. At September 30, 2017, the major components of Altura's current assets were revenue (64 percent) to be received from its oil and gas marketers in respect to September 2017 production and an asset held for sale (19 percent) that closed on October 4, 2017. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectable. Current liabilities largely consist of trade and joint interest payables (24 percent) and accrued liabilities (73 percent) related to the Corporation's operations. The Corporation manages its working capital using a combination of its funds from operations and advances under its revolving operating demand loan credit facility and, if applicable, funds from debt and equity issuances and asset divestitures. Altura invests its excess cash, if any, in a short-term interest bearing account with its lender.

Credit Facility

At September 30, 2017, Altura had a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$7.5 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Corporation is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility may be added to current assets. At September 30, 2017, the working capital ratio under the terms of the Credit Facility was calculated to be 1.9:1 (December 31, 2016 – 5.9:1).

As at September 30, 2017, \$37,000 (December 31, 2016 - \$nil) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$201,000 (December 31, 2016 - \$50,000).

Altura's Credit Facility was reviewed in October 2017 based on the Corporation's June 30, 2017 reserve report and the borrowing base was increased to \$10.0 million. The next review date for the Credit Facility has been set for May 31, 2018, but may be set at an earlier or later date at the sole discretion of the Lender.

Shareholders' Equity

At September 30, 2017, there were 108,920,973 common shares outstanding, 9,749,879 performance warrants outstanding and 5,570,000 stock options outstanding. The number of common shares, performance warrants and stock options outstanding remain unchanged from December 31, 2016.

At November 8, 2017, the number of common shares, performance warrants and stock options outstanding remain unchanged from September 30, 2017.

Liquidity

At September 30, 2017, Altura had a working capital deficit, or net debt, of \$2.9 million, and \$7.5 million available on its Credit Facility. Altura expects to have adequate liquidity to fund its remaining 2017 capital expenditure budget through a combination of funds from operations and the new \$10.0 million Credit Facility. Altura's ability to increase its borrowing capacity is based on its reserves value as determined by its external reserves evaluator.

Contractual Obligations and Commitments

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

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2017				2016			2015	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
OPERATING									
Average daily production									
Light and medium oil (bbls/d)	624	652	539	627	472	259	330	313	
Heavy oil	274	346	309	195	18	12	11	7	
Natural gas (mcf/d)	1,045	1,098	909	890	473	289	348	374	
NGLs (bbls/d)	16	25	16	17	6	4	7	6	
Total (boe/d)	1,088	1,205	1,015	988	574	323	405	389	
Average realized sales price									
Light and medium oil (\$/bbl)	47.64	50.69	53.52	51.37	46.04	44.60	28.30	39.67	
Heavy oil (\$/bbl)	47.38	45.36	46.23	44.54	37.68	35.43	20.57	29.86	
Natural gas (\$/mcf)	1.71	3.03	2.96	3.34	2.53	1.53	1.96	2.59	
NGLs (\$/bbl)	49.54	36.44	40.56	44.75	33.53	52.30	24.26	41.13	
Total (\$/boe)	41.62	43.93	45.76	45.20	41.41	39.08	25.65	35.66	
OPERATING NETBACK (\$ per boe)⁽¹⁾									
Petroleum and natural gas sales	41.62	43.93	45.76	45.20	41.41	39.08	25.65	35.66	
Royalty expenses	(3.70)	(4.41)	(4.20)	(3.67)	(3.13)	(2.06)	(1.33)	(1.37)	
Operating costs	(10.01)	(10.52)	(9.96)	(8.99)	(7.53)	(11.45)	(9.67)	(9.97)	
Transportation costs	(2.89)	(2.71)	(2.26)	(2.52)	(2.73)	(2.88)	(2.81)	(2.76)	
Operating netback ⁽¹⁾	25.02	26.29	29.34	30.02	28.02	22.69	11.84	21.56	
FINANCIAL (\$000, except per share)									
Petroleum and natural gas sales	4,167	4,818	4,178	4,106	2,189	1,149	946	1,275	
Funds from operations ⁽¹⁾	2,119	2,496	2,337	2,197	1,193	149	117	415	
Per share – basic and diluted ⁽¹⁾	0.02	0.02	0.02	0.02	0.01	-	-	-	
Cash flow from (used in) operating activities	2,545	2,269	2,794	1,683	763	28	(137)	265	
Per share – basic and diluted	0.02	0.02	0.03	0.02	0.01	-	-	-	
Income (loss)	322	594	13	264	(68)	(692)	(753)	(417)	
Per share – basic and diluted	-	0.01	-	-	-	(0.01)	(0.01)	-	
(\$000)									
Capital expenditures, net	6,439	3,078	8,952	6,945	8,049	2,294	204	1,667	
Total assets	49,848	46,890	49,083	45,915	44,704	41,431	40,048	40,948	
Net debt (working capital surplus) ⁽¹⁾	2,881	(1,156)	(2,436)	(8,455)	(13,209)	(20,011)	(22,199)	(22,129)	
Shareholders' equity	38,933	38,336	37,468	37,182	36,632	36,410	36,870	37,326	
Common shares outstanding (000)									
Weighted average for the period - basic	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,821	
Weighted average for the period - diluted	108,922	109,082	109,289	108,921	108,921	108,921	108,921	108,821	
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921	

1. Funds from operations, funds from operations per share, net debt and operating netback do not have standardized meanings prescribed by GAAP and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader. Refer to the Non-GAAP Measures at the end of this MD&A.

Quarter over quarter increases in revenue from the first quarter of 2016 to the second quarter of 2017 are the result of both an increase in oil and gas volumes sold as well as an increase in Altura's realized price for most quarters. The decline in production in the third quarter of 2017 is a result of natural production declines with no new wells being added in the quarter.

Capital expenditures increased in 2016 from 2015 and included seven gross (6.5 net) wells and a property acquisition, which resulted in an increase in production volumes in the third and fourth quarters of 2016 and the first quarter of 2017. Capital expenditures in the first three quarters of 2017 included drilling eight wells, land acquisitions and facility upgrades.

Altura recorded income in the fourth quarter of 2016, and the first three quarters of 2017 due to increased petroleum and natural gas sales and lower relative cash and non-cash costs.

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 funds from operations during the reporting periods.

RELATED PARTY TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A that are based on estimates of oil and gas reserves that the Corporation expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;
- estimated value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated share-based compensation expense using the Black-Scholes option pricing model; and
- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

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

RISK FACTORS & RISK MANAGEMENT

Altura monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Altura maintains a level of liability, and property insurance, which is believed to be adequate for the Corporation's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in Altura's most recently filed annual information form for additional information.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

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

CHANGES IN ACCOUNTING POLICIES

In April 2016, the IASB issued its final amendments to IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by the Corporation on January 1, 2018. Altura is currently assessing the impact of adopting IFRS 15, however, it anticipates that this standard will not have a material impact on the Corporation's financial statements. Upon adoption, the Corporation will expand its disclosures in the notes to the consolidated financial statements including disaggregated revenue streams by product type.

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments". The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. As the Corporation does not currently apply hedge accounting it anticipates that this standard will not have a material impact on Altura's financial statements.

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." The standard is required to be adopted either retrospectively or using a modified retrospective approach. IFRS 16 will be applied by Altura on January 1, 2019 and the Corporation is currently evaluating the impact of the standard on Altura's financial statements.

ADVISORIES

Non-GAAP Measures

This MD&A and third quarter report contains references to measures used in the oil and natural gas industry such as "funds from operations", "net debt", "corporate netback", "funds from operations per share", and "operating netback". These measures do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader. These measures have been described and presented in the MD&A and third quarter report in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.

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

Oil and Gas Advisories

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 second quarter report to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Initial production rates exclude hours and days when the well did not produce. Oil and gas formations are inherently unpredictable, particularly in the early stage of their development. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Corporation.

Forward-looking Information

This MD&A and third quarter report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A and third quarter report contains forward-looking information and statements pertaining to expected cost reductions at Leduc-Woodbend from water handling infrastructure, plans concerning the construction of a future multi-well battery and gas gathering pipeline at Leduc-Woodbend in 2018, acquisition of future drilling pads at Macklin, forecasted 2017 production growth, forecasted 2017 exit rate and plans concerning a mid-December update regarding new well production rates and 2018 capital budget guidance.

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

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

Altura believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. To the extent that any forward-looking information contained herein may be considered future oriented financial information or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for 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 third quarter report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation:

- changes in commodity prices;

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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	-	8,659
Accounts receivable (note 10)	1,354	2,276
Prepaid expenses and deposits	104	72
Asset held for sale (note 6)	331	-
	1,789	11,007
Exploration and evaluation (note 4)	5,360	7,865
Property and equipment (note 5)	42,699	27,043
Total assets	49,848	45,915
LIABILITIES		
Current liabilities		
Bank debt (note 7)	37	-
Accounts payable and accrued liabilities	4,521	2,552
Current portion of decommissioning liability (note 8)	71	-
Liability held for sale (note 6)	41	-
	4,670	2,552
Decommissioning liability (note 8)	6,245	6,181
Total liabilities	10,915	8,733
SHAREHOLDERS' EQUITY		
Share capital (note 9)	37,712	37,712
Performance warrants (note 9e)	1,438	938
Contributed surplus	3,409	3,087
Deficit	(3,626)	(4,555)
Total shareholders' equity	38,933	37,182
Subsequent events (notes 6 and 7)		
Total liabilities and shareholders' equity	49,848	45,915

See accompanying notes to the interim condensed consolidated financial statements.

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

(Unaudited)

(\$000, except per share amounts)	Three months ended		Nine months ended	
	September 30 2017	2016	September 30 2017	2016
REVENUE				
Petroleum and natural gas sales	4,167	2,189	13,163	4,284
Royalties	(371)	(165)	(1,238)	(275)
Interest income	-	41	18	138
	3,796	2,065	11,943	4,147
EXPENSES				
Operating	1,002	397	3,066	1,092
Transportation	290	144	794	333
General and administrative	379	290	1,089	1,165
Transaction costs	-	12	-	12
Exploration expense	-	37	-	67
Share-based compensation (note 9)	214	246	647	722
Interest and financing charges	6	4	42	31
Depletion, depreciation and amortization (notes 4 and 5)	1,545	1,010	5,410	2,403
Accretion of decommissioning liability (note 8)	38	9	109	25
	3,474	2,149	11,157	5,850
Income (loss) before other income	322	(84)	786	(1,703)
OTHER INCOME				
Gain on investment	-	-	-	120
Gain on disposition of assets (note 3)	-	16	143	70
	-	16	143	190
Income (loss) and comprehensive income (loss)	322	(68)	929	(1,513)
Income (loss) per share, basic and diluted (note 9d)	-	-	0.01	(0.01)

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(\$000)	Share capital	Performance warrants	Contributed surplus	Deficit	Total Equity
Balance, December 31, 2015	37,712	289	2,631	(3,306)	37,326
Repurchase of performance warrants	-	(5)	-	-	(5)
Share-based compensation expense (note 9)	-	438	284	-	722
Share-based compensation capitalized (note 9)	-	49	53	-	102
Loss for period	-	-	-	(1,513)	(1,513)
Balance, September 30, 2016	37,712	771	2,968	(4,819)	36,632
Balance, December 31, 2016	37,712	938	3,087	(4,555)	37,182
Share-based compensation expense (note 9)	-	411	236	-	647
Share-based compensation capitalized (note 9)	-	89	86	-	175
Income for period	-	-	-	929	929
Balance, September 30, 2017	37,712	1,438	3,409	(3,626)	38,933

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$000)	Three months ended		Nine months ended	
	September 30 2017	2016	September 30 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES				
Income (loss) for period	322	(68)	929	(1,513)
Items not involving cash:				
Depletion, depreciation and amortization (notes 4 and 5)	1,545	1,010	5,410	2,403
Accretion of decommissioning liability (note 8)	38	9	109	25
Share-based compensation (note 9)	214	246	647	722
Gain on investment	-	-	-	(120)
Gain on disposition of assets (note 3)	-	(16)	(143)	(70)
Decommissioning liabilities settled (note 8)	(27)	(2)	(38)	(3)
Change in non-cash working capital (note 11)	453	(416)	694	(790)
	2,545	763	7,608	654
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Increase in bank debt (note 7)	37	-	37	-
Repurchase of performance warrants	-	-	-	(5)
	37	-	37	(5)
CASH FLOW USED IN INVESTING ACTIVITIES				
Property and equipment expenditures	(6,062)	(1,665)	(12,922)	(3,671)
Exploration and evaluation asset expenditures	(377)	(2,416)	(6,297)	(2,908)
Property acquisitions	-	(4,093)	-	(4,093)
Property dispositions	-	125	750	125
Disposition of investment	-	-	-	358
Change in non-cash working capital (note 11)	2,803	(1,228)	2,165	17
	(3,636)	(9,277)	(16,304)	(10,172)
CHANGE IN CASH AND CASH EQUIVALENTS				
	(1,054)	(8,514)	(8,659)	(9,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,054	21,380	8,659	22,389
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	12,866	-	12,866
Cash and cash equivalents consists of:				
Cash in bank account	-	3,257	-	3,257
Cash in short-term investments	-	9,609	-	9,609
	-	12,866	-	12,866
Cash interest paid	6	4	16	17

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at and for the three and nine months ended September 30, 2017 and 2016

1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") is an oil and gas exploration and production company with producing properties in east 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 200, 640 5th Avenue SW Calgary, Alberta, T2P 3G4.

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, 2016, except as described below. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at September 30, 2017 and the results of its operations and cash flows for the three and nine months ended September 30, 2017 and 2016. 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, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 8, 2017.

(b) Basis of Measurement and Principles of Consolidation

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgement

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

In preparing the financial statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

(e) Exploration and evaluation ("E&E") assets

Gains and losses on disposals of exploration and evaluation assets are determined by comparing the proceeds to the net carrying value of the properties and are recognized in income (loss).

3. ACQUISITIONS AND DISPOSITIONS

In September 2017, the Corporation entered into a non-cash asset exchange arrangement in which Altura exchanged undeveloped land and a non-producing wellbore in the Provost area of Alberta for undeveloped land in the Macklin area of Saskatchewan. Altura recorded \$475,000 to E&E asset acquisitions, \$36,000 to E&E asset dispositions, \$524,000 to developed & producing ("D&P") asset dispositions and reduced the decommissioning liability by \$85,000 relating to the transfer of the wellbore. The fair market value of the assets exchanged approximated net book value, therefore, no gain or loss was recorded on the transaction.

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

On September 14, 2016, Altura closed the acquisition of a producing petroleum and natural gas asset in the Killam area of Alberta for cash consideration of \$4.1 million. The acquisition was completed to further Altura's growth strategy of acquiring low decline oil weighted assets. The acquisition was accounted for as a business combination using the acquisition method of accounting whereby the net assets acquired and the liabilities assumed are recorded at fair value.

Net assets acquired (\$000)	
Property and equipment	5,225
Prepaid expenses and deposits	68
Decommissioning liability	(1,200)
	4,093
Consideration	
Cash	4,093

In 2016, the Corporation divested minor non-producing properties for aggregate proceeds of \$125,000. Altura recorded a gain of \$16,000 and \$70,000 on the dispositions in the three and nine months ended September 30, 2016.

4. EXPLORATION AND EVALUATION

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

(\$000)	Total
Balance, December 31, 2015	1,768
Additions	6,789
Transfers to property and equipment	(933)
Change in decommissioning costs	406
Depletion	(165)
Balance, December 31, 2016	7,865
Additions	6,360
Acquisition (note 3)	475
Dispositions (note 3)	(643)
Transfer to property and equipment net of depletion	(8,735)
Change in decommissioning costs	257
Depletion	(219)
Balance, September 30, 2017	5,360

E&E assets consist of the Corporation's projects that have yet to be established as technically feasible and commercially viable. Additions represent Altura's share of costs incurred on E&E assets during the periods. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of nil and \$190,000 in the three and nine months ended September 30, 2017 (September 30, 2016 – \$71,000 and \$150,000), respectively.

In 2017, an impairment test was conducted on the transfer of \$8.7 million of E&E assets to property and equipment. No impairment was recorded on the transfer. Additionally, Altura evaluated its remaining E&E assets at September 30, 2017 for indicators of any potential impairment. As a result of this assessment, no indicators were identified and no impairment was recorded on Altura's E&E assets.

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, 2015	22,636	35	22,671
Additions	6,929	5	6,934
Acquisition (note 3)	5,225	-	5,225
Disposition (note 3)	(124)	-	(124)
Transfers from E&E assets	933	-	933
Change in decommissioning costs	1,938	-	1,938
Balance, December 31, 2016	37,537	40	37,577
Additions	13,026	8	13,034
Disposition (note 3)	(851)	-	(851)
Transfers from E&E assets	9,120	-	9,120
Transfer to asset held for sale (note 6)	(820)	-	(820)
Change in decommissioning costs	(67)	-	(67)
Balance, September 30, 2017	57,945	48	57,993
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2015	(6,608)	(8)	(6,616)
Depletion, depreciation and amortization	(3,924)	(9)	(3,933)
Disposition	15	-	15
Balance, December 31, 2016	(10,517)	(17)	(10,534)
Depletion, depreciation and amortization	(5,185)	(6)	(5,191)
Disposition (note 3)	327	-	327
Transfers from E&E assets	(385)	-	(385)
Transfer to asset held for sale (note 6)	489	-	489
Balance, September 30, 2017	(15,271)	(23)	(15,294)
Carry amounts			
(\$000)			
As at December 31, 2016	27,020	23	27,043
As at September 30, 2017	42,674	25	42,699

At September 30, 2017, estimated future development costs of \$27.7 million (December 31, 2016 – \$16.8 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 \$186,000 and \$328,000 in the three and nine months ended September 30, 2017 (September 30, 2016 – \$51,000 and \$147,000), respectively.

At September 30, 2017, Altura evaluated its developed and producing assets for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified and no impairment or related reversal were recorded on Altura's developed and producing assets.

6. ASSET AND LIABILITY HELD FOR SALE

On September 29, 2017, Altura agreed to sell two gross (0.5 net) producing oil wells, a royalty interest well and undeveloped land in the Provost area for \$360,000 and non-cash consideration including undeveloped land and a non-producing well in the Leduc-Woodbend area. At September 30, 2017, the asset and associated decommissioning liability were classified as held for sale. The net book value of \$331,000 was reclassified from D&P

assets to asset held for sale and the decommissioning liability of \$41,000 was transferred to liability held for sale on the consolidated balance sheet. The transaction closed on October 4, 2017.

7. CREDIT FACILITY

At September 30, 2017, Altura had a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$7.5 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Credit Facility can be drawn in whole multiples of a minimum of \$10,000, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.5 million. A standby fee calculated at a rate of 0.35 percent per annum on the unused portion of the authorized amount is payable monthly.

The Credit Facility is secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$12.0 million debenture with a first floating charge over all assets of the Corporation. Altura is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets. At September 30, 2017, the working capital ratio under the terms of the Credit Facility was calculated to be 1.9:1 (December 31, 2016 – 5.9:1).

As at September 30, 2017, \$37,000 (December 31, 2016 - \$nil) was drawn on the Credit Facility and the Corporation had outstanding letters of credit for \$201,000 (December 31, 2016 - \$50,000).

Altura's Credit Facility was reviewed in October 2017 based on the Corporation's June 30, 2017 reserve report and the borrowing base was increased to \$10.0 million. The next review date for the Credit Facility has been scheduled for May 31, 2018, but may be set at an earlier or later date at the sole discretion of the Lender.

8. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at September 30, 2017 to be approximately \$6.5 million (December 31, 2016 – \$6.3 million) with the majority of costs anticipated to be incurred between 2026 and 2038. A risk-free discount rate of 2.5 percent (December 31, 2016 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2016 – 2.0 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance, beginning of period	6,181	2,626
Additions	595	1,028
Liabilities acquired	-	1,200
Liabilities disposed	(85)	(25)
Change in estimates ⁽¹⁾	(405)	(1,393)
Revaluation of liabilities acquired ⁽²⁾	-	2,709
Decommissioning liabilities settled	(38)	(9)
Transfer to liability held for sale (note 6)	(41)	-
Accretion	109	45
Balance, end of period	6,316	6,181
Expected to be incurred within one year	71	-
Expected to be incurred beyond one year	6,245	6,181

- (1) The change in estimates consists of a change in the risk-free discount rate of \$118,000 (December 31, 2016 - \$1,055,000) and a change in abandonment and remediation cost estimates and future abandonment dates of \$287,000 (December 31, 2016 - \$338,000).
- (2) Amount relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition, the decommissioning obligations were estimated using a credit adjusted discount rate of 10%.

9. SHARE CAPITAL

(a) Authorized:

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

(b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2015, December 31, 2016 and September 30, 2017	108,920,973	37,712

(c) Stock options:

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

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

A summary of the Corporation's outstanding stock options at September 30, 2017 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2015	3,950,000	0.34
Granted	2,120,000	0.27
Forfeited	(500,000)	0.34
Balance, December 31, 2016 and September 30, 2017	5,570,000	0.31

The range of exercise prices for stock options outstanding and exercisable under the plan at September 30, 2017 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	0.34	5,570,000	3.5	0.31	1,266,670	3.2	0.33
		5,570,000	3.5	0.31	1,266,670	3.2	0.33

The Corporation's share-based payments relating to stock options for the three and nine months ended September 30, 2017 was \$108,000 and \$322,000 (September 30, 2016 – \$123,000 and \$337,000) of which \$29,000 and \$86,000 was capitalized (September 30, 2016 – \$24,000 and \$53,000), respectively.

(d) Weighted average common shares:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Basic	108,920,973	108,920,973	108,920,973	108,920,973
Diluted	108,921,532	108,920,973	109,019,054	108,920,973

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 month period ended September 30, 2017, 5,220,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2016 – 3,800,000 stock options and 9,749,879 warrants). For the nine month period ended September 30, 2017, 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2016 – 3,800,000 stock options and 9,749,879 warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at September 30, 2017 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2015	10,223,953	0.449
Forfeited	(474,074)	0.449
Balance, December 31, 2016 and September 30, 2017	9,749,879	0.449

The performance warrants vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.675, an additional one-third upon the trading price equaling or exceeding \$0.901 and a final one-third upon the trading price equaling or exceeding \$1.124. The performance warrants expire on July 31, and August 28, 2020. As at September 30, 2017 no 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 payments relating to performance warrants for the three and nine months ended September 30, 2017 was \$167,000 and \$500,000 (September 30, 2016 – \$167,000 and \$487,000) of which \$32,000 and \$89,000 was capitalized (September 30, 2016 – \$20,000 and \$49,000), respectively. The fair value of the performance warrants is being expensed over the expected life.

10. FINANCIAL AND CREDIT RISK

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

The majority of the credit exposure on accounts receivable at September 30, 2017, pertains to revenue for accrued September 2017 production volumes. 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. A significant portion of Altura's accounts receivable is carried by three marketing companies with sound financial positioning. At September 30, 2017, 54 percent, 16 percent and 10 percent of total outstanding accounts receivable pertains to these companies. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at September 30, 2017.

At September 30, 2017, the Corporation's trade receivables have been aged as follows:

As at (\$000)	September 30, 2017	December 31, 2016
Current	1,320	1,835
31 – 60 days	-	244
61 – 90 days	15	58
> 90 days	19	139
Total	1,354	2,276

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. Altura considers all amounts greater than 90 days to be past due. At September 30, 2017, management determined all accounts receivable to be collectable.

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Provided by (used in):				
Accounts receivable	434	(459)	922	(446)
Prepaid expenses and deposits	43	(85)	(32)	(333)
Accounts payable and accrued liabilities	2,779	(1,168)	1,969	(62)
Working capital acquired in acquisition	-	68	-	68
	3,256	(1,644)	2,859	(773)
Provided by (used in):				
Operating activities	453	(416)	694	(790)
Investing activities	2,803	(1,228)	2,165	17
	3,256	(1,644)	2,859	(773)

CORPORATE INFORMATION

BOARD OF DIRECTORS

David Burghardt
President & Chief Executive Officer
Altura Energy Inc.

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

Brian Lavergne
President & Chief Executive Officer
Storm Resources Ltd.

Robert Maitland
Independent Businessman

John McAleer
Managing Director
Palisade Capital Management Ltd.

OFFICERS

David Burghardt
President & Chief Executive Officer

Tavis Carlson
Vice President, Finance & Chief Financial Officer

Jeff Mazurak
Vice President, Operations

D. Robert Pinckston
Vice President, Exploration

Craig Stayura
Vice President, Land

Travis Stephenson
Vice President, Engineering

AUDITORS

KPMG LLP
Calgary, Alberta

BANKERS

ATB Corporate Financial Services
Calgary, Alberta

LEGAL COUNSEL

Stikeman Elliott LLP
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

STOCK TRADING

TSX Venture Exchange
Trading Symbol: **ATU**

