

2017 FIRST QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
OPERATING			
Average daily production			
Light and medium oil (bbls/d)	539	627	330
Heavy oil (bbls/d)	309	195	11
Natural gas (mcf/d)	909	890	348
NGLs (bbls/d)	16	17	7
Total (boe/d)	1,015	988	405
Total boe/d per million shares – basic and diluted	9.3	9.1	3.7
Average realized prices			
Light and medium oil (\$/bbl)	53.52	51.37	28.30
Heavy oil (\$/bbl)	46.23	44.54	20.57
Natural gas (\$/mcf)	2.96	3.34	1.96
NGLs (\$/bbl)	40.56	44.75	24.26
Total (\$/boe)	45.76	45.20	25.65
NETBACK AND COST (\$/boe)			
Petroleum and natural gas sales	45.76	45.20	25.65
Royalties	(4.20)	(3.67)	(1.33)
Operating	(9.96)	(8.99)	(9.67)
Transportation	(2.26)	(2.52)	(2.81)
Operating netback ⁽¹⁾	29.34	30.02	11.84
General and administrative	(3.83)	(6.03)	(9.65)
Interest and financing expense	(0.07)	(0.05)	(0.18)
Interest income	0.16	0.25	1.19
Corporate netback ⁽¹⁾	25.60	24.19	3.20
FINANCIAL (\$000, except per share amounts)			
Petroleum and natural gas sales	4,178	4,106	946
Funds from operations ⁽¹⁾	2,337	2,197	117
Per share – basic and diluted ⁽¹⁾	0.02	0.02	-
Cash flow from (used in) operating activities	2,794	1,683	(137)
Per share – basic and diluted	0.03	0.02	-
Income (loss)	13	264	(753)
Per share – basic and diluted	-	-	(0.01)
Capital expenditures, acquisitions and dispositions	8,952	6,945	204
Working capital surplus	2,436	8,455	22,199
Common shares outstanding (000)			
End of period – basic	108,921	108,921	108,921
Weighted average for the period – basic	108,921	108,921	108,921
Weighted average for the period – diluted	109,289	108,921	108,921

(1) Funds from operations, 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

FIRST QUARTER 2017 HIGHLIGHTS

- Production volumes averaged 1,015 boe per day, a per share increase of 151 percent from the first quarter of 2016.
- Corporate netback of \$25.60 per boe, an increase of six percent from the fourth quarter of 2016 and 700 percent from the first quarter of 2016.
- Funds from operations were \$2.3 million, up six percent from the fourth quarter of 2016 and up \$2.2 million from the first quarter of 2016. Earnings of \$13,000 compared to a loss of \$753,000 in the first quarter of 2016.
- Capital expenditures totaled \$9.0 million. This included \$7.6 million on drilling, completing, workovers, equipping and facilities and \$1.4 million on land, geological, geophysical and other costs.
- Successfully drilled six 100% WI horizontal oil wells: one Rex oil well at Leduc-Woodbend; three Sparky oil wells at Eyehill; one Sparky oil well at Macklin; and one Rex oil well at Killam. The Leduc-Woodbend well was completed and brought on production on March 28, 2017, while the remaining five wells were completed and brought on production in late April 2017.
- Continued to improve Upper Mannville drilling efficiencies with a pacesetter well in the Eyehill area that was rig released in under three days at a measured depth of 2,379 meters.
- Drilled and completed a second successful horizontal well in the Leduc-Woodbend Upper Mannville Rex oil pool, 10 km north of the original horizontal exploration well that the Corporation drilled in 2016. The success of Altura's two initial Leduc-Woodbend horizontal oil wells indicates material development potential across the Corporation's 52 sections of land.
- Drilled the first horizontal well in the new Macklin Sparky oil pool.
- Ended the quarter with a Liability Management Rating ("LMR") of 6.7 with the Alberta Energy Regulator.
- Ended the quarter with a \$2.4 million working capital surplus and no debt.

OPERATIONAL UPDATE

Altura achieved first quarter production of 1,015 boe per day, up 27 boe per day (3 percent per share) from the fourth quarter of 2016 and up 610 boe per day (151 percent per share) from the first quarter of 2016. Altura drilled six horizontal wells in the quarter, including one Rex oil well 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. The Leduc-Woodbend well was completed and brought on production on March 28, 2017 and although initial rates exceeded expectations the well's four producing days did not have a significant impact on production in the quarter. The remaining five wells were completed and brought on production in late April and will impact production in the second quarter of 2017.

Altura generated funds from operations of \$2.3 million, up six percent from the fourth quarter of 2016 due primarily to decreased general and administrative expenses.

Altura invested \$9.0 million on capital expenditures in the first quarter of 2017 including \$6.1 million on drilling, completing, workovers, and equipping; \$1.4 million on land and other; and \$1.5 million on facilities in the Eyehill area to initiate a waterflood pilot in the second half of 2017. Land costs in the first quarter of 2017 were primarily related to Crown land sales and freehold land acquisitions in the Leduc-Woodbend area of Alberta.

Leduc-Woodbend

The new 102/12-15-049-26W4 ("12-15") horizontal well was drilled in January 2017 into the Upper Mannville Rex oil pool approximately 10 km north of the 100/13-15-048-26W4 ("13-15") horizontal exploration well which was drilled by Altura in August 2016. The 12-15 well was drilled to a true vertical depth of 1,285 meters with a one-mile horizontal leg and was completed with a 31-stage hydraulic fracture stimulation. Altura optimized the completion design for the 12-15 well which eliminated proppant flow-back experienced in the early production stage of the original 13-15 well. Drilling and completion

costs are estimated at \$2.3 million. Altura expects that drilling and completion costs of \$1.8 million will be achieved on subsequent one-mile horizontal wells at Leduc-Woodbend to develop the pool.

The 13-15 well was placed on production on November 22, 2016. The initial production rate over the first 30 producing days was 230 boe per day¹ (93% 17° API oil), at an average water cut of 68% and a producing fluid level estimated at 500 meters from surface. Based on field estimates the well is currently producing 130 boe per day (approximately 80% oil) with a rod insert pump, and 72% water cut. The cumulative oil production to May 8, 2017 is approximately 20,000 barrels of oil.

The 12-15 well was placed on production on March 28, 2017. The initial production rate over the first 30 producing days was 177 boe per day¹ (92% 17° API oil), at an average water cut of 67% and a producing fluid level at surface. Based on field estimates the well is currently producing 254 boe per day (92% oil) with a rod insert pump, 52% water cut and a producing fluid level at surface. The cumulative oil production to May 8, 2017 is approximately 5,000 barrels of oil.

Altura plans to build, pipeline connect and operate a produced water disposal facility in the second half of 2017 to reduce water trucking and disposal costs associated with pool development and production. In addition to the existing two multi-well pads Altura has constructed, the Corporation will be acquiring another eight multi-well pads to advance from the exploration stage and commercial concept to full field development over the coming months.

The Corporation has now drilled two horizontal oil wells targeting an accumulation that Altura believes to be one of the largest conventional oil pools identified in the Western Canadian Sedimentary Basin within the last 20 years. The Corporation currently has 52 sections of 100% WI land capturing a significant portion of this stratigraphically trapped Upper Mannville pool defined by nearly 700 vertical wellbore penetrations with bypassed pay.

Eyehill

The three Sparky horizontal wells drilled in the first quarter of 2017 commenced production at the end of April and are presently in a clean-up period producing completion fluids. They produce to an existing gathering system and are treated at Altura's recently expanded multi-well oil battery at 13-11-037-03W4. The wells were successfully drilled and completed as one-mile multi-stage horizontal wells consistent with the well design of previous wells in the area.

Drilling and completion costs averaged \$870,000 per well which is consistent with 2016 realized costs in this area. Altura continued to improve on its industry leading Upper Mannville drilling efficiencies with a pacesetter well in the Eyehill area that was rig released in under three days, at a measured depth of 2,379 meters.

During the second half of 2017 Altura remains on schedule to implement a waterflood pilot by converting an existing one-mile horizontal well to water injection. This is expected to improve the recovery factor of the offsetting producing wells from 10% to 20% and further reduce operating costs.

Macklin

During 2016 Altura assembled a 6.5 section 100% WI land position in a 19° API Sparky oil pool that straddles the Alberta-Saskatchewan border at Macklin. There are several vertical wellbores that have been drilled in the pool and in the first quarter of 2017 Altura successfully drilled the first horizontal well in the pool. The well was drilled to a true vertical depth of 725 meters with a one-mile horizontal leg and was completed with a 23-stage hydraulic fracture stimulation in April. The well came on production at the end of April and is presently in a clean-up period producing completion fluids.

Killam

The Killam property was acquired by Altura in the third quarter of 2016. In the first quarter of 2017, Altura successfully drilled the Killam 100/15-15-044-013W4 horizontal well which was completed with a 24-stage hydraulic fracture treatment in April. This is the first horizontal well completed with a multi-stage hydraulic fracture stimulation in this 28° API Rex oil pool. All earlier horizontal wells were open-hole completions and not fracture stimulated. The well was brought on production at the end of April and is presently in a clean-up period producing completion fluids.

OUTLOOK

Through the remainder of 2017, Altura plans to drill five (4.2 net) horizontal wells including one at Killam, one at Leduc-Woodbend and three gross (2.2 net) at Wildmere. The Corporation's 2017 net capital investment program is expected to total

¹ Initial production rate excludes hours and days when the well did not produce.

\$17.7 million with \$14.2 million to drill, complete, equip and tie-in a total of 11 gross (10.2 net) wells. The allocation of capital among the Corporation's properties may change depending upon commodity prices, well performance, well economics and strategic objectives.

Assuming \$14.2 million of well-related capital, the planned 10.2 net well drilling program is forecasted to add approximately 750 boe per day by December 2017, which delivers a risked capital efficiency of approximately \$18,900/boe per day. The incremental production is expected to offset forecast base declines and grow overall production to exit 2017 at a rate of approximately 1,350 boe per day. Capital spending is expected to be funded from cash on hand, cash flow from operating activities and Altura's existing credit facility, if required.

Altura has accumulated a large oil-weighted drilling inventory with exposure to several different plays and continues to pursue conventional crude oil plays in the Western Canadian Sedimentary Basin with a focus in central Alberta targeting the shallow, multi-zone, oil-weighted section of the Upper Mannville Group. This area is expected to generate strong cash netbacks with competitive drilling and completion costs for these shallow targets, thereby delivering attractive economics in the context of the current commodity price environment. To diversify and strengthen the long-term profitability of the Corporation, Altura is also evaluating other oil-prone regions that demonstrate these attributes.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held at 10:30 a.m. on Thursday, May 18, 2017 in the Cardium Room at the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta.

On behalf of our management team and board of directors, we thank our shareholders for their ongoing support and commitment to Altura.

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer

May 9, 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 May 9, 2017 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, 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

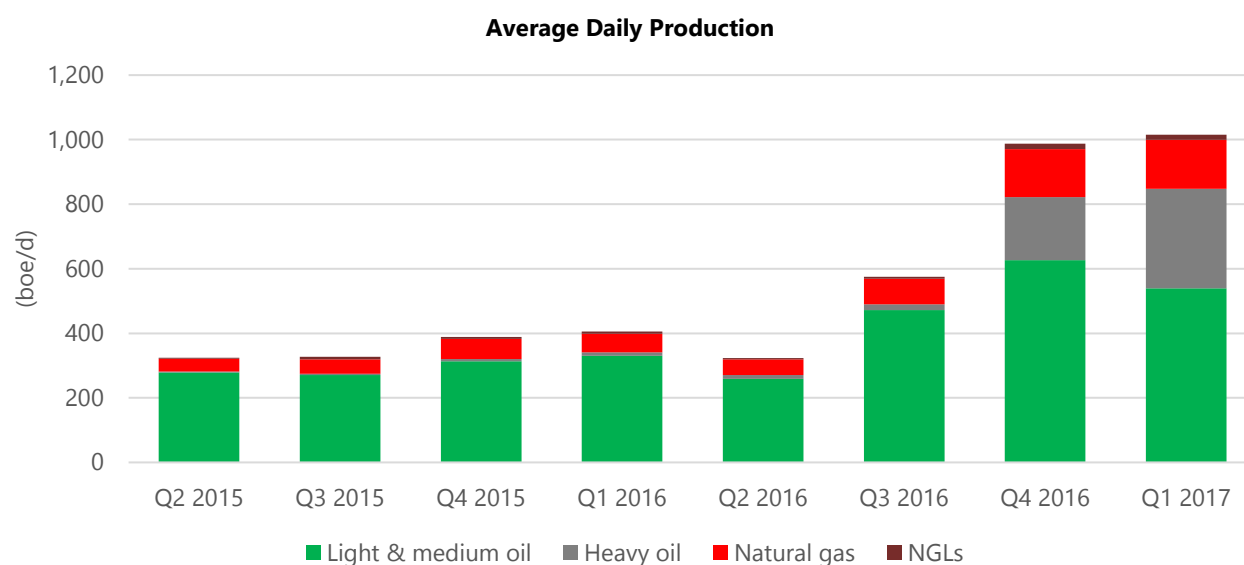
	Three months ended March 31		
	2017	2016	% Change
Light and medium oil (bbls/d)	539	330	63
Heavy oil (bbls/d)	309	11	>500
Natural gas (mcf/d)	909	348	161
Natural gas liquids (bbls/d)	16	7	129
Total (boe/d)	1,015	405	151
Oil and natural gas liquids % of production	85%	86%	(1)

Production volumes increased 151 percent to average 1,015 boe per day in the first quarter of 2017, compared to 405 boe per day in the first quarter of 2016. Light and medium oil production increased 63 percent to 539 barrels per day from 330 barrels per day in the first quarter of 2016. Heavy oil production increased to 309 barrels per day from 11 barrels per day in the first quarter of 2016. Natural gas production increased 161 percent to 909 mcf per day from 348 mcf per day in the first quarter of 2016.

The increase in light and medium oil and natural gas production in the first quarter of 2017 is due to three wells drilled and brought on production in the Eyehill area in the second half of 2016 and an asset acquisition that closed on September 14, 2016, in the Killam area of Alberta (the "Killam Acquisition") that added 123 boe per day in the quarter. The increase in heavy oil production is due to four gross (3.5 net) wells drilled and brought on production in November and December 2016, including one well in the Leduc-Woodbend area, two gross (1.5 net) wells in the Wildmere area and one well in the Provost Minor area.

Altura's second Leduc-Woodbend well was drilled in January and brought on production on March 28, 2017 and accordingly did not have a significant impact on production for the first quarter of 2017. Five other wells were drilled in the first quarter of 2017 and were brought on production in April 2017. See "Capital Expenditures" for further information on Altura's capital investing activities.

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



Revenue

(\$000)	Three months ended March 31		
	2017	2016	% Change
Light and medium oil	2,594	848	206
Heavy oil	1,285	22	>500
Natural gas	242	62	290
Natural gas liquids	57	14	307
Petroleum and natural gas sales	4,178	946	342

Petroleum and natural gas sales for the first quarter of 2017 increased 342 percent to \$4,178,000 compared to \$946,000 in the first quarter of 2016. The quarter-over-quarter increase of \$3,232,000 consists of \$1,939,000 attributed to increased production volumes, and \$1,293,000 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 benchmark trading exchanges that Altura compares its oil price to are the West Texas Intermediate ("WTI") oil spot price and the Western Canadian Select ("WCS") spot price. The differential between the WTI spot price and WCS spot price can widen due to several factors, including, but not limited to, downtime in North American refineries, rising domestic 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 March 31		
	2017	2016	% Change
Average Benchmark Prices			
WTI crude oil (US\$/bbl) ⁽¹⁾	51.91	33.45	55
WCS differential (US\$/bbl) ⁽²⁾	(14.58)	(14.31)	2
US\$/Cdn\$ exchange rate	0.756	0.728	4
WCS (Cdn\$/bbl)	49.38	26.29	88
AECO daily spot (\$/GJ)	2.55	1.74	47
Average Realized Prices			
Light and medium oil (\$/bbl)	53.52	28.30	89
Heavy oil (\$/bbl)	46.23	20.57	125
Natural gas (\$/mcf)	2.96	1.96	51
Natural gas liquids (\$/bbl)	40.56	24.26	67
Average realized price (\$/boe)	45.76	25.65	78
Oil Price Differentials			
Light and medium oil differential to WCS (\$/bbl)	4.14	2.01	106
Heavy oil differential to WCS (\$/bbl)	(3.15)	(5.72)	(45)

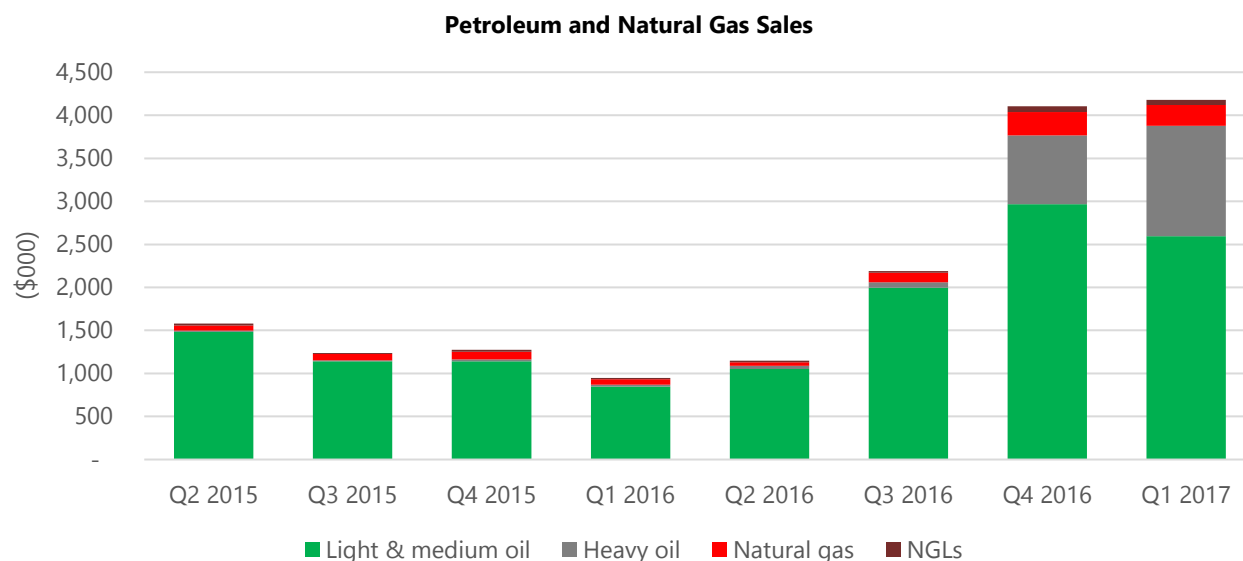
(1) WTI represents posting price of West Texas Intermediate crude oil.

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

In the first quarter of 2017, WCS increased 88 percent to \$49.38 per barrel from \$26.29 per barrel in the first quarter of 2016. Altura's realized light and medium oil price increased 89 percent over the same time period, averaging \$53.52 per barrel, and its realized heavy oil price increased 125 percent over the same time period, averaging \$46.23 per barrel. The incremental increase in the realized heavy oil price over WCS reflects an increase in average oil quality from the wells drilled in the fourth quarter of 2016 compared to the average heavy oil quality in the first quarter of 2016.

Altura's realized natural gas price increased by 51 percent during the first quarter of 2017 compared to the first quarter of 2016. This price increase is consistent with the increase in the AECO daily spot price over the same period.

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



Royalties

(\$000, except % and per boe)	Three months ended March 31		
	2017	2016	% Change
Crown royalties	233	43	442
Freehold and overriding royalties	150	6	>500
Royalty expense	383	49	>500
Royalty expense as a % of sales	9.2%	5.2%	77
Royalty expense per boe	4.20	1.33	216

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

In the three months ended March 31, 2017, royalties as a percentage of sales increased 77 percent from the comparative prior period, due to increases in both Crown and freehold and overriding royalties.

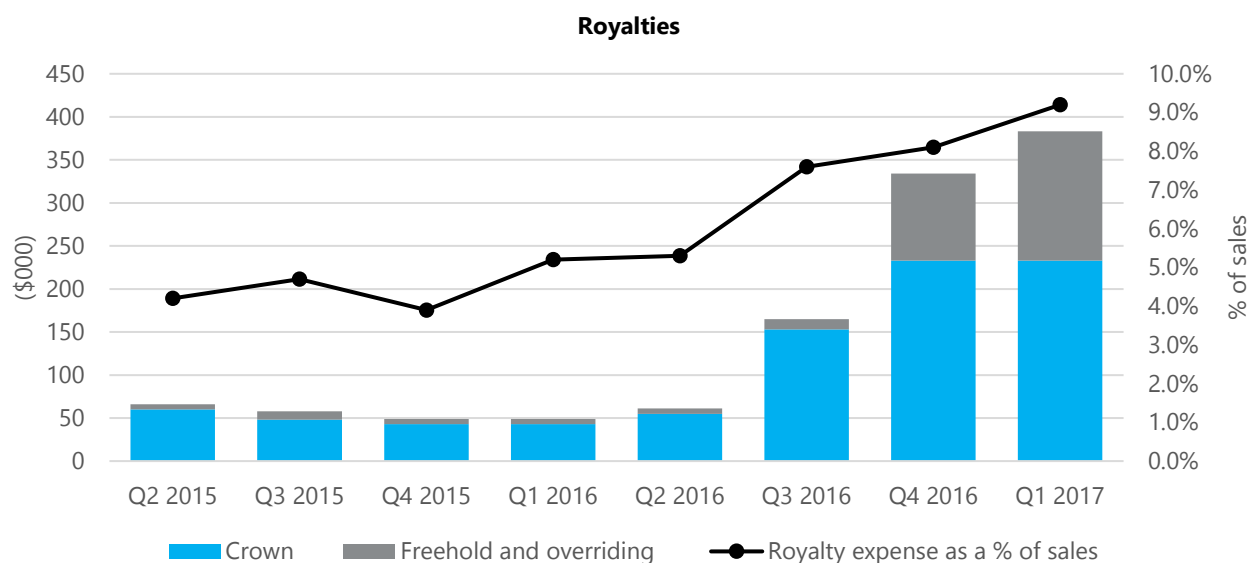
Crown royalties are based on a sliding scale with sensitivity to price, total volume produced and royalty incentives for new wells drilled on Crown lands. Crown royalties increased in the first quarter of 2017 due to increased oil prices, and a relative decrease in royalty incentives compared to the first quarter of 2016.

The increase in freehold and overriding royalties is due to production from wells drilled on freehold mineral lands in the Leduc-Woodbend area, coupled with an increase in freehold royalties associated with the Killam Acquisition.

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.

For Altura, the economics of drilling in its Upper Mannville oil plays subject to the MRF, within expected price ranges, are comparable with the previous Alberta Royalty Framework.

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



Operating and Transportation Costs

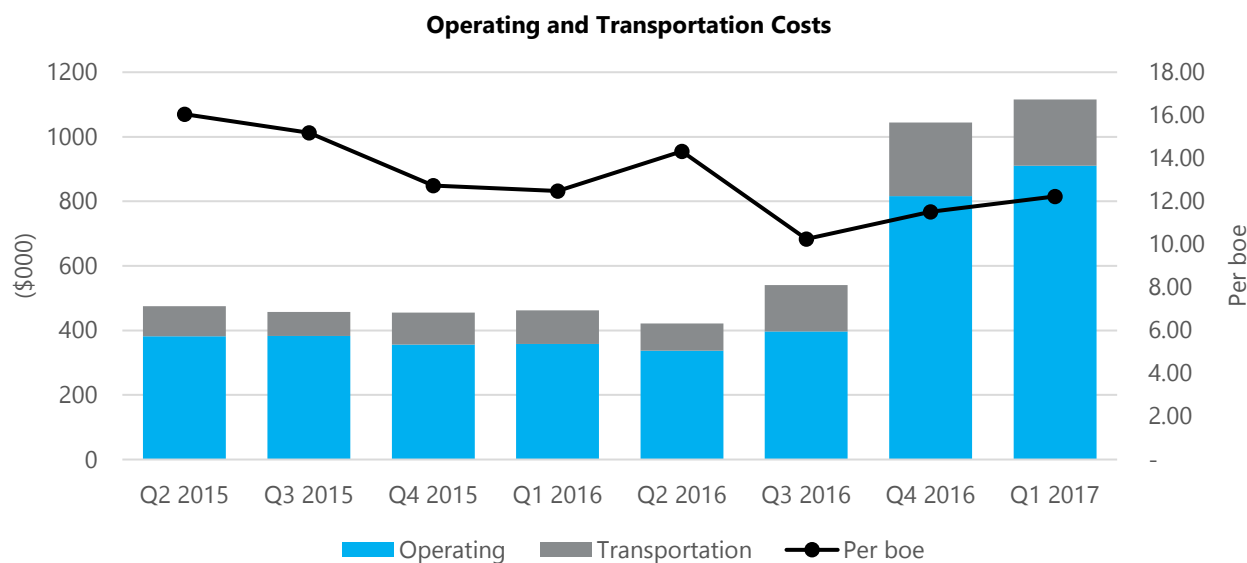
(\$000, except per boe)	Three months ended March 31		
	2017	2016	% Change
Operating	910	358	154
Transportation	206	104	98
Operating and transportation	1,116	462	142
Operating per boe	9.96	9.67	3
Transportation per boe	2.26	2.81	(20)
Operating and transportation per boe	12.22	12.48	(2)

Operating and transportation costs increased to \$1,116,000 for the three months ended March 31, 2017, compared to \$462,000 for the same period in 2016. This increase is due to Altura's increase in production volumes.

On a per boe basis, operating and transportation costs were \$12.22 for the three months ended March 31, 2017 compared to \$12.48 for the same period in 2016. Transportation costs in the first quarter of 2017 decreased 20 percent to \$2.26 from the first quarter of 2016 due to a relative decrease in clean oil trucking, which is recorded as a transportation expense, offset by a relative increase in emulsion hauling, which is recorded as an operating expense. This decrease in clean oil trucking and increase in emulsion hauling is primarily due to the Eyehill battery upgrade in February. Normal operations were disrupted and the production volumes at the Eyehill battery could not be treated. During this period, the production was stored in temporary tank facilities and emulsion was trucked to the oil sales point for treating. Following completion of the battery upgrade in February the Corporation was back to normal operating conditions with trucking clean oil to the oil sales point and produced water to disposal facilities.

First quarter of 2017 operating and transportation costs of \$12.22 increased six percent compared to \$11.51 for the fourth quarter of 2016. This increase was primarily a result of activities in the Eyehill and LWB areas. In Eyehill the increased costs related to work-overs and increased emulsion treating. At LWB there was an increase in emulsion hauling and treating costs related to growing production in this new area.

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



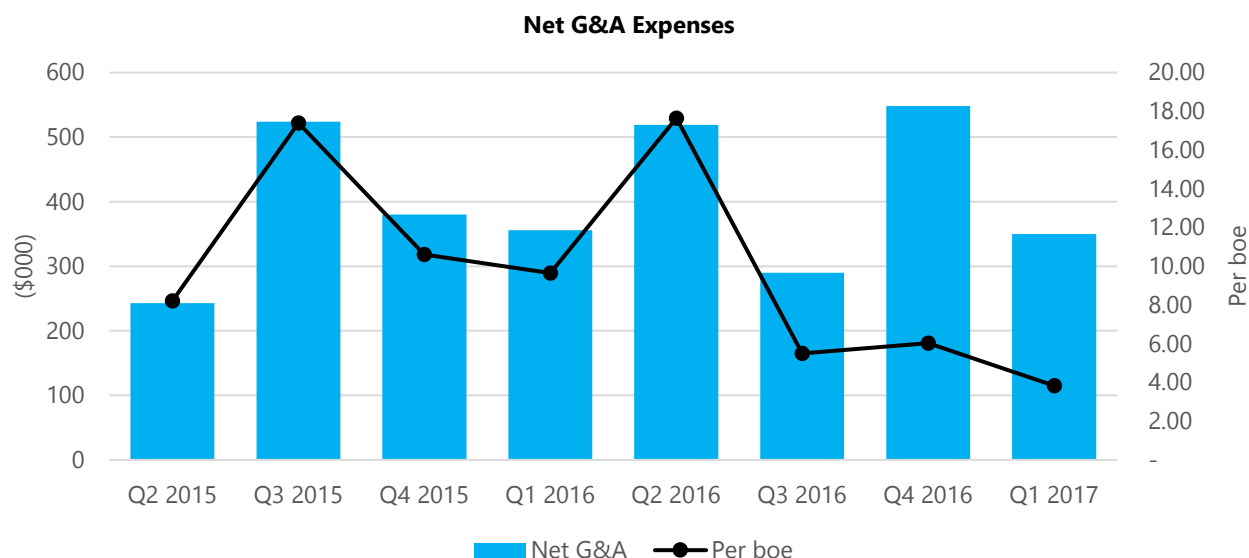
General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three months ended March 31		
	2017	2016	% Change
Gross G&A	462	408	13
Capitalized G&A and overhead recoveries	(112)	(52)	115
Net G&A expenses	350	356	(2)
Net G&A per boe	3.83	9.65	(60)

Net G&A expenses totaled \$350,000 for the three months ended March 31, 2017, consistent with \$356,000 for the same period in 2016. Net G&A expenses decreased 60 percent to \$3.83 per boe for the three months ended March 31, 2017 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 months ended March 31, 2017 is a result of increased capital spending compared to the same period 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 third quarter of 2015, the second quarter of 2016 and the fourth quarter of 2016 primarily relate to additional costs associated with Altura's July 2015 reorganization, severance to a former officer, and management bonuses, respectively.

Interest and Financing Expenses

(\$000, except per boe)	Three months ended March 31		
	2017	2016	% Change
Interest and financing expenses	6	6	-
Interest and financing expenses per boe	0.07	0.18	(61)

Interest and financing expenses in the three months ended March 31, 2017 and 2016, relate to standby charges associated with the Corporation's credit facility.

Interest Income

(\$000, except per boe)	Three months ended March 31		
	2017	2016	% Change
Interest income	14	44	(68)
Interest income per boe	0.16	1.19	(87)

Interest income decreased 68 percent in the first quarter of 2017 to \$14,000 from \$44,000 earned in the first quarter of 2016 due to a lower average cash balance invested in the first quarter of 2017.

Netbacks

(\$/boe)	Three months ended March 31		
	2017	2016	% Change
Petroleum and natural gas sales	45.76	25.65	78
Royalties	(4.20)	(1.33)	216
Operating	(9.96)	(9.67)	3
Transportation	(2.26)	(2.81)	(20)
Operating netback	29.34	11.84	148
General and administrative	(3.83)	(9.65)	(60)
Interest and financing expenses	(0.07)	(0.18)	(61)
Interest income	0.16	1.19	(87)
Corporate netback	25.60	3.20	>500

Altura's corporate netback was \$25.60 per boe in the first quarter of 2017 compared to \$3.20 per boe in the same period of 2016. The increase is mainly a result of increased realized prices, decreased G&A and lower transportation costs, partially offset by increased royalty expenses and decreased interest income.

Share-Based Compensation

(\$000)	Three months ended March 31		
	2017	2016	% Change
Share-based compensation	273	297	(8)
Capitalized share-based compensation	(49)	(20)	145
Share-based compensation expense	224	277	(19)

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. For the three months ended March 31, 2017, share-based compensation expense includes \$142,000 related to performance warrants and \$82,000 related to stock-options. In the three months ended March 31, 2016, share-based compensation expense includes \$165,000 related to performance warrants and \$112,000 related to stock-options.

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 months ended March 31, 2017, is a result of increased capital spending compared to the same period in 2016.

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

(\$000, except per boe)	Three months ended March 31		
	2017	2016	% Change
DD&A	2,064	742	178
DD&A per boe	22.61	20.13	12

Altura uses proved and probable reserves to calculate DD&A expense. For the three months ended March 31, 2017, DD&A increased 178 percent to \$2,064,000 over the first quarter of 2016 due to increased production volumes.

DD&A increased to \$22.61 per boe in the first quarter of 2017 from \$20.13 per boe in the first quarter of 2016 reflecting a relative increase in production from the Provost Minor area with a higher finding and development cost than the aggregate amount in the first quarter of 2016.

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 March 31, 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 months ended March 31, 2017.

Deferred Taxes

The Corporation had no deferred income tax expense or recovery in the three months ended March 31, 2017 and 2016. As at March 31, 2017 and 2016, the Corporation had an unrecognized deferred tax asset.

Cash Flow from Operating Activities and Funds from Operations

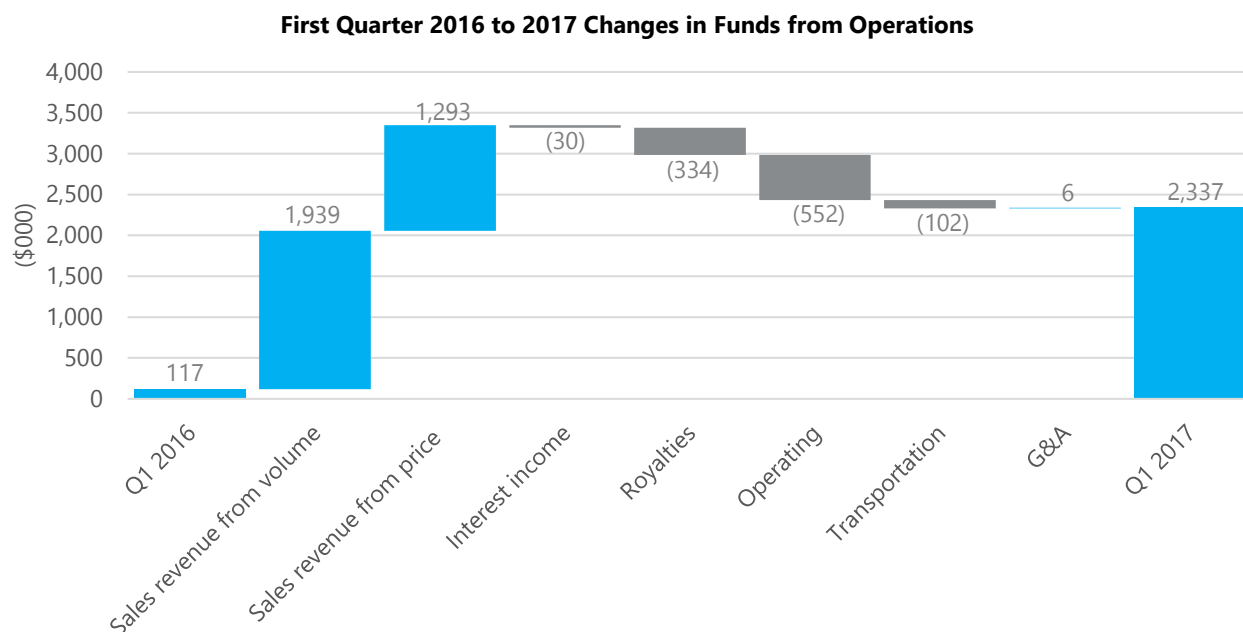
Management uses funds from operations to analyze operating performance. Funds from operations and funds from operations per share are non-GAAP measures defined by the Corporation as cash flow from operating activities from the statements of cash flows before decommissioning expenditures, if any, transaction 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 March 31		
	2017	2016	% Change
Cash flow from (used in) operating activities	2,794	(137)	(>500)
Decommissioning liabilities settled	11	-	-
Changes in non-cash operating working capital	(468)	254	(284)
Funds from operations	2,337	117	>500
Per share – basic	0.02	-	-
Per share – diluted	0.02	-	-

Cash flow from operating activities increased to \$2,794,000 for the three months ended March 31, 2017, compared to cash flow used in operating activities of \$137,000 in the same period of 2016. The increase is due to increased revenue from incremental production volumes and higher commodity prices coupled with a decrease in non-cash working capital, partially offset by higher royalties, operating and transportation costs associated with increased production volumes, and lower interest income. Non-cash working capital decreased by \$468,000 for the three months ended March 31, 2017, mainly due to the decrease in accounts receivable as at March 31, 2017, due to collecting overdue accounts receivable in the first quarter of 2017 and lower March 2017 revenue compared to December 2016 revenue that was collected subsequent to the respective period ends.

Details of the change in funds from operations and corporate netback per boe from the three months ended March 31, 2016, to the three months ended March 31, 2017, are as follows:

	Three months ended March 31	
	\$000	\$/boe
Funds from operations / Corporate netback – Q1 2016	117	3.20
Volume variance	1,939	-
Price variance	1,293	20.11
Interest and other income	(30)	(1.03)
Royalties	(334)	(2.87)
Expenses:		
Operating	(552)	(0.29)
Transportation	(102)	0.55
General and administrative	6	5.82
Interest and financing	-	0.11
Funds from operations / Corporate netback – Q1 2017	2,337	25.60



Funds from operations increased \$2,220,000 in the first quarter of 2017 to \$2,337,000 from \$117,000 generated in the first quarter of 2016. The increase 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 March 31		
	2017	2016	% Change
Income (loss)	13	(753)	(102)
Per share – basic	-	(0.01)	(100)
Per share – diluted	-	(0.01)	(100)

For the three months ended March 31, 2017, Altura generated income of \$13,000 compared to a loss of \$753,000 in the first quarter of 2016. The increased income of \$766,000 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 March 31		
	2017	2016	% Change
Geological and geophysical	37	36	3
Land	1,247	49	>500
Drilling and completions	5,187	-	-
Workovers	188	-	-
Equipping and facilities	2,180	47	>500
Other	113	72	57
Total capital expenditures	8,952	204	>500

In the first quarter of 2017, Altura invested a total of \$9.0 million on capital expenditures including: \$7.6 million on drilling, completing, workovers, equipping and facilities; and \$1.2 million on land. Altura drilled six wells in the first quarter, including one Rex oil well at LWB, 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. The LWB well was completed in March and brought on-production during the last week of March, while the other five wells were completed in April. Altura incurred \$1.5 million upgrading its multi-well battery in the Eyehill area related to the initiation of a waterflood pilot, which is planned to commence water injection in the second half of 2017. Land costs in the first quarter of 2017 are primarily related to Crown land sales and land acquisitions in the Leduc-Woodbend area of Alberta.

Decommissioning Liability

At March 31, 2017, Altura recorded a decommissioning liability of \$6.6 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 used to calculate the undiscounted total future liability. The future liability has been discounted at the risk-free rate of 2.3 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 due to new wells drilled in the first quarter of 2017.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three months ended March 31, 2017, accretion expense totaled \$36,000 (March 31, 2016 - \$8,000).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.7 at March 31, 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 surplus of \$2.4 million at March 31, 2017, compared to \$8.5 million at December 31, 2016. At March 31, 2017, the major components of Altura's current assets were cash and cash equivalents (72 percent), and revenue (16 percent) to be received from its oil and gas marketers in respect to March 2017 production. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectable. Current liabilities largely consist of trade and joint interest payables (36 percent) and accrued liabilities (64 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 in a short-term interest bearing account with its lender.

Credit Facility

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender") with a maximum borrowing limit of \$4.0 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Corporation is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility may be added to current assets. At March 31, 2017, the working capital ratio under the terms of the Credit Facility was calculated to be 2.2:1 (December 31, 2016 – 5.9:1). The next review date for the Credit Facility has been set for May 31, 2017.

Shareholders' Equity

At March 31, 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 remains unchanged from December 31, 2016.

At May 9, 2017, the number of common shares, performance warrants and stock options outstanding remain unchanged from March 31, 2017.

Liquidity

At March 31, 2017, Altura had a working capital surplus of \$2.4 million, no debt and \$4.0 million available on its Credit Facility. Altura expects to have adequate liquidity to fund its remaining 2017 capital expenditure forecast of \$8.0 million through a combination of available cash on hand, funds from operations and the \$4.0 million Credit Facility, if required. 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		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
OPERATING								
Average daily production								
Light and medium oil (bbls/d)	539	627	472	259	330	313	271	279
Heavy oil	309	195	18	12	11	7	4	3
Natural gas (mcf/d)	909	890	473	289	348	374	267	238
NGLs (bbls/d)	16	17	6	4	7	6	8	3
Total (boe/d)	1,015	988	574	323	405	389	328	325
Average realized sales price								
Light and medium oil (\$/bbl)	53.52	51.37	46.04	44.60	28.30	39.67	45.58	58.35
Heavy oil (\$/bbl)	46.23	44.54	37.68	35.43	20.57	29.86	37.40	48.11
Natural gas (\$/mcf)	2.96	3.34	2.53	1.53	1.96	2.59	3.05	2.83
NGLs (\$/bbl)	40.56	44.75	33.53	52.30	24.26	41.13	17.16	86.22
Total (\$/boe)	45.76	45.20	41.41	39.08	25.65	35.66	41.12	53.44
OPERATING NETBACK (\$ per boe) ⁽¹⁾								
Petroleum and natural gas sales	45.76	45.20	41.41	39.08	25.65	35.66	41.12	53.44
Royalty expenses	(4.20)	(3.67)	(3.13)	(2.06)	(1.33)	(1.37)	(1.93)	(2.22)
Operating costs	(9.96)	(8.99)	(7.53)	(11.45)	(9.67)	(9.97)	(12.72)	(12.92)
Transportation costs	(2.26)	(2.52)	(2.73)	(2.88)	(2.81)	(2.76)	(2.47)	(3.14)
Operating netback ⁽¹⁾	29.34	30.02	28.02	22.69	11.84	21.56	24.00	35.16
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	4,178	4,106	2,189	1,149	946	1,275	1,239	1,580
Funds from operations ⁽¹⁾	2,337	2,197	1,193	149	117	415	209	790
Per share – basic and diluted ⁽¹⁾	0.02	0.02	0.01	-	-	-	-	0.02
Cash flow from (used in) operating activities	2,794	1,683	763	28	(137)	265	(451)	715
Per share – basic and diluted	0.03	0.02	0.01	-	-	-	(0.01)	0.02
Income (loss)	13	264	(68)	(692)	(753)	(417)	(3,955)	203
Per share – basic and diluted	-	-	-	(0.01)	(0.01)	-	(0.05)	0.01
(\$000)								
Capital expenditures, net	8,952	6,945	8,049	2,294	204	1,667	160	969
Total assets	49,083	45,915	44,704	41,431	40,048	40,948	40,811	20,549
Working capital surplus (deficit)	2,436	8,455	13,209	20,011	22,199	22,129	23,151	(515)
Shareholders' equity	37,468	37,182	36,632	36,410	36,870	37,326	37,205	16,250
Common shares outstanding (000)								
Weighted average for the period - basic	108,921	108,921	108,921	108,921	108,921	108,821	82,301	35,074
Weighted average for the period - diluted	109,289	108,921	108,921	108,921	108,921	108,821	82,301	35,074
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	107,901	34,703

1. Funds from operations, funds from operations per share, 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 fluctuations in revenue are the result of both the amount of oil and gas volumes sold as well as Altura's realized price. Crude oil and natural gas prices increased over the second, third and fourth quarters of 2016 and the first quarter of 2017 contributing to increased petroleum and natural gas sales in the quarters.

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 quarter of 2017 included drilling six wells and completing one well.

The Corporation recorded an impairment charge of \$2.35 million in the third quarter of 2015 related to declines in forward commodity prices for crude oil and natural gas and a reduction in proved plus probable reserves. This resulted in the loss in the third quarter of 2015. Altura recorded income in the fourth quarter of 2016 and the first quarter of 2017 due to increased petroleum and natural gas sales and lower relative cash and non-cash costs.

The increase in working capital surplus, total assets, shareholders' equity, and weighted average shares outstanding in the third quarter of 2015 is due to the equity financing associated with the July 2015 reorganization and investment agreement.

OFF BALANCE SHEET ARRANGEMENTS

Altura was not involved in 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.

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 first quarter report contains references to measures used in the oil and natural gas industry such as "funds from operations", "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 first quarter report in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.

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.

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 first quarter report to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Initial production rates exclude hours and days when the well did not produce. Oil and gas formations are inherently unpredictable, particularly in the early stage of their development. 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 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 the 2017 capital expenditure budget, plans concerning future water disposal facilities at Leduc-Woodbend, the acquisition of additional multi-well pads at Leduc-Woodbend, expected drilling and completion cost reductions at Leduc-Woodbend, timing of the waterflood pilot program at Eyehill, planned improved recovery factors at Eyehill, and expected cost reductions at Eyehill and Leduc-Woodbend.

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

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

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

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

- changes in commodity prices;

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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	5,368	8,659
Accounts receivable (note 9)	1,351	2,276
Prepaid expenses and deposits	161	72
Asset held for sale (note 5)	607	-
	7,487	11,007
Exploration and evaluation (note 3)	11,631	7,865
Property and equipment (note 4)	29,965	27,043
Total assets	49,083	45,915
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	5,051	2,552
Decommissioning liability (note 7)	6,564	6,181
Total liabilities	11,615	8,733
SHAREHOLDERS' EQUITY		
Share capital (note 8)	37,712	37,712
Performance warrants (note 8e)	1,105	938
Contributed surplus	3,193	3,087
Deficit	(4,542)	(4,555)
Total shareholders' equity	37,468	37,182
Subsequent event (note 5)		
Total liabilities and shareholders' equity	49,083	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 March 31	
	2017	2016
REVENUE		
Petroleum and natural gas sales	4,178	946
Royalties	(383)	(49)
Interest income	14	44
	3,809	941
EXPENSES AND OTHER ITEMS		
Operating	910	358
Transportation	206	104
General and administrative	350	356
Share-based compensation (note 8)	224	277
Interest and financing charges	6	6
Depletion, depreciation and amortization (notes 3 and 4)	2,064	742
Accretion of decommissioning liability (note 7)	36	8
	3,796	1,851
OTHER INCOME		
Gain on investment	-	157
Income (loss) and comprehensive income (loss)	13	(753)
Income (loss) per share, basic and diluted (note 8d)	-	(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
Share-based compensation expense (note 8)	-	165	112	-	277
Share-based compensation capitalized (note 8)	-	10	10	-	20
Loss for period	-	-	-	(753)	(753)
Balance, March 31, 2016	37,712	464	2,753	(4,059)	36,870
Balance, December 31, 2016	37,712	938	3,087	(4,555)	37,182
Share-based compensation expense (note 8)	-	142	82	-	224
Share-based compensation capitalized (note 8)	-	25	24	-	49
Income for period	-	-	-	13	13
Balance, March 31, 2017	37,712	1,105	3,193	(4,542)	37,468

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$000)	Three months ended March 31	
	2017	2016
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Income (loss) for period	13	(753)
Items not involving cash:		
Depletion, depreciation and amortization (notes 3 and 4)	2,064	742
Accretion of decommissioning liability (note 7)	36	8
Share-based compensation (note 8)	224	277
Gain on investment	-	(157)
Decommissioning liabilities settled (note 7)	(11)	-
Change in non-cash working capital (note 10)	468	(254)
	2,794	(137)
CASH FLOW USED IN INVESTING ACTIVITIES		
Property and equipment expenditures	(4,542)	(129)
Exploration and evaluation asset expenditures	(4,410)	(75)
Change in non-cash working capital (note 10)	2,867	(149)
	(6,085)	(353)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,291)	(490)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,659	22,389
CASH AND CASH EQUIVALENTS, END OF PERIOD	5,368	21,899
Cash and cash equivalents consists of:		
Cash in bank account	1,923	884
Cash in short-term investments	3,445	21,015
	5,368	21,899
Cash interest paid	6	6

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, 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. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at March 31, 2017 and the results of its operations and cash flows for the three months ended March 31, 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 May 9, 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.

3. EXPLORATION AND EVALUATION

The following table reconciles Altura's exploration and evaluation ("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	4,434
Transfer to asset held for sale (note 5)	(607)
Change in decommissioning costs	158
Depletion	(219)
Balance, March 31, 2017	11,631

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 \$75,000 in the three months ended March 31, 2017 (March 31, 2016 – \$31,000).

Altura has an E&E property that has sales of petroleum products associated with production from two wells. The wells were drilled in a new pool in the Leduc-Woodbend area but it is too early to assess commercial viability due to limited production history and no direct offsetting wells in the area. For the three months ended March 31, 2017, the operating results of these wells have been recognized in income (loss) and comprised sales of crude oil, natural gas, and natural gas liquids of \$418,000, royalties of \$63,000, operating expenses of \$115,000, and transportation expenses of \$13,000. All operating cash flows associated with E&E assets for the three months ended March 31, 2017, are reflected in cash flow from operating activities. Altura recorded depletion expense from E&E assets of \$219,000 in income (loss) for the three months ended March 31, 2017.

4. 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	5,225	-	5,225
Disposition	(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	4,562	5	4,567
Change in decommissioning costs	200	-	200
Balance, March 31, 2017	42,299	45	42,344
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	(1,843)	(2)	(1,845)
Balance, March 31, 2017	(12,360)	(19)	(12,379)
Carry amounts			
(\$000)			
As at December 31, 2016	27,020	23	27,043
As at March 31, 2017	29,939	26	29,965

At March 31, 2017, estimated future development costs of \$14.8 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 \$78,000 in the three months ended March 31, 2017 (March 31, 2016 – \$37,000).

5. ASSET HELD FOR SALE

On March 29, 2017, Altura signed a letter of intent to sell undeveloped land in east central Alberta for \$750,000. At March 31, 2017, the undeveloped land was classified as held for sale. The net carrying value of \$607,000 was reclassified from E&E assets to asset held for sale on the consolidated balance sheet. The transaction closed on April 4, 2017.

6. CREDIT FACILITY

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of \$4.0 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The 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. As at March 31, 2017, the working capital ratio as defined was 2.2:1 (December 31, 2016 – 5.9:1). The next review date for the Credit Facility has been set for May 31, 2017.

As at March 31, 2017, the Credit Facility was undrawn, however, the Corporation had outstanding letters of credit for \$201,000 (December 31, 2016 - \$50,000).

7. 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 March 31, 2017 to be approximately \$6.7 million (December 31, 2016 – \$6.3 million) with the majority of costs anticipated to be incurred between 2026 and 2037. A risk-free discount rate of 2.3 percent (December 31, 2016 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2015 – 2.0 percent) was 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, 2017	Year ended December 31, 2016
Balance, beginning of period	6,181	2,626
Additions	358	1,028
Liabilities acquired	-	1,200
Liabilities disposed	-	(25)
Change in estimates ⁽¹⁾	-	(1,393)
Revaluation of liabilities acquired ⁽²⁾	-	2,709
Decommissioning liabilities settled	(11)	(9)
Accretion	36	45
Balance, end of period	6,564	6,181

(1) No change in estimates for the three month period ended March 31, 2017. In 2016, the change in estimates consists of a change in the risk-free discount rate of \$1,055,000 and a change in abandonment and remediation cost estimates and future abandonment dates of \$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%.

8. 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 March 31, 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 three months ended March 31, 2017.

A summary of the Corporation's outstanding stock options at March 31, 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 March 31, 2017	5,570,000	0.31

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 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	4.0	0.31	1,150,003	3.7	0.34
		5,570,000	4.0	0.31	1,150,003	3.7	0.34

The Corporation's share-based payments relating to stock options for the three months ended March 31, 2017 was \$106,000 (March 31, 2016 – \$122,000) of which \$24,000 was capitalized (March 31, 2016 – \$10,000).

(d) Weighted average common shares:

	Three months ended March 31	
	2017	2016
Basic	108,920,973	108,920,973
Diluted	109,289,389	108,920,973

For the three months ended March 31, 2017, 9,749,879 performance warrants were excluded from the diluted weighted average number of common shares as they were anti-dilutive (March 31, 2016 – 3,950,000 stock options and 10,223,953 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at March 31, 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 March 31, 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 March 31, 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 months ended March 31, 2017 was \$167,000 (March 31, 2016 – \$175,000) of which \$25,000 was capitalized (March 31, 2016 – \$10,000). The fair value of the performance warrants is being expensed over the expected life.

9. 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 March 31, 2017, pertains to revenue for accrued March 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 two marketing companies with sound financial positioning. At March 31, 2017, 61 percent and 14 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 March 31, 2017.

At March 31, 2017, the Corporation's trade receivables have been aged as follows:

(\$)	March 31, 2017	December 31, 2016
Current	1,244	1,835
31 – 60 days	98	244
61 – 90 days	1	58
> 90 days	8	139
Total	1,351	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 March 31, 2017, management determined all accounts receivable to be collectable.

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended March 31	
	2017	2016
Provided by (used in):		
Accounts receivable	925	159
Prepaid expenses and deposits	(89)	(64)
Accounts payable and accrued liabilities	2,499	(498)
	3,335	(403)
Provided by (used in):		
Operating activities	468	(254)
Investing activities	2,867	(149)
	3,335	(403)

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

Travis Stephenson
Vice President, Engineering

D. Robert Pinckston
Vice President, Exploration

Jeff Mazurak
Vice President, Operations

Tavis Carlson
Vice President, Finance & Chief Financial Officer

Craig Stayura
Vice President, Land

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**

