altura ENERGY INC.

2015 FOURTH QUARTER REPORT

Annual General Meeting

The Annual General Meeting of shareholders will be held at 10:30 a.m. on Wednesday, May 18, 2016 in the Royal Room at the Metropolitan Conference Centre, 333 4th Avenue SW, Calgary, Alberta.

All shareholders and invited guests are encouraged to attend.

altura ENERGY INC.

Operational and Financial Summary

	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
OPERATING						
Average daily production						
Crude oil (bbls/d)	**320**	448	(29)	**308**	212	45
Natural gas (mcf/d)	**374**	259	44	**287**	234	23
NGLs (bbls/d)	**6**	4	50	**6**	4	50
Total (boe/d)	**389**	495	(21)	**361**	255	42
Average realized prices						
Crude oil ($/bbl)	**39.46**	68.05	(42)	**46.33**	75.81	(39)
Natural gas ($/mcf)	**2.59**	3.83	(32)	**2.84**	4.76	(40)
NGLs ($/bbl)	**41.13**	56.79	(28)	**38.13**	71.60	(47)
Total ($/boe)	**35.66**	64.01	(44)	**42.32**	68.54	(38)
NETBACK AND COST ($/boe)						
Petroleum and natural gas sales	**35.66**	64.01	(44)	**42.32**	68.54	(38)
Royalties	**(1.37)**	(3.82)	(64)	**(1.84)**	(5.25)	(65)
Operating and transportation	**(12.73)**	(11.92)	7	**(13.80)**	(14.76)	7
Operating netback(1)	**21.56**	48.27	(55)	**26.68**	48.53	(45)
General and administrative	**(10.61)**	(5.73)	85	**(10.55)**	(7.52)	40
Interest and financing expense	**(0.21)**	(0.69)	(70)	**(0.24)**	(0.38)	(37)
Interest income	**0.87**	0.04	>500	**0.41**	0.22	86
Corporate netback(1)	**11.61**	41.89	(72)	**16.30**	40.85	(60)
FINANCIAL ($)						
Petroleum and natural gas sales	**1,275,007**	2,916,912	(56)	**5,582,861**	6,388,940	(13)
Funds from operations(1)	**414,829**	1,908,647	(78)	**2,151,755**	3,808,575	(44)
Per share – basic and diluted(1)	**-**	0.06	(100)	**0.03**	0.11	(73)
Cash flow from operating activities	**262,437**	2,633,914	(90)	**1,205,022**	3,544,580	(66)
Per share – basic and diluted	**-**	0.08	(100)	**0.02**	0.10	(80)
Income (loss)	**(418,198)**	1,101,725	(138)	**(3,810,021)**	3,576,393	(207)
Per share – basic and diluted	**-**	0.03	(100)	**(0.06)**	0.10	(160)
Capital expenditures, net of divestitures	**1,665,880**	776,165	115	**3,182,748**	5,887,910	(46)
(Net debt) / working capital surplus(1)	**22,128,840**	(400,489)	(>500)	**22,128,840**	(400,489)	(>500)
Common shares outstanding(2)						
End of period – basic	**108,920,973**	35,327,599	208	**108,920,973**	35,327,599	208
Weighted average for the period – basic	**108,821,185**	34,399,610	216	**65,619,077**	34,345,750	91
Weighted average for the period – diluted	**108,821,185**	34,399,610	216	**65,619,077**	34,345,750	91

(1) Funds from operations, funds from operations per share, corporate netback, operating netback, and net debt 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.

(2) A share consolidation was effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted for the consolidation on a retroactive basis.

President's Message

FOURTH QUARTER AND YEAR END 2015 HIGHLIGHTS

- Production volumes for 2015 averaged 361 boe per day, a 42 percent increase from 2014, and 389 boe per day in the fourth quarter, a 19 percent increase from the third quarter of 2015.
- Operating and transportation costs were $12.73 per boe in the fourth quarter and $13.80 per boe in 2015. This represents a 16 percent reduction from the third quarter of 2015 and a 7 percent reduction from 2014.
- Operating netback was $21.56 per boe in the fourth quarter and $26.68 per boe in 2015. This represents a 10 percent reduction from the third quarter of 2015 and a 45 percent reduction from 2014 as a result of the 13 percent and 38 percent decline in average realized sales prices in the respective periods.
- Drilled, completed and equipped a horizontal well in the Sparky Formation of the Upper Mannville in the fourth quarter for approximately $1.1 million, which was brought on-stream in mid-November. The well produced an average of 149 boe per day (97 percent crude oil and NGLs) over the first 90 days of production.
- In the fourth quarter the Corporation acquired approximately 16 sections of land through a lease issuance and drilling commitment agreement and Crown land sales in pursuit of an organic growth concept where the application of horizontal drilling and multi-stage fracturing has not been fully exploited.
- Closed the reorganization and investment agreement in 2015, which provided for a non-brokered private placement raising $25.0 million, including a rights offering, and the appointment of a new management team and board of directors.
- Ended the year with $22.1 million of working capital and no debt.

RESERVES

On July 31, 2015 Northern Spirit Resources Inc. ("NSRI") closed a definitive reorganization and investment agreement allowing for, among other things, the appointment of a new management team and board of directors and the name change of NSRI to Altura.

As part of this fresh start, McDaniel & Associates Consultants Ltd was newly appointed as the Corporation's independent reserve evaluator. The following table, pursuant to the Corporation's reserves report dated March 2, 2016, highlights the changes in the reserves from 2014. These changes are attributed to the decline in commodity prices and re-interpretation of the development potential of the assets. Additional information may be found in the Corporation's press release dated March 14, 2016.

	December 31, 2015	December 31, 2014	Change
Proved Developed Producing (mboe)	**433.9**	580.6	(25%)
Total Proved (mboe)	**724.9**	2,063.8	(65%)
Total Proved & Probable (mboe)	**1,362.4**	4,191.8	(67%)

OPERATIONAL UPDATE

Altura's activities during the first quarter of 2016 have been focused on maintaining production and reducing operating costs, which includes negotiations with our key service providers. Production levels through to February 29th averaged 433 boe per day (84 percent crude oil and NGLs) based on field estimates. Accounting for current well declines, 15 boe per day of shut-in uneconomic production and a pump change on a Sparky horizontal well in the Klein North Area, our first quarter of 2016 production is forecasted to be 400 – 425 boe per day.

2016 CAPITAL BUDGET

Altura's original budget announced November 23, 2015, provided for a 2016 capital budget ranging between $5.0 and $11.0 million. With the improvement in the crude oil forward strip from the lows seen in early 2016, the Corporation is planning a 2016 capital development budget totaling $11.0 million to be funded with cash flow from operating activities and working capital. The budget includes drilling up to seven gross (6.4 net) horizontal wells targeting the Upper Mannville Formation.

The capital budget is weighted to the second half of 2016 and drilling is expected to commence after break-up to take advantage of lower costs associated with drilling during the summer months. The drilling program includes three (3.0 net) wells in the Klein North area, two (1.4 net) wells in the Wildmere area and two (2.0 net) wells to evaluate a new area for total drilling, completion, equipping and tie-in ("DCET") capital of $8.7 million. In addition, up to $1.5 million will be allocated to acquiring undeveloped land and seismic, and $0.8 million will be allocated to infrastructure costs related to the initiation of a waterflood in the Klein North area as well as other corporate costs.

Based on the $8.7 million DCET capital, the proposed seven well drilling program is forecasted to add approximately 535 boe per day in December 2016 which delivers a risked capital efficiency of approximately $16,000/boe per day. The incremental production will more than offset forecast base declines and will grow overall production to exit 2016 at a forecasted rate of 770 boe per day.

Management intends to continuously monitor commodity prices and control capital expenditures throughout the year and may at any time adjust the 2016 capital program if oil prices deteriorate or strengthen. This will ensure that Altura maintains a strong balance sheet and that returns on invested capital exceed the Corporation's hurdle rate.

OUTLOOK

Altura is currently pursuing conventional crude oil plays in the Western Canadian Sedimentary Basin with an initial focus in central Alberta targeting the shallow, multi-zone, oil-weighted section of the Upper Mannville. 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 an entry point into another oil-prone region that also demonstrates these attributes.

Looking ahead to 2016, with a cash position of approximately $22.1 million and no debt at the end of the fourth quarter of 2015, the Corporation is well-positioned to:

- Grow corporate production and evaluate recently acquired lands by drilling select horizontal wells from its drilling inventory while not exposing the Corporation to capital investment risk that could jeopardize its future growth;
- Establish the Corporation in a second organic play concept by acquiring strategic parcels of land during a period when land prices are at a 20-year low; and
- Capitalize on strategic acquisition opportunities.

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

Respectfully,

(signed)

David Burghardt
President and Chief Executive Officer

March 30, 2016

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") (formerly Northern Spirit Resources Inc.) is dated March 30, 2016 and should be read in conjunction with the Corporation's audited consolidated financial statements (the "financial statements") and related notes for years ended December 31, 2015 and 2014. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 focused operations in east central Alberta. Additional information respecting 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".

REORGANIZATION

On July 31, 2015 the Corporation entered into a definitive reorganization and investment agreement (the "Reorganization") which provided for, among other things, a non-brokered private placement, appointment of a new management team and a future rights offering to shareholders. Total costs incurred to complete the Reorganization of $1.1 million, including severance payments to former management and legal costs, have been included in transaction costs.

On September 30, 2015, shareholders of the Corporation agreed to rename the Corporation from Northern Spirit Resources Inc. to Altura Energy Inc. and to consolidate the number of common shares on a ten for one basis. The name change and the share consolidation were effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

The rights offering to shareholders was completed on October 9, 2015.

SELECTED ANNUAL INFORMATION

($)	**2015**	2014	2013
Petroleum and natural gas sales	**5,582,861**	6,388,940	2,215,969
Funds from operations(1)	**2,151,755**	3,808,575,	480,195
Per share – basic and diluted(1)	**0.03**	0.11	0.01
Cash flow from (used in) / operating activities	**1,205,022**	3,544,580	(211,991)
Per share – basic and diluted	**0.02**	0.10	(0.01)
Income (loss)	**(3,810,021)**	3,576,393	(628,834)
Per share – basic and diluted	**(0.06)**	0.10	(0.02)
Capital expenditures, net of divestitures	**3,182,748**	5,887,910	2,896,451
Total assets	**40,946,771**	19,812,538	15,775,245
(Net debt) / working capital surplus(1)	**22,128,840**	(400,489)	1,146,701
Common shares outstanding(2)			
End of period – basic	**108,920,973**	35,327,599	34,327,599
Weighted average for the period – basic and diluted	**65,619,077**	34,345,750	34,327,599

(1) Funds from operations, funds from operations per share and net debt 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.

(2) A share consolidation was effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted for the consolidation on a retroactive basis.

RESULTS OF OPERATIONS

Production

	Three months ended December 31,			Year ended December 31,		
	2015	2014	% Change	**2015**	2014	% Change
Crude oil (bbls/d)	**320**	448	(29)	**308**	212	45
Natural gas (mcf/d)	**374**	259	44	**287**	234	23
Natural gas liquids (bbls/d)	**6**	4	50	**6**	4	50
Total (boe/d)	**389**	495	(21)	**361**	255	42
Oil and natural gas liquids % of production	**84%**	91%	(8)	**87%**	85%	2

Production volumes averaged 389 boe per day in the fourth quarter of 2015, compared to 495 boe per day in the same period of 2014. The decrease is a result of natural production declines, partially offset by one gross (1.0 net) well being brought on-stream in mid-November in the Klein North area. In response to the current economic conditions, the Corporation limited drilling to only one well in 2015 as compared to five gross (3.8 net) wells brought on-stream in the third and fourth quarters of 2014. Average daily production volumes increased to 361 boe per day from 255 boe per day in 2015 primarily as a result of incremental production that carried forward from the 2014 drilling program.

Revenue

	Three months ended December 31,			Year ended December 31,		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Crude oil	**1,161,435**	2,802,545	(59)	**5,206,871**	5,872,640	(11)
Natural gas	**89,311**	91,434	(2)	**297,375**	405,787	(27)
Natural gas liquids	**24,261**	22,933	6	**78,615**	110,513	(29)
Petroleum and natural gas sales	**1,275,007**	2,916,912	(56)	**5,582,861**	6,388,940	(13)

Petroleum and natural gas sales for the fourth quarter of 2015 decreased 56 percent to $1,275,007 compared to $2,916,912 in the same period of 2014. The decrease of $1,641,905 consists of $893,113 attributed to lower realized prices, and $748,792 attributed to decreased production volumes. In 2015, petroleum and natural gas sales decreased 13 percent to $5,582,861 compared to $6,388,940 in the same period of 2014. The decrease of $806,079 consists of $3,584,412 attributed to lower realized prices, partially offset by $2,778,333 attributed to increased production volumes.

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

	Three months ended December 31,			Year ended December 31,		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Average Benchmark Prices						
WTI oil (US$/bbl)[(1)]	**42.18**	73.15	(42)	**48.80**	93.00	(48)
WCS differential (US$/bbl)[(2)]	**(14.54)**	(21.11)	(31)	**(9.35)**	(19.24)	(51)
US$/Cdn$ exchange rate	**0.75**	0.78	(4)	**0.88**	0.91	(3)
WCS (Cdn$/bbl)	**36.86**	66.72	(45)	**44.83**	81.06	(45)
AECO daily spot ($/mmbtu)[(3)]	**2.46**	3.60	(32)	**2.69**	4.50	(40)
Average Realized Prices						
WCS (Cdn$/bbl)	**36.86**	66.72	(45)	**44.83**	81.06	(45)
Altura realized differential ($/bbl)	**2.60**	1.33	95	**1.50**	(5.25)	(129)
Crude oil ($/bbl)	**39.46**	68.05	(42)	**46.33**	75.81	(39)
Natural gas ($/mcf)	**2.59**	3.83	(32)	**2.84**	4.76	(40)
Natural gas liquids ($/bbl)	**41.13**	56.79	(28)	**38.13**	71.60	(47)
Average realized price ($/boe)	**35.66**	64.01	(44)	**42.32**	68.54	(38)

(1) WTI represents posting price of West Texas Intermediate oil.
(2) WCS differential represents the difference between the average market price for the benchmark Western Canadian Select heavy oil and WTI.
(3) $1.00/mmbtu = $1.00/mcf based on a standard heat value mcf.

The weakness in commodity prices continued further in the fourth quarter of 2015. US denominated WTI prices decreased by 42 percent and 48 percent for the three months and year ended December 31, 2015 as compared to the same periods in 2014.

For the three months and year ended December 31, 2015, Altura's realized crude oil price fell by 42 percent and 39 percent, respectively, as compared to the prior periods. This price decrease is primarily attributed to the decrease in WTI over the same time periods, partially offset by the effect of a narrowed differential between WTI and WCS crude oil prices and a weakened Canadian dollar.

Natural gas prices decreased in the three months and year ended December 31, 2015 as compared to the same periods in 2014 due to North American supply exceeding demand. Altura's average realized natural gas prices for the three months and year ended December 31, 2015 of $2.59 per Mcf and $2.84 per Mcf, respectively, were higher than the average AECO daily spot index price during the same periods in 2015 due to Altura's higher than average heat content in its natural gas.

Royalties

	Three months ended December 31,			Year ended December 31,		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Royalty expense	**49,169**	174,183	(72)	**242,309**	489,564	(51)
Royalty expense as a % of sales	**3.9%**	6.0%	(35)	**4.3%**	7.7%	(44)
Royalty expense per boe	**1.37**	3.82	(64)	**1.84**	5.25	(65)

In the fourth quarter of 2015, royalties as a percentage of sales were 3.9 percent, a decrease of 35 percent from the same period in 2014. In 2015, Altura's royalty rate decreased 44 percent from 2014. Royalties paid on crown lands are based on a sliding scale with sensitivity to both price and total volume produced. As such, due to the lower pricing environment throughout 2015, coupled with royalty incentives on the wells drilled in the second half of 2014 and in the fourth quarter of 2015, Altura realized lower royalty rates for the fourth quarter and for the year ended December 31, 2015 compared to the same periods in 2014.

On January 29, 2016, the Alberta Government introduced a new royalty framework for the province's oil and gas industry, the Modernized Royalty Framework ("MRF"), which will take effect on January 1, 2017. Wells drilled prior to January 1, 2017 will continue to be governed by the current "Alberta Royalty Framework" for a period of 10 years until January 1, 2027. The MRF is structured in three phases: (i) Pre-Payout, (ii) Mid-Life, and (iii) Mature. During the Pre-Payout phase, a fixed 5 percent royalty will apply until the well reaches payout. Well payout occurs when the cumulative revenue from a well is equal to the Drilling and Completion Cost Allowance (determined by a formula that approximates drilling and completion costs for wells based on depth, length and historical costs). The new royalty rate will be payable on gross revenue generated from all production streams (oil, gas, and natural gas liquids), eliminating the need to label a well as "oil" or "gas". Post-payout, the Mid-Life phase will apply a higher royalty rate than the Pre-Payout phase. While the metrics for calculating the Mid-Life phase royalty have yet to be released, the rate will be determined based on commodity prices and are intended, on average, to yield the same internal rate of return as under the current Alberta Royalty Framework. In the Mature phase, once a well reaches the tail end of its cycle and production falls below a Maturity Threshold, currently estimated to be 20 bbls per day for oil and 200 mcf per day for gas, the royalty rate will move to a sliding scale (based on volume and price) with a minimum royalty rate of 5 percent. The downward adjustment of the royalty rate in the Mature phase is intended to account for the higher per-unit fixed cost involved in operating an older well. Details of the MRF, including the applicable royalty rates and formulas, are scheduled to be released on April 21, 2016.

Operating and Transportation Costs

	Three months ended December 31,			Year ended December 31,		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Operating and transportation	**455,200**	543,293	(16)	**1,820,263**	1,375,677	32
Operating and transportation per boe	**12.73**	11.92	7	**13.80**	14.76	(7)

For the fourth quarter of 2015 operating and transportation costs increased 7 percent to $12.73 per boe from $11.92 per boe in the same period of 2014. The increase on a per boe basis is attributed to the decline in production volumes from decreased drilling activity in 2015.

In 2015, operating and transportation costs decreased 7 percent to $13.80 per boe from $14.76 per boe in 2014. The decrease is due to an increase in production volumes from the wells brought on-stream in the third and fourth quarters of 2014, which have a lower cost profile on a per boe basis than the Corporation's legacy wells.

General and Administrative ("G&A") Expenses

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Gross G&A	**444,722**	295,569	50	**1,570,773**	854,301	84
Overhead and capital recoveries	**(65,312)**	(34,332)	90	**(179,179)**	(153,493)	17
Net G&A expenses	**379,410**	261,237	45	**1,391,594**	700,808	99
Net G&A per boe	**10.61**	5.73	85	**10.55**	7.52	40

Net G&A expenses totaled $379,410 and $1,391,594 for the three months and year ended December 31, 2015 respectively, which increased 45 percent and 99 percent from the same periods in 2014. The increase is primarily due to the Reorganization and the appointment of the new management team, which added additional salary expense and other employment related costs to position the Corporation for future growth.

Interest and Financing Expenses

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Interest and financing expenses	**7,383**	31,457	(77)	**31,173**	35,177	(11)
Interest and financing expenses per boe	**0.21**	0.69	(70)	**0.24**	0.38	(37)

Interest and financing expenses in the three months and year ended December 31, 2015 relate primarily to standby charges associated with the Corporation's credit facility and interest related to Part VII.6 tax on the 2014 flow-through share issuance.

Interest Income

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Interest income	**30,984**	1,905	>500	**54,233**	20,861	160
Interest income per boe	**0.87**	0.04	>500	**0.41**	0.22	86

Interest income in the three months and year ended December 31, 2015 relates to cash invested in a short-term interest bearing account with Altura's lender.

Netbacks

($/boe)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Petroleum and natural gas sales	**35.66**	64.01	(44)	**42.32**	68.54	(38)
Royalties	**(1.37)**	(3.82)	(64)	**(1.84)**	(5.25)	(65)
Operating and transportation	**(12.73)**	(11.92)	7	**(13.80)**	(14.76)	7
Operating netback	**21.56**	48.27	(55)	**26.68**	48.53	(45)
General and administrative	**(10.61)**	(5.73)	85	**(10.55)**	(7.52)	40
Interest and financing expense	**(0.21)**	(0.69)	(70)	**(0.24)**	(0.38)	(37)
Interest income	**0.87**	0.04	>500	**0.41**	0.22	86
Corporate netback	**11.61**	41.89	(72)	**16.30**	40.85	(60)

Altura’s corporate netback was $11.61 per boe in the fourth quarter of 2015 compared to $41.89 per boe in the same period of 2014. In 2015, Altura’s corporate netback was $16.30 per boe compared with $40.85 per boe in 2014. The quarterly and yearly decreases are primarily a result of the significant decline in commodity prices and increased G&A, partially offset by decreased royalty expenses.

Share-Based Compensation

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Share-based compensation	**217,007**	4,920	>500	**745,003**	34,466	>500
Capitalized share-based compensation	**(14,285)**	-	-	**(57,022)**	(5,343)	>500
Share-based compensation expense	**202,722**	4,920	>500	**687,981**	29,123	>500

Share-based compensation expense in the fourth quarter of 2015 includes $163,746 related to the Performance Warrants, and $38,976 related to stock-options. In 2015, share-based compensation expense includes $277,843 related to the Performance Warrants, $100,957 related to stock-options, and $309,181 related to the cancellation of stock options in accordance with the Reorganization, which is the amount that would have been recognized over the remainder of the vesting period if the cancellation had not occurred. The Performance Warrants and stock-options are being expensed over their expected life.

Transaction Costs

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Transaction costs	**1,161**	-	-	**1,073,823**	-	-

Transaction costs of $1,073,823 in 2015 were non-recurring costs incurred to complete the Reorganization and include severance costs of former management, legal costs and advisory fees.

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

($)	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
DD&A	**979,683**	501,563	95	**2,387,894**	939,048	154
DD&A per boe	**27.40**	11.01	149	**18.10**	10.07	80

DD&A expense is a function of the estimated proved plus probable reserve additions, the finding and development costs attributable to those reserves, the associated future development capital required to recover those reserves and production in the period. The Corporation determines its DD&A expense on an area basis.

DD&A expense increased on an aggregate basis and on a per boe basis in the three months and year ended December 31, 2015 due to a reduction in proved plus probable reserves and future development capital, related to the decline in the economic conditions of the industry.

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 December 31, 2015 and September 30, 2015, Altura evaluated its exploration and evaluation ("E&E") assets and developed and producing assets on a cash generating unit ("CGU") basis for indicators of any potential impairment or related recovery. As a result of continued declines in forward commodity prices for crude oil and natural gas and a reduction in proved plus probable reserves, impairment tests were conducted.

The September 30, 2015 impairment test on developed and producing assets determined that the net book value exceeded the recoverable amount on a natural gas weighted CGU and Altura recognized a $1,639,000 impairment charge in the third quarter of 2015 (2014 - $nil). No additional impairment was recorded in the fourth quarter of 2015 as the natural gas CGU was effectively written-down to nil at September 30, 2015.

Additionally, the Corporation recorded a $711,664 impairment charge in 2015 (2014 - $nil) related to exploration activities in certain areas with carrying values estimated to exceed the recoverable amounts. As at September 30, 2015, the Corporation determined there to be indicators of impairment regarding these E&E assets, based on the prolonged decline of crude oil prices, reallocations of future capital spending and upcoming land expiries. As a result, the Corporation impaired these exploration and evaluation assets in the third quarter of 2015 principally comprised of historic land acquisition costs. No impairment indicators were identified on the Corporation's E&E assets at December 31, 2015.

The results of the December 31, 2015 and September 30, 2015 impairment tests are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or recovery of impairment charges. For further information regarding the impairment charge for 2015, refer to notes 7 and 8 in the financial statements for the year ended December 31, 2015.

Investment

The Corporation holds 950,423 common shares in the share capital of a publicly traded company related to non-cash proceeds received in a disposition of certain oil and gas assets in 2011. The fair value of investment at December 31, 2015 was $237,606.

The gain or loss in comprehensive income is determined by the change in the mark-to-market valuation of the shares from the end of the immediately prior reporting period. For the three months ended December 31, 2015, the Corporation recorded an unrealized loss of $133,059 (December 31, 2014 – $285,127). For the year ended December 31, 2015 the Corporation recorded an unrealized loss of $95,042 (December 31, 2014 – $513,229).

Flow-through Share Renunciation

The Corporation has recorded flow-through share renunciation income of $330,000 in 2015, compared to $16,667 in 2014. The 2015 flow-through share renunciation income represents the incremental premium received to the 27 percent tax benefit renounced to investors in the December 2014 flow-through share financing.

Deferred Taxes

The Corporation has a deferred income tax recovery of $220,934 and $335,853 for the three months and year ended December 31, 2015, respectively, compared to $140,202 for both respective periods in 2014. The deferred income tax recovery in the year ended December 31, 2015 is primarily due to a tax recovery recognized as a result of the impairment of exploration and evaluation assets and property and equipment in the year. As at December 31, 2015, the Corporation has an unrecognized deferred tax asset.

Estimated tax pools at December 31, 2015 are as follows:

	($)
Canadian development expenses	4,799,000
Canadian exploration expenses	2,451,000
Canadian oil and gas property expenses	831,000
Non-capital losses	4,870,000
Undepreciated capital cost	2,917,000
Cumulative eligible expenditures	749,000
Share issue costs	270,000
	16,887,000

Non-capital losses expire between 2028 and 2034.

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 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:

	Three months ended December 31,			**Year ended December 31,**		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Cash flow from operating activities	**262,437**	2,633,914	(90)	**1,205,022**	3,544,580	(66)
Transaction costs	**1,161**	-	-	**1,073,823**	-	-
Decommissioning expenditures	**10,310**	33,100	(69)	**10,310**	33,100	(69)
Changes in non-cash operating working capital	**140,921**	(758,367)	(119)	**(137,400)**	230,895	(160)
Funds from operations	**414,829**	1,908,647	(78)	**2,151,755**	3,808,575	(44)
Per share – basic	**-**	0.06	(100)	**0.03**	0.11	(73)
Per share – diluted	**-**	0.06	(100)	**0.03**	0.11	(73)

Details of the change in funds from operations and corporate netback per boe from the three months and year ended December 31, 2014 to the three months and year ended December 31, 2015 are as follows:

	Three months ended December 31,		**Year ended December 31,**	
	$	**$/boe**	**$**	**$/boe**
Funds from operations - 2014	**1,908,647**	**41.89**	**3,808,575**	**40.85**
Volume variance	(748,792)	-	2,778,333	-
Price variance	(893,113)	(28.35)	(3,584,412)	(26.22)
Interest and other income	29,079	0.83	33,372	0.19
Royalties	125,014	2.45	247,255	3.41
Expenses:				
Operating and transportation	88,093	(0.81)	(444,586)	0.96
General and administrative	(118,173)	(4.88)	(690,786)	(3.03)
Interest and financing	24,074	0.48	4,004	0.14
Funds from operations - 2015	**414,829**	**11.61**	**2,151,755**	**16.30**

Funds from operations decreased by 78 percent in the fourth quarter of 2015 to $414,829 from $1,908,647 generated in the fourth quarter of 2014. The decrease reflects lower revenue due to significantly lower realized commodity prices, decreased production volumes and higher G&A, partially offset by reduced royalties, lower operating and transportation costs associated with the decreased production, lower interest expenses and increased interest income.

Funds from operations decreased by 44 percent in 2015 to $2,151,755 from $3,808,575 generated in 2014. This decrease is also due to decreased revenue from significantly lower commodity prices as well as higher operating and transportation costs associated with the increased production and higher G&A, partially offset by increased production volumes, reduced royalties, and increased interest income.

Income (Loss)

	Three months ended December 31,			**Year ended December 31,**		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Income (loss)	**(418,198)**	1,101,725	(138)	**(3,810,021)**	3,576,393	(207)
Per share – basic	**-**	0.03	(100)	**(0.06)**	0.10	(160)
Per share – diluted	**-**	0.03	(100)	**(0.06)**	0.10	(160)

In the three months and year ended December 31, 2015, Altura generated losses of $418,198 and $3,810,021, respectively, which compares to income of $1,101,725 and $3,576,393 for the respective periods in 2014. The change in the income (loss) and income (loss) per share were due primarily to decreased funds from operations, transaction costs related to the Reorganization, increased DD&A, impairment, and a gain on divestiture of assets in the year ended December 31, 2014. Partially offsetting the increased loss is an increase to deferred income tax recovery in the three months and year ended December 31, 2015.

Capital Expenditures

	Three months ended December 31,			Year ended December 31,		
($)	**2015**	2014	% Change	**2015**	2014	% Change
Geological and geophysical	**18,874**	2,656	>500	**32,633**	299,802	(89)
Land	**362,400**	126,177	187	**1,224,067**	539,003	127
Drilling and completions	**989,082**	494,901	100	**1,170,864**	4,941,054	(76)
Equipping and facilities	**249,111**	262,431	(5)	**338,716**	1,321,998	(74)
Other	**52,814**	-	-	**185,909**	-	-
	1,672,281	886,165	89	**2,952,189**	7,101,857	(58)
Property acquisitions	**(6,401)**	-	-	**250,559**	-	-
Property dispositions	**-**	(110,000)	(100)	**(20,000)**	(1,213,947)	(98)
Total capital expenditures and net acquisitions	**1,665,880**	776,165	115	**3,182,748**	5,887,910	(46)

Net capital expenditures in 2015 were 46 percent lower than in 2014 due to reduced drilling and completion activity associated with the current economic conditions that are challenging the industry. Altura drilled one gross (1.0 net) oil well in 2015, compared to six gross (4.6 net) wells in 2014. The cost to drill, complete and equip the well was approximately $1,098,000.

The Corporation also incurred approximately $161,000 in facilities capital in the fourth quarter of 2015 relating to the expansion of Altura's multi-well battery in the Klein North area.

Land costs in the fourth quarter of 2015 relate to a lease issuance and drilling commitment agreement and Crown land sales in which Altura acquired freehold and Crown leases in 16 sections of land in Alberta.

Decommissioning Liability

At December 31, 2015, Altura recorded a decommissioning liability of $2,626,128 (December 31, 2014 - $1,882,866) for the future abandonment and reclamation of Altura’s properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability has been discounted at the risk free rate of 1.4 percent (December 31, 2014 – 1.8 percent). Abandonment cost estimates are derived from both third party 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 the decrease in the risk free rate combined with revisions to cost estimates.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the year ended December 31, 2015, accretion expense totaled $32,225 (December 31, 2014 - $45,684).

The Corporation’s Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.59 at December 31, 2015. The LMR reflects the results of a comparison 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’s working capital changed from a deficit of $400,489 at December 31, 2014 to a surplus of $22,128,840 at December 31, 2015 as a result of the equity financing in the third quarter of 2015. At December 31, 2015, the major components of Altura’s current assets were cash and cash equivalents (96.8 percent), the investment (1.0 percent) and revenue (1.9 percent) to be received from its marketers in respect of December 2015 production. Altura routinely assesses the financial strength of its marketers and joint interest partners, and has determined $63,665 of past due accounts receivable to be uncollectable and has booked an allowance for these amounts. Current liabilities largely consist of trade and joint interest payables (79 percent) and accrued liabilities (21 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 (the "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

In the second quarter of 2015 the Corporation underwent a regular scheduled review of its Credit Facility which resulted in an increase of its borrowing limit from $5.0 million to $6.5 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 December 31, 2015, the working capital ratio under the terms of the Credit Facility was calculated to be 29.8:1 (December 31, 2014 – 3.9:1). The next review date for the Credit Facility has been set for May 31, 2016.

Shareholders' Equity

At December 31, 2015, there were 108,920,973 common shares outstanding, an increase of 73,593,374 compared to December 31, 2014. The number of shares outstanding have been adjusted on a retroactive basis for the share consolidation that was effected on October 16, 2015. The change in outstanding common shares is summarized in the following table:

	Number of common shares
Balance, December 31, 2014	35,327,599
Repurchase of common shares	(624,200)
Exercise of stock options	250,000
Issuance of common shares on recapitalization	62,723,526
Issuance of units on recapitalization	10,223,953
Issuance of common shares on rights offering	1,020,125
Fractional rounding on share consolidation	(30)
Balance, December 31, 2015	**108,920,973**

In the first half of 2015, the Corporation repurchased a total of 624,200 common shares for cancellation at a weighted average price of $0.46 per share pursuant to its normal course issuer bid.

In the third quarter, the Corporation closed three tranches of a private placement issuing (i) 10,223,953 Units at a price of $0.3375 per unit to insiders, directors and management and (ii) 62,723,526 common shares of the Corporation at a price of $0.3375 per common share for aggregate gross proceeds of $24.6 million. Each Unit is comprised of one common share and one performance warrant. Each performance warrant will entitle the holder to purchase one common share at a price of $0.449 per share for a period of five years. 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. As at December 31, 2015 no warrants are exercisable.

Pursuant to the Reorganization, on October 9, 2015 the Corporation completed a rights offering to shareholders of the Corporation issuing 1,020,125 common shares at a price of $0.3375 per common share.

At March 30, 2016, there were 108,920,973 common shares outstanding, 10,223,953 performance warrants outstanding and 3,950,000 stock options outstanding.

Liquidity

At December 31, 2015, Altura had working capital of $22,128,840, no debt and $6.5 million available on its Credit Facility. Altura expects to have adequate liquidity to fund its 2016 capital expenditure forecast through a combination of available cash on hand, funds from operations and the $6.5 million Credit Facility, if required. Altura's ability to increase its borrowing capacity is based on its reserves value as determined by its external reserve evaluator.

If Altura undertakes any major acquisitions, management would expect to finance the transactions with a combination of equity and debt in a cost effective manner. Altura continues to be very active evaluating acquisitions that meet its investment criteria.

Contractual Obligations and Commitments

In November 2015, the Corporation entered into a lease issuance and drilling commitment agreement whereby Altura acquired freehold petroleum leases in Alberta. Pursuant to the agreement, Altura has agreed to drill one horizontal commitment well by October 31, 2016. The Corporation is subject to a non-performance penalty of $500,000 if the commitment is not fulfilled.

SUMMARY OF QUARTERLY INFORMATION

	2015				2014			
Quarters Ended	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
OPERATING								
Average daily production								
Crude oil (bbls/d)	**320**	275	282	355	448	173	102	137
Natural gas (mcf/d)	**374**	267	238	268	259	130	241	300
NGLs (bbls/d)	**6**	8	5	4	4	3	12	4
Total (boe/d)	**389**	328	327	404	495	197	154	191
Average realized sales price (CAD$)								
Crude oil ($/bbl)	**39.46**	45.48	58.23	43.73	68.05	83.78	89.25	81.96
Natural gas ($/mcf)	**2.59**	3.05	2.82	2.99	3.83	4.26	4.83	5.82
NGLs ($/bbl)	**41.13**	17.16	63.98	40.05	56.79	71.54	28.41	79.17
Total ($/boe)	**35.66**	41.12	53.02	40.84	64.01	77.39	62.56	69.58
OPERATING NETBACK ($ per boe)[1]								
Petroleum and natural gas sales	**35.66**	41.12	53.02	40.84	64.01	77.39	62.56	69.58
Royalty expenses	**(1.37)**	(1.93)	(2.21)	(2.07)	(3.82)	(7.50)	(4.33)	(7.26)
Operating and transportation costs	**(12.73)**	(15.19)	(15.93)	(11.87)	(11.92)	(17.06)	(13.22)	(19.68)
Operating netback[1]	**21.56**	24.00	34.88	26.90	48.27	52.83	45.01	42.64
FINANCIAL								
Petroleum and natural gas sales ($000)	**1,275**	1,239	1,580	1,489	2,917	1,400	874	1,198
Funds from operations ($000)[1]	**415**	209	803	725	1,909	794	484	621
Per share – basic and diluted ($)[1]	**-**	-	0.02	0.02	0.06	0.02	0.01	0.02
Cash flow from operating activities ($000)	**262**	(451)	727	666	2,634	(120)	482	548
Per share – basic and diluted ($)	**-**	(0.01)	0.02	0.02	0.08	-	0.01	0.02
Income (loss) ($000)	**(418)**	(3,955)	201	362	1,102	677	158	1,639
Per share – basic and diluted ($)	**-**	(0.05)	0.01	0.01	0.03	0.02	-	0.05
Capital expenditures, net ($000)	**1,666**	160	968	388	776	3,264	2,305	(457)
Total assets ($000)	**40,947**	40,811	20,549	19,491	19,813	20,421	18,762	17,876
(Net debt)/ working capital surplus ($000)[1]	**22,129**	23,151	(515)	(208)	(400)	(2,294)	109	2,235
Shareholders' equity ($000)	**37,326**	37,205	16,250	16,192	15,868	14,388	13,706	13,543
Common shares outstanding								
Weighted average for the period - basic	**108,821,185**	82,300,974	35,074,699	34,399,610	34,360,208	34,327,599	34,327,599	34,327,599
Weighted average for the period - diluted	**108,821,185**	82,300,974	35,074,699	34,399,610	34,360,208	34,327,599	34,327,599	34,327,599
Shares outstanding, end of period	**108,920,973**	107,900,878	34,703,399	35,168,399	35,327,599	34,327,599	34,327,599	34,327,599

1. Funds from operations, funds from operations per share, operating netback, and net debt 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 is the result of both the amount of oil volumes sold as well as Altura's realized price. The Corporation grew production in the second half of 2014 by bringing five gross (3.8 net) new wells on-stream. Capital expenditures were lower in 2015 due to challenging economic conditions, which has contributed to declining production in the first and second quarters of 2015. One new well was drilled in the fourth quarter of 2015 resulting in an increase in production volumes compared to the third quarter of 2015.

The Corporation recorded an impairment charge of $2,350,664 in the third quarter of 2015 relating to continued declines in forward commodity prices for crude oil and natural gas and a reduction in proved plus probable reserves, which resulted in the significant loss in the quarter.

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 Reorganization.

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 May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. In September 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. 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 October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases". The IASB is expected to issue the standard in 2015. 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 Corporation is currently evaluating the impact of the standard on Altura's financial statements.

ADVISORIES

Non-GAAP Measures

This MD&A and fourth 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", "operating netback", "adjusted working capital surplus (deficit)" and "net debt". 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 fourth 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 and changes in non-cash operating working capital. Funds from operations is also derived from income (loss) plus transaction costs and non-cash items including deferred income tax (recovery) expense, depletion, depreciation and amortization expense, share-based compensation expense, impairment, the fair value of investments, flow-through share renunciation, (gains) losses on disposition of assets 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, and operating and transportation costs calculated on a per boe basis. Corporate netback denotes operating netback less general and administrative and interest and financing expense plus interest income on a per boe basis. Adjusted working capital surplus (deficit) includes current assets less current liabilities excluding the credit facility. Altura uses net debt as a measure to assess its financial position. Net debt includes outstanding bank indebtedness plus adjusted working capital surplus (deficit).

Barrels of Oil Equivalent

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

Forward-looking Information

This MD&A and fourth 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 fourth quarter report contain forward-looking information and statements pertaining to the following: 2016 capital expenditure budget, including details of expected drilling and completion plans relating to such budget, capital efficiency on the 2016 drilling program, first quarter of 2016 production forecast, 2016 production forecast, 2016 exit rate forecast, financing sources for future capital, potential acquisition opportunities, estimates of normal course obligations, the amount of future decommissioning costs, and future liquidity and financial capacity. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking information and statements contained in this MD&A and fourth quarter report reflect several material factors and expectations and assumptions of Altura including, without limitation: 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; 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 fourth 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 including risk factors set out in Altura's most recent annual information form, which is available on SEDAR at www.sedar.com.

The forward-looking information and statements contained in this MD&A and fourth quarter report are made as of the date of this MD&A and fourth 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.

Initial Production Rates

Any references in this document 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. 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.

MANAGEMENT'S REPORT

To the Shareholders of Altura Energy Inc. (formerly Northern Spirit Resources Inc.)

Management's Responsibility on Financial Statements

The annual consolidated financial statements of Altura Energy Inc. as at and for the years ended December 31, 2015 and December 31, 2014 were prepared by management within the acceptable limits of materiality and are in accordance with International Financial Reporting Standards. Management is responsible for the integrity of the consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with the accounting policies as described in the notes to the consolidated financial statements. Timely release of financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. When necessary, such estimates are based on informed judgments made by management. Management has designed and maintains an appropriate system of internal controls to provide reasonable assurance that all assets are safeguarded and financial records are properly maintained to facilitate the preparation of consolidated financial statements for reporting purposes.

KPMG LLP, an independent firm of Chartered Public Accountants appointed by shareholders, have conducted an examination of the corporate and accounting records in order to express their opinion on the consolidated financial statements. The Audit Committee, consisting of non-management directors, has met with representatives of KPMG LLP and management in order to determine if management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

(signed)

David Burghardt
President and Chief Executive Officer

(signed)

Tavis Carlson
Vice-President and Chief Financial Officer

March 30, 2016
Calgary, Alberta

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Altura Energy Inc. (formerly Northern Spirit Resources Inc.)

We have audited the accompanying consolidated financial statements of Altura Energy Inc. (formerly Northern Spirit Resources Inc.), which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Altura Energy Inc. (formerly Northern Spirit Resources Inc.) as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed)

KPMG LLP
Chartered Professional Accountants

March 30, 2016
Calgary, Canada

ALTURA ENERGY INC. (formerly Northern Spirit Resources Inc.)
CONSOLIDATED BALANCE SHEETS

($) As at	**December 31, 2015**	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	**22,388,642**	181,040
Accounts receivable (note 13)	**467,718**	689,169
Prepaid expenses and deposits	**29,777**	9,212
Investment	**237,606**	332,648
	23,123,743	1,212,069
Exploration and evaluation (note 7)	**1,767,737**	1,446,483
Property and equipment (note 8)	**16,055,291**	17,153,986
Total assets	**40,946,771**	19,812,538
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**994,903**	1,396,004
Decommissioning liability (note 10)	**-**	216,554
	994,903	1,612,558
Flow-through share premium (note 11b)	**-**	600,000
Decommissioning liability (note 10)	**2,626,128**	1,666,312
Deferred tax liability (note 12)	**-**	65,853
Total liabilities	**3,621,031**	3,944,723
SHAREHOLDERS' EQUITY		
Share capital (note 11)	**37,711,919**	13,045,973
Warrants (note 11e)	**-**	1,295,270
Performance warrants (note 11f)	**288,924**	-
Contributed surplus	**2,631,234**	967,291
Retained earnings (deficit)	**(3,306,337)**	559,281
Total shareholders' equity	**37,325,740**	15,867,815
Commitments (note 17)		
Total liabilities and shareholders' equity	**40,946,771**	19,812,538

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors:

(signed) Robert Maitland, Director

(signed) John McAleer, Director

ALTURA ENERGY INC. (formerly Northern Spirit Resources Inc.)
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

($) For the year ended	**2015**	2014
REVENUE		
Petroleum and natural gas sales	**5,582,861**	6,388,940
Royalties	**(242,309)**	(489,564)
Interest income	**54,233**	20,861
	5,394,785	5,920,237
EXPENSES AND OTHER ITEMS		
Operating and transportation	**1,820,263**	1,375,677
General and administrative	**1,391,594**	700,808
Transaction costs (note 6)	**1,073,823**	-
Share-based compensation (note 11)	**687,981**	29,123
Interest and financing charges	**31,173**	35,177
Depletion, depreciation and amortization (note 8)	**2,387,894**	939,048
Accretion of decommissioning liability (note 10)	**32,225**	45,684
Impairment (notes 7 and 8)	**2,350,664**	-
Gain on disposition of assets (note 8)	**-**	(1,138,033)
	9,775,617	1,987,484
OTHER INCOME (EXPENSES)		
Flow-through share renunciation	**330,000**	16,667
Fair value of investment	**(95,042)**	(513,229)
	234,958	(496,562)
Income (loss) before taxes	**(4,145,874)**	3,436,191
Deferred tax recovery (note 12)	**335,853**	140,202
Income (loss) and comprehensive income (loss)	**(3,810,021)**	3,576,393
Income (loss) per share, basic and diluted (note 11d)	**(0.06)**	0.10

See accompanying notes to the consolidated financial statements

ALTURA ENERGY INC. (formerly Northern Spirit Resources Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($)	Share capital	Warrants	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2013	12,672,558	1,295,270	-	932,825	(3,017,112)	11,883,541
Issued on offering of common shares (note 11b)	400,000	-	-	-	-	400,000
Share issue costs (note 11b)	(26,585)	-	-	-	-	(26,585)
Share-based compensation expense (note 11)	-	-	-	34,466	-	34,466
Income for the year	-	-	-	-	3,576,393	3,576,393
Balance, December 31, 2014	13,045,973	1,295,270	-	967,291	559,281	15,867,815
Issued on recapitalization (note 11b)	24,619,774	-	-	-	-	24,619,774
Issued on rights offering (note 11b)	344,292	-	-	-	-	344,292
Share issue costs (note 11b)	(255,112)	-	-	-	-	(255,112)
Exercise of stock options (note 11c)	187,500	-	-	(62,500)	-	125,000
Repurchase of common shares (note 11b)	(230,508)	-	-	-	(55,597)	(286,105)
Repurchase of warrants (note 11e)	-	(24,906)	-	-	-	(24,906)
Expiry of warrants (note 11e)	-	(1,270,364)	-	1,270,364	-	-
Share-based compensation expense (note 11)	-	-	277,843	410,138	-	687,981
Share-based compensation capitalized (note 11)	-	-	11,081	45,941	-	57,022
Loss for the year	-	-	-	-	(3,810,021)	(3,810,021)
Balance, December 31, 2015	**37,711,919**	**-**	**288,924**	**2,631,234**	**(3,306,337)**	**37,325,740**

See accompanying notes to the consolidated financial statements

ALTURA ENERGY INC. (formerly Northern Spirit Resources Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

($) For the year ended	**2015**	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Income (loss) for the year	**(3,810,021)**	3,576,393
Add items not involving cash:		
Deferred tax recovery (note 12)	**(335,853)**	(140,202)
Depletion, depreciation and amortization	**2,387,894**	939,048
Accretion of decommissioning liability (note 10)	**32,225**	45,684
Share-based compensation (note 11)	**687,981**	29,123
Fair value of investment	**95,042**	513,229
Flow-through share renunciation (note 11)	**(330,000)**	(16,667)
Impairment (notes 7 and 8)	**2,350,664**	-
Gain on disposition	**-**	(1,138,033)
Decommissioning liabilities settled (note 10)	**(10,310)**	(33,100)
Change in non-cash working capital (note 15)	**137,400**	(230,895)
	1,205,022	3,544,580
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from the issuance of common shares less share issue costs (note 11b)	**24,708,954**	929,470
Repurchase of common shares (note 11b)	**(286,105)**	-
Repurchase of warrants (note 11e)	**(24,906)**	-
Proceeds from the exercise of stock options	**125,000**	-
	24,522,943	929,470
CASH FLOW USED IN INVESTING ACTIVITIES		
Property and equipment expenditures	**(1,891,582)**	(2,244,821)
Exploration and evaluation asset expenditures	**(1,060,607)**	(4,857,036)
Property acquisitions (note 8)	**(250,559)**	-
Property dispositions (note 8)	**20,000**	1,213,947
Change in non-cash working capital (note 15)	**(337,615)**	(314,205)
	(3,520,363)	(6,202,115)
CHANGE IN CASH AND CASH EQUIVALENTS	**22,207,602**	(1,728,065)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**181,040**	1,909,105
CASH IN BANK ACCOUNT, END OF YEAR	**2,388,642**	181,040
CASH IN SHORT-TERM INVESTMENTS, END OF YEAR	**20,000,000**	-
Cash interest paid	**31,173**	35,177

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") (formerly Northern Spirit Resources Inc.) 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.

On September 30, 2015, shareholders of the Corporation agreed to consolidate the number of common shares on a ten for one basis. The share consolidation was effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These 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") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and adopted by the Canadian Institute of Chartered Accountants ("CICA"). The CICA recognizes IFRS as Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises.

These financial statements were approved by the Board of Directors on March 30, 2016.

(b) Basis of Measurement and Principles of Consolidation

These financial statements have been prepared on a historical cost basis, with the exception of Altura's investment 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'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.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The determination of a cash generating unit ("CGU") and whether an acquisition transaction constitutes a business combination is subject to management judgments. The recoverability of property and equipment and exploration and evaluation assets are assessed at the CGU level. A CGU is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other CGUs. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality. Each acquisition transaction is reviewed by management and judgment is used when determining if the transaction met the IFRS 3 inputs and processes criteria for business combinations.

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

The application of the Corporation's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability has been achieved.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

Key sources of estimation uncertainty:

The following are key estimates and the assumptions made by management affecting the measurement of balances and transactions in these financial statements.

The amounts recorded for the depletion of property and equipment, the provision for decommissioning liability and the amounts used in the impairment calculations are based on estimates of petroleum and natural gas reserves and future costs to develop those reserves. By their nature, these estimates of reserves, costs and related future cash flows are subject to uncertainty, and the impact on the financial statements of future periods could be material.

The decommissioning liability amounts recorded are based on estimates of inflation rates, risk-free rates, timing of abandonments and future abandonment costs, all of which are subject to uncertainty. Actual results could differ as a result of using estimates.

Share-based compensation expense involves the estimate of the fair value of stock options and performance warrants at time of issue. The estimate involves assumptions regarding the life of the option or warrant, dividend yields, interest rates, and volatility of the security subject to the option. The charge is measured using the Black-Scholes option pricing model, which could be replaced by a pricing model producing different results.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon the estimation of recoverable quantities of proven and probable reserves being acquired.

Income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income (loss) in the period that the change occurs. The actual amount of income tax may be greater than or less than the estimates and the differences may be material.

Altura follows the accrual method of accounting, making estimates in its financial and operating results. This may include estimates of revenues, royalties, operating, transportation and other expenses and capital items related to the period being reported, for which actual results have not yet been received. It is expected that these accrual estimates will be revised, upwards or downwards, based on the receipt of actual results.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when volumes are delivered and title passes to an external party at contractual delivery points and collection is reasonably assured and are recorded gross of transportation charges incurred by the Corporation. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits and term investments held with a financial institution with an original maturity of three months or less.

(c) Joint owned assets

Many of the Corporation's oil and natural gas activities involve jointly owned assets. The financial statements include Altura's share of these jointly owned assets and a proportionate share of the relevant revenue and related costs.

(d) Share-based compensation

The Corporation accounts for its share-based compensation plan using the fair value method, which is estimated using the Black-Scholes model. Under this method, a compensation expense is charged over the vesting period for stock options and performance warrants granted using the graded vesting method with a corresponding increase to contributed surplus. Upon exercise of the stock options or performance warrants, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Forfeitures of stock options and performance warrants are estimated on the grant date and are adjusted to reflect the actual number of options that vest.

(e) Exploration and evaluation assets

Exploration and Evaluation ("E&E") costs incurred prior to acquiring the legal right to explore in an area are charged directly to income (loss). Costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the area has been established, are capitalized as E&E assets. These costs generally include unproved property acquisition costs, geological and geophysical costs, sampling and appraisals, drilling and completion costs and other directly attributable administrative costs.

Once an area is determined to be technically feasible and commercially viable the accumulated costs are tested for impairment. The carrying value, net of any impairment, is then reclassified to property and equipment as a Developed and Producing ("D&P") asset. If an area is determined not to be technically feasible and commercially viable, or the Corporation discontinues its exploration and evaluation activity, any unrecoverable costs are charged to income (loss).

(f) Property and equipment

Property and equipment, which include oil and gas D&P assets and administrative assets, are measured at cost less accumulated depletion, depreciation and accumulated impairment losses. D&P assets include mineral lease acquisitions, geological and geophysical, drilling and completion, facility and production equipment, other directly attributable administrative costs and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

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

(g) Depletion and depreciation

D&P assets are separated into groups of assets with similar useful lives for the purposes of performing depletion calculations. Depletion expense is calculated on the unit-of-production basis based on:

(i) total estimated proved and probable reserves calculated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities;

(ii) total capitalized costs plus estimated future development costs of proved and probable reserves, including future estimated asset retirement costs; and

(iii) relative volumes of petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

E&E assets are not depleted.

Administrative assets are depreciated using the declining balance method over the useful lives of the assets.

(h) Impairment

Developed and Producing Assets

D&P assets are aggregated into cash-generating units ("CGUs") for the purposes of impairment testing. CGUs are groups of assets that generate independent cash inflows and are generally defined based on geographic areas, with consideration given to how the assets are managed.

D&P assets are reviewed for impairment at a CGU level when indicators of impairment exist. When indicators of impairment exist, the carrying value of each CGU is compared to its recoverable amount which is defined as the higher of its fair value less cost to sell or its value in use.

When the carrying value exceeds the recoverable amount an impairment loss is recognized in the statement of net income (loss) and comprehensive income (loss).

Reversals of impairments are recognized when events or circumstances that triggered the original impairment have changed. Impairments can only be reversed in future periods up to the carrying amount that would have been determined, net of depletion and depreciation, had no impairment losses been previously recognized.

Exploration and Evaluation Assets

E&E assets are assessed for impairment at the operating segment level. Impairment tests are carried out when E&E assets are transferred to development and production assets following the declaration of commercial reserves, and any time that circumstances arise which could indicate a potential impairment, including land lease expiries. An impairment is recognized if the total carrying value of E&E assets exceed the aggregate impairment cushions calculated for Altura's CGUs and is applied to reduce the carrying amount of E&E assets on a pro-rata basis. If E&E assets are subject to impairment testing in the same period in which there is an indication of impairment in one of Altura's CGUs, that CGU is first tested for impairment and any resulting impairment loss is recorded prior to conducting impairment tests on E&E assets.

(i) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and bank debt, if any. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method.

Altura's investment is measured at fair value with changes in fair value recognized in income (loss).

(j) Decommissioning liabilities

The Corporation's oil and gas operating activities give rise to dismantling, decommissioning and site remediation activities. Altura recognizes a liability for the estimated present value of the future decommissioning liabilities at each balance sheet date using a risk free discount rate. The associated decommissioning cost is capitalized and amortized over the same period as the underlying asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability and related capitalized decommissioning cost.

Amortization of capitalized decommissioning costs is included in depreciation, depletion and amortization in income (loss). Increases in decommissioning liabilities resulting from the passage of time are recorded as accretion. Actual expenditures incurred are charged against the decommissioning liability.

(k) Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with a business combination are expensed as incurred.

(l) Deferred income taxes

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting dates.

Deferred tax is recognized in income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Deferred tax assets are only recognized for temporary differences, unused tax losses and unused tax credits if it is probable that future tax amounts will arise to utilize those amounts.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(m) Per share amounts

Basic per share amounts are computed by dividing income (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that would occur if dilutive instruments were exercised and common shares issued.

(n) Interest Income and Expenses

Interest and financing charges include interest expense on borrowings, standby fees on the unutilized credit facility, and renewal fees of the credit facility. Interest income is recognized as it is earned.

(o) Flow-Through Shares

The Corporation may issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value of the flow-through shares issued and the value that would have been received for common shares as at the date of announcement of the flow-through share issuance is initially recognized as a flow-through share premium liability. When the expenditures are incurred, the liability is reduced, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Corporation as a result of the renunciation and the difference is recognized as a deferred tax expense.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Corporation may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is recorded in interest and financing charges.

(p) Share Capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares, net of tax, are recognized as a deduction from equity.

(q) Change in Presentation

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

4. FUTURE CHANGES IN ACCOUNTING POLICIES

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. In September 2015, the IASB formalized the deferral of the effective date of IFRS 15 by one year, to January 1, 2018. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. 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 October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases". The IASB is expected to issue the standard in 2015. 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 Corporation is currently evaluating the impact of the standard on Altura's financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property and equipment and exploration and evaluation assets

The fair value of property and equipment recognized in a business combination, is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) and intangible exploration and evaluation assets is estimated with reference to the discounted cash flow expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

(ii) Cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and bank debt

The fair value of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and bank debt, if any, are estimated as the present value of future cash flow, discounted at the market rate of interest at the reporting date. At December 31, 2015 and December 31, 2014, the fair value of these balances approximated their carrying value due to their short term to maturity. The Corporation's bank debt, if any, bears interest at a floating rate and the margins charged by the lender are indicative of current credit spreads. Accordingly the fair market value approximates the carrying value.

(iii) Investment

The fair value of the Corporation's investment in a publicly traded entity is determined using publicly quoted market prices.

(iv) Share-based payments

The fair value of share-based payments is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility in share price (based on weighted average historical daily traded volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividend yield and the risk-free interest rate (based on government bonds).

The Corporation's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level. Altura's investment has been assessed on the fair value hierarchy described above and classified as Level 1.

6. REORGANIZATION

On July 31, 2015 the Corporation entered into a definitive reorganization and investment agreement (the "Reorganization") which provided for a non-brokered private placement (note 11b), appointment of a new management team and a future rights offering to shareholders. Total costs incurred to complete the Reorganization of $1.1 million, including severance payments to former management and legal costs, have been included in transaction costs.

On September 30, 2015, shareholders of the Corporation agreed to rename the Corporation from Northern Spirit Resources Inc. to Altura Energy Inc. and to consolidate the number of common shares on a ten for one basis. The name change and the share consolidation were effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

The rights offering to shareholders was completed on October 9, 2015 (note 11b).

7. EXPLORATION AND EVALUATION

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

($)	Total
Balance, December 31, 2013	1,596,197
Additions	4,857,036
Dispositions	(13,393)
Transfers to property and equipment	(4,993,357)
Balance, December 31, 2014	1,446,483
Additions	1,066,537
Transfers to property and equipment	(33,619)
Impairment	(711,664)
Balance, December 31, 2015	**1,767,737**

E&E assets consist of the Corporation's exploration projects, which are pending the determination of proven or probable reserves. Additions represent Altura's share of costs incurred on E&E assets during the years. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of $19,067 in the year ended December 31, 2015 (December 31, 2014 – $nil).

In the year ended December 31, 2014, the Corporation completed an asset disposition for proceeds of $1,103,947, of which the carrying value of E&E assets totaled $13,393, as disclosed in note 8.

Impairment

In the year ended December 31, 2015, the Corporation recognized impairment of $711,664 on E&E assets related to exploration activities in certain areas with carrying values estimated to exceed the recoverable amounts. During the year ended December 31, 2015, the Corporation determined there to be indicators of impairment regarding these E&E assets, based on the prolonged decline of crude oil prices, reallocations of future capital spending and upcoming land expiries. As a result, the Corporation impaired these E&E assets principally comprised of historic land acquisition costs.

8. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost ($)	**Developed and Producing Assets**	**Administrative Assets**	**Total**
Balance, December 31, 2013	12,569,969	4,402	12,574,371
Additions	2,522,114	-	2,522,114
Transfers from E&E assets	4,993,357	-	4,993,357
Dispositions	(192,075)	-	(192,075)
Change in decommissioning costs	(154,492)	-	(154,492)
Balance, December 31, 2014	19,738,873	4,402	19,743,275
Additions	1,911,412	31,262	1,942,674
Acquisitions	383,197	-	383,197
Dispositions	(20,000)	-	(20,000)
Transfers from E&E assets	33,619	-	33,619
Change in decommissioning costs	588,709	-	588,709
Balance, December 31, 2015	**22,635,810**	**35,664**	**22,671,474**
Depletion, depreciation and impairment ($)			
Balance, December 31, 2013	(1,655,597)	(2,489)	(1,658,086)
Depletion, depreciation and amortization	(938,502)	(546)	(939,048)
Dispositions	7,845	-	7,845
Balance, December 31, 2014	(2,586,254)	(3,035)	(2,589,289)
Depletion, depreciation and amortization	(2,382,876)	(5,018)	(2,387,894)
Impairment	(1,639,000)	-	(1,639,000)
Balance, December 31, 2015	**(6,608,130)**	**(8,053)**	**(6,616,183)**
Carry amounts ($)			
As at December 31, 2014	17,152,619	1,367	17,153,986
As at December 31, 2015	**16,027,680**	**27,611**	**16,055,291**

At December 31, 2015, estimated future development costs of $9,158,200 (December 31, 2014 – $35,986,750) 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 $192,597 in the year ended December 31, 2015 (December 31, 2014 – $153,493).

Acquisitions / Dispositions

During the year ended December 31, 2014, the Corporation disposed of various oil and gas interests and exploration and evaluation lands in the Klein area for proceeds of $1,103,947. The proceeds received were greater than the carrying amount of the net assets of $61,929 (including decommissioning liability of $121,709) and $13,393, respectively, and accordingly a gain on the disposition of $1,028,625 was recorded in income (loss).

The Corporation closed a second transaction in 2014 where it disposed of various oil and gas interest in the Valhalla area for proceeds of $110,000, which were greater than the carrying amount of the assets of $592, and accordingly a gain on the disposition of $109,408 was recorded in income (loss).

During the year ended December 31, 2015, the Corporation acquired increased working interests of non-producing properties in the Wildmere area for cash proceeds of $250,559. The Corporation also assumed $132,638 in a decommissioning liability.

During the year ended December 31, 2015, Altura divested a parcel of land for $20,000. The Corporation did not record a gain or loss on the divesture as the carrying value approximated the proceeds received.

Impairment

Quarterly, Altura evaluates its CGUs for indicators of any potential impairment or related recovery. As a result of continued declines in forward commodity prices for crude oil and natural gas and a reduction in proved and probable reserves, impairment tests were conducted at September 30, 2015 and December 31, 2015 on each of Altura's CGUs. In estimating the recoverable amount of each CGU, the following information was incorporated:

- the net present value of the before tax cash flows from proved plus probable oil and gas reserves of each CGU at December 31, 2015 based on reserves estimated by an independent reserves evaluator. The September 30, 2015 reserves were estimated by a member of management who is a qualified reserves evaluator;
- the fair value of undeveloped land based on management estimates; and,
- recent transactions completed within the industry on assets with similar geological and geographic characteristics within the relevant CGU.

Key input estimates used in the determination of cash flows from oil and gas reserves include the following:

a) Reserves and resources – Assumptions that are valid at the time of reserve and resource estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, required capital expenditures or recovery rates may change the economic status of reserves and resources and may ultimately result in reserves and resources being restated.

b) Crude oil and natural gas prices – Forward price estimates of the crude oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

c) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

September 30, 2015 Impairment

The estimated recoverable amounts were based on value in use calculations using a 12.5 percent before tax discount rate, which was based on an estimated industry weighted average cost of capital for the assets in the CGUs, and the following forward commodity price estimates:

	WTI Oil ($US/bbl)(1,2)	Western Canadian Select Crude Oil ($CAD/bbl) (1,2)	AECO gas ($CAD/mmbtu) (1,2)	$US/$CAD(1,2)
2016	55.00	56.60	3.35	0.76
2017	61.20	61.70	3.65	0.78
2018	65.00	65.60	3.85	0.78
2019	69.00	68.00	4.00	0.80
2020	73.10	72.20	4.25	0.80
2021	77.30	76.50	4.45	0.80
2022	81.60	81.00	4.70	0.80
2023	86.20	85.70	5.00	0.80
thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	

(1) Source: Independent external reserves evaluator. October 1, 2016 price forecast.

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

At September 30, 2015 it was determined that the net book value of the Natural Gas weighted CGU exceeded the recoverable amount and Altura recognized a $1,639,000 impairment charge. The recoverable amount using a before tax discount rate of 12.5 percent is insignificant.

At December 31, 2015 it was determined that the recoverable amount of the Corporation's CGUs exceeded the net book value. The impairment recorded in the third quarter of 2015 was restricted to the Natural Gas weighted CGU and effectively wrote off the entire carrying value of that CGU. As a result, there was no further impairment at December 31, 2015.

The results of the impairment tests are sensitive to changes in any of the key judgments, such as a revision in reserves or resources, a change in forecast commodity prices, expected royalties, required future development capital expenditures or expected future production costs, which could decrease or increase the recoverable amounts of assets and result in additional impairment charges or recovery of impairment charges.

9. CREDIT FACILITY

As at December 31, 2015, the Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of $6,500,000. 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 $500,000. A standby fee calculated at a rate of 0.40 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 $12,000,000 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 December 31, 2015, the working capital ratio as defined was 29.8:1 (December 31, 2014 – 3.9:1). The next review date for the Credit Facility has been set for May 31, 2016.

As at December 31, 2015 the Credit Facility was undrawn (December 31, 2014 - $nil) and Altura had no outstanding letters of credit.

10. 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 December 31, 2015 to be approximately $2,454,000 (December 31, 2014 – $1,853,000) with the majority of costs anticipated to be incurred between 2020 and 2025. A risk-free discount rate of 1.4 percent (December 31, 2014 – 1.8 percent) and an inflation rate of 2.0 percent (December 31, 2014 – 2.0 percent) was used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

($)	**Year ended December 31, 2015**	Year ended December 31, 2014
Balance, beginning of year	**1,882,866**	1,874,533
Additions	**106,310**	271,950
Dispositions (note 8)	**-**	(121,709)
Liabilities acquired (note 8)	**132,638**	-
Change in estimates(1)	**445,097**	(154,492)
Revaluation of liabilities acquired(2)	**37,302**	-
Decommissioning liabilities settled	**(10,310)**	(33,100)
Accretion	**32,225**	45,684
Balance, end of year	**2,626,128**	1,882,866
Current portion of decommissioning liability	**-**	216,554
Long-term portion of decommissioning liability	**2,626,128**	1,666,312

(1) The change in estimates consists of a change in the risk-free discount rate of $74,124 (December 31, 2014 – $80,083) and a change in abandonment and remediation cost estimates and future abandonment dates of $370,973 (December 31, 2014 – $234,575 credit).

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

11. 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 ($)**
Balance, December 31, 2013	34,327,599	12,672,558
Issuance of flow-through common shares (i)	1,000,000	400,000
Share issue costs, net of taxes of $43,945	-	(26,585)
Balance, December 31, 2014	35,327,599	13,045,973
Repurchase of common shares (ii)	(624,200)	(230,508)
Exercise of stock options (note 11c)	250,000	187,500
Issuance of common shares on recapitalization (iii)	62,723,526	21,169,190
Issuance of units on recapitalization (iii)	10,223,953	3,450,584
Issuance of common shares on rights offering (iv)	1,020,125	344,292
Fractional rounding on share consolidation	(30)	-
Share issue costs (v)	-	(255,112)
Balance, December 31, 2015	**108,920,973**	**37,711,919**

On October 19, 2015 the Corporation completed a 10 to 1 common share consolidation. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

i) On December 29, 2014 the Corporation issued, on a private placement basis, 1,000,000 common shares of the Corporation ("Common Shares"), on a "flow-through" basis pursuant to the Income Tax Act (Canada), in respect of Canadian exploration expense ("Flow-through Shares") at an issue price of $1.00 per Flow-through Share for aggregate gross proceeds of $1.0 million. The tax pools were renounced to the shareholders for the fiscal year 2014. The Corporation had until December 31, 2015 to incur the $1,000,000 in exploration expenditures. The implied premium on the Flow-through Shares was determined to be $600,000 or $0.60 per share. The Corporation incurred $70,530 ($26,585 net of tax) in commissions and legal costs pursuant to the private placement. In 2015, the Corporation fulfilled the commitment and reversed the $600,000 flow-through share premium liability.

ii) On December 18, 2014, the TSX Venture Exchange authorized the Corporation's notice to make a normal course issuer bid ("NCIB") to purchase for cancellation of up to 2,315,134 Common Shares of the Corporation on the open market during the period from December 24, 2014 to December 24, 2015. For the year ended December 31, 2015, the Corporation purchased a total of 624,200 Common Shares for cancellation at a weighted average price of $0.46 per share pursuant to the NCIB, which excludes the fees incurred to implement the NCIB program. The excess of the purchase price over the book value of $55,597 was charged to retained earnings (deficit).

iii) On July 31, August 28, and September 4, 2015, the Corporation closed three tranches of a non-brokered private placement issuing (i) 10,223,953 units ("Units") at a price of $0.3375 per unit to insiders, directors and management and (ii) 62,723,526 Common Shares of the Corporation at a price of $0.3375 per Common Share for aggregate gross proceeds of $24.6 million. Each Unit is comprised of one Common Share and one Common Share purchase warrant (a "Performance Warrant"). Each Performance Warrant will entitle the holder to purchase one Common Share at a price of $0.449 per share for a period of five years (note 11f).

iv) On October 9, 2015, the Corporation completed a rights offering to shareholders of the Corporation (the "Rights Offering"). Under the Rights Offering, holders of Common Shares of the Corporation subscribed for and purchased an aggregate of 1,020,125 Common Shares at a price of $0.3375 per Common Share, resulting in gross proceeds to the Corporation of approximately $0.34 million.

v) Share issue costs on the private placement and Rights Offering totaled $255,112.

(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.

For stock options exercised during the year ended December 31, 2015, the weighted average trading price was $0.50 per Common Share. No stock options were exercised in 2014.

A summary of the Corporation's outstanding stock options at December 31, 2015 is presented below:

	Number of Stock Options	Weighted Average Exercise Price ($)
Balance, December 31, 2013 and 2014	1,510,000	1.00
Granted	5,500,000	0.38
Exercised	(250,000)	0.50
Cancelled (i)	(2,810,000)	0.77
Balance, December 31, 2015	**3,950,000**	**0.34**

i) Stock options were terminated on July 31, 2015 in accordance with the Reorganization.

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2015 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low ($)	High ($)	Quantity	Remaining contractual life (years)	Exercise Price	Quantity	Remaining contractual life (years)	Exercise Price ($)
0.3375	0.3375	3,950,000	4.9	0.3375	-	-	-
		3,950,000	**4.9**	**0.3375**	**-**	**-**	**-**

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

	Year ended December 31, 2015	Year ended December 31, 2014
Weighted average fair value of options granted ($)	**0.24**	-
Risk-free interest rate (%)	**0.73**	-
Expected life (years)	**3.4**	-
Expected volatility (%)	**105.4**	-
Estimated forfeiture rate (%)	**7.0**	-
Expected dividends ($)	**-**	-

The Corporation's share-based payments relating to stock options for the year ended December 31, 2015 was $456,079 (2014 – $34,466) of which $45,941 of the share-based compensation was capitalized (2014 – $5,343). Share-based payments for the year ended December 31, 2015 includes $309,181 relating to the cancellation of stock options, which is the amount that would have been recognized over the remainder of the vesting period if the cancellation had not occurred.

(d) Weighted average common shares:

	Year ended December 31, 2015	Year ended December 31, 2014
Basic	**65,619,077**	34,345,750
Diluted	**65,619,077**	34,345,750

For the year ended December 31, 2015 3,950,000 stock options and 10,223,953 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2014 – 1,510,000 stock options and 8,625,960 warrants).

(e) Warrants:

	Number of Warrants	Amount ($)	Exercise Price ($)
Warrants			
Balance, December 31, 2013 and 2014	8,625,960	1,295,270	1.00
Repurchase of warrants (i)	(2,148,400)	(24,906)	0.012
Expired (i)	(6,477,560)	(1,270,364)	1.00
Balance, December 31, 2015	**-**	**-**	**-**

i) In accordance with the Reorganization, the Corporation repurchased 2,148,400 warrants for $24,906 in 2015. All remaining regular warrants, exercisable at $1.00 per share, expired on December 31, 2015.

(f) Performance Warrants:

On July 31, and August 28, 2015, as part of the Reorganization, the Corporation issued 10,223,953 Performance Warrants to officers and directors. 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. As at December 31, 2015 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 recorded an expense of $277,843 (2014 – nil) to share-based compensation and capitalized $11,081 (2014 – nil) in the year ended December 31, 2015. The fair value of the Performance Warrants is being expensed over the expected life.

12. INCOME TAXES

The provision for income tax in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rates to the Corporation's income (loss) before income taxes. This difference results from the following items:

($)	**Year ended December 31, 2015**	Year ended December 31, 2014
Net income (loss) before income taxes	**(4,145,874)**	3,436,191
Combined federal and provincial income tax rate	**26.0%**	25.0%
Computed income tax expense (recovery)	**(1,077,927)**	859,048
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	**179,602**	-
Non-deductible expenses	**1,124**	3,114
Flow-through share expenditures	**(85,800)**	-
Change in estimates and other	**142,126**	65,488
Non-deductible portion of eligible capital expenditures	**69,798**	-
Recognition of tax assets previously not recorded	**-**	(1,067,852)
Tax benefits not recognized	**435,224**	-
	(335,853)	(140,202)

The income tax rate change is due to an increase in the Alberta provincial corporate tax rate from 10 percent to 12 percent effective July 1, 2015.

The components of deferred income tax assets and liabilities are as follows:

($)	**December 31, 2015**	December 31, 2014
Deferred income tax liabilities:		
Property and equipment and E&E assets	**(1,826,974)**	(1,496,921)
Deferred income tax assets:		
Investment	**32,077**	17,820
Decommissioning liability	**709,055**	470,717
Non-capital losses	**810,725**	913,785
Share issue costs	**72,848**	28,746
Cumulative eligible capital	**202,269**	-
Deferred tax asset (liabilities)	**-**	(65,853)

Deferred tax assets have not been recognized in respect to the following items:

($)	**December 31, 2015**	December 31, 2014
Temporary differences associated with unrecognized deferred tax assets:		
Non-capital losses	**1,985,855**	-

A continuity of the net deferred income tax liabilities is provided below:

($)	December 31, 2014	Recognized in Profit or Loss	Flow-Through Shares	December 31, 2015
Property and equipment and E&E assets	(1,496,921)	(60,053)	(270,000)	(1,826,974)
Investment	17,820	14,257	-	32,077
Decommissioning liability	470,717	238,338	-	709,055
Non-capital losses	913,785	(103,060)	-	810,725
Share issue costs	28,746	44,102	-	72,848
Cumulative eligible capital	-	202,269	-	202,269
	(65,853)	335,853	(270,000)	-

($)	December 31, 2013	Recognized in Profit or Loss	Recognized in Equity	Flow-Through Shares	December 31, 2014
Property and equipment and E&E assets	(208,383)	(1,038,538)	-	(250,000)	(1,496,921)
Investment	(46,333)	64,153	-	-	17,820
Decommissioning liability	254,716	216,001	-	-	470,717
Non-capital losses	-	913,785	-	-	913,785
Share issue costs	-	(15,199)	43,945	-	28,746
	-	140,202	43,945	(250,000)	(65,853)

13. FINANCIAL INSTRUMENTS

Altura is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. Management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and market conditions and the Corporation's activities.

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 agreements only with parties that meet certain credit tests. The maximum credit risk that the Corporation is exposed to is the carrying value of cash and cash equivalents, the investment and accounts receivable.

The majority of the credit exposure on accounts receivable at December 31, 2015 pertains to revenue for accrued December 2015 production volumes. Altura primarily transacts with one oil and natural gas marketing company and is therefore subject to concentration risk. The marketing company typically remits amounts to Altura by the 25th day of the month following production. At December 31, 2015 89 percent of total outstanding accounts receivable pertains to this company. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at December 31, 2015.

At December 31, 2015, the Corporation's trade receivables have been aged as follows:

($)	**December 31, 2015**	December 31, 2014
Current	**445,508**	623,082
31 – 60 days	**20,453**	2,996
61 – 90 days	**672**	6,490
> 90 days	**64,750**	56,601
Allowance for doubtful accounts	**(63,665)**	-
Total	**467,718**	689,169

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 December 31, 2015 management determined $63,665 of accounts receivable past due to be uncollectable and as such booked an allowance for these amounts (December 31, 2014 - nil).

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through cash on hand, internally generated cash flows and external sources (bank credit markets and equity financing, if required) to meet current spending forecasts. However, access to these external sources may change at any time and are subject to numerous factors. All the accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the credit facility, if any, is due on demand.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include commodity price risk (crude oil and natural gas), foreign currency exchange risk and interest rate risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its credit facility. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada and the United States of America, but also by world events that dictate the levels of supply and demand. The Corporation had no risk management contracts that would be affected by commodity prices in place at December 31, 2015.

Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar as compared to the US dollar will reduce the prices received by Altura for its petroleum and natural gas sales. The Corporation had no risk management contracts that would be affected by foreign currency changes in place at December 31, 2015.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facility is exposed to interest rate risk on floating interest rate indebtedness due to fluctuations in market interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at December 31, 2015.

14. CAPITAL MANAGEMENT

The Corporation's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Corporation considers its capital structure to include shareholders' equity, bank debt, if any, and adjusted working capital. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. The annual and updated budgets are approved by the board of directors.

The key measure that the Corporation utilizes in evaluating its capital structure is net debt to annualized funds from operations, which is defined as bank debt plus adjusted working capital, to annualized funds from operations (based on the most recent quarter), defined as cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures and transaction costs. Net debt to annualized funds from operations represents a measure of the time it is expected to take to pay off the debt if no further capital expenditures were incurred and if cash flow in the next year were equal to the amount in the most recent quarter annualized.

The Corporation monitors this ratio and endeavors to maintain it at, or below, 1.0 to 1.0 in a normalized commodity price environment. This ratio may increase at certain times as a result of acquisitions or low commodity prices. As shown below, as at December 31, 2015, the Corporation's ratio of net debt to annualized funds from operations was nil as Altura had no debt and an adjusted working capital surplus (December 31, 2014 – 0.1:1.0).

($)	**December 31, 2015**	December 31, 2014
Net debt:		
Credit Facility(1)	**-**	-
Adjusted working capital surplus (deficit)(2)	**22,128,840**	(400,489)
(Net debt) / working capital surplus	**22,128,840**	(400,489)
Annualized funds from operations:		
Quarterly cash flow from operating activities	**262,437**	2,633,914
Changes in non-cash working capital	**140,921**	(758,367)
Decommissioning expenditures	**10,310**	33,100
Transaction costs	**1,161**	-
Quarterly funds from operations	**414,829**	1,908,647
Annualized funds from operations	**1,659,316**	7,634,588
Net debt to annualized funds from operations	**-**	0.1

(1) The Corporation has a $6.5 million Credit Facility (December 31, 2014 - $5.0 million). The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of any financial instruments plus any undrawn portion of the Credit Facility divided by current liabilities excluding any amount drawn on the credit facilities, and the fair value of any financial instruments) is not less than 1:1. As at December 31, 2015, the Corporation's working capital ratio was 29.8:1 (December 31, 2014 – 3.9:1).

(2) Adjusted working capital surplus (deficit) is defined as current assets less current liabilities excluding the amount drawn on the Credit Facility.

The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There have been no changes in the Corporation's approach to capital management since December 31, 2014.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

($)	**Year ended December 31, 2015**	Year ended December 31, 2014
Provided by (used in):		
Accounts receivable	**221,451**	(188,576)
Prepaid expenses and deposits	**(20,565)**	(2,024)
Accounts payable and accrued liabilities	**(401,101)**	(354,500)
	(200,215)	(545,100)
Provided by (used in):		
Operating activities	**137,400**	(230,895)
Investing activities	**(337,615)**	(314,205)
	(200,215)	(545,100)

16. PERSONNEL EXPENSES

The aggregate compensation of key management personnel was as follows:

($)	**Year ended December 31, 2015**	Year ended December 31, 2014
Salaries and benefits	**814,322**	460,000
Termination benefits	**305,000**	-
Share-based compensation	**745,003**	7,996
	1,864,325	467,996

Altura's key management personnel include officers and directors as well as former officers and directors of the Corporation. Termination benefits are comprised of severance payments to the former officers and directors associated with the Reorganization (note 6) and are included in transaction costs on the statement of income (loss) and comprehensive (income) loss. Share-based compensation provided to key management personnel includes awards offered under Altura's stock option plan and Performance Warrants issued in accordance with the Reorganization. In addition, share-based compensation includes $309,181 related to the termination of stock options that were cancelled on July 31, 2015 in accordance with the Reorganization.

The salaries and benefits and share-based compensation include the capitalized and non-capitalized portion of these expenditures recorded in the financial statements during the respective periods.

17. COMMITMENTS

In November 2015, the Corporation entered into a lease issuance and drilling commitment agreement whereby Altura acquired freehold petroleum leases in Alberta. Pursuant to the agreement, Altura has agreed to drill one horizontal commitment well by October 31, 2016. The Corporation is subject to a non-performance penalty of $500,000 if the commitment is not fulfilled.

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
President & Portfolio Manager
Andylan Capital Strategies Ltd.

OFFICERS

David Burghardt
President & Chief Executive Officer

Travis Stephenson
Vice President, Engineering

D. Robert Pinckston
Vice President, Exploration

Maureen Keough
Vice President, Land

Jeff Mazurak
Vice President, Operations

Tavis Carlson
Vice President, Finance & Chief Financial Officer

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**

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