

# 2016 FIRST QUARTER REPORT



## OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended		
	March 31, 2016	December 31, 2015	March 31, 2015
<b>OPERATING</b>			
Average daily production			
Crude oil (bbls/d)	341	320	355
Natural gas (mcf/d)	348	374	268
NGLs (bbls/d)	7	6	6
Total (boe/d)	405	389	405
Average realized prices			
Crude oil (\$/bbl)	28.04	39.46	43.73
Natural gas (\$/mcf)	1.96	2.59	2.99
NGLs (\$/bbl)	24.26	41.13	40.14
Total (\$/boe)	25.65	35.66	40.84
<b>NETBACK AND COST (\$/boe)</b>			
Petroleum and natural gas sales	25.65	35.66	40.84
Royalties	(1.33)	(1.37)	(1.90)
Operating	(9.67)	(9.97)	(9.26)
Transportation	(2.81)	(2.76)	(2.61)
Operating netback <sup>(1)</sup>	11.84	21.56	27.07
General and administrative	(9.65)	(10.61)	(6.68)
Interest and financing expense	(0.18)	(0.21)	(0.12)
Interest income	1.19	0.87	0.02
Corporate netback <sup>(1)</sup>	3.20	11.61	20.29
<b>FINANCIAL (\$000, except per share amounts)</b>			
Petroleum and natural gas sales	946	1,275	1,489
Funds from operations <sup>(1)</sup>	117	415	738
Per share – basic and diluted <sup>(1)</sup>	-	-	0.02
Cash flow from / (used in) operating activities	(137)	262	678
Per share – basic and diluted	-	-	0.02
Income (loss)	(753)	(418)	361
Per share – basic and diluted	(0.01)	-	0.01
Capital expenditures	204	1,666	388
Working capital surplus (deficit)	22,199	22,129	(208)
Common shares outstanding (000) <sup>(2)</sup>			
End of period – basic	108,921	108,921	35,168
Weighted average for the period – basic	108,921	108,821	35,289
Weighted average for the period – diluted	108,921	108,821	35,289

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

(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

### FIRST QUARTER 2016 HIGHLIGHTS

- Production volumes averaged 405 boe per day, four percent higher than the fourth quarter of 2015 and consistent with the first quarter of 2015.
- Funds from operations was \$117 thousand, down 72 percent from the fourth quarter of 2015 and 84 percent from the first quarter of 2015 as a result of significantly lower realized crude oil and natural gas prices.
- Operating and transportation costs were \$12.48 per boe, a two percent reduction from the fourth quarter of 2015 and a five percent increase from the first quarter of 2015.
- Operating netback was \$11.84 per boe, down 45 percent from the fourth quarter of 2015 and down 56 percent from the first quarter of 2015 as a result of the decline in the average realized sales prices for these periods.
- Exited the first quarter of 2016 with a Liability Management Rating ("LMR") of 6.62 with the Alberta Energy Regulator.
- Ended the first quarter of 2016 with a \$22.2 million working capital surplus and no debt.

### OPERATIONAL UPDATE

Altura's activities during the first quarter of 2016 were focused on maintaining the base production, evaluating organic growth concepts, finalizing the post break-up drilling program and reducing per unit operating costs, including negotiations with its key service providers. The Corporation also initiated the engineering for the expansion of Altura's multi-well battery in the Klein North area to handle additional new wells and the waterflood project planned in the 2016 capital budget.

### MODERNIZED ROYALTY FRAMEWORK

On January 29, 2016 the Alberta Government released a report of its Royalty Review and Advisory Panel. The report sets forth a new Modernized Royalty Framework ("MRF") that is scheduled to commence for wells drilled starting January 1, 2017. In general, the MRF looks to reward those companies who continuously innovate, strive to reduce their costs and their environmental footprints.

Most of the details on the quantitative aspects of the MRF were released on April 21, 2016. Additional details are scheduled to be released by the Department of Energy in the coming weeks. From the information available so far, Altura concludes that the MRF will not have a significant impact on the Corporation's well investment economics over the commodity price range that the Corporation would model for the foreseeable future.

### OUTLOOK

With the improvement in the crude oil forward strip pricing from the lows seen in early 2016, the Corporation is planning to commence the 2016 drilling program in June, which 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. The 2016 drilling, completion, equipping and tie-in capital budget of \$8.7 million remains unchanged from the budget announced on March 31, 2016. The program is forecasted to add approximately 535 boe per day in December 2016, which will more than offset forecast base declines and is expected to grow overall production to exit 2016 at 770 boe per day, 90 percent higher than the first quarter of 2016 average of 405 boe per day.

Management intends to continuously monitor commodity prices 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.

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 other oil-prone regions that demonstrate these attributes.

Looking ahead, with a cash position of \$21.9 million and no debt at the end of the first quarter of 2016, the Corporation is well-positioned to:

- Profitably grow corporate production and evaluate recently acquired lands by drilling select horizontal wells from its drilling inventory;
- 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, with the advantage provided by its strong LMR which gives the Corporation flexibility in respect to acquisition targets having lower LMR's.

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

May 11, 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") is dated May 11, 2016 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2016, the audited consolidated financial statements and related notes for the year ended December 31, 2015, as well as the Corporation's Annual Information Form that is filed on SEDAR at [www.sedar.com](http://www.sedar.com). These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

### DESCRIPTION OF BUSINESS

Altura is a junior oil and gas exploration, development and production company with focused operations in east central Alberta. Additional information regarding Altura is available on SEDAR and on its website at [www.alturaenergy.ca](http://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.

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.

### RESULTS OF OPERATIONS

#### Production

	Three months ended March 31		
	2016	2015	% Change
Crude oil (bbls/d)	341	355	(4)
Natural gas (mcf/d)	348	268	30
Natural gas liquids (bbls/d)	7	6	17
Total (boe/d)	405	405	-
Oil and natural gas liquids % of production	86%	89%	(3)

Production volumes averaged 405 boe per day in the first quarter of 2016, which is consistent with the first quarter of 2015. In response to the current economic conditions, no new wells were drilled in the first quarter of 2016 and Altura limited drilling to only one well in 2015 which was brought on-stream in November 2015.

## Revenue

(\$000)	Three months ended March 31		
	2016	2015	% Change
Crude oil	870	1,397	(38)
Natural gas	62	72	(14)
Natural gas liquids	14	20	(30)
Petroleum and natural gas sales	946	1,489	(36)

Petroleum and natural gas sales for the first quarter of 2016 decreased 36 percent to \$946 thousand compared to \$1,489 thousand in the first quarter of 2015. The decrease of \$543 thousand consists of \$529 thousand attributed to lower realized prices, and \$14 thousand attributed to the change in crude oil and natural gas production volume composition.

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

(\$)	Three months ended March 31		
	2016	2015	% Change
<b>Average Benchmark Prices</b>			
WTI crude oil (US\$/bbl) <sup>(1)</sup>	33.45	48.63	(31)
WCS differential (US\$/bbl) <sup>(2)</sup>	(14.31)	(14.67)	(2)
US\$/Cdn\$ exchange rate	0.728	0.806	(10)
WCS (Cdn\$/bbl)	26.29	42.13	(38)
AECO daily spot (\$/mmbtu) <sup>(3)</sup>	1.83	2.75	(33)
<b>Average Realized Prices</b>			
WCS (Cdn\$/bbl)	26.29	42.13	(38)
Altura realized differential (\$/bbl)	1.75	1.60	9
Crude oil (\$/bbl)	28.04	43.73	(36)
Natural gas (\$/mcf)	1.96	2.99	(34)
Natural gas liquids (\$/bbl)	24.26	40.14	(40)
Average realized price (\$/boe)	25.65	40.84	(37)

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

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

(3) \$1.00/mmbtu = \$1.00/mcf based on a standard heat value mcf.

The weakness in commodity prices continued further in the first quarter of 2016. US denominated WTI prices decreased by 31 percent for the first quarter of 2016 as compared to the first quarter of 2015.

For the three months ended March 31, 2016, Altura's realized crude oil price fell by 36 percent as compared to the prior period. This price decrease is primarily attributed to the decrease in WTI over the same time period, coupled with the effect of a consistent differential between WTI and WCS crude oil prices and partially offset by a weakened Canadian dollar.

Natural gas prices decreased in the three months ended March 31, 2016 as compared to the same period in 2015. Altura's average realized natural gas prices for the three months ended March 31, 2016 of \$1.96 per Mcf was higher than the average AECO daily spot index price during the same period due to Altura's higher than average heat content in its natural gas.

## Royalties

(\$000, except % and per boe)	Three months ended March 31		
	2016	2015	% Change
Crown royalties	43	61	(30)
Freehold and overriding royalties	6	8	(25)
Royalty expense	49	69	(29)
Royalty expense as a % of sales	5.2%	4.6%	13
Royalty expense per boe	1.33	1.90	(30)

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

In the first quarter of 2016 royalties as a percentage of sales was 5.2 percent, an increase of 13 percent from the same period in 2015. Royalties paid on crown lands are based on a sliding scale with sensitivity to price, total volume produced and royalty incentives. The increase in royalties as a percentage of sales is a result of the March 2016 expiration of the New Well Royalty Rate incentive on three gross (3.0 net) wells drilled in 2014.

Altura estimates its royalty expense as a percentage of sales to average approximately 10 percent for the remaining three quarters of 2016.

In 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that will be effective on January 1, 2017. These highlights include providing royalty incentives for the efficient development of conventional crude oil, natural gas and NGL resources, no changes to the royalty structure of wells drilled prior to 2017 for a 10-year period from the royalty program's implementation date, the replacement of royalty credits and holidays on conventional wells by a revenue minus cost framework with a post-payout royalty rate based on commodity prices, the reduction of royalty rates for mature wells, and a neutral internal rate of return for any given play compared to the current royalty framework. Details of the MRF calibration formulas have been released and more specific information will be provided by the provincial government in the coming months. From the information available so far, Altura concludes the MRF will not have any significant impact to the Corporation's well investment economics over a reasonable commodity price range as expected in the foreseeable future.

### Operating and Transportation Costs

(\$000, except per boe)	Three months ended March 31		
	2016	2015	% Change
Operating	358	338	6
Transportation	104	95	9
Operating and transportation	462	433	7
Operating per boe	9.67	9.26	4
Transportation per boe	2.81	2.61	8
Operating and transportation per boe	12.48	11.87	5

For the first quarter of 2016, operating and transportation costs increased 5 percent to \$12.48 per boe from \$11.87 per boe in the same period of 2015. This variance is a result of low operating costs in the first quarter of 2015 from lower cost wells brought on-stream in the second half of 2014.

### General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three months ended March 31		
	2016	2015	% Change
Gross G&A	408	289	41
Overhead and capital recoveries	(52)	(44)	18
Net G&A expenses	356	245	45
Net G&A per boe	9.65	6.68	44

Net G&A expenses totaled \$356 thousand for the three months ended March 31, 2016, which increased 45 percent from the same periods in 2015. 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

(\$000, except per boe)	Three months ended March 31		
	2016	2015	% Change
Interest and financing expenses	6	5	20
Interest and financing expenses per boe	0.18	0.12	50

Interest and financing expenses in the three months ended March 31, 2016 and 2015 relate to standby charges associated with the Corporation's credit facility.

## Interest Income

(\$000, except per boe)	Three months ended March 31		
	2016	2015	% Change
Interest income	44	1	>500
Interest income per boe	1.19	0.02	>500

Interest income in the three months ended March 31, 2016 relates to cash invested in a short-term interest bearing account with Altura's lender.

## Netbacks

(\$/boe)	Three months ended March 31		
	2016	2015	% Change
Petroleum and natural gas sales	25.65	40.84	(37)
Royalties	(1.33)	(1.90)	(30)
Operating	(9.67)	(9.26)	4
Transportation	(2.81)	(2.61)	8
Operating netback	11.84	27.07	(56)
General and administrative	(9.65)	(6.68)	44
Interest and financing expenses	(0.18)	(0.12)	50
Interest income	1.19	0.02	>500
Corporate netback	3.20	20.29	(84)

Altura's corporate netback was \$3.20 per boe in the first quarter of 2016 compared to \$20.29 per boe in the same period of 2015. The decrease is primarily a result of the significant decline in commodity prices and increased G&A, partially offset by decreased royalty expenses and increased interest income.

## Share-Based Compensation

(\$000)	Three months ended March 31		
	2016	2015	% Change
Share-based compensation	297	34	>500
Capitalized share-based compensation	(20)	(14)	43
Share-based compensation expense	277	20	>500

Share-based compensation expense in the first quarter of 2016 includes \$165 thousand related to the performance warrants, and \$112 thousand related to stock-options as compared to \$20 thousand related to stock options during the first quarter of 2015. The increase in stock-option expense is a result of the November 30, 2015 grant to the new management team and directors.

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

(\$000, except per boe)	Three months ended March 31		
	2016	2015	% Change
DD&A	742	406	83
DD&A per boe	20.13	11.13	81

DD&A expense is a function of the estimated proved and 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 ended March 31, 2016 due to a reduction in proved and probable reserves and future development capital as disclosed in the Corporation's 2015 Annual Information Form.

## Investment

At March 31, 2016, the Corporation held 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 the investment at March 31, 2016 was \$395 thousand.

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 March 31, 2016, the Corporation recorded an unrealized gain of \$157 thousand (March 31, 2015 – \$86 thousand loss).

## Deferred Taxes

The Corporation had no deferred income tax expense or recovery in the three months ended March 31, 2016, compared to a recovery of \$144 thousand for the respective period in 2015. As at March 31, 2016, the Corporation had an unrecognized deferred tax asset.

## 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:

(\$000, except per share amounts)	Three months ended March 31		
	2016	2015	% Change
Cash flow from / (used in) operating activities	(137)	678	(120)
Changes in non-cash operating working capital	254	60	323
Funds from operations	117	738	(84)
Per share – basic	-	0.02	(100)
Per share – diluted	-	0.02	(100)

Details of the change in funds from operations and corporate netback per boe from the three months ended March 31, 2015 to the three months ended March 31, 2016 are as follows:

	Three months ended March 31	
	\$000	\$/boe
<b>Funds from operations - 2015</b>	<b>738</b>	<b>20.29</b>
Volume variance	(14)	-
Price variance	(529)	(15.19)
Interest and other income	43	1.17
Royalties	20	0.57
Expenses:		
Operating	(20)	(0.41)
Transportation	(9)	(0.20)
General and administrative	(111)	(2.97)
Interest and financing	(1)	(0.06)
<b>Funds from operations - 2016</b>	<b>117</b>	<b>3.20</b>

Funds from operations decreased by 84 percent in the first quarter of 2015 to \$117 thousand from \$738 thousand generated in the first quarter of 2015. The decrease reflects lower revenue due to significantly lower realized commodity prices, and increased operating, transportation, G&A expenses, partially offset by reduced royalties, and increased interest income.



## Income (Loss)

(\$000, except per share amounts)	Three months ended March 31		
	2016	2015	% Change
Income (loss)	(753)	361	(309)
Per share – basic	(0.01)	0.01	(200)
Per share – diluted	(0.01)	0.01	(200)

In the three months ended March 31, 2016, Altura generated a loss of \$753 thousand, which compares to income of \$361 thousand for the respective period in 2015. The change in the income (loss) and income (loss) per share was due primarily to decreased funds from operations, and increased DD&A, and share-based compensation expense, partially offset with the gain on fair value of investments.

## Capital Expenditures

(\$000)	Three months ended March 31		
	2016	2015	% Change
Geological and geophysical	36	-	-
Land	49	158	(69)
Drilling and completions	-	174	(100)
Equipping and facilities	47	56	(16)
Other	72	-	-
Total capital expenditures	204	388	(47)

Net capital expenditures in the first quarter of 2016 were 46 percent lower than in the first quarter of 2015. Capital expenditures in the first quarter of 2016 included \$36 thousand of seismic data relating to the Klein North area, \$49 thousand relating to Crown land sales in Alberta, \$47 thousand in facilities capital relating to the expansion of Altura's multi-well battery in the Klein North area and \$49 thousand of capitalized G&A.

## Decommissioning Liability

At March 31, 2016, Altura recorded a decommissioning liability of \$2.7 million (December 31, 2015 - \$2.6 million) 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 1.2 percent (December 31, 2015 – 1.4 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.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three months ended March 31, 2016, accretion expense totaled \$8 thousand (March 31, 2015 - \$9 thousand).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.62 at March 31, 2016. 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 had a working capital surplus of \$22.2 million at March 31, 2016, compared to \$22.1 million at December 31, 2015. At March 31, 2016, the major components of Altura's current assets were cash and cash equivalents (96 percent), the investment (2 percent) and revenue (1 percent) to be received from its marketers in respect of March 2016 production. Altura routinely assesses the financial strength of its marketers and joint interest partners, and has determined \$64 thousand 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 (56 percent) and accrued liabilities (44 percent) related to the Corporation's operations. The Corporation manages its working capital using a combination of its funds from operations and advances under its revolving operating demand loan credit facility and, if applicable, funds from debt and

equity issuances and asset divestitures. Altura invests its excess cash in a short-term interest bearing account with its lender.

### **Credit Facility**

As at March 31, 2016, the Corporation had a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of \$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 March 31, 2016, the working capital ratio under the terms of the Credit Facility was calculated to be 59.1:1 (December 31, 2015 – 29.8:1). The next review date for the Credit Facility has been set for May 31, 2016.

### **Shareholders' Equity**

At March 31, 2016, there were 108,920,973 common shares outstanding. The number of shares outstanding remains unchanged from December 31, 2015.

At May 11, 2016, there were 108,920,973 common shares outstanding, 9,749,875 performance warrants outstanding and 3,450,000 stock options outstanding.

### **Liquidity**

At March 31, 2016, Altura had a working capital surplus of \$22.2 million, 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 \$0.5 million if the commitment is not fulfilled.

## SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>OPERATING</b>								
Average daily production								
Crude oil (bbls/d)	341	320	275	282	355	448	173	102
Natural gas (mcf/d)	348	374	267	238	268	259	130	241
NGLs (bbls/d)	7	6	8	5	6	4	3	12
Total (boe/d)	405	389	328	327	405	495	197	154
Average realized sales price								
Crude oil (\$/bbl)	28.04	39.46	45.48	58.23	43.73	68.05	83.78	89.25
Natural gas (\$/mcf)	1.96	2.59	3.05	2.82	2.99	3.83	4.26	4.83
NGLs (\$/bbl)	24.26	41.13	17.16	63.98	40.14	56.79	71.54	28.41
Total (\$/boe)	25.65	35.66	41.12	53.02	40.84	64.01	77.39	62.56
<b>OPERATING NETBACK</b> (\$ per boe) <sup>(1)</sup>								
Petroleum and natural gas sales	25.65	35.66	41.12	53.02	40.84	64.01	77.39	62.56
Royalty expenses	(1.33)	(1.37)	(1.93)	(2.21)	(1.90)	(3.82)	(7.50)	(4.33)
Operating and transportation costs	(12.48)	(12.73)	(15.19)	(15.93)	(11.87)	(11.92)	(17.06)	(13.22)
Operating netback <sup>(1)</sup>	11.84	21.56	24.00	34.88	26.90	48.27	52.83	45.01
<b>FINANCIAL</b> (\$000, except per share)								
Petroleum and natural gas sales	946	1,275	1,239	1,580	1,489	2,917	1,400	874
Funds from operations <sup>(1)</sup>	117	415	209	803	738	1,909	794	484
Per share – basic and diluted <sup>(1)</sup>	-	-	-	0.02	0.02	0.06	0.02	0.01
Cash flow from / (used in) operating activities	(137)	262	(451)	727	666	2,634	(120)	482
Per share – basic and diluted	-	-	(0.01)	0.02	0.02	0.08	-	0.01
Income (loss)	(753)	(418)	(3,955)	201	361	1,102	677	158
Per share – basic and diluted	(0.01)	-	(0.05)	0.01	0.01	0.03	0.02	-
(\$000)								
Capital expenditures, net	204	1,666	160	968	388	776	3,264	2,305
Total assets	40,048	40,947	40,811	20,549	19,491	19,813	20,421	18,762
Working capital surplus (deficit)	22,199	22,129	23,151	(515)	(208)	(400)	(2,294)	109
Shareholders' equity	36,870	37,326	37,205	16,250	16,192	15,868	14,388	13,706
Common shares outstanding (000)								
Weighted average for the period - basic	108,921	108,821	82,301	35,075	35,289	34,360	34,328	34,328
Weighted average for the period - diluted	108,921	108,821	82,301	35,075	35,289	34,360	34,328	34,328
Shares outstanding, end of period	108,921	108,921	107,901	34,703	35,168	35,328	34,328	34,328

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

Quarter over quarter fluctuations in revenue is the result of both the amount of oil and gas volumes sold as well as Altura's realized price. Crude oil and natural gas prices continued to decline in the first quarter of 2016 resulting in the decrease in petroleum and natural gas sales. 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 in the fourth quarter of 2015 and the first quarter of 2016.

The Corporation recorded an impairment charge of \$2.35 million 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 January 2016, the IASB issued IFRS 16, "Leases". The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been adopted. Under the new standard, companies will recognize new assets and liabilities, bringing off-balance sheet leasing arrangements onto the balance sheet. The Corporation is currently assessing the potential impact of the standard on Altura's financial statements.

## ADVISORIES

### Non-GAAP Measures

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

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

### 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 first quarter report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward looking information or statements. In particular, but without limiting the foregoing, this MD&A and first quarter report 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, the ability to grow corporate production volumes, establishing the Corporation in a second organic play, estimated royalty rate for the

remaining three quarters of 2016, 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.

The forward-looking information and statements contained in this MD&A and first quarter report reflect several material factors and expectations and assumptions of Altura including, without limitation: 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 first quarter report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Altura's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Altura or by third party operators of Altura's properties, increased debt levels or debt service requirements; inaccurate estimation of Altura's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Altura's public documents including risk factors set out in Altura's most recent annual information form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **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.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	21,899	22,389
Accounts receivable (note 8)	309	468
Prepaid expenses and deposits	94	30
Investment	395	238
	<b>22,697</b>	<b>23,125</b>
Exploration and evaluation (note 3)	1,853	1,768
Property and equipment (note 4)	15,498	16,055
<b>Total assets</b>	<b>40,048</b>	<b>40,948</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	498	996
	<b>498</b>	<b>996</b>
Decommissioning liability (note 6)	2,680	2,626
<b>Total liabilities</b>	<b>3,178</b>	<b>3,622</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 7)	37,712	37,712
Performance warrants (note 7e)	464	289
Contributed surplus	2,753	2,631
Deficit	(4,059)	(3,306)
<b>Total shareholders' equity</b>	<b>36,870</b>	<b>37,326</b>
Commitments (note 10)		
<b>Total liabilities and shareholders' equity</b>	<b>40,048</b>	<b>40,948</b>

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

(\$000, except per share amounts)	Three months ended March 31	
	2016	2015
<b>REVENUE</b>		
Petroleum and natural gas sales	946	1,489
Royalties	(49)	(69)
Interest income	44	1
	<b>941</b>	<b>1,421</b>
<b>EXPENSES AND OTHER ITEMS</b>		
Operating	358	338
Transportation	104	95
General and administrative	356	245
Share-based compensation (note 7)	277	20
Interest and financing charges	6	5
Depletion, depreciation and amortization (note 4)	742	406
Accretion of decommissioning liability (note 6)	8	9
	<b>1,851</b>	<b>1,118</b>
<b>OTHER INCOME (EXPENSES)</b>		
Fair value of investment	157	(86)
	<b>157</b>	<b>(86)</b>
Income (loss) before taxes	<b>(753)</b>	217
Deferred tax recovery	-	(144)
Income (loss) and comprehensive income (loss)	<b>(753)</b>	361
Income (loss) per share, basic and diluted (note 7d)	<b>(0.01)</b>	0.01

See accompanying notes to the unaudited interim condensed consolidated financial statements



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

(\$000)	Share capital	Warrants	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2014	13,046	1,295	-	967	559	15,867
Repurchase of common shares (note 7b)	(59)	-	-	-	(12)	(71)
Share-based compensation expense (note 7)	-	-	-	20	-	20
Share-based compensation capitalized (note 7)	-	-	-	14	-	14
Income for period	-	-	-	-	361	361
<b>Balance, March 31, 2015</b>	<b>12,987</b>	<b>1,295</b>	<b>-</b>	<b>1,001</b>	<b>908</b>	<b>16,191</b>
Balance, December 31, 2015	37,712	-	289	2,631	(3,306)	37,326
Share-based compensation expense (note 7)	-	-	165	112	-	277
Share-based compensation capitalized (note 7)	-	-	10	10	-	20
Loss for period	-	-	-	-	(753)	(753)
<b>Balance, March 31, 2016</b>	<b>37,712</b>	<b>-</b>	<b>464</b>	<b>2,753</b>	<b>(4,059)</b>	<b>36,870</b>

See accompanying notes to the unaudited interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(\$000)	Three months ended March 31	
	2016	2015
<b>CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>		
Income (loss) for period	(753)	361
Add items not involving cash:		
Deferred tax recovery	-	(144)
Depletion, depreciation and amortization	742	406
Accretion of decommissioning liability (note 6)	8	9
Share-based compensation (note 7)	277	20
Fair value of investment	(157)	86
Change in non-cash working capital (note 9)	(254)	(60)
	(137)	678
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Repurchase of common shares (note 7b)	-	(71)
	-	(71)
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>		
Property and equipment expenditures	(129)	(388)
Exploration and evaluation asset expenditures	(75)	-
Change in non-cash working capital (note 9)	(149)	(393)
	(353)	(781)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(490)	(174)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	22,389	181
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	21,899	7
Cash and cash equivalents consists of:		
<b>CASH IN BANK ACCOUNT</b>	884	7
<b>CASH IN SHORT-TERM INVESTMENTS</b>	21,015	-
	21,899	7
Cash interest paid	6	5

See accompanying notes to the unaudited interim condensed consolidated financial statements

# INTERIM CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at March 31, 2016 and for the three months ended March 31, 2016 and 2015

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## 1. REPORTING ENTITY

Altura Energy Inc. ("Altura" or the "Corporation") is an oil and gas exploration and production company with producing properties in east central Alberta. The Corporation is headquartered in Calgary and is an Alberta-based reporting entity whose shares are listed on the TSX Venture Exchange under the symbol: ATU.V. Altura's principal place of business is located at 200, 640 5th Avenue SW Calgary, Alberta, T2P 3G4.

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 7b), appointment of a new management team and a future rights offering to shareholders.

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 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 interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2015. Certain information and disclosures normally included in the notes to the audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on May 11, 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 and its subsidiary's functional currency.

### (d) Use of Estimates and Judgement

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

In preparing the financial statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2015.

**(e) Changes in Presentation**

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

**3. EXPLORATION AND EVALUATION**

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

(\$000)	Total
Balance, December 31, 2014	1,446
Additions	1,067
Transfers to property and equipment	(33)
Impairment	(712)
Balance, December 31, 2015	1,768
Additions	85
<b>Balance, March 31, 2016</b>	<b>1,853</b>

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 periods. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$31 thousand in the three months ended March 31, 2016 (March 31, 2015 – \$nil).

**4. PROPERTY AND EQUIPMENT**

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2014	19,739	4	19,743
Additions	1,913	31	1,944
Acquisitions	383	-	383
Dispositions	(20)	-	(20)
Transfers from E&E assets	33	-	33
Change in decommissioning costs	588	-	588
Balance, December 31, 2015	22,636	35	22,671
Additions	135	4	139
Change in decommissioning costs	46	-	46
<b>Balance, March 31, 2016</b>	<b>22,817</b>	<b>39</b>	<b>22,856</b>
<b>Depletion, depreciation and impairment (\$000)</b>			
Balance, December 31, 2014	(2,586)	(3)	(2,589)
Depletion, depreciation and amortization	(2,383)	(5)	(2,388)
Impairment	(1,639)	-	(1,639)
Balance, December 31, 2015	(6,608)	(8)	(6,616)
Depletion, depreciation and amortization	(740)	(2)	(742)
<b>Balance, March 31, 2016</b>	<b>(7,348)</b>	<b>(10)</b>	<b>(7,358)</b>
<b>Carry amounts (\$000)</b>			
As at December 31, 2015	16,028	27	16,055
<b>As at March 31, 2016</b>	<b>15,469</b>	<b>29</b>	<b>15,498</b>

At March 31, 2016, estimated future development costs of \$9.2 million (December 31, 2015 – \$9.2 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Altura capitalized cash and non-cash administrative costs directly attributable to property and equipment of \$37 thousand in the three months ended March 31, 2016 (March 31, 2015 – \$57 thousand).

No impairment indicators were identified on property and equipment as at March 31, 2016.

## 5. CREDIT FACILITY

As at March 31, 2016, the Corporation had a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of \$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 Credit Facility can be drawn in whole multiples of a minimum of \$10 thousand, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.5 million. A standby fee calculated at a rate of 0.40 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 \$12.0 million debenture with a first floating charge over all assets of the Corporation. Altura is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets. As at March 31, 2016, the working capital ratio as defined was 58.6:1 (December 31, 2015 – 29.8:1). The next review date for the Credit Facility has been set for May 31, 2016.

As at March 31, 2016 the Credit Facility was undrawn (December 31, 2015 - \$nil) and Altura had no outstanding letters of credit.

## 6. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at March 31, 2016 to be approximately \$2.5 million (December 31, 2015 – \$2.5 million) with the majority of costs anticipated to be incurred between 2020 and 2025. A risk-free discount rate of 1.2 percent (December 31, 2015 – 1.4 percent) and an inflation rate of 2.0 percent (December 31, 2015 – 2.0 percent) was used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Three months ended March 31, 2016	Year ended December 31, 2015
Balance, beginning of period	2,626	1,883
Additions	-	106
Liabilities acquired	-	133
Change in estimates <sup>(1)</sup>	46	445
Revaluation of liabilities acquired <sup>(2)</sup>	-	37
Decommissioning liabilities settled	-	(10)
Accretion	8	32
<b>Balance, end of period</b>	<b>2,680</b>	<b>2,626</b>

(1) The change in estimates consists of a change in the risk-free discount rate of \$45 thousand (December 31, 2015 – \$74 thousand) and a change in abandonment and remediation cost estimates and future abandonment dates of \$1 thousand (December 31, 2015 – \$371 thousand).

(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%.

## 7. SHARE CAPITAL

### (a) Authorized:

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

### (b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2014	35,327,599	13,046
Repurchase of common shares (i)	(624,200)	(231)
Exercise of stock options	250,000	188
Issuance of common shares on recapitalization (ii)	62,723,526	21,169
Issuance of units on recapitalization (ii)	10,223,953	3,451
Issuance of common shares on rights offering (iii)	1,020,125	344
Fractional rounding on share consolidation	(30)	-
Share issue costs (iv)	-	(255)
<b>Balance, December 31, 2015 and March 31, 2016</b>	<b>108,920,973</b>	<b>37,712</b>

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.

- 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 \$56 thousand was charged to deficit.
- 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 7e).
- 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 \$344 thousand.
- Share issue costs on the private placement and Rights Offering totaled \$255 thousand.

### (c) Stock options:

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

No stock options were exercised in the three months ended March 31, 2016.

A summary of the Corporation's outstanding stock options at March 31, 2016 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2014	1,510,000	1.00
Granted	5,500,000	0.38
Exercised	(250,000)	0.50
Cancelled	(2,810,000)	0.77
<b>Balance, December 31, 2015 and March 31, 2016</b>	<b>3,950,000</b>	<b>0.34</b>

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2016 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	4.7	0.3375	-	-	-
		<b>3,950,000</b>	<b>4.7</b>	<b>0.3375</b>	-	-	-

The Corporation's share-based payments relating to stock options for the three months ended March 31, 2016 was \$122 thousand (March 31, 2015 – \$34 thousand) of which \$10 thousand of the share-based compensation was capitalized (March 31, 2015 – \$14 thousand).

(d) Weighted average common shares:

	Three months ended March 31	
	2016	2015
Basic	<b>108,920,973</b>	35,288,653
Diluted	<b>108,920,973</b>	35,288,653

For the three months ended March 31, 2016 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 (2015 – 3,060,000 stock options and 8,625,960 warrants).

(e) 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 March 31, 2016 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 \$165 thousand (March 31, 2015 – nil) to share-based compensation and capitalized \$10 thousand (March 31, 2015 – nil) in the three months ended March 31, 2016. The fair value of the performance warrants is being expensed over the expected life.

## 8. FINANCIAL AND CREDIT RISK

Altura is exposed to third party credit risk through its contractual arrangements with its joint interest partners, marketers of petroleum and natural gas and other parties. In the event such entities fail to meet their contractual obligations to Altura, such failures could have a material adverse effect. The Corporation manages the risk by reviewing the credit risk of these entities and by entering 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 March 31, 2016 pertains to revenue for accrued March 2016 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 March 31, 2016 90 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 March 31, 2016.

At March 31, 2016, the Corporation's trade receivables have been aged as follows:

(\$000)	March 31, 2016	December 31, 2015
Current	298	446
31 – 60 days	9	20
61 – 90 days	-	1
> 90 days	66	65
Allowance for doubtful accounts	(64)	(64)
<b>Total</b>	<b>309</b>	<b>468</b>

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. Altura considers all amounts greater than 90 days to be past due. At March 31, 2016 management determined \$64 thousand of accounts receivable past due to be uncollectable and as such booked an allowance for these amounts (December 31, 2015 - \$64 thousand).

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended March 31	
	2016	2015
Provided by (used in):		
Accounts receivable	159	113
Prepaid expenses and deposits	(64)	(52)
Accounts payable and accrued liabilities	(498)	(514)
	<b>(403)</b>	<b>(453)</b>
Provided by (used in):		
Operating activities	(254)	(60)
Investing activities	(149)	(393)
	<b>(403)</b>	<b>(453)</b>

## 10. 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 \$0.5 million 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  
Managing Director  
Palisade Capital Management Ltd.

## OFFICERS

David Burghardt  
President & Chief Executive Officer

Travis Stephenson  
Vice President, Engineering

D. Robert Pinckston  
Vice President, Exploration

Jeff Mazurak  
Vice President, Operations

Tavis Carlson  
Vice President, Finance & Chief Financial Officer

## 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**

