

2018 SECOND QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
OPERATING					
Average daily production					
Medium oil (Bbls/d)	271	408	652	339	595
Heavy oil (Bbls/d)	478	547	346	513	327
Natural gas (Mcf/d)	1,309	1,336	1,098	1,323	1,004
NGLs (Bbls/d)	23	37	25	30	20
Total (Boe/d)	991	1,215	1,205	1,102	1,110
Total Boe/d per million shares – diluted	9.0	11.1	11.0	10.0	10.2
Average realized prices					
Medium oil (\$/Bbl)	67.64	51.06	50.64	57.72	51.91
Heavy oil (\$/Bbl)	58.83	45.58	44.90	51.80	45.35
Natural gas (\$/Mcf)	1.32	2.14	3.03	1.74	3.00
NGLs (\$/Bbl)	51.68	50.44	36.44	50.92	38.02
Total (\$/Boe)	49.87	41.58	43.77	45.32	44.61
NETBACK (\$/Boe)					
Petroleum and natural gas sales	49.87	41.58	43.77	45.32	44.61
Royalties	(4.69)	(4.54)	(4.41)	(4.60)	(4.31)
Operating	(12.26)	(11.01)	(10.52)	(11.58)	(10.27)
Transportation	(1.70)	(1.65)	(2.55)	(1.67)	(2.36)
Operating netback ⁽¹⁾	31.22	24.38	26.29	27.47	27.67
General and administrative	(5.17)	(4.05)	(3.28)	(4.56)	(3.53)
Interest and financing expense	(0.88)	(0.51)	(0.27)	(0.67)	(0.18)
Interest income	0.18	-	0.03	0.08	0.09
Corporate netback ⁽¹⁾	25.35	19.82	22.77	22.32	24.05
FINANCIAL (\$000, except per share amounts)					
Petroleum and natural gas sales	4,497	4,547	4,800	9,044	8,965
Adjusted funds flow ⁽¹⁾	2,285	2,168	2,496	4,453	4,833
Per share – diluted ⁽¹⁾	0.02	0.02	0.02	0.04	0.04
Cash flow from operating activities	2,313	2,443	2,269	4,756	5,063
Per share – diluted	0.02	0.02	0.02	0.04	0.05
Net income	2,750	177	594	2,927	607
Per share – diluted	0.02	-	0.01	0.03	0.01
Capital expenditures	6,344	7,345	3,828	13,689	12,780
Property dispositions	(27,712)	-	(750)	(27,712)	(750)
Net debt (working capital surplus) ⁽¹⁾	(14,761)	8,561	1,156	(14,761)	1,156
Common shares outstanding (000)					
End of period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – diluted	110,546	109,133	109,082	109,947	109,191

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

PRESIDENT'S MESSAGE

SECOND QUARTER 2018 HIGHLIGHTS

Corporate

- Closed the sale of the Corporation's east central Alberta and Saskatchewan assets (the "Disposition") for \$28.4 million (\$27.7 million net of post-closing adjustments) on May 31, 2018. The second quarter includes operational and financial contribution from the Disposition up to the closing date of May 31, 2018.
- Corporate netback was \$25.35 per Boe, up 11 percent from the second quarter of 2017 and up 28 percent from the first quarter of 2018.
- Net income was \$2.8 million, which includes a gain on disposition of assets of \$2.2 million, net of deferred tax expense.
- Ended the quarter with a \$14.8 million working capital surplus and no debt.

Leduc-Woodbend

- Production volumes averaged 521 Boe per day (75 percent oil and liquids), an increase of 42 percent from the second quarter of 2017.
- Operating and transportation costs were \$11.75 per Boe, down 17 percent from the second quarter of 2017.
- Operating netback was \$31.66 per Boe, up 46 percent from the second quarter of 2017 and up 18 percent from the first quarter of 2018.
- The Corporation drilled two and completed one 1.5-mile extended reach horizontal ("ERH") well of the eight-well summer drilling program.
- Altura commenced the construction of its 3,000 to 3,500 barrel of oil per day multi-well oil battery which was completed and commissioned on-time and on-budget in late July.

OPERATIONAL UPDATE

Since acquiring its initial lands in 2015, the Corporation has accumulated a total of 69 net sections of land in the Upper Mannville oil pool in the LWB area. Altura commenced its eight-well summer drilling program on June 9, 2018. Six of the eight wells are now drilled, bringing the total horizontal well count in this Upper Mannville oil pool to 11. One well commenced production on July 15th and five wells are in various stages of completion and frac fluid clean-up.

Drilling operations for the eight-well program are expected to be under budget and completed by the end of August, approximately four weeks ahead of schedule. The Corporation plans to bring the remaining seven wells on production throughout the third and fourth quarters of 2018. Operational efficiencies continue to improve on this play as illustrated by the increased drilling rate shown in the following table.

	August 2017- January 2018	June 2018- July 2018	Percent Change
ERH wells drilled (#)	3	6	
Average spud to rig release (days)	11.0	8.5	23% reduction
Drilling rate (meters/day)	320	439	37% increase

Performance of Altura's first three ERH wells drilled in the August 2017 to January 2018 period are meeting management's expectations. The Corporation continues to optimize completion design and is conducting a pilot on two of the eight wells in the current program to evaluate further improvement in well productivity and reserves. On the pilot wells, the Corporation intends to increase the frac density by reducing the frac spacing to 30 meters from 45 meters and reducing the per interval sand tonnage from 20 tonnes to 15 tonnes. This will result in a 50 percent increase in the number of fracs and a 20 percent

increase in the overall sand tonnage. Management expects that this will increase initial production rates and reserves, and yield a higher rate of return than current well expectations.

Altura has also completed the construction of a multi-well oil battery at 12-14-049-26W4 on-time and on-budget and commissioned the battery on July 30th. The battery has a processing capacity of approximately 3,000 to 3,500 barrels of oil per day and enables Altura to haul clean oil, providing additional sales terminal options to maximize pricing and reduced oil treating expenses associated with hauling emulsion.

ASSET ACQUISITIONS SUBSEQUENT TO QUARTER-END

The Corporation has closed an agreement (the "First Transaction") to acquire highly prospective Upper Mannville lands at LWB including a 40 percent working interest ("WI") in the LWB Glauconitic D Unit No.1 (the "Assets") for \$2.7 million and has signed an agreement with a second party (the "Second Transaction") to purchase an additional 20 percent WI in the Assets for \$1.1 million.

First Transaction

The First Transaction was closed on July 31, 2018 for cash consideration of \$2,725,000, subject to customary post-closing adjustments. Altura acquired 2.6 net sections of highly prospective lands in the Upper Mannville oil pool at LWB and a 40 percent WI in the Assets with approximately 80 Boe/d net (90 percent oil & liquids) of operated, low decline, Glauconite light oil (33° API) production.

Second Transaction

A purchase and sale agreement for the Second Transaction was signed on July 24, 2018 for cash consideration of \$1,050,000, subject to customary post-closing adjustments. The effective date is July 1, 2018 and closing is expected to occur on December 1, 2018, subject to customary closing conditions. The Corporation will acquire 0.4 net sections of highly prospective lands in the Upper Mannville oil pool at LWB and a 20 percent WI in the Assets with approximately 40 Boe/d net (90 percent oil & liquids) of low decline, Glauconite light oil (33° API) production.

Acquisitions Summary

The combination of the highly prospective lands from the two transactions and Altura's existing lands in the associated drilling spacing units will add eight Upper Mannville ERH drilling opportunities. Additionally, the Assets include significant infrastructure including a 3,000 barrel of oil per day multi-well battery, water injection facility and gathering pipelines. This infrastructure is under utilized and can potentially be leveraged through Altura's Upper Mannville development to lower operating costs for Altura and the Glauconitic D Unit No.1 owners.

The First Transaction and Second Transaction are aggregated and summarized as follows:

Combined purchase price	\$3,775,000
Upper Mannville ERH drilling opportunities added ⁽¹⁾ (#)	8
Combined current production volumes ⁽²⁾ (Boe/d)	120
Current operating netback ⁽³⁾ (\$/Boe)	\$22.70
Annualized operating income ⁽⁴⁾	\$870,000
Metrics	
\$/flowing Boe per day ⁽⁵⁾ (\$/Boe/d)	\$31,500
Cash flow multiple ⁽⁴⁾⁽⁶⁾ (times)	4.3

(1) When combined with Altura's existing lands in the associated drilling spacing units.

(2) Current net production from the two transactions is estimated at 120 Boe/d based on field estimates.

(3) Current operating netback is based on Altura's forecast WTI of US\$65.00/bbl, an exchange rate of \$0.77 USD/CAD and \$1.90/GJ for natural gas. Operating netback is a non-GAAP measure. Refer to the Non-GAAP Measures section of this press release.

(4) Annualized operating income equals forecasted 12-month production volumes of 105 Boe/d times current operating netback times days in the year (105 Boe/d x \$22.70/Boe x 365 days).

(5) \$/flowing Boe per day equals combined purchase price divided by combined current production volumes (\$3,775,000/120 Boe/d).

(6) Cash flow multiple equals combined purchase price divided by annualized operating income (\$3,775,000/\$870,000).

OUTLOOK

Altura's guidance provided on May 15, 2018 outlined a 7.7 net ERH well summer drilling program with total 2018 capital expenditures of \$33 million and a 2018 exit rate of 1,900 Boe per day. The Corporation now expects to drill 8.0 net ERH wells in the summer program which will include testing higher frac density while maintaining capital expenditures at \$33 million. The increase in net wells drilled and increased costs associated with testing higher frac density is expected to be offset by decreased drilling costs per well.

Production from the drilling program and the two acquisitions is forecast to offset base declines and grow overall production to exit 2018 at a rate of approximately 2,000 Boe per day. Capital expenditures are expected to be funded from cash on hand, cash flow from operating activities and Altura's \$3 million credit facility.

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

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer
August 8, 2018

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 August 8, 2018 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2018, the audited consolidated financial statements and related notes for the year ended December 31, 2017, as well as the Corporation's Annual Information Form that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

DESCRIPTION OF BUSINESS

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

EAST CENTRAL ALBERTA AND SASKATCHEWAN ASSET DISPOSITION

On May 31, 2018, Altura closed the disposition of the Corporation's crude oil and natural gas assets (the "Disposition"), with an unrelated third party, in east central Alberta and Saskatchewan, which included the Eyehill, Eyehill South, Macklin, Wildmere, Killam and Provost Minor areas (the "Disposed Assets"). The gross consideration for the Disposed Assets totaled \$28,375,000. Consideration, net of customary post-closing adjustments of \$663,000 and transaction costs of \$397,000, totaled \$27,315,000.

The Corporation's reported results for the three and six months ended June 30, 2018 include operational and financial contribution from the Disposed Assets up to the date of closing of May 31, 2018, when control transferred.

The Disposition strategically transformed the Corporation to a geographically and geologically-focused Upper Mannville producer at Leduc-Woodbend, located 30 km south of Edmonton, Alberta. Altura holds a large land base at Leduc-Woodbend consisting of 69 net sections of operated land with substantial development potential. Delineation and development of the Corporation's Leduc-Woodbend asset will focus on 1.5-mile extended reach horizontal ("ERH") oil wells.

RESULTS OF OPERATIONS

Production

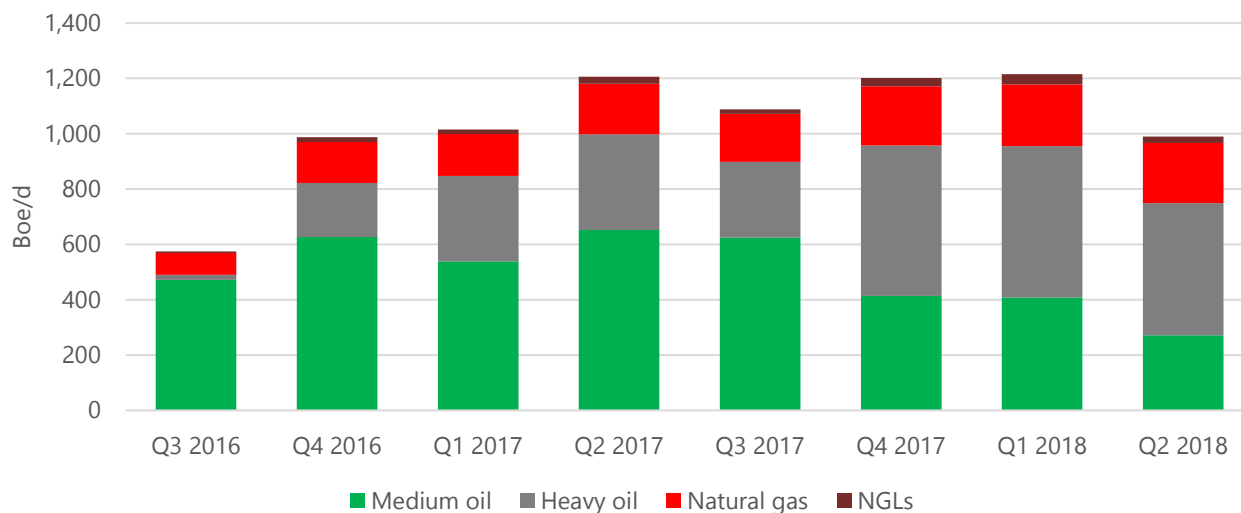
	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Medium oil (Bbls/d)	271	652	(58)	339	595	(43)
Heavy oil (Bbls/d)	478	346	38	513	327	57
Natural gas (Mcf/d)	1,309	1,098	19	1,323	1,004	32
Natural gas liquids ("NGLs") (Bbls/d)	23	25	(8)	30	20	50
Total (Boe/d)	991	1,205	(18)	1,102	1,110	(1)
Oil and natural gas liquids % of production	78	85	(8)	80	85	(6)

Total production volumes in the second quarter of 2018 decreased to 991 Boe per day from 1,205 Boe per day in the second quarter of 2017 due to the May 31, 2018 Disposition. Altura's second quarter of 2018 includes production from the Disposed Assets from April 1st through to May 31st, which totaled 458 Boe per day.

Production volumes from the Leduc-Woodbend area in the second quarter of 2018 were 521 Boe per day compared to 220 Boe per day in the second quarter of 2017 and 532 Boe per day in the first quarter of 2018. No wells were brought on production in the second quarter of 2018.

For the first half of 2018, production volumes were 1,102 Boe per day compared to 1,110 Boe per day in the first half of 2017. Production from the Disposed Assets totaled 563 Boe per day in the first half of 2018, compared to 950 Boe per day in the first half of 2017.

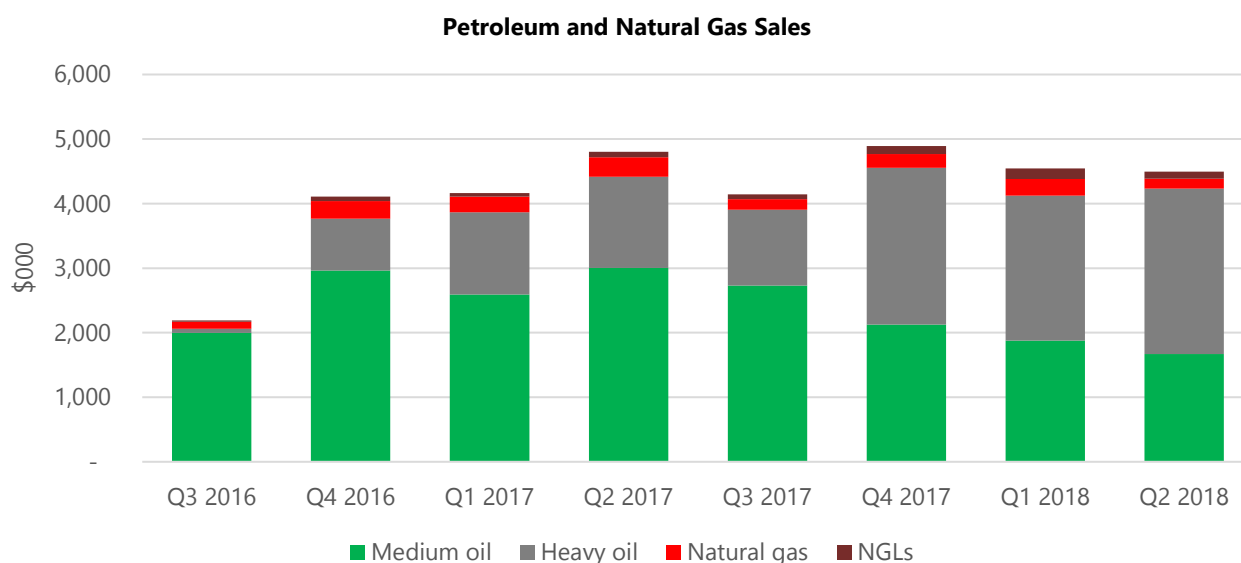
Average Daily Production



Revenue

(\$000)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Medium oil	1,669	3,003	(44)	3,546	5,594	(37)
Heavy oil	2,561	1,412	81	4,806	2,687	79
Natural gas	158	303	(48)	416	545	(24)
Natural gas liquids	109	82	33	276	139	99
Petroleum and natural gas sales	4,497	4,800	(6)	9,044	8,965	1

Petroleum and natural gas sales for the second quarter of 2018 decreased six percent to \$4,497,000 compared to \$4,800,000 in the second quarter of 2017. The quarter-over-quarter decrease of \$303,000 consists of \$1,158,000 attributed to decreased production volumes from the Disposition, partially offset by \$855,000 attributed to higher realized crude oil prices. For the first half of 2018, petroleum and natural gas sales increased one percent to \$9,044,000 compared to \$8,965,000 in the first half of 2017. The increase of \$79,000 consists of \$723,000 attributed to higher crude oil prices, partially offset by \$644,000 attributed to decreased production volumes.



Altura's objective is to sell its crude oil on a monthly index basis and natural gas production on a spot basis. The average realized price the Corporation receives for its crude oil and natural gas production depends on several factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate and transportation and product quality differentials.

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

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

	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Average Benchmark Prices						
WTI crude oil (US\$/Bbl) ⁽¹⁾	67.88	48.29	41	65.37	50.10	30
WCS differential (US\$/Bbl) ⁽²⁾	(19.27)	(11.13)	73	(21.77)	(12.85)	69
US\$/Cdn\$ exchange rate	0.791	0.743	6	0.782	0.765	2
WCS (Cdn\$/Bbl)	62.82	49.99	26	55.80	49.68	12
AECO daily spot (\$/GJ)	1.12	2.64	(58)	1.54	2.60	(41)
Average Realized Prices						
Medium oil (\$/Bbl)	67.64	50.64	34	57.72	51.91	11
Heavy oil (\$/Bbl)	58.83	44.90	31	51.80	45.35	14
Natural gas (\$/Mcf)	1.32	3.03	(56)	1.74	3.00	(42)
Natural gas liquids (\$/Bbl)	51.68	36.44	42	50.92	38.02	34
Average realized price (\$/Boe)	49.87	43.77	14	45.32	44.61	2

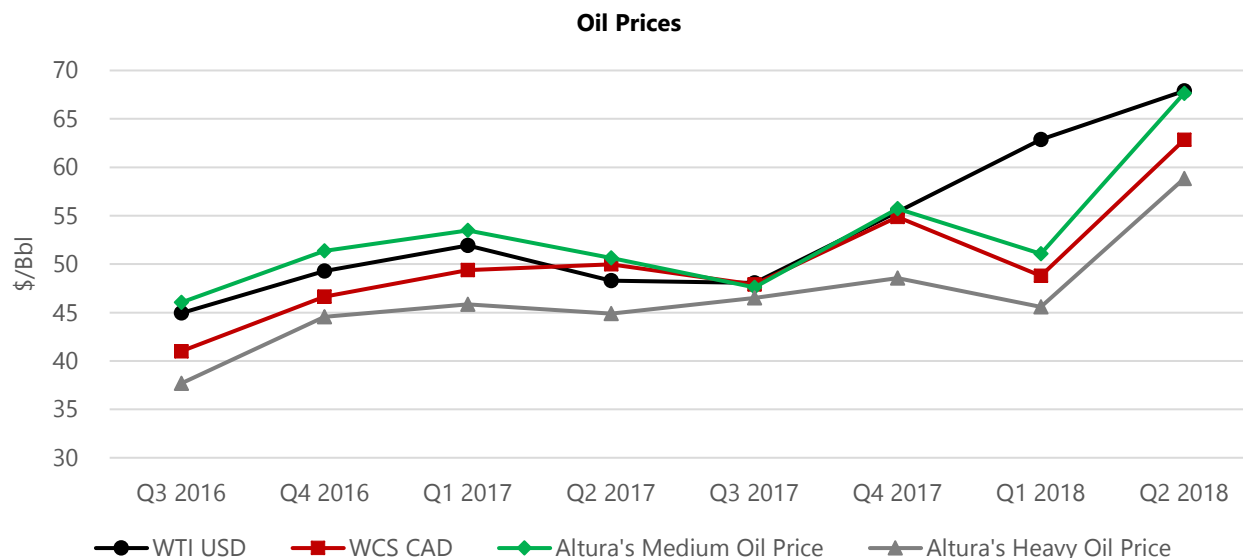
(1) WTI represents posting price of West Texas Intermediate crude oil.

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

For the second quarter of 2018, WTI increased 41 percent compared to the second quarter of 2017; however, the WCS differential widened 73 percent to US\$19.27 per barrel from US\$11.13 per barrel due to export pipeline capacity constraints from pipeline outages and increased oilsands production in western Canada. The widening of the WCS differential and the appreciation of the Canadian dollar resulted in WCS increasing 26 percent to \$62.82 per barrel from \$49.99 per barrel in the second quarter of 2017.

Altura's average medium and heavy oil prices increased 34 percent and 31 percent in the second quarter of 2018 from the second quarter of 2017. The Corporation's average realized price increased by 14 percent to \$49.87 per Boe in the second quarter of 2018 from the second quarter of 2017 due to increased crude oil prices, partially offset by lower natural gas prices and an increased percentage of natural gas production volumes compared to the second quarter of 2017.

For the second quarter of 2018 Altura's realized natural gas price decreased by 42 percent compared to the second quarter of 2017 due to the decline in the AECO daily spot price, which was impacted by concerns of oversupply, ongoing third-party maintenance, and infrastructure constraints in western Canada.



Royalties

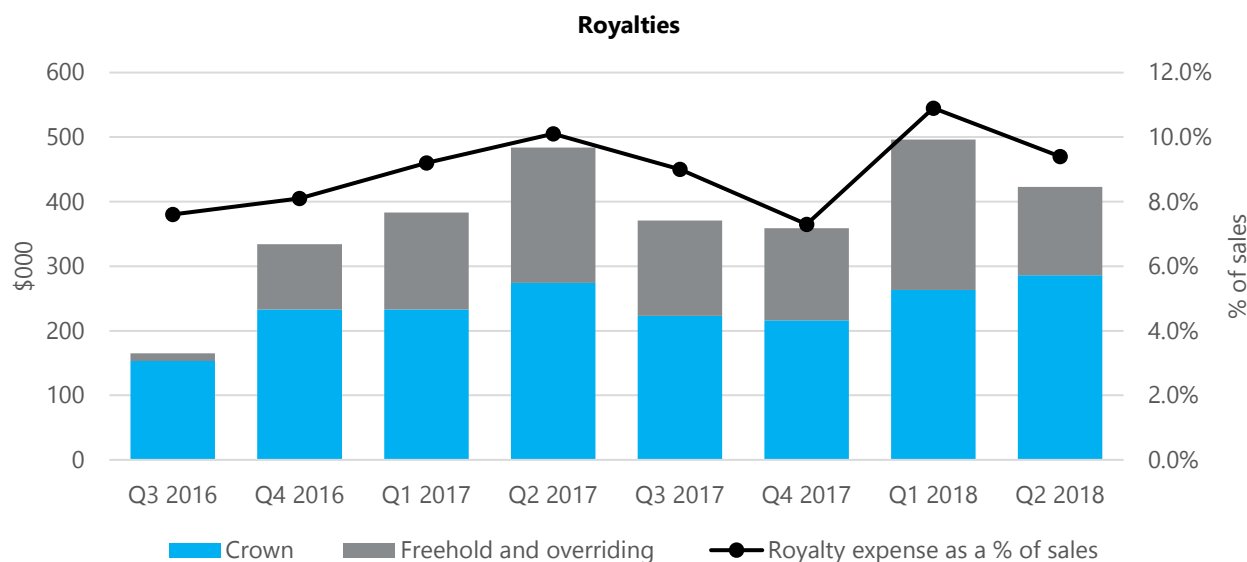
(\$000, except % and per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Crown royalties	286	274	4	549	507	8
Freehold and overriding royalties	137	210	(35)	370	360	3
Royalty expense	423	484	(13)	919	867	6
Royalty expense as a % of sales	9.4%	10.1%	(7)	10.2%	9.7%	5
Royalty expense per Boe	4.69	4.41	6	4.60	4.31	7

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

In the second quarter of 2018, royalties as a percentage of sales decreased to 9.4 percent compared to 10.1 percent in the second quarter of 2017. This decrease is mainly due to increased production volumes on Crown lands that are paying five percent flat royalty rates from Drilling and Completion Cost Allowance incentives under Alberta's Modernized Royalty Framework.

In the first half of 2018, royalties as a percentage of sales increased to 10.2 percent compared to 9.7 percent in the first half of 2017 from higher freehold royalties, mainly due to higher freehold mineral tax rates.

Altura is forecasting royalty rates to range between eight and 10 percent for the second half of 2018.



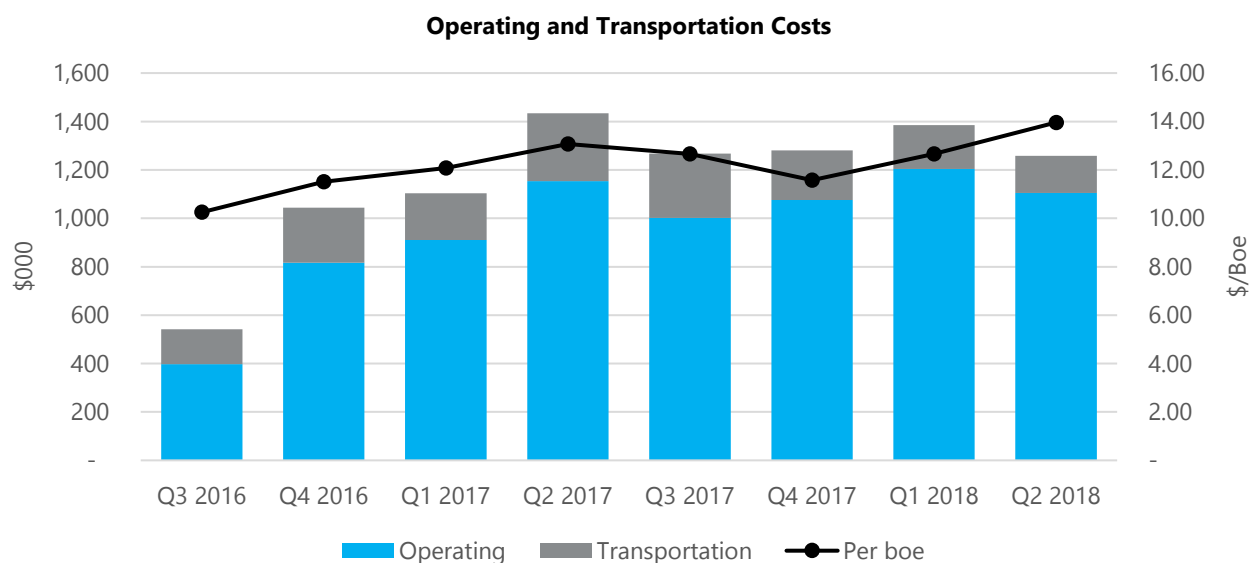
Operating and Transportation Costs

(\$'000, except per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Operating	1,105	1,154	(4)	2,309	2,064	12
Transportation	153	280	(45)	334	473	(29)
Operating and transportation	1,258	1,434	(12)	2,643	2,537	4
Operating per Boe	12.26	10.52	17	11.58	10.27	13
Transportation per Boe	1.70	2.55	(33)	1.67	2.36	(29)
Operating and transportation per Boe	13.96	13.07	7	13.25	12.63	5

Operating and transportation costs were \$1,258,000 for the second quarter of 2018 compared to \$1,434,000 for the second quarter of 2017. This decrease is mainly due to Altura's decrease in overall production volumes from the Disposition. For the first half of 2018, operating and transportation costs increased to \$2,643,000 compared to \$2,537,000 in the first half of 2017 due to higher repairs and maintenance expenses, chemical costs, and gas processing fees, partially offset by reduced water hauling and disposal fees.

On a per Boe basis, operating and transportation costs were \$13.96 for the second quarter of 2018 and \$13.25 for the first half of 2018. The increases of seven percent and five percent from the second quarter of 2017 and first half of 2017, respectively, were primarily a result of increased repairs and maintenance expenses, chemical costs and higher gas processing fees from the increase in natural gas production volumes and a 13th month adjustment, partially offset by decreased water hauling and disposal fees.

Crude oil is hauled from well sites to sales terminals either as clean oil or as emulsion. Clean oil hauling is recorded to transportation costs and emulsion hauling, which includes a percentage of water that requires treating, is recorded to operating costs. The decreased transportation costs of \$0.85 per Boe and \$0.69 per Boe in the second quarter of 2018 and first half of 2018, respectively, from the same periods in 2017 are due to a decreased percentage of clean oil hauling and an increased percentage of emulsion hauling from the increased production at Leduc-Woodbend. Altura's new multi-well battery, that was commissioned on July 30, 2018, will treat emulsion on site and enable the Corporation to haul clean oil and reduce total operating and transportation costs.



Operating and transportation costs increased by \$1.30 per Boe to \$13.96 per Boe in the second quarter of 2018 from \$12.66 per Boe in the first quarter of 2018 due to increased repairs and maintenance expenses, increased emulsion hauling costs from hauling with reduced loads during spring break-up, and higher gas processing fees from a 13th month adjustment.

At Leduc-Woodbend, operating and transportation costs were \$11.75 per Boe in the second quarter of 2018 compared to \$14.15 per Boe in the second quarter of 2017 and \$8.79 per Boe in the first quarter of 2018. The increase from the first quarter of 2018 is mainly due to increased repairs and maintenance expenses, increased emulsion hauling costs from hauling with reduced loads during spring break-up, and higher gas processing fees from a 13th month adjustment.

Altura is forecasting total operating and transportation costs to range between \$10.00 and \$11.00 per Boe in the second half of 2018.

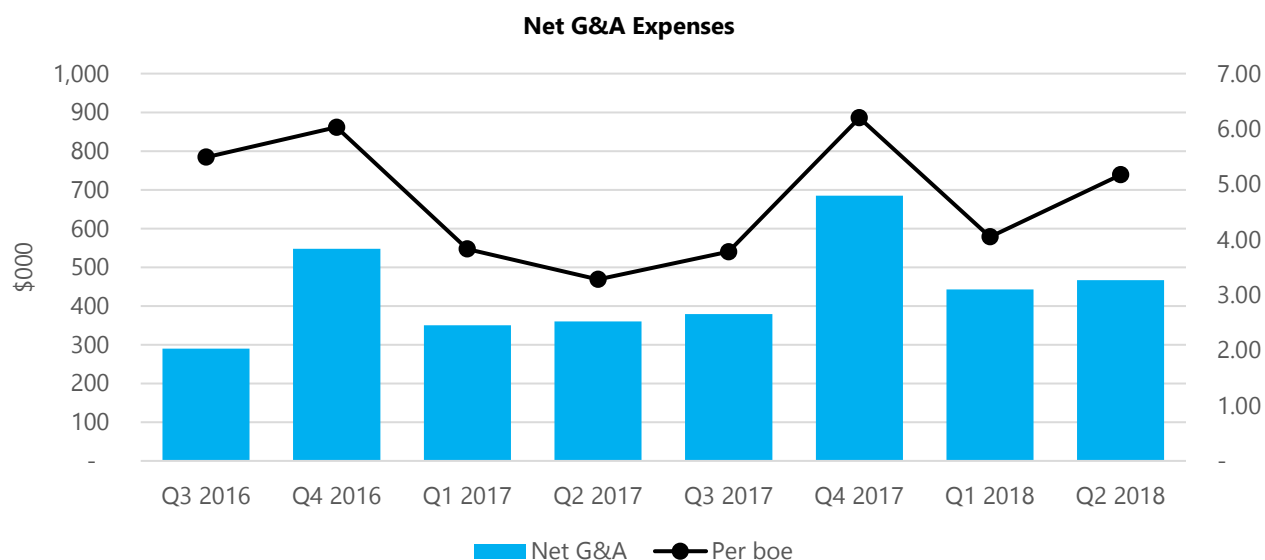
General and Administrative ("G&A") Expenses

(\$000, except per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Gross G&A	596	494	21	1,168	956	22
Capitalized G&A and overhead recoveries	(129)	(134)	(4)	(258)	(246)	5
Net G&A expenses	467	360	30	910	710	28
Net G&A per Boe	5.17	3.28	58	4.56	3.53	29

Net G&A expenses totaled \$467,000 and \$910,000 for the second quarter and first half of 2018, respectively, compared to \$360,000 and \$710,000 for the same periods in 2017. The increases are primarily related to increased salaries and benefits, and professional services associated with the Corporation's growth.

Net G&A expenses increased 58 percent to \$5.17 per Boe for the second quarter of 2018 compared to the second quarter of 2017 due to the increased costs described above, coupled with lower production volumes associated with the Disposition.

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



The increased G&A observed in the fourth quarter of 2016 and the fourth quarter of 2017 primarily relate to additional costs associated with management bonuses.

Interest and Financing Expenses

(\$000, except per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Interest and financing expenses	80	30	167	135	36	275
Interest and financing expenses per Boe	0.88	0.27	226	0.67	0.18	272

Interest and financing expenses totaled \$80,000 and \$135,000 in the second quarter and first half of 2018, respectively, compared to \$30,000 and \$36,000 in the same periods of 2017. The increases are due to higher average bank debt in 2018 and higher interest rates associated with the increases in the prime lending rate. Altura's average interest rate in the first half of 2018 was 5.0 percent.

Interest Income

(\$000, except per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Interest income	16	4	300	16	18	(11)
Interest income per Boe	0.18	0.03	>500	0.08	0.09	(11)

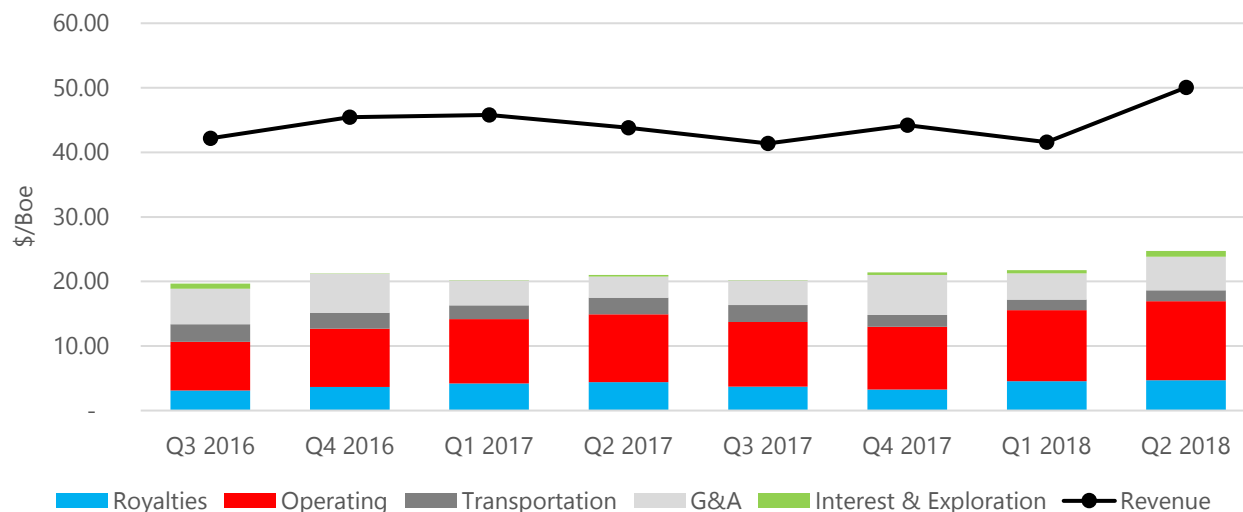
Interest income was \$16,000 in the second quarter and first half of 2018, compared to \$4,000 and \$18,000 in the same periods of 2017. The interest income in 2018 relates to cash from the Disposition invested in June 2018.

Netbacks

(\$/Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Average realized sales price	49.87	43.77	14	45.32	44.61	2
Royalties	(4.69)	(4.41)	6	(4.60)	(4.31)	7
Operating	(12.26)	(10.52)	17	(11.58)	(10.27)	13
Transportation	(1.70)	(2.55)	(33)	(1.67)	(2.36)	(29)
Operating netback	31.22	26.29	19	27.47	27.67	(1)
General and administrative	(5.17)	(3.28)	58	(4.56)	(3.53)	29
Interest and financing expenses	(0.88)	(0.27)	226	(0.67)	(0.18)	272
Interest income	0.18	0.03	>500	0.08	0.09	(11)
Corporate netback	25.35	22.77	11	22.32	24.05	(7)

Altura's corporate netback was \$25.35 per Boe in the second quarter of 2018 compared to \$22.77 per Boe in the second quarter of 2017. The increase is a result of a higher average realized sales price and decreased per unit transportation costs, partially offset by increased per unit royalty, operating, G&A and interest expenses. For the first half of 2018, Altura's corporate netback was \$22.32 per Boe compared to \$24.05 per Boe in the same period of 2017. The decrease is mainly a result of increased per unit royalty, operating, G&A and interest expenses, partially offset by a higher average realized sales price and decreased per unit transportation costs.

Revenue and Total Cash Costs Per Boe



Share-Based Compensation

(\$000)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Share-based compensation	277	274	1	551	547	1
Capitalized share-based compensation	(68)	(65)	5	(126)	(114)	11
Share-based compensation expense	209	209	-	425	433	(2)

Altura's share-based compensation is comprised of stock option expense and performance warrant expense. The Corporation estimates the fair-value of the incentive award based on a Black Scholes model for the determination of non-cash related share-based compensation and the expense is recorded over the expected life. Share-based compensation, net of capitalized amounts, totaled \$209,000 and \$425,000 in the second quarter and first half of 2018, respectively, compared to \$209,000 and \$433,000 in the same periods of 2017.

Altura's policy is to capitalize costs that are directly attributable to investments of property and equipment or exploration and evaluation assets. The increase in capitalized share-based compensation in the first half of 2018 is a result of increased employee time allocated to capital projects compared to the first half of 2017.

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

(\$000, except per Boe)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
DD&A	1,525	1,801	(15)	3,263	3,865	(16)
DD&A per Boe	16.92	16.43	3	16.36	19.23	(15)

Altura uses proved and probable reserves to calculate DD&A expense. For the second quarter of 2018, DD&A decreased 15 percent to \$1,525,000 compared to \$1,801,000 in the second quarter of 2017 due to decreased production volumes associated with the Disposition.

For the first half of 2018, DD&A decreased 16 percent to \$3,263,000 compared to \$3,865,000 in the first half of 2017. On a per unit basis, DD&A decreased 15 percent to \$16.36 per Boe compared to \$19.23 per Boe in the first half of 2017. The decreases on an absolute and per unit basis reflect a lower reserves finding and development cost in the first half of 2018 than the aggregate amount in the first half of 2017 and the impairment recognized in Killam CGU in the fourth quarter of 2017.

Impairment

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

At June 30, 2018, Altura evaluated its developed and producing ("D&P") assets and exploration and evaluation ("E&E") assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on Altura's D&P assets and E&E assets for the three months ended June 30, 2018.

Gain on Disposition of Assets

On May 31, 2018, the Corporation closed the Disposition of Altura's crude oil and natural gas assets in east central Alberta and Saskatchewan for \$27,315,000 of cash, net of customary post-closing adjustments and transaction costs of \$397,000. Altura recorded a gain of \$2,902,000 on the disposition in the three and six months ended June 30, 2018.

In April 2017, the Corporation divested of undeveloped land for cash of \$750,000. Altura recorded a gain of \$143,000 on the disposition in the three and six months ended June 30, 2017.

Deferred Taxes

The Corporation recognized a deferred tax expense of \$676,000 in the three and six months ended June 30, 2018 compared to nil in the same periods of 2017. This increase is a result of the elimination of the Corporation's unrecognized deferred tax asset in the second quarter of 2018 associated with the Disposition.

Estimated tax pools at June 30, 2018 are as follows:

	(\$000)
Canadian development expenses	5,812
Canadian exploration expenses	1,403
Canadian oil and gas property expenses	-
Non-capital losses	8,524
Capital losses	173
Undepreciated capital cost	8,626
Share issue costs	84
	24,622

Cash Flow from Operating Activities and Adjusted Funds flow

Management uses adjusted funds flow to analyze operating performance. Adjusted funds flow and adjusted funds flow per share are non-GAAP measures defined by the Corporation as cash flow from operating activities from the statements of cash flows before decommissioning expenditures, if any, transaction costs, if any, and changes in non-cash operating working capital. Adjusted funds flow 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. Adjusted funds flow per share is calculated based on the weighted average number of basic and diluted common shares outstanding. Altura's calculation of adjusted funds flow 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 adjusted funds flow for the reporting periods and the comparable prior periods:

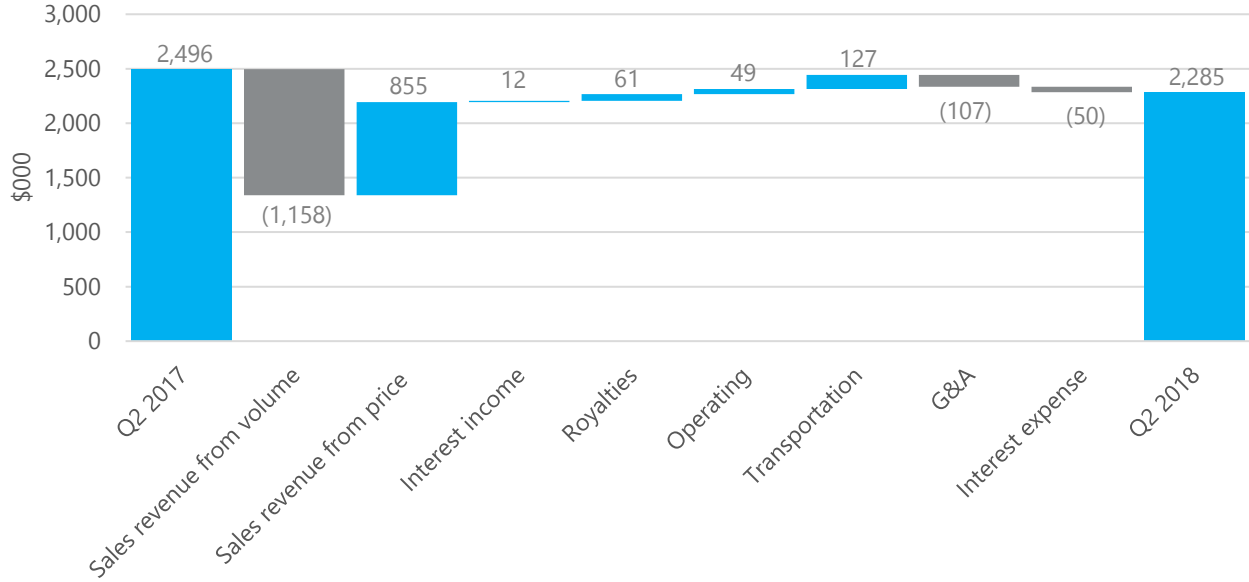
(\$000, except per share amounts)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Cash flow from operating activities	2,313	2,269	2	4,756	5,063	(6)
Decommissioning liabilities settled	-	-	-	-	11	(100)
Transaction costs on property disposition	397	-	-	397	-	-
Changes in non-cash operating working capital	(425)	227	(287)	(700)	(241)	190
Adjusted funds flow	2,285	2,496	(8)	4,453	4,833	(8)
Per share – basic	0.02	0.02	-	0.04	0.04	-
Per share – diluted	0.02	0.02	-	0.04	0.04	-

Cash flow from operating activities was \$2.3 million for the second quarter of 2018, consistent with the \$2.3 million in the second quarter of 2017 as the transaction costs associated with the Disposition were offset with the decrease in non-cash operating working capital. For the first half of 2018, cash flow from operating activities decreased to \$4.8 million compared to the first half of 2017. This decrease is mainly due to the transaction costs associated with the Disposition.

Details of the change in adjusted funds flow and corporate netback per Boe from the second quarter of 2017 to the second quarter of 2018, are as follows:

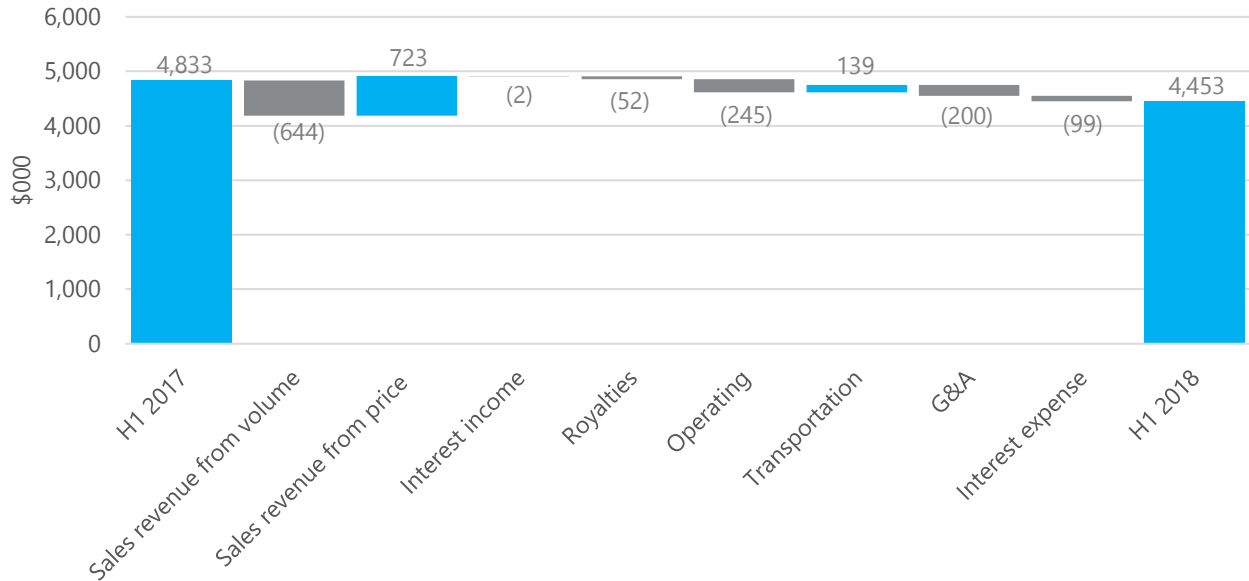
	Three months ended June 30		Six months ended June 30	
	\$000	\$/boe	\$000	\$/boe
Adjusted funds flow / Corporate netback – 2017	2,496	22.77	4,833	24.05
Volume variance	(1,158)	-	(644)	-
Price variance	855	6.10	723	0.71
Interest and other income	12	0.15	(2)	(0.01)
Royalties	61	(0.28)	(52)	(0.29)
Expenses:				
Operating	49	(1.74)	(245)	(1.31)
Transportation	127	0.85	139	0.69
General and administrative	(107)	(1.89)	(200)	(1.03)
Interest and financing	(50)	(0.61)	(99)	(0.49)
Adjusted funds flow / Corporate netback – 2018	2,285	25.35	4,453	22.32

Second Quarter 2017 to Second Quarter 2018 Changes in Adjusted Funds flow



Adjusted funds flow decreased \$211,000 in the second quarter of 2018 to \$2,285,000 from \$2,496,000 generated in the second quarter of 2017. This decrease is due mainly to decreased medium oil production volumes associated with the Disposition and higher G&A and interest expense, partially offset by increased crude oil prices and lower royalties, operating and transportation costs.

First Half 2017 to First Half 2018 Changes in Adjusted Funds flow



Adjusted funds flow decreased \$380,000 in the first half of 2018 to \$4,453,000 from \$4,833,000 generated in the first half of 2017. This decrease is due mainly to decreased medium oil production volumes and higher operating, G&A and interest expense, partially offset by increased crude oil prices and lower transportation costs.

Net Income

(\$000, except per share amounts)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Net income	2,750	594	363	2,927	607	382
Per share – basic	0.03	0.01	200	0.03	0.01	200
Per share – diluted	0.02	0.01	100	0.03	0.01	200

For the second quarter and first half of 2018, Altura generated net income of \$2,750,000 and \$2,927,000, respectively, compared to net income of \$594,000 and \$607,000 in the same periods of 2017. The increased net income in the second quarter and first half of 2018 is primarily attributed to the gain on disposition of assets of \$2,902,000, partially offset by the deferred tax expense of \$676,000.

Capital Expenditures

(\$000)	Three months ended June 30			Six months ended June 30		
	2018	2017	% Change	2018	2017	% Change
Geological and geophysical	18	53	(66)	21	90	(77)
Land	70	91	(23)	193	1,338	(86)
Drilling and completions	3,830	2,191	75	7,817	7,378	6
Workovers	252	320	(21)	576	508	13
Equipping and facilities	504	1,046	(52)	3,283	3,226	2
Other	1,670	127	>500	1,799	240	>500
Capital expenditures	6,344	3,828	66	13,689	12,780	7
Property dispositions	(27,712)	(750)	>500	(27,712)	(750)	>500
Total capital expenditures and dispositions	(21,368)	3,078	(>500)	(14,023)	12,030	(217)

In the second quarter of 2018, Altura invested \$6.3 million on capital expenditures. The Corporation commenced its summer drilling program by drilling two and completing one ERH wells in the quarter at Leduc-Woodbend. Altura commenced the construction of its multi-well battery at Leduc-Woodbend which was completed and commissioned in late July. Additionally, \$1.5 million of well casing and tubulars were pre-purchased in the second quarter for the summer drilling program and are included above in the "Other" category.

In the first half of 2018, Altura invested \$13.7 million on capital expenditures. Drilling and completion projects include three ERH wells at Leduc-Woodbend, two of which have been completed, and one well at Macklin. The Corporation invested in key infrastructure at Leduc-Woodbend including the construction of a natural gas gathering pipeline that connects Altura's northern area production to a second third party gas plant and the multi-well battery.

On May 31, 2018, Altura closed the Disposition of the Corporation's crude oil and natural gas assets in east central Alberta and Saskatchewan for \$27,315,000 of cash, net of customary post-closing adjustments and transaction costs of \$397,000.

Decommissioning Liability

At June 30, 2018, Altura's decommissioning liability was \$1.3 million (December 31, 2017 - \$6.6 million) for the future abandonment and reclamation of Altura's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors (2.0 percent) used to calculate the undiscounted total future liability. The future liability has been discounted at the risk-free rate of 2.2 percent (December 31, 2017 - 2.3 percent). Abandonment cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined. The decrease in liability is due to the asset disposition on May 31, 2018, partially offset by new wells drilled in the first half of 2018, a revision of estimates and accretion expense.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three and six months ended June 30, 2018, accretion expense totaled \$27,000 and \$64,000 (June 30, 2017 - \$35,000 and \$71,000), respectively.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

The Corporation had a working capital surplus of \$14.8 million at June 30, 2018, compared to net debt of \$3.7 million at December 31, 2017. At June 30, 2018, the major component of Altura's current assets were cash and cash equivalents (95 percent) and revenue (3 percent) to be received from its oil and gas marketers in respect to June 2018 production. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectable. Current liabilities largely consist of trade and joint interest payables (17 percent) and accrued liabilities (83 percent) related to the Corporation's operations. The Corporation manages its working capital using a combination of its adjusted funds flow and advances under its revolving operating demand loan credit facility and, if applicable, funds from debt and equity issuances and asset divestitures. Altura invests its excess cash, if any, in a short-term interest-bearing account with its lender.

Credit Facility

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender"). Altura's Credit Facility was reviewed in May 2018, in conjunction with the Disposition, and the new borrowing base was revised to \$3.0 million from the previous \$10 million borrowing base. 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. As at June 30, 2018, the working capital ratio under the terms of the Credit Facility was calculated to be 3.8:1 (December 31, 2017 – 4.2:1). The next review date for the Credit Facility has been set for May 31, 2019.

As at June 30, 2018, the credit facility was undrawn (December 31, 2017 - \$4.3 million), however, the Corporation had outstanding letters of credit for \$160,000 (December 31, 2017 - \$201,000).

Shareholders' Equity

At June 30, 2018 there were 108,920,973 common shares outstanding, 9,749,879 performance warrants outstanding and 7,210,000 stock options outstanding. The number of common shares, performance warrants and stock options remain unchanged from December 31, 2017.

At August 8, 2018 the number of common shares, performance warrants and stock options outstanding remain unchanged from June 30, 2018.

Liquidity

At June 30, 2018, Altura had cash and cash equivalents of \$20.1 million, a working capital surplus of \$14.8 million, no debt and \$2.8 million available on its Credit Facility. Altura expects to have adequate liquidity to fund its 2018 capital expenditure budget through a combination of cash flow from operating activities and its Credit Facility. Altura's ability to increase its borrowing capacity is based on its reserves value as determined by its external reserves evaluator.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

(\$000)	Payments Due by Year							Total
	2018	2019	2020	2021	2022	2023	2024	
Office lease	3	52	178	180	192	200	150	955
Total contractual obligations and commitments	3	52	178	180	192	200	150	955

SUBSEQUENT EVENTS

On July 31, 2018, the Corporation closed an acquisition of 2.6 net sections of highly prospective lands in the Upper Mannville oil pool at Leduc-Woodbend and a 40 percent working interest in a producing oil unit in the Leduc-Woodbend area of Alberta (the "Assets") from a third-party for cash consideration of \$2,725,000, subject to customary post-closing adjustments. The effective date of the transaction is April 1, 2018.

On July 24, 2018, the Corporation entered into a second agreement to purchase 0.4 net sections of highly prospective lands in the Upper Mannville oil pool at Leduc-Woodbend and a 20 percent working interest in the Assets from a second third-party for cash consideration of \$1,050,000, subject to customary post-closing adjustments. The effective date of the transaction is July 1, 2018 and closing is expected to occur on December 1, 2018, subject to customary closing conditions. Altura paid a deposit of \$263,000 on July 24, 2018, which is being held in escrow until closing.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
OPERATING								
Average daily production								
Medium oil (Bbls/d)	271	408	414	624	652	539	627	472
Heavy oil	478	547	544	274	346	309	195	18
Natural gas (Mcf/d)	1,309	1,336	1,286	1,045	1,098	909	890	473
NGLs (Bbls/d)	23	37	30	16	25	16	17	6
Total (Boe/d)	991	1,215	1,202	1,088	1,205	1,015	988	574
Average realized sales price								
Medium oil (\$/Bbl)	67.64	51.06	55.73	47.61	50.64	53.47	51.37	46.04
Heavy oil (\$/Bbl)	58.83	45.58	48.54	46.50	44.90	45.86	44.54	37.68
Natural gas (\$/Mcf)	1.32	2.14	1.81	1.71	3.03	2.96	3.34	2.53
NGLs (\$/Bbl)	51.68	50.44	45.46	49.54	36.44	40.56	44.75	33.53
Total (\$/Boe)	49.87	41.58	44.22	41.38	43.77	45.62	45.20	41.41
NETBACK (\$/Boe) ⁽¹⁾								
Petroleum and natural gas sales	49.87	41.58	44.22	41.38	43.77	45.62	45.20	41.41
Royalty expenses	(4.69)	(4.54)	(3.24)	(3.70)	(4.41)	(4.20)	(3.67)	(3.13)
Operating costs	(12.26)	(11.01)	(9.72)	(10.01)	(10.52)	(9.96)	(8.99)	(7.53)
Transportation costs	(1.70)	(1.65)	(1.86)	(2.65)	(2.55)	(2.12)	(2.52)	(2.73)
Operating netback ⁽¹⁾	31.22	24.38	29.40	25.02	26.29	29.34	30.02	28.02
General and administrative	(5.17)	(4.05)	(6.20)	(3.78)	(3.28)	(3.83)	(6.03)	(5.49)
Exploration expense	-	-	-	-	-	-	-	(0.70)
Interest and financing expense	(0.88)	(0.51)	(0.38)	(0.06)	(0.27)	(0.07)	(0.05)	(0.08)
Interest income	0.18	-	-	-	0.03	0.16	0.25	0.78
Corporate netback ⁽¹⁾	25.35	19.82	22.82	21.18	22.77	25.60	24.19	22.53
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	4,497	4,547	4,893	4,143	4,800	4,165	4,106	2,189
Adjusted funds flow ⁽¹⁾	2,285	2,168	2,526	2,119	2,496	2,337	2,197	1,193
Per share – diluted ⁽¹⁾	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01
Cash flow from operating activities	2,313	2,443	1,940	2,545	2,269	2,794	1,683	763
Per share – diluted	0.02	0.02	0.02	0.02	0.02	0.03	0.02	0.01
Net income (loss)	2,750	177	(1,032)	322	594	13	264	(68)
Per share – diluted ⁽²⁾	0.02	-	(0.01)	-	0.01	-	-	-
(\$000)								
Capital expenditures	6,344	7,345	3,083	6,439	3,828	8,952	6,945	4,081
Property acquisitions/(dispositions)	(27,712)	-	(355)	-	(750)	-	-	3,968
Total assets	49,957	55,973	50,807	49,848	46,890	49,083	45,915	44,704
Net debt (working capital surplus) ⁽¹⁾	(14,761)	8,561	3,729	2,881	(1,156)	(2,436)	(8,455)	(13,209)
Shareholders' equity	41,643	38,616	38,165	38,933	38,336	37,468	37,182	36,632
Common shares outstanding (000)								
Weighted average for the period - basic ⁽²⁾	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921
Weighted average for the period - diluted ⁽²⁾	110,546	109,133	109,570	108,922	109,082	109,289	108,921	108,921
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921

- Adjusted funds flow, adjusted funds flow per share, net debt, operating netback and corporate 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.
- Basic weighted average shares are used to calculate diluted per share amounts when the Corporation is in a loss position.

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

the second quarter of 2018 is a result of the disposition of assets in east central Alberta and Saskatchewan. The increase in the average realized sales price in the second quarter of 2018 is due mainly to the increase in WTI.

Capital expenditures in 2017 included drilling eight wells, land acquisitions and pipeline construction and facility upgrades. Capital expenditures in the first quarter of 2018 included drilling two wells, pipeline construction costs and facility equipment purchases. In the second quarter of 2018, Altura drilled two wells, completed one well and commenced construction of a multi-well battery. Additionally, \$1.5 million of casing and tubulars were purchased for the summer drilling program.

Altura recorded net income in the fourth quarter of 2016, and the first three quarters of 2017 due to increased petroleum and natural gas sales and lower relative cash and non-cash costs. In the fourth quarter of 2017, Altura recorded an impairment expense for \$1.5 million resulting in a loss. In the second quarter of 2018, Altura recorded net income of \$2.8 million mainly due to a gain on disposition of assets, partially offset by a deferred tax expense.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Other than the payment of compensation to key management personnel, 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

IFRS 15

The Corporation adopted IFRS 15, "Revenue from Contracts with Customers" on January 1, 2018. Altura used the modified retrospective adoption approach to adopt the new standard. The Corporation reviewed its revenue contracts with customers using the IFRS 15 five-step model, which resulted in a change in accounting of certain pipeline tariffs, impacting the June 30, 2017 comparative periods. The change in accounting for certain tariffs resulted in revenue and transportation costs both decreasing by \$18,000 and \$31,000 in the three and six months ended June 30, 2017, with no impact on net income or the Corporation's financial position.

IFRS 9

The Corporation adopted IFRS 9, "Financial Instruments" on January 1, 2018. The transition to IFRS 9 had no material effect on the Corporation's financial statements. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Cash and cash equivalents, if any, accounts receivable and deposits continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Corporation's classification of accounts payable and accrued liabilities and bank debt which are classified as "other financial liabilities" and are measured at amortized cost. The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does Altura use hedge accounting.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

ADVISORIES

Non-GAAP Measures

This MD&A and second quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "net debt", "corporate netback", "adjusted funds flow per share", "operating income", 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 second 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.

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

Oil and Gas Advisories

Barrels of Oil Equivalent

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

Potential Drilling Opportunities

Potential drilling opportunities are internal estimates based on the Corporation's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Potential drilling opportunities do not have attributed reserves or resources.

Forward-looking Information

This MD&A and second 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 second quarter report contains forward-looking information and statements pertaining to:

- Altura's business plans and strategy including its 2018 drilling, completion and on-production plans;
- Altura's plans to increase frac intensity on two pilot wells and expected benefits to production volumes, reserves and rate of return;
- the anticipated closing date of the 20 percent working interest in the Assets;
- number of potential drilling opportunities associated with the Assets combined with Altura's existing lands;

- Altura's ability to leverage unutilized infrastructure associated with the Assets;
- forecasted 2018 capital spending;
- forecasted 2018 exit production rate;
- forecasted royalty rate range for the second half of 2018; and
- forecasted operating and transportation costs for the second half of 2018

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

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

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

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

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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

(\$000)	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	20,052	-
Accounts receivable (note 11)	916	2,297
Prepaid expenses and deposits	165	104
	21,133	2,401
Deposit	-	345
Exploration and evaluation (note 5)	3,607	4,517
Property and equipment (note 6)	25,217	43,544
Total assets	49,957	50,807
LIABILITIES		
Current liabilities		
Bank debt (note 7)	-	4,252
Accounts payable and accrued liabilities	6,372	1,812
Current portion of decommissioning liability (note 8)	-	66
	6,372	6,130
Decommissioning liability (note 8)	1,266	6,512
Deferred taxes	676	-
Total liabilities	8,314	12,642
SHAREHOLDERS' EQUITY		
Share capital (note 9)	37,712	37,712
Performance warrants (note 9e)	1,938	1,605
Contributed surplus	3,724	3,506
Deficit	(1,731)	(4,658)
Total shareholders' equity	41,643	38,165
Total liabilities and shareholders' equity	49,957	50,807
Commitments and contingencies (note 13)		
Subsequent events (note 14)		

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(\$000, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
REVENUE				
Petroleum and natural gas sales (note 10)	4,497	4,800	9,044	8,965
Royalties	(423)	(484)	(919)	(867)
Interest income	16	4	16	18
	4,090	4,320	8,141	8,116
EXPENSES				
Operating	1,105	1,154	2,309	2,064
Transportation	153	280	334	473
General and administrative	467	360	910	710
Share-based compensation (note 9)	209	209	425	433
Interest and financing charges	80	30	135	36
Depletion, depreciation and amortization (notes 5 and 6)	1,525	1,801	3,263	3,865
Accretion of decommissioning liability (note 8)	27	35	64	71
	3,566	3,869	7,440	7,652
OTHER INCOME				
Gain on disposition of assets (note 4)	2,902	143	2,902	143
Net income before taxes	3,426	594	3,603	607
Deferred tax expense	676	-	676	-
Net income and comprehensive income	2,750	594	2,927	607
Net income per share, (note 9d)				
Basic	0.03	0.01	0.03	0.01
Diluted	0.02	0.01	0.03	0.01

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(\$000)	Share capital	Performance warrants	Contributed surplus	Deficit	Total Equity
Balance, December 31, 2016	37,712	938	3,087	(4,555)	37,182
Share-based compensation expense (note 9)	-	276	157	-	433
Share-based compensation capitalized (note 9)	-	57	57	-	114
Net income for period	-	-	-	607	607
Balance, June 30, 2017	37,712	1,271	3,301	(3,948)	38,336
Balance, December 31, 2017	37,712	1,605	3,506	(4,658)	38,165
Share-based compensation expense (note 9)	-	269	156	-	425
Share-based compensation capitalized (note 9)	-	64	62	-	126
Net income for period	-	-	-	2,927	2,927
Balance, June 30, 2018	37,712	1,938	3,724	(1,731)	41,643

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$000)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for period	2,750	594	2,927	607
Items not involving cash:				
Deferred tax expense	676	-	676	-
Depletion, depreciation and amortization (notes 5 and 6)	1,525	1,801	3,263	3,865
Accretion of decommissioning liability (note 8)	27	35	64	71
Share-based compensation (note 9)	209	209	425	433
Gain on disposition of assets (note 4)	(2,902)	(143)	(2,902)	(143)
Transaction costs on property dispositions (note 4)	(397)	-	(397)	-
Decommissioning liabilities settled (note 8)	-	-	-	(11)
Change in non-cash working capital (note 12)	425	(227)	700	241
	2,313	2,269	4,756	5,063
CASH FLOW USED IN FINANCING ACTIVITIES				
Decrease in bank debt (note 7)	(6,381)	-	(4,252)	-
	(6,381)	-	(4,252)	-
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Property and equipment expenditures	(6,274)	(2,318)	(13,151)	(6,860)
Exploration and evaluation asset expenditures	(70)	(1,510)	(193)	(5,920)
Property dispositions (note 4)	27,712	750	27,712	750
Change in non-cash working capital (note 12)	2,752	(3,505)	5,180	(638)
	24,120	(6,583)	19,548	(12,668)
CHANGE IN CASH AND CASH EQUIVALENTS	20,052	(4,314)	20,052	(7,605)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	5,368	-	8,659
CASH AND CASH EQUIVALENTS, END OF PERIOD	20,052	1,054	20,052	1,054
Cash and cash equivalents consists of:				
Cash in bank account	5,052	1,054	5,052	1,054
Cash in short-term investments	15,000	-	15,000	-
	20,052	1,054	20,052	1,054
Cash interest paid	80	4	135	4

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As at and for the three and six months ended June 30, 2018 and 2017

1. REPORTING ENTITY

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

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2017, except as described below in note 3. In the opinion of management, these financial statements contain all adjustments necessary to present fairly Altura's financial position as at June 30, 2018 and the results of its operations and cash flows for the three and six months ended June 30, 2018 and 2017. 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, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on August 8, 2018.

(b) Basis of Measurement and Principles of Consolidation

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgement

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

In preparing the financial statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2017.

3. CHANGES IN ACCOUNTING POLICIES

(a) IFRS 15

The Corporation adopted IFRS 15, "Revenue from Contracts with Customers" on January 1, 2018. Altura used the modified retrospective adoption approach to adopt the new standard. The Corporation reviewed its revenue contracts with customers using the IFRS 15 five-step model, which resulted in a change in accounting of certain pipeline tariffs, impacting the June 30, 2017 comparative periods. The change in accounting for certain tariffs resulted in revenue and transportation costs both decreasing by \$18,000 and \$31,000 in the three and six months ended June 30, 2017, with no impact on net income or the Corporation's financial position.

The additional disclosures required by IFRS 15 are detailed in note 10.

Revenue recognition policy

Revenue from the sale of petroleum and natural gas is measured based on the consideration specified in contracts with customers. Altura recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the custody transfer point agreed with the customer, often terminals, pipelines or other transportation methods.

Altura evaluates its arrangements with 3rd parties and partners to determine if the Corporation acts as the principal or as an agent. In making this evaluation, management considers if Altura obtains control of the product delivered, which is indicated by Altura having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Altura acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Corporation from the transaction.

(b) IFRS 9

The Corporation adopted IFRS 9, "Financial Instruments" on January 1, 2018. The transition to IFRS 9 had no material effect on the Corporation's financial statements. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Cash and cash equivalents, if any, accounts receivable and deposits continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Corporation's classification of accounts payable and accrued liabilities and bank debt which are classified as "other financial liabilities" and are measured at amortized cost. The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does Altura use hedge accounting.

4. DISPOSITIONS

On May 31, 2018, Altura closed the disposition of the Corporation's crude oil and natural gas assets (the "Disposition"), with an unrelated third party, in east central Alberta and Saskatchewan, which included the Eyehill, Eyehill South, Macklin, Wildmere, Killam and Provost Minor areas (the "Disposed Assets"). Consideration for the Disposed Assets totaled \$27,315,000 of cash, net of customary post-closing adjustments and transaction costs of \$397,000. Altura recorded \$1,071,000 to Exploration and Evaluation ("E&E") asset dispositions, \$29,312,000 to Developed and Producing ("D&P") asset dispositions and reduced the decommissioning liability by \$5,970,000 associated with the Disposed Assets. The Corporation recorded a gain of \$2,902,000 on the Disposition in the three and six months ended June 30, 2018.

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

5. EXPLORATION AND EVALUATION

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

(\$000)	Total
Balance, December 31, 2016	7,865
Additions	6,477
Acquisition	475
Dispositions	(643)
Transfer to property and equipment net of depletion (note 6)	(9,695)
Change in decommissioning costs	257
Depletion	(219)
Balance, December 31, 2017	4,517
Additions	193
Disposition (note 4)	(1,071)
Transfer to property and equipment (note 6)	(32)
Balance, June 30, 2018	3,607

E&E assets consist of the Corporation's projects that have yet to be established as technically feasible and commercially viable. Additions represent Altura's share of costs incurred on E&E assets during the periods. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of nil in the three and six months ended June 30, 2018 (June 30, 2017 – \$115,000 and 190,000).

6. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2016	37,537	40	37,577
Additions	16,061	8	16,069
Disposition	(1,671)	-	(1,671)
Transfers from E&E assets (note 5)	10,080	-	10,080
Change in decommissioning costs	93	-	93
Balance, December 31, 2017	62,100	48	62,148
Additions	13,609	13	13,622
Disposition (note 4)	(45,599)	-	(45,599)
Transfers from E&E assets (note 5)	32	-	32
Change in decommissioning costs	594	-	594
Balance, June 30, 2018	30,736	61	30,797
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2016	(10,517)	(17)	(10,534)
Depletion, depreciation and amortization	(6,979)	(8)	(6,987)
Disposition	816	-	816
Transfers from E&E assets (note 5)	(385)	-	(385)
Impairment	(1,514)	-	(1,514)
Balance, December 31, 2017	(18,579)	(25)	(18,604)
Depletion, depreciation and amortization	(3,259)	(4)	(3,263)
Disposition	16,287	-	16,287
Balance, June 30, 2018	(5,551)	(29)	(5,580)
Carry amounts			
(\$000)			
As at December 31, 2017	43,521	23	43,544
As at June 30, 2018	25,185	32	25,217

Estimated future development costs of \$33.7 million (December 31, 2017 – \$40.2 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 \$202,000 and \$384,000 in the three and six months ended June 30, 2018 (June 30, 2017 – \$74,000 and \$152,000), respectively.

7. CREDIT FACILITY

The Corporation has a revolving operating demand loan (the "Credit Facility") with a Canadian bank (the "Lender"). Altura's Credit Facility was reviewed in May 2018, in conjunction with the Disposition (note 4), and the new borrowing base was revised to \$3.0 million from the previous \$10 million borrowing base. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Credit Facility can be drawn in whole multiples of a minimum of \$10,000, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.5 million. A standby fee calculated at a rate of 0.35 percent per annum on the unused portion of the authorized amount is payable monthly.

The Credit Facility is secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$30.0 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 June 30, 2018, the working capital ratio as defined was 3.8:1 (December 31, 2017 – 4.2:1). The next review date for the Credit Facility has been set for May 31, 2019.

As at June 30, 2018, the credit facility was undrawn (December 31, 2017 - \$4.3 million), however, the Corporation had outstanding letters of credit for \$160,000 (December 31, 2017 - \$201,000).

8. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from its net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at June 30, 2018 to be approximately \$1.3 million (December 31, 2017 – \$6.6 million) with the majority of costs anticipated to be incurred between 2036 and 2042. A risk-free discount rate of 2.2 percent (December 31, 2017 – 2.3 percent) and an inflation rate of 2.0 percent (December 31, 2017 – 2.0 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Six months ended June 30, 2018	Year ended December 31, 2017
Balance, beginning of period	6,578	6,181
Additions	324	595
Liabilities disposed (note 4)	(5,970)	(45)
Change in estimates ⁽¹⁾	270	(245)
Decommissioning liabilities settled	-	(54)
Accretion	64	146
Balance, end of period	1,266	6,578
Expected to be incurred within one year	-	66
Expected to be incurred beyond one year	1,266	6,512

(1) The change in estimates consists of a change in the risk-free discount rate of \$28,000 (December 31, 2017 - \$32,000) and a change in abandonment and remediation cost estimates and future abandonment dates of \$242,000 (December 31, 2017 - \$277,000 credit).

9. SHARE CAPITAL

(a) Authorized:

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

(b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2016, December 31, 2017, and June 30, 2018	108,920,973	37,712

(c) Stock options:

The Corporation has a stock option plan for directors, employees and service providers. Under the plan, options may be granted to purchase up to 10 percent of the outstanding shares of Altura and the maximum term of options granted is five years. Unless otherwise determined by the Board of Directors at the time of grant, options vest as to one-third on each of the first, second and third anniversary dates of the date of grant. As at June 30, 2018, the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the three and six months ended June 30, 2018 and 2017.

A summary of the Corporation's outstanding stock options at June 30, 2018 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2016	5,570,000	0.31
Granted	1,640,000	0.41
Balance, December 31, 2017 and June 30, 2018	7,210,000	0.33

The range of exercise prices for stock options outstanding and exercisable under the plan at June 30, 2018 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low (\$)	High (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)	Quantity	Remaining contractual life (years)	Weighted Average Exercise Price (\$)
0.27	0.41	7,210,000	3.2	0.33	3,123,328	2.6	0.32
		7,210,000	3.2	0.33	3,123,328	2.6	0.32

The Corporation's share-based compensation relating to stock options, fair valued on the date of grant using a Black Scholes model, for the three and six months ended June 30, 2018 was \$110,000 and \$218,000 (June 30, 2017 – \$108,000 and \$214,000) of which \$33,000 and \$62,000 was capitalized (June 30, 2017 – \$33,000 and \$57,000), respectively.

(d) Weighted average common shares:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Basic	108,920,973	108,920,973	108,920,973	108,920,973
Diluted	110,545,804	109,082,088	109,946,718	109,191,450

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Corporation upon the exercise of in-the-money stock options or performance warrants plus unamortized share-based compensation expense would be used to buy back common shares at the average market price for the period.

For the three and six months ended June 30, 2018, 1,640,000 stock options and 9,749,879 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (June 30, 2017 – 9,749,879 performance warrants).

(e) Performance warrants:

A summary of the Corporation's outstanding performance warrants at June 30, 2018 is presented below:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2016, December 31, 2017 and June 30, 2018	9,749,879	0.449

The performance warrants vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.675, an additional one-third upon the trading price equaling or exceeding \$0.901 and a final one-third upon the trading price equaling or exceeding \$1.124. The performance warrants expire on July 31, and August 28, 2020. As at June 30, 2018 no performance warrants are exercisable. On the grant date, the weighted average fair value of \$0.27 per performance warrant was determined using an adjusted Black Scholes model using the following assumptions: exercise price of \$0.449 per warrant; risk free rate of 0.95 percent; volatility of 110 percent; forfeiture rate of 0 percent; and expected life ranging from 3.0 to 5.0 years. The Corporation's share-based compensation relating to performance warrants for the three and six months ended June 30, 2018 was \$167,000 and \$333,000 (June 30, 2017 – \$166,000 and \$333,000) of which \$35,000 and \$64,000 was capitalized (June 30, 2017 – \$32,000 and \$57,000), respectively. The fair value of the performance warrants is being expensed over the expected life.

10. REVENUE

The Corporation sells its production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table details the Corporation's petroleum and natural gas sales by product:

(\$000)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Medium oil	1,669	3,003	3,546	5,594
Heavy oil	2,561	1,412	4,806	2,687
Natural gas	158	303	416	545
Natural gas liquids	109	82	276	139
Petroleum and natural gas sales	4,497	4,800	9,044	8,965

11. FINANCIAL AND CREDIT RISK

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

The majority of the credit exposure on accounts receivable at June 30, 2018 pertains to revenue for accrued June 2018 production volumes. Altura primarily transacts with three oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. A significant portion of Altura's accounts receivable is carried by two marketing companies with sound financial positioning. At June 30, 2018, 49 percent and 10 percent of total outstanding accounts receivable pertains to these companies. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at June 30, 2018. For the six months ended June 30, 2018, the Corporation received approximately 37 percent, 21 percent and 15 percent of its revenue from three marketing companies (June 30, 2017 – 74 percent and 15 percent from two marketing companies).

At June 30, 2018, the Corporation's trade receivables have been aged as follows:

As at (\$000)	June 30, 2018	December 31, 2017
Current	797	1,949
31 – 60 days	4	75
61 – 90 days	2	178
> 90 days	113	95
Allowance for doubtful accounts	-	-
Total	916	2,297

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's accounts receivable > 90 days relates to amounts owing from an Alberta government agency and is considered collectable.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Provided by (used in):				
Accounts receivable	1,017	(437)	1,381	488
Prepaid expenses and deposits	(31)	14	(61)	(75)
Accounts payable and accrued liabilities	2,191	(3,309)	4,560	(810)
	3,177	(3,732)	5,880	(397)
Provided by (used in):				
Operating activities	425	(227)	700	241
Investing activities	2,752	(3,505)	5,180	(638)
	3,177	(3,732)	5,880	(397)

13. COMMITMENTS AND CONTINGENCIES

The following table summarizes Altura's contractual obligations and commitments as at June 30, 2018:

(\$000)	Payments Due by Year							Total
	2018	2019	2020	2021	2022	2023	2024	
Office lease	3	52	178	180	192	200	150	955
Total contractual obligations and commitments	3	52	178	180	192	200	150	955

14. SUBSEQUENT EVENTS

On July 31, 2018 the Corporation closed an acquisition of undeveloped land and a 40 percent working interest in a producing oil unit in the Leduc-Woodbend area of Alberta (the "Assets") from a third-party for cash consideration of \$2,725,000, subject to customary post-closing adjustments. The effective date of the transaction is April 1, 2018.

On July 24, 2018 the Corporation entered into an agreement to purchase a 20 percent working interest in the Unit from a second third-party for cash consideration of \$1,050,000, subject to customary post-closing adjustments. The effective date of the transaction is July 1, 2018 and closing is expected to occur on December 1, 2018, subject to customary closing conditions. Altura paid a deposit of \$263,000 on July 24, 2018, which is being held in escrow until closing.

CORPORATE INFORMATION

BOARD OF DIRECTORS

David Burghardt
President & Chief Executive Officer
Altura Energy Inc.

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

Brian Lavergne
President & Chief Executive Officer
Storm Resources Ltd.

Robert Maitland
Independent Businessman

John McAleer
Managing Director
Palisade Capital Management Ltd.

OFFICERS

David Burghardt
President & Chief Executive Officer

Tavis Carlson
Vice President, Finance & Chief Financial Officer

Jeff Mazurak
Vice President, Operations

D. Robert Pinckston
Vice President, Exploration

Craig Stayura
Vice President, Land

Travis Stephenson
Vice President, Engineering

AUDITORS

KPMG LLP
Calgary, Alberta

BANKERS

ATB Corporate Financial Services
Calgary, Alberta

LEGAL COUNSEL

Stikeman Elliott LLP
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

STOCK TRADING

TSX Venture Exchange
Trading Symbol: **ATU**

