

2020 FOURTH QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three Months Ended			Year Ended	
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019
OPERATING					
Average daily production					
Heavy crude oil (bbls/d)	468	512	881	465	1,112
Light crude & medium crude oil (bbls/d)	-	16	-	6	17
Natural gas (Mcf/d)	2,402	2,118	3,406	2,151	3,145
NGLs (bbls/d)	48	38	113	51	89
Total (boe/d)	916	919	1,561	880	1,742
Total boe/d per million shares – diluted	8.4	8.4	14.3	8.1	15.9
Average realized prices					
Heavy crude oil (\$/bbl)	44.45	40.19	54.40	36.59	55.69
Light crude & medium crude oil (\$/bbl)	-	43.79	-	36.21	48.81
Natural gas (\$/Mcf)	2.87	2.45	2.70	2.43	1.73
NGLs (\$/bbl)	25.72	25.83	26.64	21.32	26.75
Average realized price (\$/boe)	31.56	29.87	38.50	26.74	40.50
(\$/boe)					
Petroleum and natural gas sales	31.56	29.87	38.50	26.74	40.50
Royalties	(2.61)	(2.63)	(4.43)	(2.03)	(4.16)
Operating	(12.75)	(13.85)	(8.63)	(13.27)	(8.25)
Transportation	(1.93)	(2.51)	(2.45)	(2.34)	(3.48)
Operating netback ⁽¹⁾	14.27	10.88	22.99	9.10	24.61
Realized gain on financial instruments	1.48	0.51	0.53	4.51	0.34
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	15.75	11.39	23.52	13.61	24.95
General and administrative	(4.66)	(5.71)	(2.52)	(4.93)	(2.55)
Exploration expense	-	-	-	-	(0.03)
Interest and financing expense (cash)	(1.39)	(1.21)	(0.37)	(0.91)	(0.36)
Adjusted funds flow per boe ⁽¹⁾	9.70	4.47	20.63	7.77	22.01
FINANCIAL (\$000, except per share amounts)					
Petroleum and natural gas sales	2,659	2,526	5,531	8,615	25,757
Cash flow from operating activities	206	505	3,955	2,406	12,994
Adjusted funds flow ⁽¹⁾	818	378	2,963	2,502	13,994
Per share – basic ⁽¹⁾	0.01	-	0.03	0.02	0.13
Per share – diluted ⁽¹⁾	0.01	-	0.03	0.02	0.13
Net income (loss)	10,823	(360)	(56)	(22,313)	2,215
Per share – basic	0.10	-	-	(0.20)	0.02
Per share – diluted ⁽²⁾	0.10	-	-	(0.20)	0.02
Capital expenditures	105	469	1,528	7,874	12,884
Property acquisitions (dispositions), net	-	(875)	(3,508)	(1,746)	(3,508)
Total capital expenditures, net	105	(406)	(1,980)	6,128	9,376
Net debt ⁽¹⁾	3,857	4,560	563	3,857	563
Common shares outstanding (000)					
End of period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – basic ⁽²⁾	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – diluted ⁽²⁾	108,921	108,921	109,097	108,921	109,886

(1) Adjusted funds flow, net debt, operating netback, and operating netback after realized gain on financial instruments are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of the MD&A.

(2) Basic weighted average shares are used to calculate diluted per share amounts when the Corporation is in a loss position.

PRESIDENT'S MESSAGE

FOURTH QUARTER 2020 REVIEW

Production volumes averaged 916 boe per day in the fourth quarter, consistent with the third quarter of 2020. Production volumes were impacted by one Leduc-Woodbend oil well that was curtailed for most of the quarter due to third-party gas processing restrictions.

Altura's realized heavy oil price increased 11% to \$44.45 per barrel in the fourth quarter compared to \$40.19 per barrel in the third quarter of 2020 but decreased 18% compared to \$54.40 per barrel in the fourth quarter of 2019.

Operating expenses in the fourth quarter were \$12.75 per boe, compared to \$13.85 per boe in the third quarter of 2020. The decrease was mainly due to lower repair and maintenance costs associated with fewer well workovers in the fourth quarter. Transportation expenses were \$1.93 per boe, 23% lower than \$2.51 per boe in the third quarter of 2020 due to lower clean oil hauling rates in the quarter.

The Company's operating netback¹ averaged \$14.27 per boe, up 31% from the third quarter of 2020 due to higher crude oil and natural gas prices and lower operating and transportation expenses.

Adjusted funds flow¹ was \$818,000 in the quarter, up 116% from the third quarter of 2020 due to increased crude oil and natural prices, lower operating and transportation expenses, lower G&A expenses and an increased realized gain on financial instruments.

Altura received \$81,000 under the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy in the fourth quarter, which was applied against G&A expenses.

Altura recorded net income of \$10.8 million in the quarter compared to a net loss of \$0.4 million in the third quarter of 2020, mainly due to a reversal of impairment of \$11.2 million in the quarter.

Altura reduced its net debt¹ by \$703,000 during the fourth quarter. Considering Altura's net debt¹ of \$3.9 million as at December 31, 2020, the Company has sufficient liquidity to execute its business plan in the current volatile commodity market.

The Company successfully abandoned five inactive wells and reclaimed three wells that were previously abandoned utilizing Alberta's Site Rehabilitation Program ("SRP"), reducing its net asset retirement obligation by \$192,000.

2020 REVIEW

2020 will be remembered for the significant challenges to the global economy and energy sector. The COVID-19 induced global economic downturn combined with the actions of Saudi Arabia and Russia in the global oil market resulted in an unprecedented decline in crude oil prices. As a result, in March Altura quickly eliminated all discretionary capital spending for the remainder of 2020 and immediately reduced production volumes including shutting in all production volumes in May. The Company began restoring curtailed production in June as oil prices improved.

In August, the Company confirmed its revolving operating demand loan (the "Operating Loan") borrowing base at \$6.0 million. Additionally, Altura secured a \$3.0 million term loan from its lender through the Business Credit Availability Program ("BCAP") from the Export Development Bank of Canada ("EDC") (the "Term Loan") providing Altura with \$9.0 million of total credit facilities and allowing the Company to exit 2020 in a strong financial position.

In 2020, Altura successfully closed two disposition transactions with a private company, divesting of a 2.75% working interest for cash of \$1.75 million to further bolster the balance sheet.

These defensive actions were taken to preserve value and safeguard the balance sheet through this pandemic related low oil price period. With the recent strengthening of global economies and commodity price recovery the Company is now well

¹ Adjusted funds flow, net debt and operating netback are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" contained within the "Advisories" section of Altura's MD&A.

positioned to resume and focus planned activities to capitalize on the depth of its opportunities on its large conventional oil resource with an estimated 400 MMbbls of OOIP² on Altura's lands.

Altura continued with its Environmental, Social and Governance ("ESG") initiatives in 2020. Starting in July 2020, Altura submitted applications under the Government of Alberta's SRP to accelerate the abandonment of wellbores and reclaim inactive well sites and the Company was approved for an abandonment and reclamation grant under the SRP. The Corporation utilized \$213,000 (\$192,000 net) of grant funding and abandoned five inactive wells (15% of the Corporation's inactive gross well count) and finalized reclamation of three wells that were previously abandoned. Altura's undiscounted and un-escalated asset retirement obligation was \$5.4 million (\$2.1 million, 2% inflation rate, discounted at 10%) at December 31, 2020 and the Company ended 2020 with a Liability Management Rating ("LMR") of 5.68 with the Alberta Energy Regulator.

OPERATIONAL UPDATE

In February 2021, Altura completed its 102/16-14-049-26W4 Rex horizontal well ("16-14") that was drilled in February 2020 and not completed due to low commodity prices. The 16-14 well was designed with increased frac density of 74 intervals at 27 meter spacing. This completion is consistent with two Rex horizontal wells that were completed in 2018 with increased frac density that continue to outperform previous type curve expectations. By comparison this is a 57% increase in intervals compared to earlier wells with 47 intervals at 40 meter spacing. Initial production rates for 16-14 are consistent with and meeting the Company's higher expectations of increased frac density wells. This increased frac density is an exciting optimization that management will carry forward for future wells at Leduc-Woodbend.

Altura's current production is estimated at 1,060 boe per day³ based on field estimates from April 1, 2021 to April 14, 2021. Approximately 110 boe per day⁴ of net production from one (0.9 net) well is currently shut-in due to third-party gas processing restrictions. This well was shut-in in March 2020 and was brought back on production in mid-December 2020. The well produced intermittently in January 2021 and was shut-in again in February due to further third-party gas processing restrictions. Management is working with the gas plant operator with the goal to restart production in May 2021.

OUTLOOK

The 2021 \$6.0 million capital budget builds on the recent sector commodity price recovery with WTI moving up from US\$35.00 per barrel on October 30, 2020 to today's price of approximately US\$60 per barrel, a level not seen in well over a year. Western Canadian Select ("WCS") differentials also continue to narrow with the forward curve approaching US\$11 per barrel this summer.

Two (1.8 net) new wells at Leduc-Woodbend are planned to be drilled and completed in the summer of 2021 and are scheduled to commence production in July and October 2021, respectively. The 2021 capital expenditure budget targets an annual average production rate of 1,100 to 1,150 boe per day compared to 880 boe per day⁵ in 2020, representing more than 25% growth on an absolute and per share basis.

Altura's Leduc-Woodbend asset has a well inventory of 47 (36.6 net) booked locations and 104 (67 net) drilling opportunities⁶ with drilling flexibility at current commodity prices to self-fund growth within cash flow and maintain a strong balance sheet.

Altura expects to close two additional dispositions of a 0.6875% working interest for \$437,500 on April 30, 2021 and a 1.375% working interest for \$875,000 on June 30, 2021 (total remaining disposition of 2.0625% working interest for \$1,312,500), as disclosed in the January 29, 2021 news release.

² OOIP is original oil in place. See advisories in the "Advisories" section at the end of the MD&A

³ Consists of 600 bbls/d of heavy crude oil, 52 bbls/d of NGLs and 2,450 Mcf/d of natural gas

⁴ Consists of 40 bbls/d of heavy crude oil, 25 bbls/d of NGLs and 270 Mcf/d of natural gas

⁵ Consists of 465 bbls/d of heavy crude oil, 6 bbls/d of light crude oil, 51 bbls/d of NGLs and 2,151 Mcf/d of natural gas

⁶ See advisories on drilling opportunities in the "Advisories" section at the end of the MD&A

2020 RESERVES

During 2020, Altura responded to the unprecedented commodity price weakness and volatility by cutting its planned capital budget in early March and reducing production volumes in April, May and June. The reduction in capital investment, shut-in of production volumes and natural well declines combined to reduce reserves year-over-year.

In addition, a significant reduction in the reserves evaluator's 2020 price forecast compared to 2019 negatively impacted net present values and reserves volumes by reducing well economic limit cut-offs. The evaluator WTI oil price forecast may have been considered reasonable at year-end 2020 however this forecast has decoupled from current pricing and is now over US\$10 per barrel lower than the current forward strip for 2021 and does not reach the current WTI spot price of approximately US\$60 per barrel until the year 2029. See Altura's press release dated April 15, 2021 for the independent evaluation of Altura's oil and natural gas reserves, along with a commodity price forecast sensitivity.

While 2020 was primarily a defensive year of survival for many junior oil weighted producers, 2021 is looking to be a year of opportunity. The Altura team is very excited and poised to refocus efforts towards creating value for its shareholders in 2021 and beyond.

On behalf of the Board of Directors and the Altura management team, we would like to thank our shareholders for their ongoing support.

Respectfully,

/s/ David Burghardt
President and Chief Executive Officer
April 14, 2021

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 April 14, 2021 and should be read in conjunction with the Corporation's audited consolidated financial statements (the "financial statements") and related notes for the years ended December 31, 2020 and 2019, as well as the Corporation's annual information form that is filed on SEDAR at www.sedar.com. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

DESCRIPTION OF BUSINESS

Altura is a junior oil and gas exploration, development and production company with 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".

ECONOMIC ENVIRONMENT

In March 2020, the World Health Organization declared a global pandemic due to the rapid outbreak of the coronavirus ("COVID-19"). The measures taken in response to the outbreak including quarantine and travel restrictions led to an unprecedented disruption to the global economy and significantly reduced worldwide demand for crude oil resulting in a buildup of supply and inventory.

The West Texas Intermediate ("WTI") benchmark price averaged six percent higher than the third quarter of 2020, and 53 percent higher than the second quarter of 2020. Altura primarily compares its oil price to the Western Canadian Select oil price ("WCS") at Hardisty, which increased two percent in the fourth quarter of 2020 relative to the third quarter of 2020 and increased 94 percent relative to the second quarter of 2020.

Global oil demand has improved steadily in the latter half of 2020 as economies have begun to reopen and governments have approved the rollout of COVID-19 vaccines. Although government authorities are easing restrictions, there is no certainty when demand levels will return to pre-COVID levels and therefore the situation remains dynamic. The ultimate duration and magnitude of the impact on the economy and financial effect on Altura is not known at this time; however, Altura is optimistic that the worst is behind us and economic conditions will continue to improve.

2020 GUIDANCE

2020 guidance is provided below along with a comparison to actuals. Previous 2020 guidance was updated in the Corporation's press release dated November 19, 2020, and Altura's Third Quarter 2020 MD&A. Copies of the press releases and MD&A are available under Altura's profile on SEDAR at www.sedar.com or on Altura's website at www.alturaenergy.ca.

	November 19, 2020	
	Guidance	Actual
H2 2020 average production volumes (boe/d)	900 to 1,000	917
December 31, 2020 net debt ⁽¹⁾ (\$000)	4,200	3,857

(1) Net debt is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of the MD&A.

Altura's December 31, 2020 net debt of \$3.9 million was lower than guidance by \$0.3 million. The positive variance is primarily related to higher realized heavy crude oil and natural gas prices in the fourth quarter of 2020.

2021 OUTLOOK

The board of directors of the Corporation has approved a capital budget of \$6.0 million for 2021, funded with forecasted cash flow from operating activities, credit facilities, and the 2021 asset dispositions. The budget includes drilling two (1.8 net) Rex wells and completing three (2.7 net) Rex wells at Leduc-Woodbend.

The 2021 capital expenditure budget targets an annual average production rate of 1,100 to 1,150 boe per day compared to 880 boe per day in 2020, representing more than 25 percent growth on an absolute and per share basis.

On January 29, 2021, Altura closed a disposition of a 0.6875% working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500 and two additional dispositions are expected to close on April 30, 2021 and June 30, 2021. Refer to the "Asset Disposition" section of this MD&A.

ASSET DISPOSITIONS

On December 4, 2019, Altura entered into a definitive agreement with an unrelated third party ("PrivateCo") for the sale of a 12.5 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$7.0 million through two transactions (the "Original Disposition Agreement"). The agreement provided for a third transaction if it was mutually agreed that drilling a second well in the Entice area was warranted, whereby Altura would divest an additional 4.0% of corporate assets for \$3.0 million. If all three transactions closed, Altura would have sold a total working interest of 16.5% of corporate assets, including asset retirement obligations ("ARO"), for total consideration of \$10.0 million.

The Original Disposition Agreement committed Altura to the following:

1. Drill, complete and equip or abandon a horizontal well in the Entice area of Alberta by March 31, 2020 (the "First Commitment Well").
2. Spud a second horizontal well by December 31, 2020 (the "Second Commitment Well"). On or before October 30, 2020, Altura and PrivateCo would meet and review the production information and other data from the first Entice well. If it was mutually agreed that the drilling of a second well at Entice is warranted, Altura would select a location for the drilling of a horizontal well in the Entice area. If not mutually agreed that the drilling of a second well at Entice was warranted, Altura would select a location for the drilling of a horizontal well in the Leduc-Woodbend area. If the Second Commitment Well was drilled in the Entice area, PrivateCo would pay 7.0 percent of well costs and earn a 12.5 percent working interest in the well. If the Second Commitment Well was drilled in the Leduc-Woodbend area, PrivateCo would pay 12.5 percent of well costs and earn a 12.5 percent working interest in the well.
3. Within 10 business days of delivering the second well location notice to PrivateCo, Altura and PrivateCo would enter into a purchase and sale agreement for the second transaction whereby Altura would divest of an additional 5.5 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.5 million (the "Second Transaction"). Proceeds would be used to fund the Second Commitment Well.

4. In the event the Second Commitment Well was drilled at Entice and both parties agreed to drill a third well at Entice, the agreement provided for a third transaction whereby Altura would divest of an additional 4.0 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.0 million. Proceeds would primarily be used to drill a third horizontal well at Entice on or before December 31, 2021. PrivateCo would pay 12.5 percent of well costs and earn a 16.5 percent working interest in the well.

First Transaction

December 4, 2019 Disposition

On December 4, 2019, Altura divested a 7.0 percent working interest for cash of \$3,508,000. The agreement provided that Altura will pay PrivateCo's 7.0 percent interest in a well to be drilled by March 31, 2020 and a 7.0 percent interest in the completion of an additional well (the "Contract Liability"). Altura estimated the Contract Liability to be \$368,000 as at December 31, 2019. Altura fulfilled the commitment in 2020 and \$245,000 of the Contract Liability was netted against E&E asset additions and \$123,000 of the Contract Liability was netted against property and equipment additions in the year ended December 31, 2020.

Altura recorded \$85,000 to E&E asset dispositions, \$3,942,000 to D&P asset dispositions and reduced the decommissioning liability by \$470,000 associated with the 7% Asset Disposition and recorded a loss on disposition of \$417,000 for the year ended December 31, 2019.

In the first quarter of 2020, Altura drilled, completed and equipped the First Commitment Well at Entice and fulfilled the commitment.

Second Transaction

On June 26, 2020, Altura amended the Original Disposition Agreement (the "First Amending Agreement") with PrivateCo, to divide the Second Transaction into four separate dispositions of a 1.375 percent working interest for \$875,000 each. The four disposition stages were agreed to close on June 30, 2020, September 30, 2020, January 31, 2021 and June 30, 2021.

Given the economic environment caused by the COVID-19 pandemic, drilling risk profile and capital efficiency in Leduc-Woodbend and Entice, the parties agreed the Second Commitment Well will be drilled at Leduc-Woodbend at a time when economic conditions justify the expenditure. Estimated total gross drill, complete and equipping costs of the well is \$2.3 million. Given that the parties agreed for the Second Commitment Well to be drilled in the Leduc-Woodbend area, PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the Second Commitment Well.

June 30, 2020 Disposition

On June 30, 2020, Altura closed stage one of the First Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$871,000 after transaction costs. Altura recorded \$342,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$79,000 associated with the asset disposition and recorded a gain on disposition of \$605,000 for the year ended December 31, 2020.

September 30, 2020 Disposition

On September 30, 2020, Altura closed stage two of the First Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$875,000. Altura recorded \$338,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$85,000 associated with the asset disposition and recorded a gain on disposition of \$619,000 for the year ended December 31, 2020.

January 29, 2021 Disposition

On January 22, 2021, Altura amended the timing of stages three and four of the Second Transaction in the First Amending Agreement (the "Second Amending Agreement") with PrivateCo, which divided stage three into two dispositions. Altura closed stage 3a of the Second Amending Agreement on January 29, 2021 divesting of a 0.6875% working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500. Stage 3b is planned to close on April 30, 2021. The remaining stages as at December 31, 2020 pursuant to the Second Amending Agreement are as follows:

Stage	Closing Date	Disposition Interest	Cash Proceeds
Stage 3a	January 29, 2021	0.6875%	\$437,500
Stage 3b	April 30, 2021	0.6875%	\$437,500
Stage 4	June 30, 2021	1.375%	\$875,000
Total		2.75%	\$1,750,000

Third Transaction

It was not mutually agreed that the drilling of the Second Commitment Well at Entice was warranted so the third transaction was terminated within the First Amending Agreement.

SELECTED ANNUAL INFORMATION

(\$000, except per share amounts)	2020	2019	2018
Petroleum and natural gas sales	8,615	25,757	16,847
Cash flow from operating activities	2,406	12,994	9,787
Adjusted funds flow ⁽¹⁾	2,502	13,994	8,256
Per share – basic ⁽¹⁾	0.02	0.13	0.08
Per share – diluted ⁽¹⁾	0.02	0.13	0.07
Net income (loss)	(22,313)	2,215	2,693
Per share – basic	(0.20)	0.02	0.02
Per share – diluted ⁽²⁾	(0.20)	0.02	0.02
Capital expenditures	7,874	12,884	33,456
Property acquisitions/(dispositions), net	(1,746)	(3,508)	(24,089)
Total capital expenditures, net	6,128	9,376	9,367
Total assets	34,439	55,053	54,023
Net debt ⁽¹⁾	3,857	563	4,805
Common shares outstanding (000)			
End of period – basic	108,921	108,921	108,921
Weighted average for the period – basic	108,921	108,921	108,921
Weighted average for the period – diluted	108,921	109,886	110,412

(1) Adjusted funds flow, and net debt are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of the MD&A.

(2) Basic weighted average shares are used to calculate diluted per share amounts when the Corporation is in a loss position.

RESULTS OF OPERATIONS

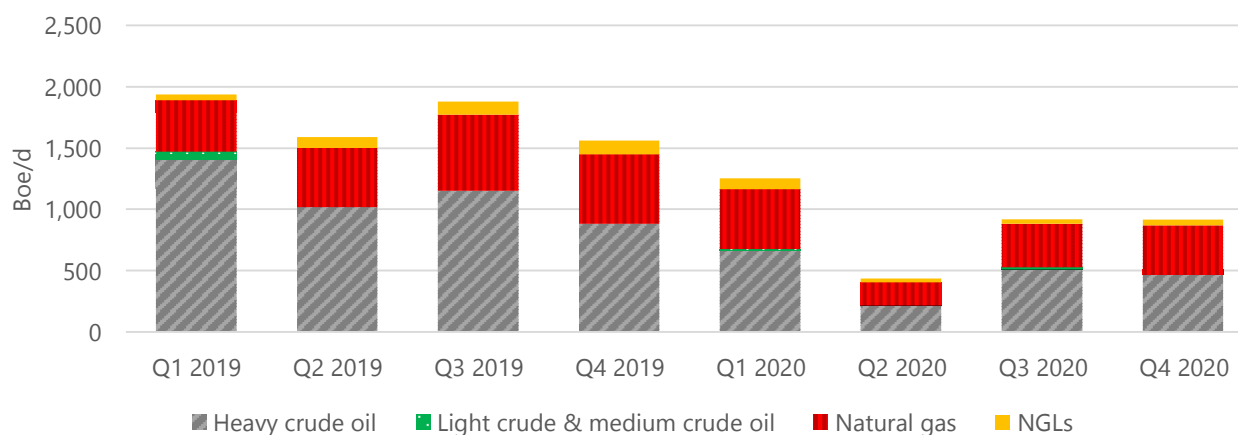
Production

	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Heavy crude oil (bbls/d)	468	881	(47)	465	1,112	(58)
Light crude & medium crude oil (bbls/d)	-	-	-	6	17	(65)
Natural gas (Mcf/d)	2,402	3,406	(29)	2,151	3,145	(32)
Natural gas liquids ("NGLs") (bbls/d)	48	113	(58)	51	89	(43)
Total (boe/d)	916	1,561	(41)	880	1,742	(49)
Oil and natural gas liquids % of production	56%	64%	(13)	59%	70%	(16)

During the fourth quarter of 2020, Altura's production decreased 41 percent from the fourth quarter of 2019. The decrease is primarily attributed to natural declines at Altura's Leduc-Woodbend area due to minimal development activity in 2020 during the Covid-19 pandemic. Additionally, production declined in the fourth quarter of 2020 compared to the fourth quarter of 2019 due to Altura divesting of 9.75% of production in three working interest dispositions on December 4, 2019, June 30, 2020, and September 30, 2020, and due to one (0.9 net) well that was curtailed in March 2020 and remained shut-in until mid-December 2020 due to third-party facility constraints.

In 2020, Altura's production decreased 49 percent from 2019. The decreased production volumes relate to natural declines, coupled with curtailed production volumes in the second quarter of 2020 while oil prices were severely depressed and the three working interest dispositions on December 4, 2019, June 30, 2020 and September 30, 2020.

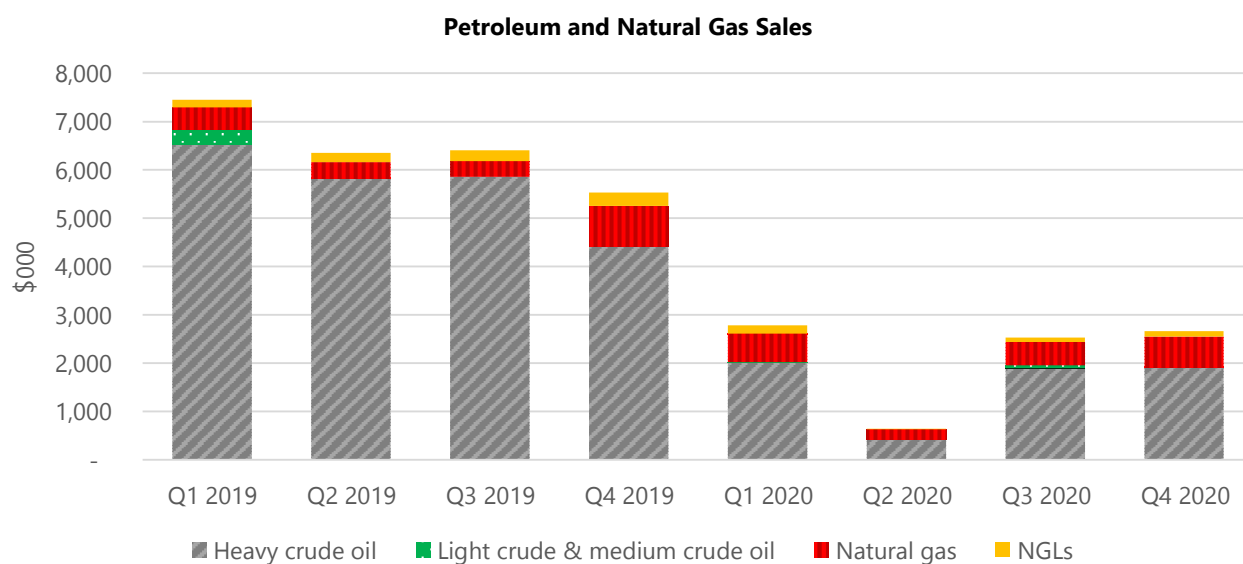
Quarterly Average Daily Production



Petroleum and Natural Gas Sales

(\$000)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Heavy crude oil	1,913	4,408	(57)	6,227	22,602	(72)
Light crude & medium crude oil	-	-	-	78	300	(74)
Natural gas	633	846	(25)	1,913	1,983	(4)
Natural gas liquids	113	277	(59)	397	872	(54)
Petroleum and natural gas sales	2,659	5,531	(52)	8,615	25,757	(67)

Petroleum and natural gas sales for the fourth quarter of 2020 decreased 52 percent to \$2,659,000 compared to \$5,531,000 in the fourth quarter of 2019. The decrease of \$2,872,000 consists of \$2,477,000 attributed to decreased production volumes and \$395,000 attributed to lower realized crude oil prices, partially offset by higher natural gas prices. For 2020, petroleum and natural gas sales decreased 67 percent to \$8,615,000 compared to \$25,757,000 in 2019. The decrease of \$17,142,000 consists of \$14,316,000 attributed to decreased production volumes and \$2,826,000 attributed to lower realized crude oil and NGL prices, partially offset by higher natural gas prices.



Altura sells 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 WTI oil price and the 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:

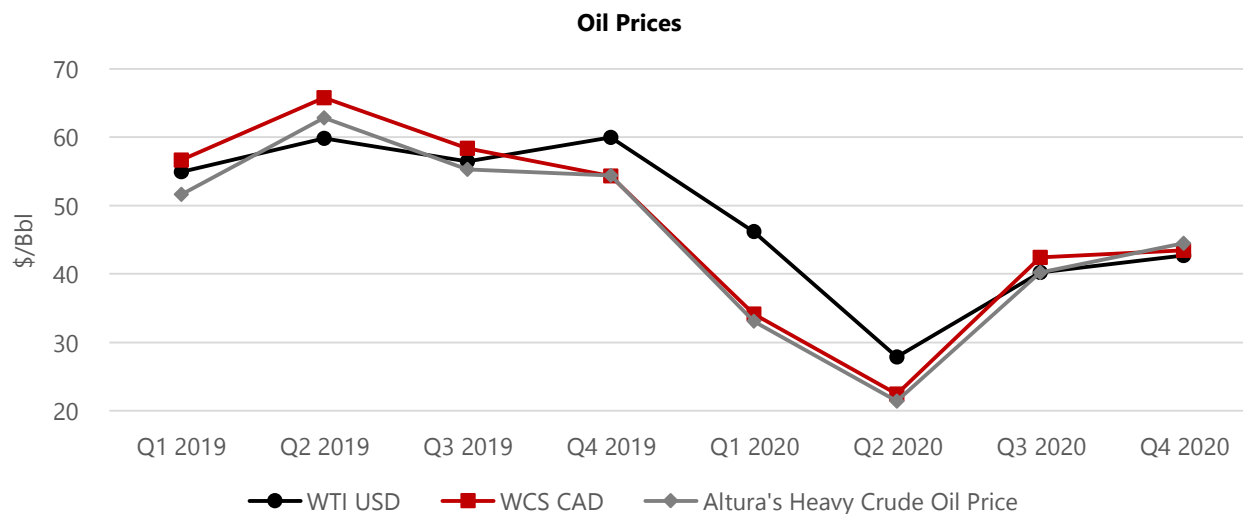
	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Average Benchmark Prices						
WTI crude oil (US\$/bbl) ⁽¹⁾	42.66	59.96	(29)	39.40	57.03	(31)
WCS differential (US\$/bbl) ⁽²⁾	(9.30)	(15.84)	(41)	(12.60)	(12.76)	(1)
US\$/Cdn\$ exchange rate	0.767	0.758	1	0.746	0.754	(1)
WCS (Cdn\$/bbl)	43.42	54.29	(20)	35.59	58.77	(39)
AECO daily spot (\$/GJ)	2.50	2.35	6	2.11	1.67	26
Average Realized Prices						
Heavy crude oil (\$/bbl)	44.45	54.40	(18)	36.59	55.69	(34)
Light crude & medium crude oil (\$/bbl)	-	-	-	36.21	48.81	(26)
Natural gas (\$/Mcf)	2.87	2.70	6	2.43	1.73	40
Natural gas liquids (\$/bbl)	25.72	26.64	(3)	21.32	26.75	(20)
Average realized price (\$/boe)	31.56	38.50	(18)	26.74	40.50	(34)

(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 fourth quarter of 2020, WTI decreased 29 percent to US\$42.66 per barrel compared to the fourth quarter of 2019 and the differential between WTI and WCS narrowed 41 percent to US\$9.30 per barrel. These changes resulted in Altura's realized heavy crude oil price decreasing 18 percent to \$44.45 per barrel from the fourth quarter of 2019.

In 2020, WTI decreased 31 percent to US\$39.40 per barrel compared to 2019 and the differential between WTI and WCS narrowed one percent to US\$12.60 per barrel, while Altura's realized heavy crude oil price decreased 34 percent to \$36.59 per barrel.



In the fourth quarter of 2020, Altura's realized natural gas price increased by six percent to \$2.87 per Mcf from the fourth quarter of 2019 while the AECO daily spot price increased six percent to \$2.50 per GJ. In 2020, Altura's realized natural gas price increased by 40 percent to \$2.43 per Mcf from 2019 while the AECO daily spot price increased 26 percent to \$2.11 per GJ. Altura's realized natural gas price increase in 2020 was higher relative to the increase in the AECO daily spot price due to a gas balance recovery on the NOVA pipeline that negatively impacted Altura's realized gas price in 2019.

Risk Management Contracts

Altura has a risk management program to reduce the volatility of crude oil and natural gas sales, increase the certainty of adjusted funds flow to protect development economics and to comply with its banking covenant. The Corporation's risk management program is approved by Altura's Board of Directors.

(\$000, except per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	%Change	2020	2019	% Change
Realized gain on financial instruments	125	76	64	1,454	216	>500
Realized gain on financial instruments per boe	1.48	0.53	179	4.51	0.34	>500

For the three months and year ended December 31, 2020, the realized gain on financial instruments increased to \$125,000 and \$1,454,000 as compared to \$76,000 and \$216,000 in the same periods of 2019, respectively. The increases are attributed to the severe decline in crude oil prices in 2020 compared to 2019.

At December 31, 2020, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at
						December 31, 2020
						(\$000)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$32.25	(200)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.20	(74)
Jul 1/21—Sep 30/21	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$36.70	(127)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$37.70	(40)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.70	(22)
Jan 1/21—Mar/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.825	36
Apr 1/21—Jun 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.455	25
Jul 1/21—Sep 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.580	28
Oct 1/21—Dec 31/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.545	5
						(369)

At December 31, 2020, the crude oil and natural gas contracts were fair valued with an liability of \$369,000 (December 31, 2019 - \$432,000 liability) recorded on the balance sheet and an unrealized loss of \$439,000 recorded in net income (loss) for the three months ended December 31, 2020 (2019 - \$530,000 unrealized loss). For the year ended December 31, 2020, Altura recorded an unrealized gain of \$63,000 in net income (loss) (2019 - \$432,000 unrealized loss).

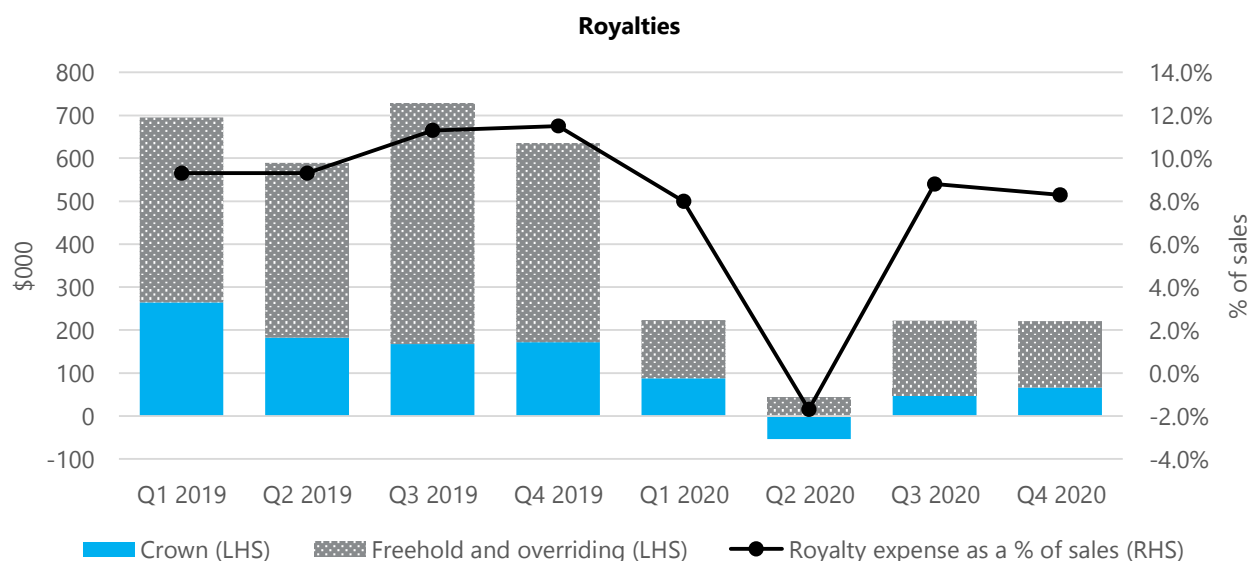
Subsequent to December 31, 2020, Altura entered into the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Jan 1/22—Jan 31/22	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$51.00
Jan 1/22—Jan 31/22	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.720

Royalties

(\$000, except % and per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Crown royalties	66	172	(62)	148	785	(81)
Freehold and overriding royalties	154	464	(67)	506	1,862	(73)
Royalty expense	220	636	(65)	654	2,647	(75)
Royalty expense as a % of sales	8.3%	11.5%	(28)	7.6%	10.3%	(26)
Royalty expense per boe	2.61	4.43	(41)	2.03	4.16	(51)

In the fourth quarter of 2020, royalty expense decreased to \$220,000 (8.3 percent of sales) compared to \$636,000 (11.5 percent of sales) in the fourth quarter of 2019. In 2020, royalty expense decreased to \$654,000 (7.6 percent of sales) compared to \$2,647,000 (10.3 percent of sales) in 2019. The decreases in royalty expense and royalty expense as a % of sales is due to lower sales revenue and a lower average royalty rate due to decreased commodity prices compared to the same periods in 2019.



*LHS = refer to Y axis scale on Left Hand Side of graph

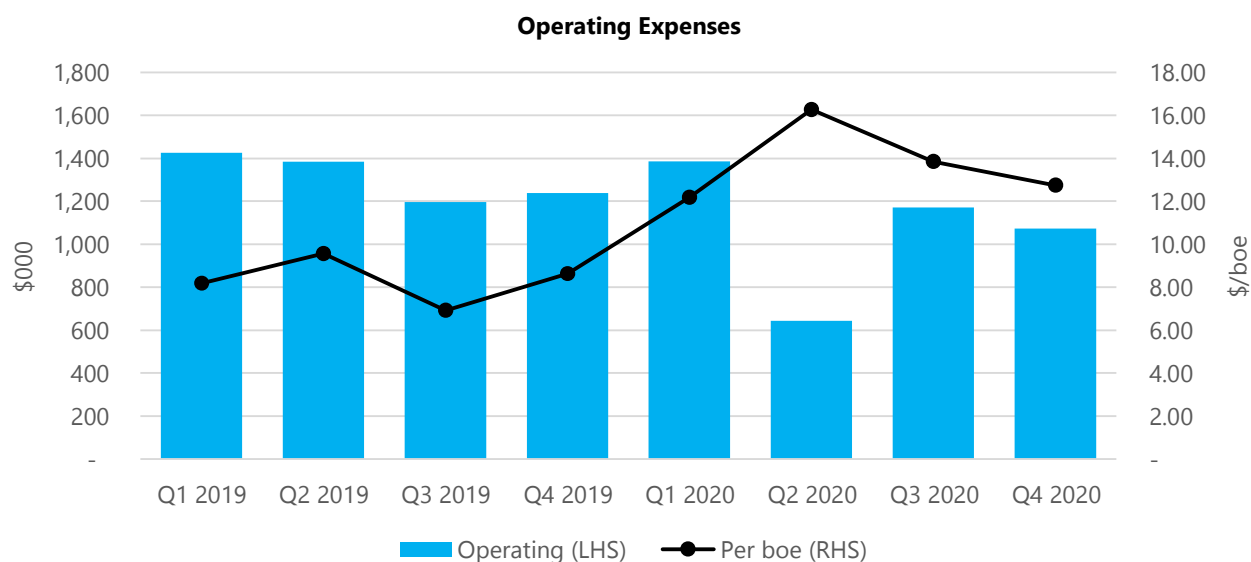
*RHS = refer to Y axis scale on Right Hand Side of graph

Operating

(\$000, except per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Operating	1,072	1,240	(14)	4,273	5,248	(19)
Operating per boe	12.75	8.63	48	13.27	8.25	61

Operating expenses decreased \$168,000 in the fourth quarter of 2020 to \$1,072,000 as compared to \$1,240,000 in the fourth quarter of 2019. In 2020, operating expenses decreased \$975,000 to \$4,273,000 compared to \$5,248,000 in 2019. These decreases are due to lower production volumes in the three months and year ended December 31, 2020 compared to the same periods of 2019.

On a per boe basis, operating expenses increased to \$12.75 per boe and \$13.27 per boe in the three months and year ended December 31, 2020 compared to \$8.63 per boe and \$8.25 per boe in the same periods of 2019, respectively. These increases are mainly due to increased well workover costs and higher fixed operating costs per boe as fixed costs were allocated to lower production volumes. Operating cost reductions remain a key focus for Altura in 2021.

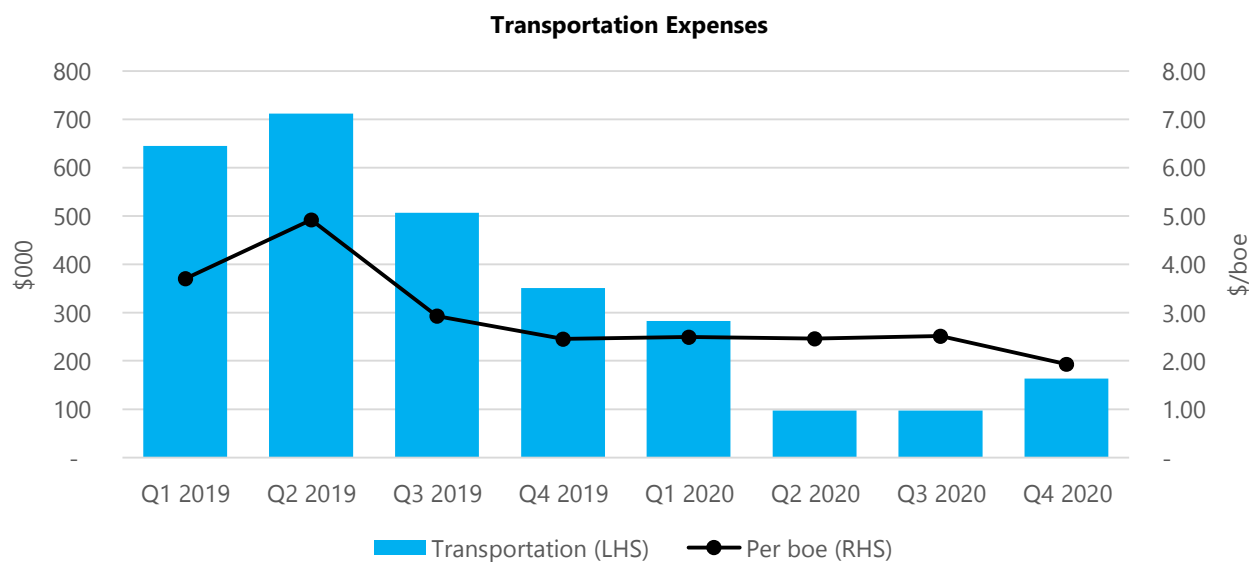


Transportation

(\$000, except per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Transportation	163	351	(54)	755	2,214	(66)
Transportation per boe	1.93	2.45	(21)	2.34	3.48	(33)

Transportation costs for the three months and year ended December 31, 2020 decreased to \$163,000 and \$755,000 as compared to \$351,000 and \$2,214,000 in comparable prior periods, due to decreased production volumes, coupled with shorter hauls to sales terminals in central Alberta.

On a per boe basis, transportation expenses decreased to \$1.93 per boe and \$2.34 per boe in the three months and year ended December 31, 2020, respectively, compared to \$2.45 per boe and \$3.48 per boe in the same periods of 2019. The decreases are due to favorable contract negotiations and shorter hauls to sales terminals in central Alberta in the three months and year ended December 31, 2020.



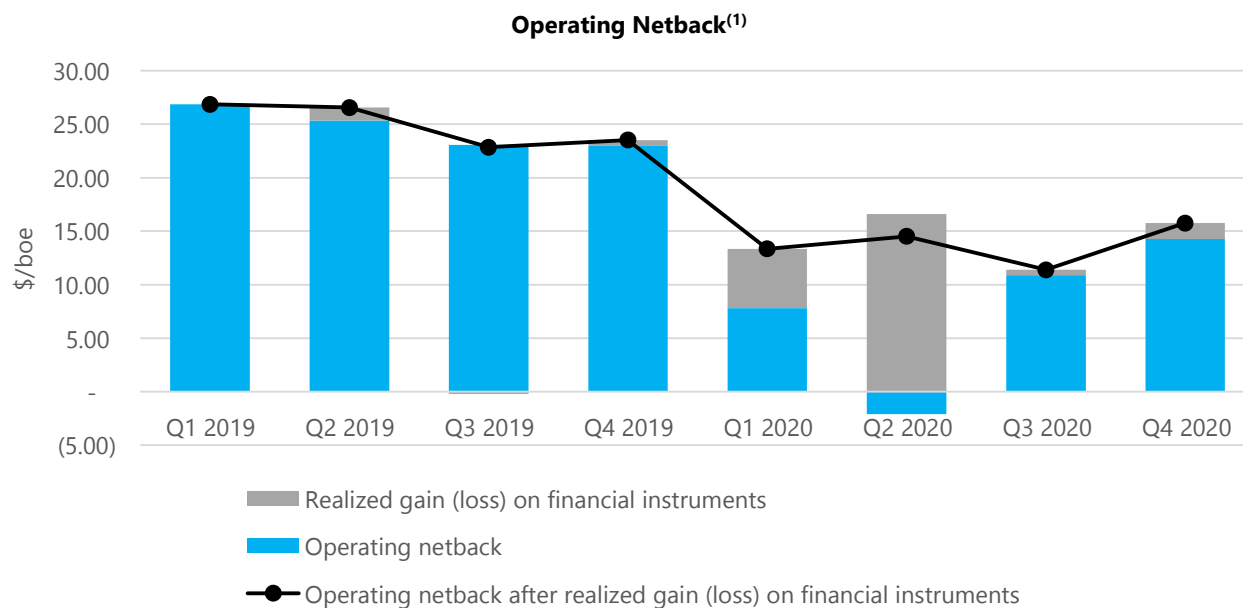
Operating Netback

(\$/boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Petroleum and natural gas sales	31.56	38.50	(18)	26.74	40.50	(34)
Royalties	(2.61)	(4.43)	(41)	(2.03)	(4.16)	(51)
Operating	(12.75)	(8.63)	48	(13.27)	(8.25)	61
Transportation	(1.93)	(2.45)	(21)	(2.34)	(3.48)	(33)
Operating netback ⁽¹⁾	14.27	22.99	(38)	9.10	24.61	(63)
Realized gain on financial instruments	1.48	0.53	179	4.51	0.34	>500
Operating netback after realized gain on financial instruments ⁽¹⁾	15.75	23.52	(33)	13.61	24.95	(45)

(1) Operating netback and operating netback after realized gain on financial instruments are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Altura's operating netback was \$14.27 per boe in the fourth quarter of 2020 compared to \$22.99 per boe in the fourth quarter of 2019. In 2020, Altura's operating netback was \$9.10 per boe compared to \$24.61 per boe in 2019. The decreases are a result of lower crude oil prices and higher operating costs, partially offset by lower transportation costs and lower royalties.

Altura's operating netback after realized gains on financial instruments was \$15.75 per boe and \$13.61 per boe for the three months and year ended December 31, 2020, respectively. The increase in realized gains on financial instruments compared to the same periods of 2019 is mainly due to WCS oil contracts that protected a portion of Altura's oil sales during the severe decline in oil prices in 2020.



(1) Operating netback is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Gross G&A	504	544	(7)	2,114	2,309	(8)
Capitalized G&A and overhead recoveries	(110)	(181)	(39)	(524)	(685)	(24)
Net G&A expenses	394	363	9	1,590	1,624	(2)
Net G&A per boe	4.66	2.52	85	4.93	2.55	93

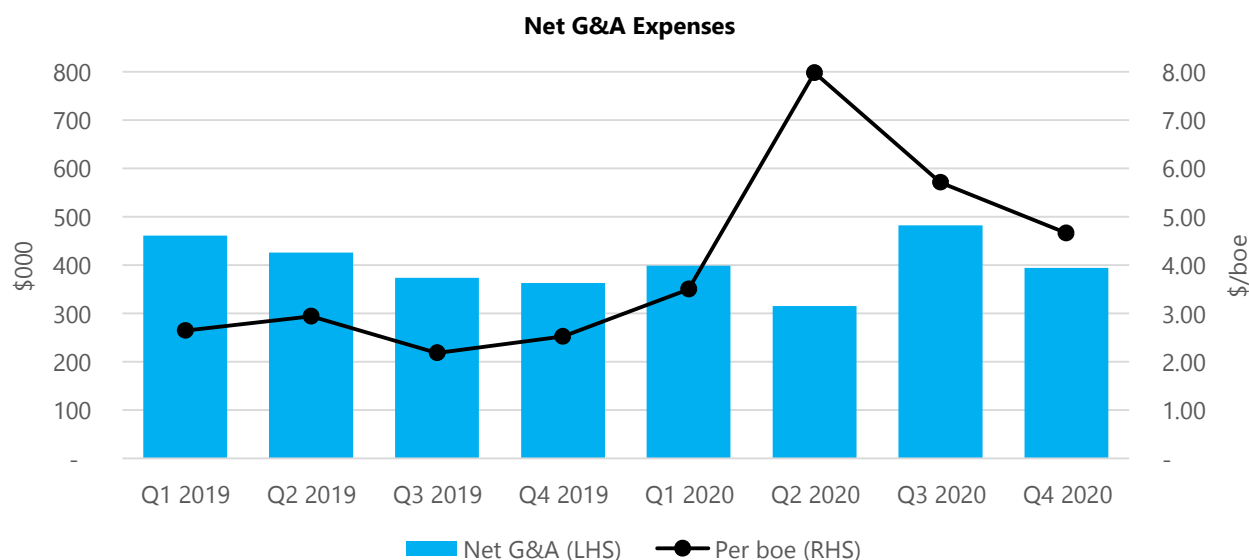
Net G&A expenses totaled \$394,000 in the fourth quarter of 2020, compared to \$363,000 for the fourth quarter of 2019. This increase is primarily due to decreased capitalized G&A associated with reduced capital spending in the period, partially offset by funds received from the Canada Emergency Wage Subsidy program and Canada Emergency Rent Subsidy program (the "Emergency Subsidy Programs").

In 2020, Altura's net G&A expenses were \$1,590,000, a two percent decrease from 2019. Gross G&A decreased eight percent from 2019 mainly due to the Emergency Subsidy Programs, however, capitalized G&A decreased 24 percent from 2019 due to decreased capitalized G&A associated with reduced capital spending in 2020.

Altura received \$81,000 and \$243,000 in the three months and year ended December 31, 2020, respectively, under the Emergency Subsidy Programs.

Net G&A expenses increased to \$4.66 per boe and \$4.93 per boe for the three months and year ended December 31, 2020, respectively, compared to \$2.52 per boe and \$2.55 per boe in the same periods in 2019 due to decreased production volumes.

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



Interest and Financing Expenses

(\$000, except per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Credit facility interest and financing expenses	115	49	135	283	220	29
Lease interest (cash and non-cash)	2	5	(60)	12	14	(14)
Interest and financing expenses	117	54	117	295	234	26
Interest and financing expenses per boe (cash)	1.39	0.37	276	0.91	0.36	153

Interest and financing expenses totaled \$117,000 and \$295,000 in the three months and year ended December 31, 2020, respectively, compared to \$54,000 and \$234,000 in the same periods of 2019. The increase in both periods is primarily due to increased credit facility renewal fees. Altura's average interest rate in 2020 was 5.5 percent, compared to 5.6 percent in 2019.

Share-Based Compensation

(\$000)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Share-based compensation	52	164	(68)	355	774	(54)
Capitalized share-based compensation	(7)	(48)	(85)	(69)	(198)	(65)
Share-based compensation expense	45	116	(61)	286	576	(50)

Altura's share-based compensation is related to the granting of stock options and performance warrants. 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 \$45,000 and \$286,000 in the three months and year ended December 31, 2020, respectively, compared to \$116,000 and \$576,000 in the same periods of 2019. The decrease in both periods reflects the expiry of all performance warrants in 2020 and decreased stock option expense due to no options granted in 2020.

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

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

(\$000, except per Boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
DD&A	874	1,899	(54)	3,854	9,495	(59)
DD&A per Boe	10.38	13.22	(21)	11.96	14.93	(20)

Altura uses proved and probable oil and gas reserves to calculate DD&A expense. For the three months and year ended December 31, 2020, DD&A decreased to \$869,000 and \$3,849,000, respectively, compared to \$1,899,000 and \$9,495,000 in the same periods of 2019. The decreases are due to lower production volumes and the impairment recorded in the first quarter of 2020.

On a per unit basis, DD&A decreased to \$10.38 per boe and \$11.96 per boe in the three months and year ended December 31, 2020, compared to \$13.22 per boe and \$14.93 per boe in the same periods of 2019. The decreased per unit depletion is due to the impairment recorded in the first quarter of 2020.

Impairment

Impairment is recognized when the carrying value of an asset or group of assets exceeds its estimated 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.

Exploration and Evaluation ("E&E")

For the year ended December 31, 2020, the Corporation determined that indicators of impairment existed with respect to its E&E assets which are all in the Entice area and Altura recognized an impairment charge of \$4,795,000 (no impairment at December 31, 2019) on E&E assets.

For impairment testing, the estimated recoverable amount of E&E assets is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Entice E&E assets of \$260,000 was based on the probable oil and gas reserves and related cash flow from Altura's December 31, 2020 reserve report prepared by its independent third-party reserve evaluators. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Entice area, net of decommissioning obligations and included recoverable value for certain undeveloped land based on management's estimates as at December 31, 2020 which were established principally on relevant land sales. The discount rate used in the valuation was 55 percent.

Property and Equipment

December 31, 2020

At December 31, 2020, there were indicators of impairment reversal identified in Altura's Leduc-Woodbend cash generating unit ("CGU") as a result of, amongst other factors considered by management, improved forecasted commodity prices for heavy crude oil since the last impairment test performed on March 31, 2020. Altura has only one CGU. An impairment test was performed on Developed and Producing assets ("D&P") assets and the Corporation recognized an impairment reversal of \$11.2 million related to its Leduc-Woodbend CGU due to the estimated recoverable amount exceeding the carrying value.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved and probable oil and gas reserves and related cash flows from Altura's December 31, 2020 reserve report prepared by its independent third-party evaluators. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included recoverable value for certain undeveloped land included in property and equipment related to this CGU based on an independent land evaluation at December 31, 2020. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 20 percent.

The initial impairment expense of \$30.0 million on D&P and Right of Use ("ROU") assets recognized at March 31, 2020, net of the impairment reversal of \$11.2 million at December 31, 2020 on D&P assets, resulted in a net impairment expense of \$18.8 million recognized for the year ended December 31, 2020.

March 31, 2020

At March 31, 2020, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend CGU due to the potential long-term impact of the COVID-19 pandemic which caused a significant decline in forecasted oil benchmark prices and due to a decline in Altura's market capitalization in the first quarter of 2020. In the three months ended March 31, 2020, the Corporation recognized an impairment charge of \$30.0 million related to its Leduc-Woodbend CGU due to the carrying value exceeding the estimated recoverable amount.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved and probable oil and gas reserves and related cash flows from Altura's December 31, 2019 reserve report prepared by its independent third-party reserve evaluators, updated using forecasted oil and gas commodity prices at April 1, 2020, revised forecasted operating cost assumptions and timing of forecasted future development costs and removed production from January 1, 2020 to March 31, 2020, as updated by the Corporation's internal reserve evaluator. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included recoverable value for certain undeveloped land included in property and equipment related to this CGU based on management's estimates as at March 31, 2020 which were established principally on relevant land sales. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 17 percent.

December 31, 2019

At December 31, 2019, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend CGU due to Altura recording a loss on disposition of assets in December 2019 and due to a decline in market capitalization in the second half of 2019. An impairment test was performed on D&P assets. For the December 31, 2019 test, the D&P assets were assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and probable oil and gas reserves using pre-tax discount rates ranging from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 19 percent, based on the independent third-party reserve evaluators report. No impairment was recognized at December 31, 2019, as the estimated recoverable amount of the Leduc Woodbend CGU exceeded its carrying value.

Deferred Taxes

The Corporation recognized a deferred tax recovery of nil and \$1,472,000 in the three months and year ended December 31, 2020, respectively, compared to deferred tax expenses of \$33,000 and \$746,000 in the same periods of 2019. The deferred tax recovery is due to the pre-tax loss recorded in the year ended December 31, 2020 which reduced the Corporation's deferred tax liability to nil. Altura has not recognized a deferred tax asset at December 31, 2020 as Management did not find it probable that the benefit will be realized.

Estimated tax pools at December 31, 2020 are as follows:

(\$000)	
Canadian development expenses	13,161
Canadian exploration expenses	3,082
Canadian oil and gas property expenses	-
Non-capital losses	18,481
Undepreciated capital cost	8,292
	43,016

Altura has non-capital losses of \$18.5 million at December 31, 2020 that expire between 2025 and 2040.

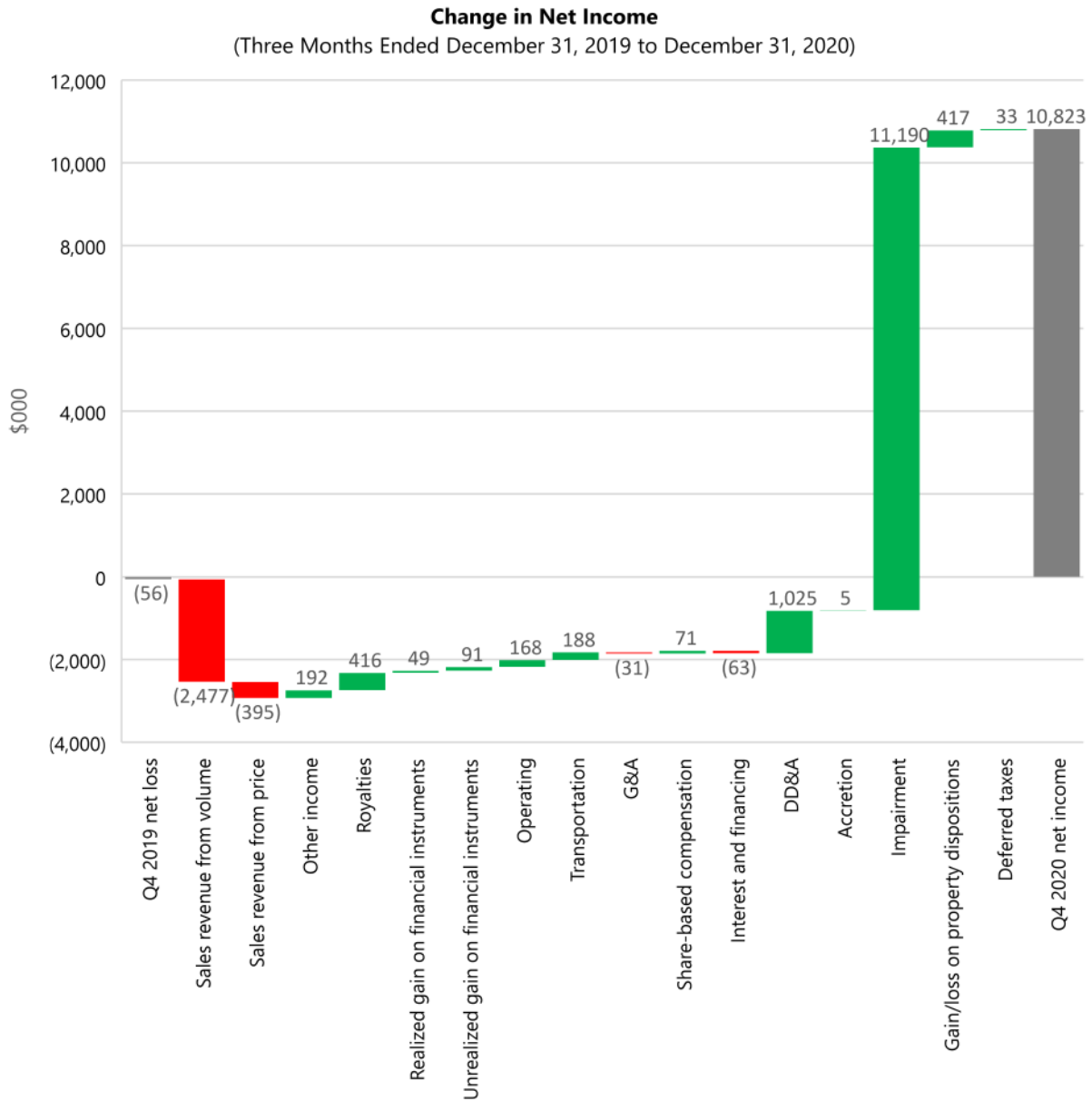
Net Income (Loss) and Adjusted Funds Flow

(\$000, except per share amounts and per boe)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Net income (loss)	10,823	(56)	>500	(22,313)	2,215	(>500)
Per share – basic	0.10	-	-	(0.20)	0.02	(>500)
Per share – diluted	0.10	-	-	(0.20)	0.02	(>500)
Cash flow from operating activities	206	3,955	(95)	2,406	12,994	(81)
Adjusted funds flow ⁽¹⁾	818	2,963	(72)	2,502	13,994	(82)
Per share – diluted ⁽¹⁾	0.01	0.03	(67)	0.02	0.13	(85)
Adjusted funds flow per boe ⁽¹⁾	9.70	20.63	(53)	7.77	22.01	(65)

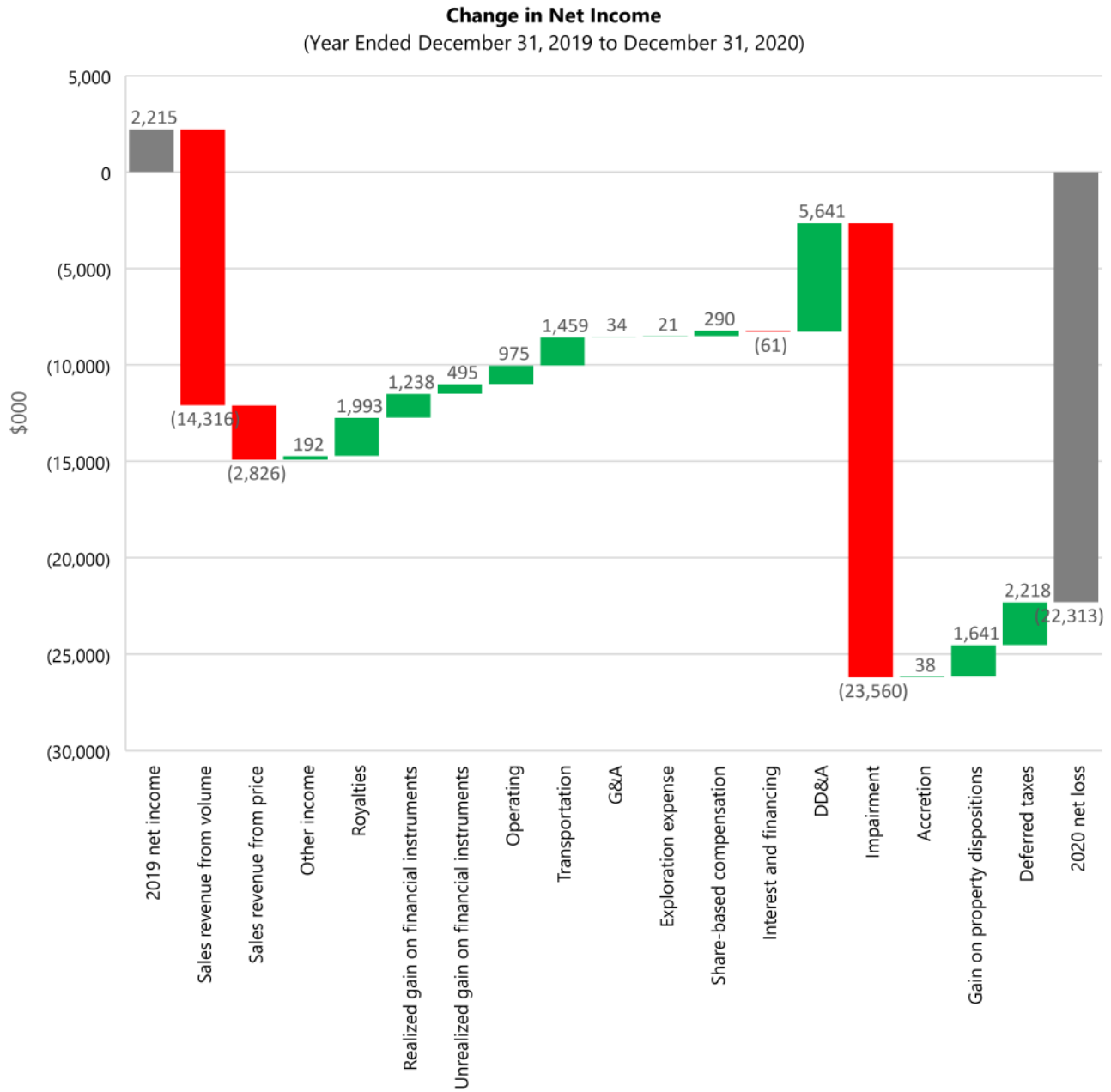
(1) Adjusted funds flow is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Net Income (Loss)

In the fourth quarter of 2020, net income increased to \$10.8 million compared to a net loss of \$56,000 in the fourth quarter of 2019. The increased net income primarily reflects an impairment reversal, lower DD&A, no loss on property disposition and decreased royalties, transportation and operating costs, partially offset by lower production volumes and decreased crude oil prices.

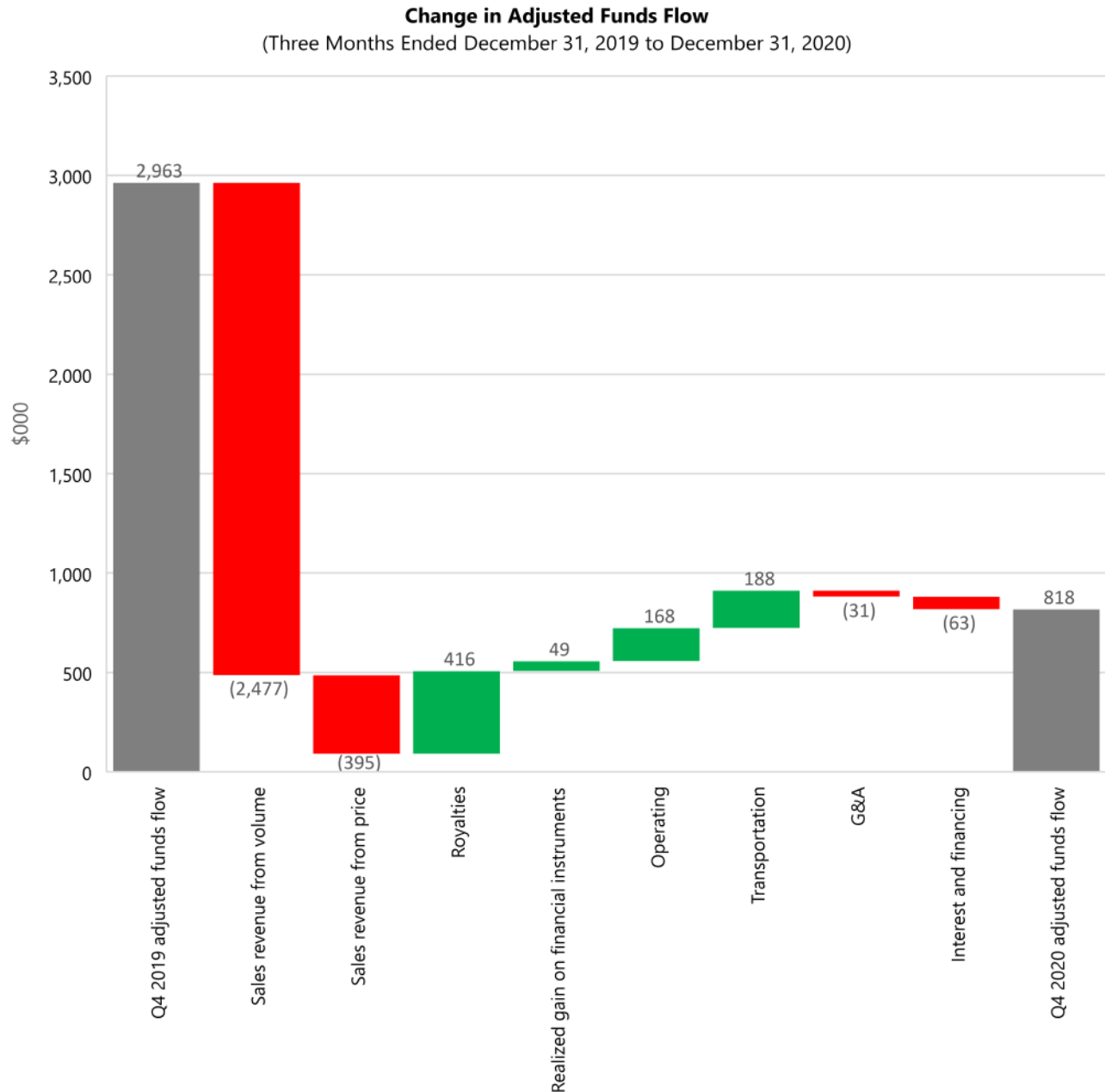


In 2020, net income decreased to a net loss of \$22.3 million compared to net income of \$2.2 million in 2019. The decreased net income primarily reflects impairment and decreased sales revenue from lower production volumes and decreased crude oil prices, partially offset by gains on financial instruments, lower royalties, operating costs, transportation costs and DD&A, a gain on property dispositions and a recovery of deferred taxes.

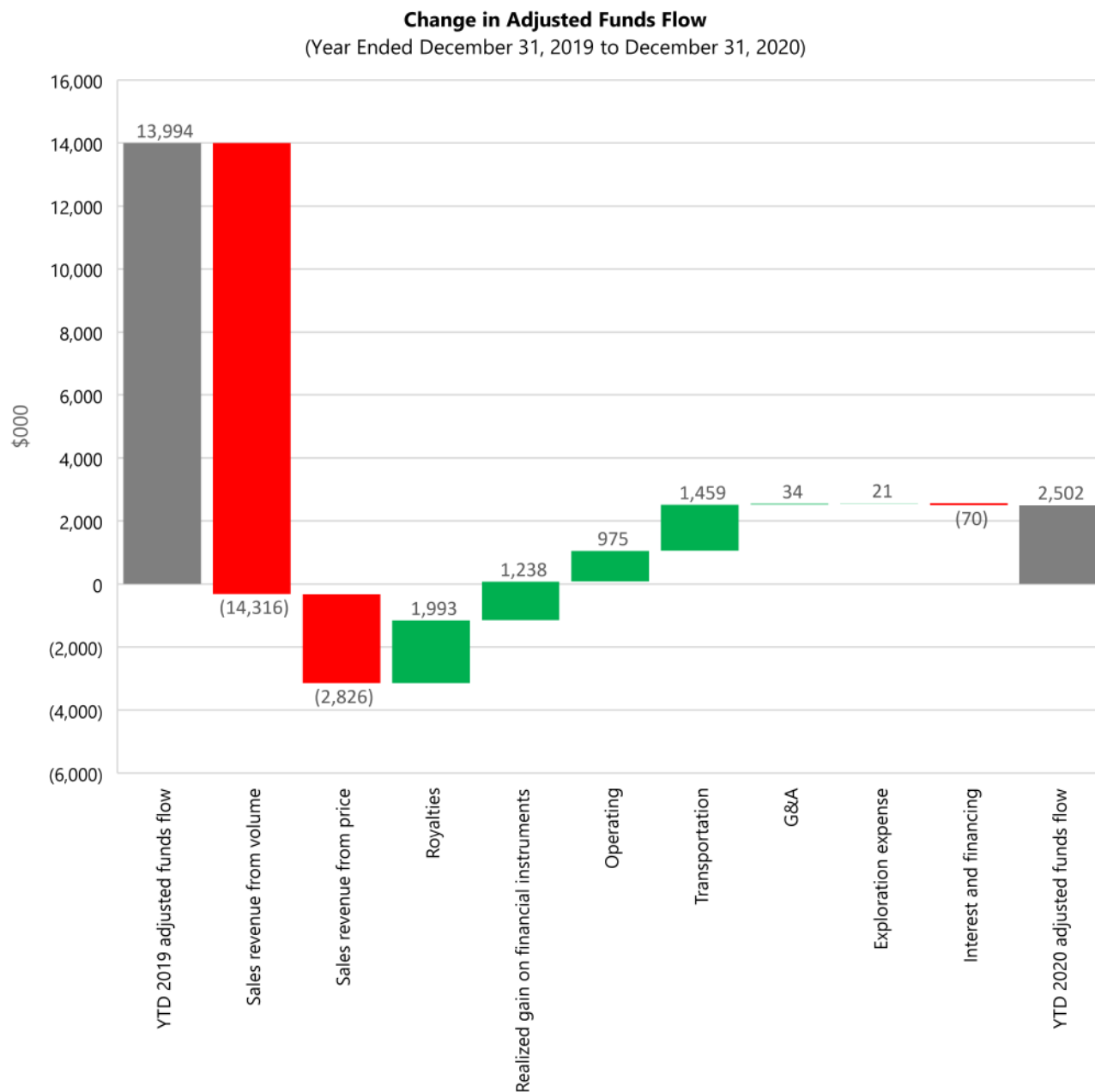


Adjusted Funds Flow

In the fourth quarter of 2020, adjusted funds flow decreased by \$2,145,000 to \$818,000 compared to \$2,963,000 in the fourth quarter of 2019. The decrease primarily reflects decreased sales revenue from lower production volumes and decreased crude oil prices and higher interest and financing costs, partially offset by a gain on realized financial instruments, and lower royalties, transportation and operating costs.



In 2020, adjusted funds flow decreased by \$11,492,000 to \$2,502,000 compared to \$13,994,000 in 2019. The decrease primarily reflects decreased sales revenue from lower production volumes and decreased crude oil prices, partially offset by a realized gain on financial instruments, and lower royalties, operating costs, and transportation costs.



Capital Expenditures

(\$000)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Geological and geophysical	3	29	(90)	6	70	(91)
Land	52	36	44	717	857	(16)
Drilling and completions	(9)	609	(101)	6,298	6,439	(2)
Workovers	6	439	(99)	111	1,720	(94)
Equipping and tie-in	(9)	201	(104)	327	1,800	(82)
Facilities and pipelines	(4)	53	(108)	30	1,407	(98)
Other	66	161	(59)	385	591	(35)
Capital expenditures	105	1,528	(93)	7,874	12,884	(39)
Property dispositions	-	(3,508)	(100)	(1,746)	(3,508)	(50)
Total capital expenditures	105	(1,980)	(105)	6,128	9,376	(35)

Capital expenditures were allocated as follows:

(\$000)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	% Change	2020	2019	% Change
Exploration and evaluation	18	111	(84)	4,008	1,167	243
Property and equipment, net	87	(2,091)	(104)	2,120	8,209	(74)
Total capital expenditures	105	(1,980)	(105)	6,128	9,376	(35)

In 2020, Altura invested \$3.9 million in property and equipment at Leduc-Woodbend. In March 2020, Altura halted all discretionary capital expenditures in response to the impacts of COVID-19 on the global economy. Prior to the COVID-19 pandemic, Altura invested \$3.3 million at Leduc-Woodbend which included the completion of a horizontal oil well in January 2020 that was drilled in the third quarter of 2019 and the drilling of a horizontal oil well (93% working interest) in January 2020 at Leduc-Woodbend that was completed in February 2021.

In 2020, Altura incurred \$4.0 million in E&E asset additions. E&E asset additions included land acquisition costs and drilling, completing, and equipping a horizontal well targeting the Pekisko Formation in the Entice area.

In 2020, Altura has closed two asset dispositions for cash proceeds of \$1,746,000 as discussed in the "Asset Disposition" section of this MD&A on page 6.

Decommissioning Liability

At December 31, 2020, Altura's decommissioning liability was \$5.8 million (December 31, 2019 - \$5.4 million) for the future abandonment and reclamation of Altura's properties. The estimated decommissioning liability includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The future liability has been inflated at 1.5 percent (December 31, 2019 – 1.4 percent) and discounted at the Bank of Canada's long-term risk-free bond rate of 1.2 percent (December 31, 2019 – 1.8 percent).

Abandonment cost estimates are derived from both third-party industry and government sources and operational knowledge of the properties.

Accretion expense is the increase in the decommissioning liability resulting from the passage of time. For the three months and year ended December 31, 2020, accretion expense totaled \$19,000 and \$66,000 (2019 - \$24,000 and \$104,000), respectively.

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 5.08 at April 3, 2021. The LMR is the ratio of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Corporation to pay a deposit to the AER. Additionally, Altura's revolving operating demand loan includes a covenant requiring the Corporation to maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0. Altura's LLR with the AER was 5.08 at April 3, 2021, consistent with its LMR.

Altura was approved for abandonment and reclamation funding of \$508,000 under the Alberta Site Rehabilitation Program ("SRP"). The grant funding consists of \$373,000 under Period 1 and \$135,000 under Period 3. The Corporation utilized \$213,000 of the grants in the fourth quarter of 2020 to abandon five inactive wells and reclaim three wells that were previously abandoned, settling \$192,000 of net asset retirement obligations. Altura recorded the \$192,000 government subsidy in other income for the year ended December 31, 2020.

CAPITAL RESOURCES AND LIQUIDITY

Net debt as at December 31, 2020 and December 31, 2019 is summarized as follows:

(\$000)	December 31, 2020	December 31, 2019
Current assets	(1,307)	(2,110)
Current liabilities	5,608	3,168
Working capital deficit	4,301	1,058
Fair value of financial instruments	(369)	(432)
Current portion of lease liabilities	(50)	(48)
Current portion of decommissioning liability	(25)	(15)
Net debt ⁽¹⁾	3,857	563
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	1.18	0.05

(1) Net debt and annualized adjusted funds flow are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) Refer to Note 16 "Capital Management" in the financial statements regarding net debt to annualized adjusted funds flow.

The Corporation's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Altura's net debt of \$3.9 million as at December 31, 2020 increased from \$0.6 million at December 31, 2019 due to capital expenditures in 2020 exceeding adjusted funds flow. The increased net debt and decreased adjusted funds flow in the fourth quarter of 2020 resulted in net debt to annualized adjusted funds flow increasing to 1.18 times at December 31, 2020 compared to 0.05 times at December 31, 2019.

Working Capital

Altura targets to maintain sufficient unused credit facility capacity to satisfy working capital deficiencies. The Corporation had a working capital deficit of \$4.3 million at December 31, 2020 compared to a working capital deficit of \$1.1 million at December 31, 2019. At December 31, 2020, the major components of Altura's current assets were accounts receivable (83 percent) to be received from its oil and gas marketers in respect to December production and joint interest partners. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectible. Current liabilities largely consist of bank debt (71 percent), and trade and joint interest payables (13 percent) and accrued liabilities (6 percent) related to the Corporation's operations. The Corporation manages its working capital using a combination of its cash flow from operating activities and advances under its revolving operating demand loan 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 Facilities

The Corporation has a revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") with a borrowing base of \$6.0 million. Additionally, Altura has a \$3.0 million term loan from its Lender through the Business Credit Availability Program ("BCAP") Guarantee from the Export Development Bank of Canada ("EDC") (the "Term Loan"), providing \$9.0 million of total credit facilities.

Altura's bank debt at December 31, 2020 and December 31, 2019 is summarized as follows:

(\$000)	December 31, 2020	December 31, 2019
Operating Loan	985	-
Term Loan	3,000	-
Bank debt	3,985	-

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. As the borrowing base of the Operating Loan is based on the Lenders' interpretation of Altura's estimated proved and probable oil and natural gas reserves and forecasted commodity prices, there can be no assurance as to the amount of available limit that will be determined at each scheduled review.

The Term Loan is a non-revolving term facility to be used exclusively to provide additional liquidity to finance Altura's business operations. It can be used to pay operating expenses, G&A expenses, interest on the Operating Loan, lease payments and pay down temporary advances on Altura's Operating Loan. The Term Loan cannot be used to repay or refinance permanent reductions to the Operating Loan or to make shareholder contributions, shareholder loans, share buy backs, or pay any bonuses or increase executive compensation.

The Term Loan is payable on demand by Altura's Lender and is non-revolving, therefore amounts repaid cannot be reborrowed and contains customary material adverse change clauses. The Term Loan has a five-year maturity with no less than 50% of amounts outstanding due on August 27, 2024 and the remaining balance due on August 27, 2025.

The interest rate on the Operating Loan and the Term Loan (collectively the "Credit Facilities") is the Lender's prime rate plus 4.5 percent per annum.

Altura is subject to certain reporting and financial covenants including:

- the Corporation is required to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facilities and the fair value of any commodity contracts are excluded and the unused portion of the Operating Loan is added to current assets;
- the Corporation will, at all times, maintain hedging agreements covering no less than 30 percent of Altura's forecasted total production for no less than the succeeding nine-month period, on a rolling basis whereby at least fifty percent of the hedged volumes (on a barrels of oil equivalent basis) must be crude oil hedges (Western Canadian Select);
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0; and,
- Altura was restricted to incur capital expenditures in excess of \$500,000 above the budget provided to the Lender from August 27, 2020 to January 31, 2021.

As at December 31, 2020, the working capital ratio as defined was 5.00:1 (December 31, 2019 – 4.0:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at December 31, 2020, \$4.0 million (December 31, 2019 - \$nil) was drawn on the Credit Facilities and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2019 - \$160,000).

The next review date for the Credit Facilities has been scheduled for May 31, 2021 but may be set at an earlier or later date at the sole discretion of the Lender.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and external sources (bank

credit markets and equity financing, if required) to meet current spending forecasts. However, future liquidity depends on the ability of the Corporation to access debt markets and generate cash flow from operations, which are also impacted by the availability under Altura's Credit Facilities and additional equity. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect the Corporation's future liquidity as pertains to these operational and financing requirements. All the accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities are due on demand.

Shareholders' Equity

At December 31, 2020 there were 108,920,974 common shares outstanding, and 6,085,000 stock options outstanding. The number of common shares remain unchanged from December 31, 2019. Altura's performance warrants totaling 9,749,879 were not exercisable and expired in 2020. Additionally, 435,000 stock options were forfeited and 3,250,000 stock options expired in 2020.

At April 14, 2021 the number of common shares and stock options outstanding remain unchanged from December 31, 2020.

Capital Resources

The Corporation provided its 2021 capital expenditure budget of \$6.0 million on January 29, 2021. The budget includes drilling two (1.8 net) Rex wells and completing three (2.7 net) Rex wells at Leduc-Woodbend. Altura expects to have adequate liquidity to fund the budget through a combination of cash flow from operating activities, available funding from its Credit Facilities and proceeds from closing stages 3 and 4 of the Second Transaction of Altura's December 2019 asset disposition as discussed in the "Asset Disposition" section of this MD&A on page 6.

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 has an agreement to close additional asset dispositions in 2021 totaling a 2.75 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$1.75 million, as discussed in the "Asset Dispositions" section of the MD&A on page 6.

The Original Disposition Agreement included a drilling commitment related to the Second Transaction, whereby Altura committed to the drilling of a horizontal well in either the Entice area or the Leduc-Woodbend area on or before December 31, 2020. Given the economic environment on June 26, 2020, drilling risk profile and capital efficiency in each of the areas, the parties agreed the well will be drilled at Leduc-Woodbend at a time when commodity prices support well economics. Estimated total gross drill, completion and equipping costs of the well is \$2.3 million. PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the well and the optional third funding transaction contemplated by the Original Disposition Agreement will not be executed by PrivateCo.

Altura has a second commitment with a royalty company to drill one horizontal well by January 31, 2022 in the Leduc-Woodbend area pursuant to a drilling commitment agreement. The Corporation is subject to a non-performance penalty of \$157,500 if the commitment is not fulfilled.

The well commitment in the Original Disposition Agreement and the well commitment in the drilling commitment agreement can both be fulfilled with drilling one well in the Leduc-Woodbend area.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
OPERATING								
Average daily production								
Heavy crude oil (bbls/d)	468	512	213	667	881	1,150	1,016	1,404
Light crude & medium crude oil (bbls/d)	-	16	-	8	-	-	-	68
Natural gas (Mcf/d)	2,402	2,118	1,154	2,926	3,406	3,733	2,914	2,510
NGLs (bbls/d)	48	38	30	87	113	108	88	47
Total (boe/d)	916	919	435	1,250	1,561	1,880	1,591	1,939
Average realized sales price								
Heavy crude oil (\$/bbl)	44.45	40.19	21.39	33.06	54.40	55.31	62.83	51.62
Light crude & medium crude oil (\$/bbl)	-	43.79	-	20.85	-	-	-	48.97
Natural gas (\$/Mcf)	2.87	2.45	2.06	2.20	2.70	0.95	1.30	2.06
NGLs (\$/bbl)	25.72	25.83	6.46	22.02	26.64	24.42	24.23	37.16
Average realized price (\$/boe)	31.56	29.87	16.36	24.46	38.50	37.12	43.89	42.71
(\$/boe)								
Petroleum and natural gas sales	31.56	29.87	16.36	24.46	38.50	37.12	43.89	42.71
Royalties	(2.61)	(2.63)	0.28	(1.96)	(4.43)	(4.20)	(4.08)	(3.98)
Operating expenses	(12.75)	(13.85)	(16.27)	(12.19)	(8.63)	(6.92)	(9.56)	(8.18)
Transportation expenses	(1.93)	(2.51)	(2.46)	(2.49)	(2.45)	(2.93)	(4.92)	(3.70)
Operating netback ⁽¹⁾	14.27	10.88	(2.09)	7.82	22.99	23.07	25.33	26.85
Realized gain (loss) on financial instruments	1.48	0.51	16.60	5.53	0.53	(0.22)	1.23	-
Operating netback after realized gain (loss)								
on financial instruments ⁽¹⁾	15.75	11.39	14.51	13.35	23.52	22.85	26.56	26.85
General and administrative	(4.66)	(5.71)	(7.98)	(3.50)	(2.52)	(2.16)	(2.94)	(2.64)
Exploration expense	-	-	-	-	-	-	-	(0.12)
Interest and financing expense (cash)	(1.39)	(1.21)	(1.42)	(0.17)	(0.37)	(0.27)	(0.50)	(0.29)
Adjusted funds flow per boe ⁽¹⁾	9.70	4.47	5.11	9.68	20.63	20.42	23.12	23.80
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	2,659	2,526	647	2,783	5,531	6,420	6,353	7,453
Cash flow from operating activities	206	505	512	1,183	3,955	3,181	3,568	2,290
Adjusted funds flow ⁽¹⁾	818	378	204	1,102	2,963	3,532	3,346	4,153
Per share – basic ⁽¹⁾	0.01	-	-	0.01	0.03	0.03	0.03	0.04
Per share – diluted ⁽¹⁾	0.01	-	-	0.01	0.03	0.03	0.03	0.04
Net income (loss)	10,823	(360)	(1,247)	(31,529)	(56)	298	1,044	929
Per share – basic	0.10	-	(0.01)	(0.29)	-	-	0.01	0.01
Per share – diluted ⁽²⁾	0.10	-	(0.01)	(0.29)	-	-	0.01	0.01
(\$000)								
Capital expenditures	105	469	218	7,082	1,528	3,553	6,350	1,453
Property acquisitions (dispositions)	-	(875)	(871)	-	(3,508)	-	-	-
Total assets	34,439	23,789	24,517	26,895	55,053	61,202	59,719	55,704
Net debt ⁽¹⁾	3,857	4,560	5,335	6,183	563	5,130	5,109	2,105
Shareholders' equity	22,898	12,023	12,309	13,456	44,856	44,748	44,251	42,983
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⁾	108,921	108,921	108,921	108,936	109,097	109,517	110,503	110,430
Shares outstanding, end of period	108,921	108,921	108,921	108,921	108,921	108,921	108,921	108,921

(1) Adjusted funds flow, net debt, and operating netback are non-GAAP measures that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

(2) 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 first quarter of 2019 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. Production volumes declined in the second quarter of 2019 as no new

wells were brought on production and well run-time efficiency decreased due to pump failures. Two wells were brought on production in the third quarter of 2019, increasing average production volumes. Average production volumes declined in the fourth quarter of 2019 from no new wells being brought on production and a disposition of a 7% working interest in Altura's assets.

Average production volumes declined in the first quarter of 2020 from natural declines and increased down-time associated with repairs and maintenance activity. In the second quarter of 2020, Altura curtailed production volumes as a result of the severe decline in oil prices associated with the COVID-19 pandemic. Average production volumes increased in the third quarter of 2020 as Altura restarted the majority of its wells that were curtailed in the second quarter of 2020 and were held flat in the fourth quarter of 2020.

Realized crude oil prices declined significantly in the first half of 2020 compared to 2019 due to the COVID-19 pandemic but improved steadily in the latter half of 2020 as economies have begun to reopen and the rollout of approved COVID-19 vaccines.

Capital expenditures in the first three quarters of 2019 included drilling three and completing two horizontal wells at Leduc-Woodbend and one vertical well in a new area. Additionally, capital investment in 2019 included an electrification project at Altura's multi-well battery and associated pad sites, pipeline construction, and a solution gas compressor. In the second, third and fourth quarters of 2019, Altura changed its artificial lift system on 11 wells to improve run-time efficiencies and limit operating and capital workover events. In the fourth quarter of 2019, Altura completed a disposition of a 7% working interest in Altura's assets for cash of \$3.5 million. In the first quarter of 2020, Altura completed a horizontal oil well (93% working interest) that was drilled in the third quarter of 2019, drilled a horizontal oil well (93% working interest) at Leduc-Woodbend and drilled and completed a horizontal well (93% working interest) targeting the Pekisko Formation at Entice. In the second quarter of 2020, Altura closed a disposition of a 1.375% working interest for \$871,000 and closed a disposition of a 1.375% working interest for \$875,000 in the third quarter of 2020.

In the first and second quarters of 2019, Altura recorded net income of \$0.9 million and \$1.0 million, respectively, from increased production volumes and higher crude oil prices. Net income decreased in the second half of 2019 due to lower heavy crude oil production volumes. In the first quarter of 2020, Altura recorded a net loss of \$31.5 million, due to impairment and lower heavy crude oil production volumes and decreased crude oil prices. Altura recorded net losses of \$1.2 million and \$0.4 million in the second and third quarters of 2020, respectively, due to low realized oil prices, partially offset by gains on asset dispositions. In the fourth quarter of 2020, Altura recorded net income of \$10.8 million, mainly due to an impairment reversal of \$11.4 million.

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 and the board of directors, 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 proved and probable oil and gas reserves that the Corporation expects to recover in the future, estimated future salvage values and forecasted future development 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 estimates of proved and probable oil and gas reserves and the related cash flows and estimated discount rates. Estimated proved and probable oil and gas reserves and the related cash flows are based on significant assumptions which include forecasted oil and gas commodity prices, forecasted production, forecasted royalty costs, forecasted operating costs and forecasted future development costs. Certain undeveloped land is also included in the estimated recoverable amount and significant judgement is used in estimating the recoverable amount including recent sales of similar properties in the same general area, recent exploration and discovery activity in the general area, and the remaining term of the undeveloped land.

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.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 resulted in a sudden decline in economic activity and a significant increase in economic uncertainty. In addition, oil prices declined dramatically due to the global oil price war and decline in demand due to COVID-19. Global oil demand has improved steadily in the latter half of 2020 as economies have begun to reopen and the government has approved the rollout of COVID-19 vaccines. Although the government authorities are easing restrictions, there is no certainty when demand levels will return to pre-COVID levels and therefore the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on Altura is not known at this time. These events have resulted in a volatile and challenging economic environment which has adversely affected the Corporation's operational results and financial position. The current challenging economic climate may have significant adverse impacts on Altura including, but not exclusively:

- material declines in revenue and cash flows;
- declines in revenue and operating activities could result in increased impairment charges, and restrictions in lending agreements and reduced capital programs;
- increased risk of non-performance by Altura's purchasers which could materially increase the risk of non-payment of accounts receivable and customer defaults; and,
- if the situation continues for prolonged periods it could have a material impact on profitability, liquidity, and in the longer term could risk the ability to continue as a going concern for exploration and production companies, including Altura.

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.

Natural disasters, wars, terrorist attacks, riots or civil unrest, public health crises, including epidemics, pandemics or outbreaks of new infectious disease or viruses including COVID-19, and related events, could materially and negatively impact the Corporation's business, its revenues and ultimately its profitability. Such events or occurrences may have a materially negative affect on one or more factors upon which the Corporation's business relies, including without limitation the demand for, and therefore the price of, the natural resource products produced by the Corporation, supply chains to operate its business, and the availability of capital required by the Corporation to fund its operations.

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.

Climate change regulation has the potential to significantly affect the regulatory environment of the crude oil and natural gas industry in Canada. In addition, the Supreme Court's decision in *Orphan Well Association v Grant Thornton Limited* may impact the manner in which provincial regulators seek to regulate their liability management and end-of-life asset retirement regimes. Such climate change and other environmental regulations impose certain costs and risks on the industry, and there remains some uncertainty with regard to the impacts of federal or provincial climate change and environmental laws and regulations, as Altura is unable to predict additional legislation or amendments that governments may enact in the future. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on the Corporation's operations and adjusted funds flow.

Additional information is available in Altura's AIF that is filed on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

The Corporation adopted IFRS 3, "Business Combinations", on January 1, 2020. Amendments to IFRS 3 were issued by the IASB in October 2018 that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets are concentrated in a single identifiable asset or a group of similar identifiable assets. If the concentration test is not applied, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of IFRS 3 had no impact to the Corporation's Financial Statements.

In 2020, Altura added a new accounting policy related to government grants. Altura recognizes government grants as they are received or if there is reasonable assurance that the Corporation is in compliance with all associated conditions. When the grant relates to an expense item, it is recognized as a reduction to the related expense in the period in which the costs are incurred. If the grant relates to an asset, it is recognized as a reduction to the carrying value of the asset and amortized into income over the expected useful life of the asset through lower depletion and depreciation.

ADVISORIES

Non-GAAP Measures

This MD&A and fourth quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow per boe", "net debt", "operating netback" and "operating netback after realized gain (loss) on financial instruments". The data presented in this MD&A and fourth quarter report is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These reported non-GAAP measures 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.

Adjusted Funds Flow

Altura considers adjusted funds flow to be a key measure of performance as it demonstrates the Corporation's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and to repay debt. Management believes that such a measure provides a useful assessment of Altura's business on a continuing basis by eliminating certain non-cash charges, and transaction costs, if any, and actual settlements of decommissioning liabilities, the timing of which, in the opinion of management, is discretionary.

Adjusted funds flow per share is calculated using basic and diluted weighted average number of shares outstanding in the period. Adjusted funds flow is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS.

Adjusted funds flow per boe is calculated as adjusted funds flow divided by total production sold in the period.

The Corporation's adjusted funds flow is disclosed in the "Net Income (loss) and Adjusted Funds Flow" section of this MD&A on page 20. The following schedule sets out the reconciliation of net income to adjusted funds flow and cash flow from operating activities for the reporting period and the comparable prior period:

(\$000)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net income (loss)	10,823	(56)	(22,313)	2,215
Adjusted for the following non-cash items				
Other income	(192)	-	(192)	-
Deferred tax expense (recovery)	-	33	(1,472)	746
Depletion, depreciation and amortization	874	1,899	3,854	9,495
Impairment (recovery)	(11,190)	-	23,560	-
Accretion of decommissioning liability	19	24	66	104
Lease interest	-	-	-	9
Share-based compensation	45	116	286	576
Gain on property disposition	-	417	(1,224)	417
Unrealized loss (gain) on financial instruments	439	530	(63)	432
Adjusted funds flow	818	2,963	2,502	13,994
Changes in non-cash operating working capital	(612)	992	(96)	(1,000)
Cash flow from operating activities	206	3,955	2,406	12,994

Net Debt

Management views net debt as key industry benchmarks and measures to assess the Corporation's financial position and liquidity. Net debt is calculated as current assets, excluding the fair value of financial instruments less current liabilities, excluding the fair value of financial instruments, less the current portion of lease liabilities, and the current portion of the decommissioning liability. Management has excluded the current portion of the decommissioning liability as this is an estimate based on management's assumptions and subject to volatility based on changes in cost and timing estimates, the risk-free discount rate and inflation rate. Altura's net debt is disclosed in the "Capital Resources and Liquidity" section of this MD&A on page 26.

Operating Netback

Altura calculates operating netback on a per boe basis, before and after realized gains (losses) on financial instruments, as petroleum and natural gas sales less royalties, operating costs and transportation costs. Management feels that operating netback is a key industry benchmark and a measure of performance for Altura that provides investors with information that is commonly used by other crude oil and natural gas producers. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis. Altura's operating netback is disclosed in the "Operating Netback" section of this MD&A on page 16.

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.

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 Altura's internal review. Potential drilling opportunities do not have attributed reserves or resources. Potential drilling opportunities have specifically been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves data on prospective acreage and geologic formations. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, crude oil and natural gas prices, costs, actual drilling results and other factors. While certain of the potential drilling opportunities have been derisked by drilling existing wells in relative close proximity to such potential drilling opportunities, the majority of other potential drilling opportunities are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled there is more uncertainty that such wells will result in additional reserves, resources or production.

Original Oil in Place (OOIP)

For the purpose of this MD&A and fourth quarter report, Original Oil in Place ("OOIP") means Discovered Petroleum Initially In Place ("DPIIP"). DPIIP is derived by Altura's internal Qualified Reserve Evaluators ("QRE") and prepared in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluations Handbook ("COGEH"). DPIIP, as defined in COGEH, is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and Resources Other Than Reserves (ROTR). The OOIP/DPIIP and potential recovery rate estimates are as at December 31, 2020 and are based on current recovery technologies and have been prepared by Altura's internal QRE. There is significant uncertainty as to the ultimate recoverability and commercial viability of any of the resource associated with the OOIP/DPIIP estimates, and as such a recovery project cannot be defined for this volume of OOIP/DPIIP at this time.

Forward-looking Information

This MD&A and fourth quarter report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A and fourth quarter report contains forward-looking information and statements pertaining to:

- uncertainty about the COVID-19 pandemic and the impact it will have on Altura's operations, the demand for Altura's products, and economic activity in general;
- Altura's expectation of bringing one shut-in well back on production in May 2021;
- Altura's ability to self-fund growth within cash flow and maintain a strong balance sheet;
- Altura's capital budget of \$6.0 million and plans to drill two (1.8 net) Rex wells and complete three (2.7 net) Rex wells at Leduc-Woodbend.
- forecasted production volumes to range between 1,100 and 1,050 boe per day for 2021; and,
- the expected closing of two additional dispositions of a 0.6875% working interest for \$437,500 on April 30, 2021 and a 1.375% working interest for \$875,000 on June 30, 2021;

The forward-looking information and statements contained in this MD&A and first quarter 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 return of industry conditions to pre-COVID-19 levels;
- 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, among other things, fund its planned expenditures.

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

The forward-looking information and statements included in this MD&A and first quarter 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:

- the COVID-19 pandemic and related disruptions in oil and gas markets, including the duration and impacts thereof;
- changes in commodity prices including, without limitation, as a result of COVID-19 pandemic;
- changes in commodity prices including, without limitation, as a result of the COVID-19 pandemic and related disruptions in oil and gas markets;
- unanticipated operating results or production declines;
- public health crises, such as the recent outbreak of COVID-19 and the related economic disruption that can result in volatility in financial markets, disruption to global supply chains, and the ability to directly and indirectly staff the Corporation's day to day operations;
- 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 or debt 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 fourth quarter report speak only as of the date of this MD&A and fourth quarter report, and Altura does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

MANAGEMENT'S REPORT

To the Shareholders of Altura Energy Inc.

Management's Responsibility on Financial Statements

The annual consolidated financial statements of Altura Energy Inc. as at and for the years ended December 31, 2020 and December 31, 2019 were prepared by management within acceptable limits of materiality and are in accordance with International Financial Reporting Standards. Management is responsible for the integrity of the consolidated financial statements.

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

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

/s/ David Burghardt
President and Chief Executive Officer

/s/ Tavis Carlson
Vice-President, Finance and Chief Financial Officer

April 14, 2021
Calgary, Alberta



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Altura Energy Inc.

Opinion

We have audited the consolidated financial statements of Altura Energy Inc. (the "Company"), which comprise:

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019
- the consolidated statements of net income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is JJ Iacuone.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

April 14, 2021

CONSOLIDATED BALANCE SHEETS

As at

(\$000)	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	-	142
Accounts receivable (note 15)	1,086	1,819
Prepaid expenses and deposits	221	149
	1,307	2,110
Exploration and evaluation (note 6)	260	1,170
Property and equipment (note 7)	32,872	51,574
Right-of-use assets (note 8)	-	199
Total assets	34,439	55,053
LIABILITIES		
Current liabilities		
Bank debt (note 9)	3,985	-
Accounts payable and accrued liabilities	1,179	2,305
Current portion of lease liabilities (note 10)	50	48
Current portion of decommissioning liability (note 11)	25	15
Contract liability (note 5)	-	368
Fair value of financial instruments (note 15)	369	432
	5,608	3,168
Lease liabilities (note 10)	156	194
Decommissioning liability (note 11)	5,777	5,363
Deferred taxes (note 14)	-	1,472
Total liabilities	11,541	10,197
SHAREHOLDERS' EQUITY		
Share capital (note 12)	37,712	37,712
Performance warrants (note 12e)	-	2,517
Contributed surplus	7,249	4,377
Retained earnings (deficit)	(22,063)	250
Total shareholders' equity	22,898	44,856
Total liabilities and shareholders' equity	34,439	55,053
Commitments (notes 5 and 19)		
Subsequent events (notes 5 and 15)		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

/s/ Robert Maitland
Director

/s/ John McAleer
Director

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

(\$000, except per share amounts)	2020	2019
REVENUE		
Petroleum and natural gas sales (note 13)	8,615	25,757
Royalties	(654)	(2,647)
Realized gain on financial instruments	1,454	216
Unrealized gain (loss) on financial instruments (note 15)	63	(432)
Other income (note 11)	192	-
	9,670	22,894
EXPENSES		
Operating	4,273	5,248
Transportation	755	2,214
General and administrative	1,590	1,624
Exploration expense	-	21
Share-based compensation (note 12)	286	576
Interest and financing charges	295	234
Depletion, depreciation and amortization (notes 7 and 8)	3,854	9,495
Impairment (notes 6, 7 and 8)	23,560	-
Accretion of decommissioning liability (note 11)	66	104
(Gain) loss on property dispositions (note 5)	(1,224)	417
	33,455	19,933
Income (loss) before taxes	(23,785)	2,961
Deferred tax expense (recovery) (note 14)	(1,472)	746
Net income (loss) and comprehensive income (loss)	(22,313)	2,215
Net income (loss) per share, (note 12d)		
Basic	(0.20)	0.02
Diluted	(0.20)	0.02

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

(\$000)	Share capital	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2018	37,712	2,176	3,944	(1,965)	41,867
Share-based compensation expense (note 12)	-	277	299	-	576
Share-based compensation capitalized (note 12)	-	64	134	-	198
Net income for the year	-	-	-	2,215	2,215
Balance, December 31, 2019	37,712	2,517	4,377	250	44,856
Share-based compensation expense (note 12)	-	103	183	-	286
Share-based compensation capitalized (note 12)	-	22	47	-	69
Expiry of performance warrants (note 12)	-	(2,642)	2,642	-	-
Net loss for the year	-	-	-	(22,313)	(22,313)
Balance, December 31, 2020	37,712	-	7,249	(22,063)	22,898

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(\$000)	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) for the year	(22,313)	2,215
Items not involving cash:		
Other income (note 11)	(192)	-
Deferred tax expense (recovery) (note 14)	(1,472)	746
Depletion, depreciation and amortization (notes 7 and 8)	3,854	9,495
Impairment (notes 6, 7 and 8)	23,560	-
Accretion of decommissioning liability (note 11)	66	104
Lease interest	-	9
Share-based compensation (note 12)	286	576
(Gain) loss on property dispositions (note 5)	(1,224)	417
Unrealized (gain) loss on financial instruments (note 15)	(63)	432
Change in non-cash working capital (note 17)	(96)	(1,000)
	2,406	12,994
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Change in bank debt (note 9)	3,985	(2,144)
Repayment of principal relating to lease liabilities	(36)	(8)
	3,949	(2,152)
CASH FLOW USED IN INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(4,008)	(1,167)
Property and equipment expenditures	(3,866)	(11,717)
Property dispositions (note 5)	1,746	3,508
Change in non-cash working capital (note 17)	(369)	(1,324)
	(6,497)	(10,700)
CHANGE IN CASH AND CASH EQUIVALENTS	(142)	142
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	142	-
CASH AND CASH EQUIVALENTS, END OF YEAR	-	142
Cash interest paid	295	225

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2020 and 2019

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 2500, 605 5th Avenue SW, Calgary, Alberta, T2P 3H5.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Financial Statements were approved by the Board of Directors on April 14, 2021.

(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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 resulted in a sudden decline in economic activity and resulted in a significant increase in economic uncertainty. In addition, oil prices declined dramatically due to the global oil price war and the decline in demand due to COVID-19. Global oil demand has improved steadily in the latter half of 2020 as economies have begun to reopen and the government has approved the rollout of COVID-19 vaccines. Although the government authorities are easing restrictions, there is no certainty when demand levels will return to pre-COVID levels and therefore the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on Altura is not known at this time. These events have resulted in a volatile and challenging economic environment which has adversely affected the Corporation's operational results and financial position. The current challenging economic climate may have significant adverse impacts on Altura including, but not exclusively:

- material declines in revenue and cash flows;
- declines in revenue and operating activities could result in increased impairment charges, and restrictions in lending agreements and reduced capital programs;
- increased risk of non-performance by Altura's purchasers which could materially increase the risk of non-payment of accounts receivable and customer defaults; and
- if the situation continues for prolonged periods it could have a material impact on profitability, liquidity, and in the longer term could risk the ability to continue as a going concern for exploration and production companies, including Altura.

Critical judgments in applying accounting policies:

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

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

Management applies judgment in assessing the existence of indicators of impairment and impairment reversal based on various internal and external factors. The estimated recoverable amount of a CGU or of an individual asset is determined as the greater of its fair value less costs of disposal and its value in use. The estimated recoverable amount is derived from estimated proved and probable oil and gas reserves and the related cash flows and estimated discount rates. Estimated proved and probable oil and gas reserves and the related cash flows are based on significant assumptions which include forecasted oil and gas commodity prices, forecasted production, forecasted royalty costs, forecasted operating costs and forecasted future development costs. Certain undeveloped land is also included in the estimated recoverable amount and significant judgement is used in estimating the recoverable amount including recent sales of similar properties in the same general area, recent exploration and discovery activity in the general area, and the remaining term of the undeveloped land.

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

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. The measurement of lease liabilities is subject to management's judgment of the applicable incremental borrowing rate as discussed in note 3.

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

Key sources of estimation uncertainty:

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

The amounts recorded for the depletion of property and equipment, the provision for decommissioning liability and the amounts used in the impairment calculations are based on estimates of proved and probable oil and gas reserves and the related cash flows. Estimated proved and probable oil and gas reserves and the related cash flows are based on significant assumptions which include forecasted oil and gas commodity prices, forecasted production, forecasted royalty costs, forecasted operating costs and forecasted future development costs. By their nature these estimates and assumptions are subject to uncertainty, and the impact on the financial statements of future periods could be material.

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

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

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon estimated proved and probable oil and gas reserves and the related cash flows and discount rates.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue from the sale of petroleum and natural gas is 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 third 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) Cash and cash equivalents

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

(c) Jointly owned assets

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

(d) Share-based compensation

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

(e) Exploration and evaluation assets

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

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

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

(f) Property and equipment

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

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

(g) Depletion and depreciation

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

- (i) total estimated proved and probable oil and gas reserves calculated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities;
- (ii) total capitalized costs, including capitalized decommissioning costs, plus estimated future development costs of proved and probable oil and gas reserves; and
- (iii) relative volumes of oil and gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

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

(h) Impairment

Developed and Producing Assets

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

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

When the carrying value exceeds the estimated recoverable amount an impairment loss is recognized in net income (loss).

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

Exploration and Evaluation Assets

E&E assets are assessed for impairment when E&E assets are transferred to development and production assets once an area is determined to be technically feasible and commercially viable, and any time that circumstances arise which suggest that the carrying amount exceeds the estimated recoverable amount. The estimated recoverable amount is the greater of fair value less costs of disposal or value in use.

(i) Financial instruments

Amortized Cost

Cash and cash equivalents, if any, accounts receivable, accounts payable and accrued liabilities, lease liabilities, the contract liability and bank debt are measured at amortized cost. These classifications are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest method.

Fair Value through Profit or Loss ("FVTPL")

Altura may enter into risk management contracts in order to manage its exposure to market risks from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. All risk management contracts are initially measured at fair value through profit or loss and are subsequently measured at fair value with changes in fair value recorded in net income. The fair values of these derivative instruments are based on an estimate of the amounts that would be paid or received to settle these instruments at the balance sheet date.

Impairment of Financial Assets

Impairment of financial assets is determined by measuring the assets' expected credit loss. Accounts receivable are due within one year and are not considered to have a significant financing component and a lifetime expected credit loss is measured at the date the accounts receivable are initially recognized.

(j) Decommissioning liabilities

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

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

(k) Leases

The Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a right-of-use ("ROU") asset and a corresponding lease liability at the date on which the leased asset is available for use by the Corporation. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not readily available.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the commencement date.

The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income that reflects the proportionate decrease in scope.

(l) Business combinations

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

The following amendment as issued by the IASB has been adopted by the Company effective January 1, 2020. IFRS 3 – Business Combinations sets out the principles in accounting for the acquisition of a business. The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business. The definition of a business under the amendment to IFRS 3 is now that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

(m) Deferred income taxes

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

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

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

(n) Per share amounts

Basic per share amounts are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution from dilutive instruments.

(o) Interest income and expenses

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

(p) Share capital

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

(q) Government Grants

Altura recognizes government grants as they are received or if there is reasonable assurance that the Corporation is in compliance with all associated conditions. When the grant relates to an expense item, it is recognized as a reduction to the related expense in the period in which the costs are incurred. If the grant relates to an asset, it is recognized as a reduction to the carrying value of the asset and amortized into income over the expected useful life of the asset through lower depletion and depreciation.

4. DETERMINATION OF FAIR VALUES

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

(i) Property and equipment and exploration and evaluation assets

The fair value of property and equipment recognized is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) are generally estimated with reference to the discounted cash flow expected to be derived from proved and probable oil and gas reserves as prepared by independent third-party reserve evaluators and independent land values. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of exploration and evaluation assets is estimated with reference to the market values of current arm's length transactions in comparable locations.

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

The fair value of cash and cash equivalents, if any, accounts receivable, deposits, accounts payable and accrued liabilities, lease liabilities, the contract liability and bank debt are estimated as the present value of future cash flow, discounted at the market rate of interest at the reporting date. At December 31, 2020 and December 31, 2019, the fair value of these balances approximated their carrying value due to their short term to maturity. The Corporation's bank debt bears interest at a floating rate and the margins charged by the lender are indicative of current credit spreads. Accordingly the fair market value approximates the carrying value.

(iii) Share-based payments

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

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

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

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

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

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

5. DISPOSITIONS

On December 4, 2019, Altura entered into a definitive agreement with an unrelated third party ("PrivateCo") for the sale of a 12.5 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$7.0 million through two transactions (the "Original Disposition Agreement"). The agreement provided for a third transaction if it was mutually agreed that drilling a second well in the Entice area was warranted, whereby Altura would divest an additional 4.0% of corporate assets for \$3.0 million. If all three transactions closed, Altura would have sold a total working interest of 16.5% of corporate assets, including asset retirement obligations ("ARO"), for total consideration of \$10.0 million.

The Original Disposition Agreement committed Altura to the following:

1. Drill, complete and equip or abandon a horizontal well in the Entice area of Alberta by March 31, 2020 (the "First Commitment Well").
2. Spud a second horizontal well by December 31, 2020 (the "Second Commitment Well"). On or before October 30, 2020, Altura and PrivateCo would meet and review the production information and other data from the first Entice well. If it was mutually agreed that the drilling of a second well at Entice is warranted, Altura would select a location for the drilling of a horizontal well in the Entice area. If not mutually agreed that the drilling of a second well at Entice was warranted, Altura would select a location for the drilling of a horizontal well in the Leduc-Woodbend area. If the Second Commitment Well was drilled in the Entice area, PrivateCo would pay 7.0 percent of well costs and earn a 12.5 percent working interest in the well. If the Second Commitment Well was drilled in the Leduc-Woodbend area, PrivateCo would pay 12.5 percent of well costs and earn a 12.5 percent working interest in the well.
3. Within 10 business days of delivering the second well location notice to PrivateCo, Altura and PrivateCo would enter into a purchase and sale agreement for the second transaction whereby Altura would divest of an additional 5.5 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.5 million (the "Second Transaction"). Proceeds would be used to fund the Second Commitment Well.
4. In the event the Second Commitment Well was drilled at Entice and both parties agreed to drill a third well at Entice, the agreement provided for a third transaction whereby Altura would divest of an additional 4.0 percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.0 million. Proceeds would primarily be used to drill a third horizontal well at Entice on or before December 31, 2021. PrivateCo would pay 12.5 percent of well costs and earn a 16.5 percent working interest in the well.

First Transaction

December 4, 2019 Disposition

On December 4, 2019, Altura divested a 7.0 percent working interest for cash of \$3,508,000. The agreement provided that Altura will pay PrivateCo's 7.0 percent interest in a well to be drilled by March 31, 2020 and a 7.0 percent interest in the completion of an additional well (the "Contract Liability"). Altura estimated the Contract Liability to be \$368,000 as at December 31, 2019. Altura fulfilled the commitment in 2020 and \$245,000 of the Contract Liability was netted against E&E asset additions and \$123,000 of the Contract Liability was netted against property and equipment additions in the year ended December 31, 2020.

Altura recorded \$85,000 to E&E asset dispositions, \$3,942,000 to D&P asset dispositions and reduced the decommissioning liability by \$470,000 associated with the 7% Asset Disposition and recorded a loss on disposition of \$417,000 for the year ended December 31, 2019.

In the first quarter of 2020, Altura drilled, completed and equipped the First Commitment Well at Entice and fulfilled the commitment.

Second Transaction

On June 26, 2020, Altura amended the Original Disposition Agreement (the "First Amending Agreement") with PrivateCo, to divide the Second Transaction into four separate dispositions of a 1.375 percent working interest for \$875,000 each. The four disposition stages were agreed to close on June 30, 2020, September 30, 2020, January 31, 2021 and June 30, 2021.

Given the economic environment caused by the COVID-19 pandemic, drilling risk profile and capital efficiency in Leduc-Woodbend and Entice, the parties agreed the Second Commitment Well will be drilled at Leduc-Woodbend at a time when economic conditions justify the expenditure. Estimated total gross drill, complete and equipping costs of the well is \$2.3 million. Given that the parties agreed for the Second Commitment Well to be drilled in the Leduc-Woodbend area, PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the Second Commitment Well.

June 30, 2020 Disposition

On June 30, 2020, Altura closed stage one of the First Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$871,000 after transaction costs. Altura recorded \$342,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$79,000 associated with the asset disposition and recorded a gain on disposition of \$605,000 for the year ended December 31, 2020.

September 30, 2020 Disposition

On September 30, 2020, Altura closed stage two of the First Amending Agreement and divested of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$875,000. Altura recorded \$338,000 to D&P asset dispositions, \$3,000 to E&E asset dispositions, reduced the decommissioning liability by \$85,000 associated with the asset disposition and recorded a gain on disposition of \$619,000 for the year ended December 31, 2020.

January 29, 2021 Disposition

On January 22, 2021, Altura amended the timing of stages three and four of the Second Transaction in the First Amending Agreement (the "Second Amending Agreement") with PrivateCo, which divided stage three into two dispositions. Altura closed stage 3a of the Second Amending Agreement on January 29, 2021 divesting of a 0.6875% working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500. Stage 3b is planned to close on April 30, 2021. The remaining stages as at December 31, 2020 pursuant to the Second Amending Agreement are as follows:

Stage	Closing Date	Disposition Interest	Cash Proceeds
Stage 3a	January 29, 2021	0.6875%	\$437,500
Stage 3b	April 30, 2021	0.6875%	\$437,500
Stage 4	June 30, 2021	1.375%	\$875,000
Total		2.75%	\$1,750,000

Third Transaction

It was not mutually agreed that the drilling of the Second Commitment Well at Entice was warranted so the third transaction was terminated within the First Amending Agreement.

6. EXPLORATION AND EVALUATION

The following table reconciles Altura's Exploration and Evaluation ("E&E") assets:

(\$000)	Total
Balance, December 31, 2018	-
Additions	1,224
Disposition	(85)
Change in decommissioning costs	31
Balance, December 31, 2019	1,170
Additions	3,787
Change in decommissioning costs	104
Dispositions (note 5)	(6)
Impairment	(4,795)
Balance, December 31, 2020	260

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 at its Entice area during the periods. E&E asset

additions in the year ended December 31, 2020 include land, drilling, completion, and equipping costs related to a horizontal well drilled at Entice. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$134,000 in the year ended December 31, 2020 (2019 – \$209,000).

Impairment

For the year ended December 31, 2020, the Corporation determined that indicators of impairment existed with respect to its E&E assets which are all in the Entice area and Altura recognized an impairment charge of \$4,795,000 (no impairment at December 31, 2019) on E&E assets.

For impairment testing, the estimated recoverable amount of E&E assets is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Entice E&E assets of \$260,000 was based on the probable oil and gas reserves and related cash flow from Altura's December 31, 2020 reserve report prepared by its independent third-party reserve evaluators. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Entice area, net of decommissioning obligations and included recoverable value for certain undeveloped land, based on management's estimates as at December 31, 2020, which were established principally on relevant land sales. The discount rate used in the valuation was 55 percent.

See note 7 for the forecasted oil and gas commodity pricing used in estimating the recoverable amount of Altura's E&E assets at December 31, 2020.

7. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2018	60,204	178	60,382
Additions	11,843	15	11,858
Disposition	(5,064)	-	(5,064)
Change in decommissioning costs	(58)	-	(58)
Balance, December 31, 2019	66,925	193	67,118
Additions	3,778	10	3,788
Dispositions (note 5)	(2,090)	-	(2,090)
Change in decommissioning costs	610	-	610
Balance, December 31, 2020	69,223	203	69,426
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2018	(7,167)	(46)	(7,213)
Depletion, depreciation and amortization	(9,420)	(33)	(9,453)
Disposition	1,122	-	1,122
Balance, December 31, 2019	(15,465)	(79)	(15,544)
Depletion, depreciation and amortization	(3,814)	(29)	(3,843)
Dispositions (note 5)	1,410	-	1,410
Impairment	(18,577)	-	(18,577)
Balance, December 31, 2020	(36,446)	(108)	(36,554)
Carry amounts			
(\$000)			
As at December 31, 2019	51,460	114	51,574
As at December 31, 2020	32,777	95	32,872

Estimated future development costs of \$88.9 million (December 31, 2019 – \$85.8 million) associated with the development of the Corporation's proved and probable oil and gas 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 \$310,000 in the year ended December 31, 2020 (2019 – \$556,000).

Impairment

December 31, 2020

At December 31, 2020, there were indicators of impairment reversal identified in Altura's Leduc-Woodbend CGU as a result of, amongst other factors considered by management, improved forecasted commodity prices for heavy crude oil since the last impairment test performed on March 31, 2020. Altura has only one CGU. An impairment test was performed on D&P assets and the Corporation recognized an impairment reversal of \$11.2 million related to its Leduc-Woodbend CGU due to the estimated recoverable amount of \$32.9 million exceeding the carrying value.

The initial impairment expense of \$30.0 million on D&P and ROU assets recognized at March 31, 2020, net of the impairment recovery of \$11.2 million at December 31, 2020 on D&P assets, resulted in a net impairment expense of \$18.8 million recognized for the year ended December 31, 2020.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved and probable oil and gas reserves and related cash flows from Altura's December 31, 2020 reserve report prepared by its independent third-party evaluators. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included recoverable value for certain undeveloped land included in property and equipment related to this CGU based on an independent land evaluation at December 31, 2020. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 20 percent.

The following table details the forecasted oil and gas commodity pricing used in estimating the recoverable amount of Altura's Leduc-Woodbend CGU at December 31, 2020:

	WTI Crude Oil (\$US/bbl) ^(1,2)	Western Canadian Select Crude Oil (\$CAD/bbl) ^(1,2)	Alberta AECO Gas (\$CAD/mmbtu) ^(1,2)	Foreign Exchange (\$US/\$CAD) ⁽¹⁾
2021	47.17	44.63	2.78	0.768
2022	50.17	48.18	2.70	0.765
2023	53.17	52.10	2.61	0.763
2024	54.97	54.10	2.65	0.763
2025	56.07	55.19	2.70	0.763
2026	57.19	56.29	2.76	0.763
2027	58.34	57.42	2.81	0.763
2028	59.50	58.57	2.87	0.763
2029	60.69	59.74	2.92	0.763
2030	61.91	60.93	2.98	0.763
2031	63.15	62.15	3.04	0.763
2032	64.41	63.40	3.10	0.763
2033	65.70	64.66	3.16	0.763
2034	67.01	65.96	3.23	0.763
2035	68.35	67.28	3.29	0.763
thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.763

(1) Source: Three Consultants' average, McDaniel & Associates Consultants, GLJ Petroleum Consultants, and Sproule Associates price forecasts, effective January 1, 2021.

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

The following table demonstrates the sensitivity of the impairment reversal amount at December 31, 2020 using reasonable changes in significant assumptions inherent in the estimate:

(\$000)	Increase in discount rate of 1 percent	Decrease in discount rate of 1 percent	Decrease in forecasted combined average realized prices of 5 percent	Increase in forecasted combined average realized prices of 5 percent
Impairment increase (decrease)	(2,199)	1,160	(5,380)	5,341

March 31, 2020

At March 31, 2020, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend CGU due to the potential long-term impact of the COVID-19 pandemic which caused a significant decline in forecasted oil benchmark prices and due to a decline in Altura's market capitalization in the first quarter of 2020. In the three months ended March 31, 2020, the Corporation recognized an impairment charge of \$30.0 million related to its Leduc-Woodbend CGU due to the carrying value exceeding the estimated recoverable amount. Included in the impairment charge is \$0.2 million related to impairment of the Corporation's ROU assets.

The estimated recoverable amount of the CGU is the greater of (i) its value in use, and (ii) its fair value less cost to sell. The estimated recoverable amount for the Leduc-Woodbend CGU was based on the proved and probable oil and gas reserves and related cash flows from Altura's December 31, 2019 reserve report prepared by its independent third-party reserve evaluators, updated using forecasted oil and gas commodity prices at April 1, 2020, revised forecasted operating cost assumptions and timing of forecasted future development costs and removed production from January 1, 2020 to March 31, 2020, as updated by the Corporation's internal reserve evaluator. The estimated recoverable amount was determined to be value in use and was based on before-tax discount rates specific to the underlying composition of reserve categories and risk profile residing in the Leduc-Woodbend CGU, net of decommissioning obligations and included recoverable value for certain undeveloped land included in property and equipment related to this CGU based on management's estimates as at March 31, 2020 which were established principally on relevant land sales. The discount rates used in the valuation ranged from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 17 percent.

The following table details the forecasted oil and gas commodity pricing used in estimating the recoverable amount of Altura's Leduc-Woodbend CGU at March 31, 2020:

	WTI Crude Oil (\$US/bbl) ^(1,2)	Western Canadian Select Crude Oil (\$CAD/bbl) ^(1,2)	Alberta AECO Gas (\$CAD/mmbtu) ^(1,2)	Foreign Exchange (\$US/\$CAD) ⁽¹⁾
2020 (9 mos)	29.17	19.21	1.74	0.707
2021	40.45	34.65	2.20	0.728
2022	49.17	46.34	2.38	0.745
2023	53.28	51.25	2.45	0.747
2024	55.66	54.28	2.53	0.748
2025	56.87	55.72	2.60	0.750
2026	58.01	56.96	2.66	0.750
2027	59.17	58.22	2.72	0.750
2028	60.35	59.51	2.79	0.750
2029	61.56	60.82	2.85	0.750
2030	62.79	62.04	2.91	0.750
2031	64.05	63.28	2.97	0.750
2032	65.33	64.55	3.03	0.750
2033	66.63	65.84	3.09	0.750
2034	67.97	67.15	3.15	0.750
thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.750

- (1) Source: Three Consultants' average, McDaniel & Associates Consultants, GLJ Petroleum Consultants, and Sproule Associates price forecasts, effective April 1, 2020.
- (2) Product sale prices will reflect these reference prices with further adjustments for product quality differentials and transportation to point of sale.

December 31, 2019

At December 31, 2019, the Corporation determined there to be indicators of impairment in its Leduc-Woodbend CGU due to Altura recording a loss on disposition of assets in December 2019 and due to a decline in market capitalization in the second half of 2019 thus an impairment test was performed on D&P assets. For the December 31, 2019 test, the D&P assets were assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and probable oil and gas reserves using pre-tax discount rates ranging from 10 percent to 30 percent, with an overall weighted average discount rate of approximately 19 percent, based on the independent third-party reserve evaluators report. No impairment was recognized at December 31, 2019, as the estimated recoverable amount of the Leduc Woodbend CGU exceeded its carrying value.

8. RIGHT-OF-USE ASSETS

The following table reconciles Altura's ROU assets associated with its office space and office equipment:

(\$000)	Total
Balance, January 1, 2019	241
Additions	-
Depreciation	(42)
Balance, December 31, 2019	199
Additions	-
Depreciation	(11)
Impairment	(188)
Balance, December 31, 2020	-

During the three months ended March 31, 2020, Altura performed an impairment test on its Leduc-Woodbend CGU which incorporated the above office space and office equipment ROU assets. Please refer to note 7 for further discussion regarding impairment.

As at December 31, 2020, there were no indicators of reversal of prior impairments.

9. CREDIT FACILITIES

The Corporation has a revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") with a borrowing base of \$6.0 million. Additionally, Altura has a \$3.0 million term loan from its Lender through the Business Credit Availability Program ("BCAP") Guarantee from the Export Development Bank of Canada ("EDC") (the "Term Loan"), providing \$9.0 million of total credit facilities.

Altura's bank debt at December 31, 2020 and December 31, 2019 is summarized as follows:

(\$000)	December 31, 2020	December 31, 2019
Operating Loan	985	-
Term Loan	3,000	-
Bank debt	3,985	-

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. As the borrowing base of the Operating Loan is based on the Lenders' interpretation of Altura's estimated proved and probable oil and natural gas reserves and forecasted commodity prices, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Operating Loan 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 \$0.75 million.

The Term Loan is a non-revolving term facility to be used exclusively to provide additional liquidity to finance Altura's business operations. It can be used to pay operating expenses, G&A expenses, interest on the Operating Loan, lease payments and pay down temporary advances on Altura's Operating Loan. The Term Loan cannot be used to repay or

refinance permanent reductions to the Operating Loan or to make shareholder contributions, shareholder loans, share buy backs, or pay any bonuses or increase executive compensation.

The Term Loan is payable on demand by Altura's Lender and is non-revolving, therefore amounts repaid cannot be reborrowed and contains customary material adverse change clauses. The Term Loan has a five-year maturity with no less than 50% of amounts outstanding due on August 27, 2024 and the remaining balance due on August 27, 2025.

The Operating Loan and Term Loan (collectively the "Credit Facilities") are 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.

The interest rate on the Credit Facilities is the Lender's prime rate plus 4.5 percent per annum. Fees for Letters of Credit issued under the Operating Loan are 3.5 percent and standby fees on the unused portion of the authorized amount of the Operating Loan are 1.125 percent.

Altura is subject to certain reporting and financial covenants including:

- the Corporation is required to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facilities and the fair value of any commodity contracts are excluded and the unused portion of the Operating Loan is added to current assets.
- the Corporation will, at all times, maintain hedging agreements covering no less than 30 percent of Altura's forecasted total production for no less than the succeeding nine-month period, on a rolling basis whereby at least fifty percent of the hedged volumes (on a barrels of oil equivalent basis) must be crude oil hedges (Western Canadian Select);
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0 and,
- Altura was restricted to incur capital expenditures in excess of \$500,000 above the budget provided to the Lender from August 27, 2020 to January 31, 2021.

As at December 31, 2020, the working capital ratio as defined was 5.00:1 (December 31, 2019 – 4.0:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at December 31, 2020, \$4.0 million (December 31, 2019 - \$nil) was drawn on the Credit Facilities and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2019 - \$160,000).

The next review date for the Credit Facilities has been scheduled for May 31, 2021 but may be set at an earlier or later date at the sole discretion of the Lender.

10. LEASE LIABILITIES

The following table reconciles lease liabilities associated with Altura's office space and office equipment obligations:

(\$000)	Total
Balance, January 1, 2019	241
Lease interest (non-cash)	9
Lease interest (cash)	5
Total cash outflow	(13)
Balance, December 31, 2019	242
Lease interest (cash)	12
Total cash outflow	(48)
Balance, December 31, 2020	206

Altura has the following future commitments:

(\$000)	As at December 31, 2020
2021	50
2022	61
2023–2024	119
Total lease payments	230
Impact of discounting	(24)
Lease liabilities	206
Payments due within one year	50
Payments due beyond one year	156

11. 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 December 31, 2020 to be approximately \$5.4 million (December 31, 2019 – \$5.6 million) with the majority of costs anticipated to be incurred between 2030 and 2041. A risk-free Government of Canada long-term bond discount rate of 1.2 percent (December 31, 2019 – 1.8 percent) and an inflation rate of 1.5 percent (December 31, 2019 – 1.4 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Year ended December 31, 2020	Year ended December 31, 2019
Balance, beginning of year	5,378	5,771
Additions	80	274
Liabilities disposed (note 5)	(164)	(470)
Change in estimates ⁽¹⁾	634	(301)
Liabilities settled ⁽²⁾	(192)	-
Accretion	66	104
Balance, end of year	5,802	5,378
Expected to be incurred within one year	25	15
Expected to be incurred beyond one year	5,777	5,363

(1) The change in estimates is due to a change in the discount and inflation rates totaling \$625,000 (December 31, 2019 - \$237,000 credit) and a change in abandonment and remediation cost estimates and future abandonment dates totaling \$9,000 (December 31, 2019 - \$64,000 credit).

(2) For the year ended December 31, 2020, \$192,000 of obligations were indirectly settled through a government subsidy, whereby third-party service providers were reimbursed on behalf of Altura. Altura recorded the \$192,000 government subsidy in other income for the year ended December 31, 2020.

12. 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, 2018, December 31, 2019 and December 31, 2020	108,920,974	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 December 31, 2020 the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the years ended December 31, 2020 and 2019.

A summary of the Corporation's outstanding stock options at December 31, 2020 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2018	8,390,000	0.34
Granted	1,380,000	0.42
Balance, December 31, 2019	9,770,000	0.35
Expired	(3,250,000)	0.34
Forfeited	(435,000)	0.34
Balance, December 31, 2020	6,085,000	0.36

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2020 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	0.43	6,085,000	2.0	0.36	4,813,334	1.8	0.35
		6,085,000	2.0	0.36	4,813,334	1.8	0.35

No options were granted in the year ended December 31, 2020. The fair value of each option granted in the year ended December 31, 2019 was estimated using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	Year ended December 31, 2019
Weighted average fair value of options granted (\$)	0.23
Risk-free interest rate (%)	1.43
Expected life (years)	3.5
Expected volatility (%)	78.1
Estimated forfeiture rate (%)	5.0
Expected dividends (\$)	-

The Corporation's share-based compensation relating to stock options, fair valued on the date of grant using a Black Scholes model, for the year ended December 31, 2020 was \$230,000 (2019 – \$433,000) of which \$47,000 was capitalized (2019 – \$134,000).

(d) Weighted average common shares:

	Year ended December 31, 2020	Year ended December 31, 2019
Basic	108,920,974	108,920,974
Diluted	108,920,974	109,885,890

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

For the year ended December 31, 2020, 6,085,000 stock options were excluded from the weighted average number of common shares as they were anti-dilutive (2019 – 4,200,000 stock options and 9,749,879 performance warrants).

(e) Performance warrants:

	Number of Performance Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2018, December 31, 2019	9,749,879	0.449
Expired	(9,749,879)	0.449
Balance, December 31, 2020	-	-

The Corporation's 9,749,879 performance warrants were not exercisable and 9,400,000 expired on July 31, 2020 and 349,879 expired on August 28, 2020. Share-based compensation relating to performance warrants for the year ended December 31, 2020 was \$125,000 (2019 – \$341,000) of which \$22,000 was capitalized (2019 – \$64,000).

13. 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)	Year ended December 31, 2020	Year ended December 31, 2019
Heavy crude oil	6,227	22,602
Light crude & medium crude oil	78	300
Natural gas	1,913	1,983
Natural gas liquids	397	872
Petroleum and natural gas sales	8,615	25,757

As at December 31, 2020, receivables for revenue were \$857,000, which are included in accounts receivable (December 31, 2019 - \$1,498,000).

14. INCOME TAXES

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

(\$000)	Year ended December 31, 2020	Year ended December 31, 2019
Income (loss) before taxes	(23,785)	2,961
Combined federal and provincial income tax rate	24.0%	26.5%
Computed income tax expense (recovery)	(5,708)	785
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	75	164
Non-deductible expenses	-	2
Change in estimates and other	(8)	(7)
Change in corporate tax rate	222	(198)
Change in unrecognized deferred tax asset	3,947	-
Deferred tax expense (recovery)	(1,472)	746

Altura's combined federal and provincial income tax rate declined to 24.0 percent in 2020 as a result of the Alberta corporate income tax rate decreasing from 11.5 percent to 9.0 percent for 2020.

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

(\$000)	December 31, 2020	December 31, 2019
Deferred income tax liabilities:		
Property and equipment and E&E assets	(1,788)	(5,695)
ROU assets	-	(47)
Deferred income tax assets:		
Decommissioning liability	1,334	1,237
Fair value of financial instruments	85	108
Lease liabilities	48	57
Contract liability	-	92
Non-capital losses	304	2,754
Other	17	22
Deferred tax asset (liability)	-	(1,472)

The following tables provide a continuity of the deferred tax asset (liability):

(\$000)	December 31, 2019	Recognized change through profit and loss	December 31, 2020
Property and equipment and E&E assets	(5,695)	3,907	(1,788)
ROU assets	(47)	47	-
Decommissioning liability	1,237	97	1,334
Fair value of financial instruments	108	(23)	85
Lease liabilities	57	(9)	48
Contract liability	92	(92)	-
Non-capital losses	2,754	(2,450)	304
Other	22	(5)	17
Deferred tax asset (liability)	(1,472)	1,472	-

(\$000)	December 31, 2018	Recognized change through profit and loss	December 31, 2019
Property and equipment and E&E assets	(5,566)	(129)	(5,695)
ROU assets	-	(47)	(47)
Decommissioning liability	1,558	(321)	1,237
Fair value of financial instruments	-	108	108
Lease liabilities	-	57	57
Contract liability	-	92	92
Non-capital losses	3,258	(504)	2,754
Other	24	(2)	22
Deferred tax asset (liability)	(726)	(746)	(1,472)

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

(\$000)	December 31, 2020	December 31, 2019
Non-capital losses	17,163	-

Deferred income tax assets are recognized for tax loss and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. A deferred tax asset in the amount of \$3,947,000 (2019 - \$nil) has not been recognized as Management does not find it probable that the benefit will be realized. Included in this tax basis are estimated non-capital losses of \$18.5 million at December 31, 2020 that expire between 2025 and 2040.

15. FINANCIAL INSTRUMENTS

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

Credit Risk

Altura is exposed to third party credit risk through its contractual arrangements with its joint interest partners, marketers of petroleum and natural gas, financial instrument counterparties 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, accounts receivable and the fair value of financial instrument assets.

The majority of the credit exposure on accounts receivable at December 31, 2020, pertain to revenue for accrued December 2020 production volumes and receivables from joint interest partners. Altura primarily transacts with five oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. At December 31, 2020, 35 percent, 19 percent and 12 percent of total outstanding accounts receivable pertains to three marketing companies, and 17 percent pertains to a joint interest partner. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at December 31, 2020. For the year ended December 31, 2020, the Corporation received approximately 31 percent, 19 percent, 16 percent, 12 percent and 10 percent of its revenue from five marketing companies (2019 – 26 percent, 20 percent, and 20 percent of its revenue from three marketing companies).

At December 31, 2020 and 2019, the Corporation's trade receivables have been aged as follows:

As at (\$000)	December 31, 2020	December 31, 2019
Current	917	1,674
31 – 60 days	44	7
61 – 90 days	116	85
> 90 days	9	53
Allowance for doubtful accounts	-	-
Total	1,086	1,819

When determining whether amounts that are past due are collectible, 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 a joint interest partner and are considered collectible.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and external sources (bank credit markets and equity financing, if required) to meet current spending forecasts. However, future liquidity depends on the ability of the Corporation to access debt markets and generate cash flow from operations, which are also impacted by the availability under Altura's Credit Facilities and additional equity. Various industry risk factors, including uncertainty around improvements in global commodity prices and pipeline and transportation capacity constraints in Western Canada, may adversely affect the Corporation's future liquidity as pertains to these operational and financing requirements. All the accounts payable and accrued liabilities are due in less than one year and amounts outstanding on the Credit Facilities are due on demand.

Market Risk

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its Operating Loan. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada and the United States of America, but also by world events that dictate the levels of supply and demand.

Altura manages the risks associated with changes in commodity prices by entering into risk management contracts. At December 31, 2020, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at December 31, 2020 (\$000)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$32.25	(200)
Jan 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.20	(74)
Jul 1/21—Sep 30/21	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$36.70	(127)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$37.70	(40)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.70	(22)
Jan 1/21—Mar/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.825	36
Apr 1/21—Jun 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.455	25
Jul 1/21—Sep 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.580	28
Oct 1/21—Dec 31/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.545	5
						(369)

At December 31, 2020, the crude oil and natural gas contracts were fair valued with liability of \$369,000 (December 31, 2019 - \$432,000 liability) recorded on the balance sheet.

If the forward price curves for Western Canadian Select and AECO 5A increase or decrease by 10 percent, it is estimated that Altura's income before taxes would change by approximately \$400,000. The commodity price assumptions are based on management's assessment of reasonably possible changes in oil prices that could occur in the future. The sensitivity is hypothetical and based on management's assessment of reasonably possible changes in commodity prices after the balance sheet date. The result of the sensitivity is not predictive of future performance. Changes in the fair value of risk management contracts cannot generally be extrapolated because the relationship of change in certain variables to a change in fair value may not be linear.

Subsequent to December 31, 2020, Altura entered into the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Jan 1/22—Jan 31/22	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$51.00
Jan 1/22—Jan 31/22	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.720

Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar as compared to the US dollar will reduce the prices received by Altura for its petroleum and natural gas sales. The Corporation had no risk management contracts that would be affected by foreign currency changes in place at December 31, 2020.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facility is exposed to interest rate risk on floating interest rate indebtedness due to fluctuations in market interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at December 31, 2020.

If interest rates were to increase or decrease by one percent, it is estimated that Altura's net income would change by approximately \$35,000 for the year ended December 31, 2020 using the average monthly bank debt outstanding under Altura's Credit Facilities for the year ended December 31, 2020.

16. CAPITAL MANAGEMENT

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

The key measure that the Corporation utilizes in evaluating its capital structure is net debt to annualized adjusted funds flow.

Annualized Adjusted Funds Flow

Altura considers adjusted funds flow to be a key measure of performance as it demonstrates the Corporation's ability to generate the necessary funds for sustaining capital, future growth through capital investment, and to repay debt. Management believes that such a measure provides a useful assessment of Altura's business on a continuing basis by eliminating certain non-cash charges and transaction costs, if any, and actual settlements of decommissioning liabilities, the timing of which, in the opinion of management, is discretionary. Adjusted funds flow is a non-GAAP measure and the underlying calculation is not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used.

Annualized adjusted funds flow for the fourth quarters of 2020 and 2019 is calculated as follows:

(\$000)	Three months ended December 31	
	2020	2019
Net income (loss)	10,823	(56)
Adjusted for the following non-cash items		
Other income	(192)	-
Deferred tax expense (recovery)	-	33
Depletion, depreciation and amortization	874	1,899
Impairment (recovery)	(11,190)	-
Accretion of decommissioning liability	19	24
Share-based compensation	45	116
Loss on disposition of assets	-	417
Unrealized loss on financial instruments	439	530
Quarterly adjusted funds flow	818	2,963
Annualized adjusted funds flow	3,272	11,852

Net Debt

Management views net debt as a key industry benchmark and measure to assess the Corporation's financial position and liquidity. Net debt is a non-GAAP measure and the underlying calculation is not necessarily comparable or calculated in an identical manner to similarly titled measures of other companies where similar terminology is used.

Net debt as at December 31, 2020 and December 31, 2019 is summarized as follows:

(\$000)	December 31, 2020	December 31, 2019
Current assets	(1,307)	(2,110)
Current liabilities	5,608	3,168
Working capital deficit	4,301	1,058
Fair value of financial instruments	(369)	(432)
Current portion of lease liabilities	(50)	(48)
Current portion of decommissioning liability	(25)	(15)
Net debt	3,857	563

Net debt to annualized adjusted funds flow represents a measure of the time it is expected to take to pay off the debt if no further capital expenditures were incurred and if cash flow in the next year were equal to the amount in the most recent quarter annualized.

The Corporation monitors this ratio and endeavors to maintain it at, or below, 1:1 in a normalized commodity price environment. As shown below, the Corporation's ratio of net debt to annualized adjusted funds flow increased to 1.18:1 at December 31, 2020. The increase is due to Altura's capital expenditures in year ended December 31, 2020 exceeding adjusted funds flow and adding \$3.3 million to net debt from December 31, 2019 while adjusted funds flow decreased in the fourth quarter of 2020 compared to the fourth quarter of 2019 from lower production volumes and lower oil prices.

	December 31, 2020	December 31, 2019
Net debt (\$000)	3,857	563
Annualized adjusted funds flow (\$000)	3,272	11,852
Net debt to annualized adjusted funds flow (times)	1.18	0.05

The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There have been no changes in the Corporation's approach to capital management in 2020.

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Year ended December 31, 2020	Year ended December 31, 2019
Provided by (used in):		
Accounts receivable	733	(1,169)
Prepaid expenses and deposits	(72)	55
Accounts payable and accrued liabilities	(1,126)	(1,210)
	(465)	(2,324)
Provided by (used in):		
Operating activities	(96)	(1,000)
Investing activities	(369)	(1,324)
	(465)	(2,324)

18. PERSONNEL EXPENSES

The aggregate compensation of key management personnel was as follows:

(\$000)	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and benefits	1,344	1,661
Canada Emergency Wage Subsidy	(197)	-
Share-based compensation	350	764
	1,497	2,425
Capitalized portion of total compensation	(444)	(765)
	1,053	1,660

Altura's key management personnel include officers and directors of the Corporation. Salaries and benefits and share-based compensation include the capitalized and non-capitalized portion of these expenditures recorded in the financial statements during the respective periods.

19. COMMITMENT

Altura had a commitment to drill one horizontal well by December 31, 2020 in the Leduc-Woodbend area pursuant to a drilling commitment agreement with a royalty company. In September 2020, the Corporation renegotiated the commitment date from December 31, 2020 to January 31, 2022. The Corporation is subject to a non-performance penalty of \$157,500 if the commitment is not fulfilled.

CORPORATE INFORMATION

BOARD OF DIRECTORS

David Burghardt
President & Chief Executive Officer
Altura Energy Inc.

John Chambers
Independent Businessman

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

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 Financial
Calgary, Alberta

LEGAL COUNSEL

Lawson Lundell LLP
Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

STOCK TRADING

TSX Venture Exchange
Trading Symbol: **ATU**

