



## Altura Energy Inc. Announces Fourth Quarter and 2018 Financial and Operating Results

March 21, 2019

**Calgary, Alberta** - Altura Energy Inc. ("Altura" or the "Corporation") (TSXV: ATU) is pleased to announce its financial and operating results for the fourth quarter and year ended December 31, 2018. The audited consolidated financial statements and related management's discussion and analysis ("MD&A") are available at [www.sedar.com](http://www.sedar.com) and [www.alturaenergy.ca](http://www.alturaenergy.ca). Selected financial and operating information for the fourth quarter and year ended December 31, 2018 appear below and should be read in conjunction with the related financial statements and MD&A.

### OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended			Year ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>OPERATING</b>					
Average daily production					
Heavy oil (Bbls/d)	<b>1,044</b>	805	544	<b>720</b>	369
Medium oil (Bbls/d)	<b>46</b>	51	414	<b>193</b>	557
Natural gas (Mcf/d)	<b>1,699</b>	1,128	1,286	<b>1,369</b>	1,085
NGLs (Bbls/d)	<b>38</b>	23	30	<b>30</b>	22
Total (Boe/d)	<b>1,412</b>	1,067	1,202	<b>1,172</b>	1,128
Total Boe/d per million shares – diluted	<b>12.8</b>	9.5	11.0	<b>10.6</b>	10.3
Average realized prices					
Heavy oil (\$/Bbl)	<b>25.28</b>	56.59	55.73	<b>43.46</b>	51.41
Medium oil (\$/Bbl)	<b>51.44</b>	66.74	48.54	<b>57.94</b>	46.75
Natural gas (\$/Mcf)	<b>1.74</b>	1.23	1.81	<b>1.63</b>	2.33
NGLs (\$/Bbl)	<b>40.19</b>	51.30	45.46	<b>47.57</b>	42.79
Total (\$/Boe)	<b>23.57</b>	48.29	44.22	<b>39.40</b>	43.72
(\$/Boe)					
Petroleum and natural gas sales	<b>23.57</b>	48.29	44.22	<b>39.40</b>	43.72
Royalties	<b>(2.40)</b>	(4.57)	(3.24)	<b>(3.93)</b>	(3.88)
Operating	<b>(6.16)</b>	(7.09)	(9.72)	<b>(8.90)</b>	(10.06)
Transportation	<b>(2.45)</b>	(2.17)	(1.86)	<b>(2.03)</b>	(2.29)
Operating netback <sup>(1)</sup>	<b>12.56</b>	34.46	29.40	<b>24.54</b>	27.49
General and administrative	<b>(5.99)</b>	(4.25)	(6.20)	<b>(4.92)</b>	(4.31)
Exploration expense	<b>(0.04)</b>	(0.21)	-	<b>(0.06)</b>	-
Interest and financing expense	<b>(0.18)</b>	(0.03)	(0.38)	<b>(0.37)</b>	(0.20)
Interest income	-	0.34	-	<b>0.12</b>	0.04
Adjusted funds flow per Boe <sup>(1)</sup>	<b>6.35</b>	30.31	22.82	<b>19.31</b>	23.02
<b>FINANCIAL</b> (\$000, except per share amounts)					
Petroleum and natural gas sales	<b>3,062</b>	4,741	4,893	<b>16,847</b>	18,001
Adjusted funds flow <sup>(1)</sup>	<b>826</b>	2,977	2,526	<b>8,256</b>	9,478
Per share – diluted <sup>(1)</sup>	<b>0.01</b>	0.03	0.02	<b>0.07</b>	0.09
Net income (loss)	<b>(984)</b>	750	(1,032)	<b>2,693</b>	(103)
Per share – diluted <sup>(2)</sup>	<b>(0.01)</b>	0.01	(0.01)	<b>0.02</b>	-
Capital expenditures	<b>3,050</b>	16,717	3,083	<b>33,456</b>	22,302
Property acquisitions/(dispositions), net	<b>986</b>	2,637	(355)	<b>(24,089)</b>	(1,105)
Total capital expenditures, acquisitions and dispositions	<b>4,036</b>	19,354	2,728	<b>9,367</b>	21,197
Net debt <sup>(1)</sup>	<b>4,820</b>	1,887	3,729	<b>4,820</b>	3,729
Common shares outstanding (000)					
End of period – basic	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – basic <sup>(2)</sup>	108,921	108,921	108,921	108,921	108,921
Weighted average for the period – diluted <sup>(2)</sup>	110,260	112,281	109,570	110,412	109,138

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.

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

## 2018 ACHIEVEMENTS

- Drilled 10 (9.95 net) wells, including nine (8.95 net) extended reach horizontal ("ERH") wells in the Leduc-Woodbend area and one (1.0 net) horizontal well in the Macklin area. Additionally, the Corporation invested in key infrastructure at Leduc-Woodbend including the construction of a multi-well battery and a natural gas gathering pipeline that connects Altura's northern area production to a third-party gas plant.
- Reduced operating and transportation costs to \$10.93 per Boe, down 11 percent from 2017. This decrease is largely a result of lower-cost production growth into the new multi-well battery at Leduc-Woodbend and a disposition which had higher average operating costs.
- Closed the sale of its eastern Alberta and Saskatchewan assets (the "Disposition") producing 668 Boe per day in May 2018 for \$27.3 million (net of transaction costs and adjustments) leaving Altura with production of 502 Boe per day in June.
- Generated adjusted funds flow<sup>1</sup> of \$8.3 million (\$19.31 per Boe), or \$0.07 per share and net income of \$2.7 million, up from a net loss of \$0.1 million in 2017.
- Total capital expenditures, acquisitions and dispositions (including transactions costs on the Disposition) was \$9.8 million which was only \$1.5 million higher than adjusted funds flow<sup>1</sup> and resulted in fourth quarter production increasing 17 percent over last year on an absolute and per share basis.
- Finding and development costs<sup>2</sup> ("FD&A") were \$17.30 per Boe for proved developed producing ("PDP"), \$16.48 per Boe for total proved ("1P") and \$12.53 per Boe for total proved plus probable ("2P") reserves, including the changes in future development costs.
- Produced an average of 1,172 Boe per day (81 percent oil and liquids), an increase of four percent from 2017 on an absolute and per share basis. This production growth was achieved despite the May 2018 disposition of 668 Boe per day.
- Closed two acquisitions in the Leduc-Woodbend area for an aggregate cash consideration of \$3.6 million. The Corporation acquired 3.0 net sections of highly prospective lands in the Upper Mannville oil pool which added eight net ERH equivalent potential drilling opportunities<sup>3</sup> to the well inventory and a 60 percent working interest, including operatorship, of an oil unit producing approximately 120 net Boe per day (90 percent oil & liquids) of low decline Glauconitic 33° API oil.
- Maintained a conservative balance sheet with net debt<sup>1</sup> of \$4.8 million at December 31, 2018, or 0.6 times annual 2018 adjusted funds flow<sup>1</sup>.

## FOURTH QUARTER 2018 HIGHLIGHTS

- Produced an average of 1,412 Boe per day, an increase of 32 percent from the third quarter of 2018 and 17 percent from the fourth quarter of 2017, respectively, on an absolute and per share basis. Production increased to 2,053 Boe per day in October but was voluntarily curtailed in November to 1,512 Boe per day and in December to 675 Boe per day due to weak oil prices caused by wide Canadian oil differentials.
- Reduced operating and transportation costs to \$8.61 per Boe, down seven percent from the third quarter of 2018 and down 26 percent from the fourth quarter of 2017. This decrease is largely a result of lower cost production growth into the new multi-well battery at Leduc-Woodbend and the Disposition which had higher average operating costs.
- Capital expenditures including acquisitions totaled \$4.0 million which included one well completion, facility work at the previously commissioned multi-well battery to optimize fluid processing, initial costs related to an electrification project at the multi-well battery and associated pad sites and an acquisition for \$1.0 million.

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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.

2 Finding, development & acquisitions costs or FD&A costs, does not have a standardized meaning. See "Oil and Gas Advisories" contained in this news release.

3 Refer to the "Oil and Gas Advisories" section at the end of this news release for information on potential drilling opportunities.

- Generated adjusted funds flow<sup>1</sup> of \$0.8 million, or \$0.01 per share. Compared to last year, adjusted funds flow<sup>1</sup> declined by \$16.47 per Boe with the decrease of \$3.56 per Boe in operating costs being more than offset by a decrease of \$20.65 per Boe in petroleum and natural gas sales as a result of weaker oil prices caused by wider Canadian oil differentials.

#### **FOURTH QUARTER REVIEW**

The Canadian energy sector faced numerous challenges in the fourth quarter of 2018. The lack of pipeline access to international oil markets, the temporary seasonal maintenance of oil refineries in the United States, slow growth in the crude-by-rail option to transport crude to the United States, full Canadian oil storage and the growth of Canadian oil production all contributed to the fourth quarter widening of crude differentials and significantly reduced realized prices for Canadian light, medium and heavy crude oil.

After achieving record production of 2,053 Boe per day in October, production volumes were voluntarily curtailed in November and December in response to weak oil prices caused by extremely wide Canadian oil differentials. Even with the curtailments, production volumes averaged 1,412 Boe per day, which equated to per share increases of 32 percent from the third quarter of 2018 and 17 percent from the fourth quarter of 2017, respectively.

Altura achieved significant per unit cost reductions in 2018 with operating and transportation costs decreasing 26 percent to \$8.61 per Boe in the fourth quarter from \$11.58 per Boe in the fourth quarter of 2017. The decrease in per unit costs was mainly due to Altura's growth of lower-cost production and the completion of the multi-well battery at Leduc-Woodbend that enabled the Corporation to treat emulsion and dispose water on site. In addition, Altura realized operating costs savings from the Disposition, which had higher average operating costs.

The Corporation's operating netback<sup>1</sup> averaged \$12.56 per Boe, down 63 percent from the third quarter of 2018 and 57 percent from the fourth quarter of 2017. The decrease was due to the 59 percent decline in the WCS oil price in the quarter, partially mitigated by the operating and transportation costs reductions and lower royalties.

Adjusted funds flow<sup>1</sup> was \$0.8 million in the fourth quarter of 2018, down 72 percent from the third quarter of 2018 and down 67 percent from the fourth quarter of 2017 due primarily to the decline in realized oil prices.

Altura invested \$3.1 million at Leduc-Woodbend in the fourth quarter that included one well completion, facility work at the previously commissioned multi-well battery to optimize fluid processing, and initial costs related to an electrification project at the multi-well battery and associated pad sites.

#### **2018 RESERVES**

The independent evaluation of the Corporation's oil and natural gas reserves (the "McDaniel Report") was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 ("NI 51-101"). Year-over-year, proved developed producing ("PDP") reserves increased by eight percent from 1,595 MBoe to 1,725 MBoe. Total proved ("1P") reserves increased by 102 percent from 3,107 MBoe to 6,270 MBoe. Total proved plus probable ("2P") reserves increased by 89 percent from 5,370 MBoe to 10,126 MBoe. Percentage increases were the same on a per share basis.

These reserve additions were achieved notwithstanding the reserve reductions from the Disposition which represented 73 percent, 49 percent and 60 percent of the Corporation's year-end 2017 PDP, 1P and 2P reserve volumes respectively. See Altura's March 5, 2019 news release entitled, "Altura Energy Inc. Announces 2018 Reserves, an Operational Update and 2019 Guidance" available on Altura's website at [www.alturaenergy.ca](http://www.alturaenergy.ca) and as filed on SEDAR at [www.sedar.com](http://www.sedar.com). In addition to the information contained in the March 5, 2019 news release, more detailed reserves information will be included in Altura's Annual Information Form for the year ended December 31, 2018, which will be filed on SEDAR by April 30, 2019.

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## **FIRST QUARTER 2019 UPDATE**

The last well of Altura's 2018 summer drilling program, which was drilled and completed in 2018, was equipped for production in January 2019. The well commenced production on February 4, 2019 and initial production rates are consistent with the Corporation's other wells in the Leduc-Woodbend area. Corporate production in January 2019 was re-established at 2,000 Boe per day based on field estimates.

## **OUTLOOK**

Corporate guidance for 2019 remains as previously announced with a capital budget of \$15 million. The capital program is weighted to the second half of 2019 and includes drilling four ERH wells at Leduc-Woodbend. Additionally, Altura plans to implement a waterflood pilot project at Leduc-Woodbend which includes drilling on reduced inter-well spacing.

Altura's base production coupled with production from its capital program is forecasted to grow annual average production to between 1,700 to 1,800 Boe per day in 2019, compared to 1,172 Boe per day in 2018, representing more than a 45 percent increase on an absolute and per share basis.

Canadian oil prices have increased materially in the first quarter of 2019. In response to the extremely wide Canadian oil differentials in the fourth quarter, the Alberta government introduced mandatory production curtailment to balance the market and reduce crude oil differentials. The curtailment commenced in January 2019 and Canadian oil differentials have tightened significantly. WCS prices for January and February 2019 improved to US\$34 and US\$45 per barrel, respectively, from US\$6 per barrel in December 2018.

Management intends to continuously monitor well performance and commodity prices throughout the year and may at any time adjust the 2019 capital program if well performance is exceeding expectations or if oil prices deteriorate or strengthen. The budget leaves Altura with a conservative balance sheet and the flexibility to accelerate development in the second half of 2019 if results and commodity prices are supportive.

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

## **ABOUT ALTURA ENERGY INC.**

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.

An updated corporate presentation is available on Altura's website at [www.alturaenergy.ca](http://www.alturaenergy.ca).

## **READER ADVISORIES**

### **Forward-looking Information and Statements**

This press release 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 press release contains forward-looking information and statements pertaining to:

- the 2019 capital expenditure budget;
- forecasted average production and percent growth for 2019; and
- plans to implement a waterflood pilot project in 2019.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Altura including, without limitation:

- the continued performance of Altura's oil and gas properties in a manner consistent with its past experiences;
- that Altura will continue to conduct its operations in a manner consistent with past operations;
- the general continuance of current industry conditions;
- the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes;

- the accuracy of the estimates of Altura's reserves and resource volumes;
- certain commodity price and other cost assumptions;
- the continued availability of oilfield services; and
- the continued availability of adequate debt and equity financing and cash flow from operations to fund its planned expenditures.

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

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

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

The forward-looking information and statements contained in this press release speak only as of the date of this press release, 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.

## **Oil and Gas Advisories**

### ***Reserves***

McDaniel & Associates Consultants Ltd. is the Corporation's independent "qualified reserve evaluator" as defined in National Instrument 51-101. The McDaniel Report has an effective date of December 31, 2018 and a preparation date of March 4, 2019 and was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-101. The reserve evaluation was based on the average of the published price forecasts for McDaniel, GLJ Petroleum Consultants Ltd., and Sproule Associates Ltd. at January 1, 2019. The Reserves Committee of the Board and the Board of Directors of Altura have reviewed and approved the evaluation prepared by McDaniel.

All reserve references in this press release are "company share reserves". Company share reserves are the Corporation's total working interest reserves before the deduction of any royalties and including any royalty interests of the Corporation.

### ***Barrels of Oil Equivalent***

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

### ***Potential Drilling Opportunities***

Potential drilling opportunities have specifically been identified by management as an estimation of Altura's 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 the Corporation will actually drill wells will

ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, 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, other potential drilling opportunities may be 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 oil and gas reserves, resources or production.

### ***Finding, Development and Acquisition Costs***

Finding, development and acquisition costs or "FD&A costs" is a metric commonly used in the oil and natural gas industry. This metric does not have standardized meanings and may not be comparable to similar measures presented by other companies. As such, they should not be used to make comparisons. Management uses this oil and gas metric for its own performance measurements and to provide shareholders with measures to compare Altura's performance over time, however, such measure is not a reliable indicator of Altura's future performance and future performance may not compare to the performance in previous periods. FD&A is calculated by dividing the sum of the total capital expenditures for the year inclusive of the net acquisition costs and disposition proceeds (in dollars) by the change in reserves within the applicable reserves category inclusive of changes due to acquisitions and dispositions (in Boe). FD&A costs, including FDC, includes all capital expenditures in the year inclusive of the net acquisition costs and disposition proceeds as well as the change in FDC required to bring the reserves within the specified reserves category on production.

FD&A costs take into account reserves revisions and capital revisions during the year. The aggregate of the costs incurred in the financial year and changes during that year in estimated FDC may not reflect total FD&A costs related to reserves additions for that year. FD&A costs have been presented in this news release because acquisitions and dispositions can have a significant impact on Altura's ongoing reserves replacement costs and excluding these amounts could result in an inaccurate portrayal of its cost structure. Management uses FD&A as measures of its ability to execute its capital programs (and success in doing so) and of its asset quality. See Altura's March 5, 2019 news release entitled, "Altura Energy Inc. Announces 2018 Reserves, an Operational Update and 2019 Guidance" available on Altura's website at [www.alturaenergy.ca](http://www.alturaenergy.ca) and as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

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