

2021 SECOND QUARTER REPORT



OPERATIONAL AND FINANCIAL SUMMARY

	Three months ended			Six months ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
OPERATING					
Average daily production					
Heavy crude oil (bbls/d)	528	496	213	512	440
Light crude & medium crude oil (bbls/d)	-	-	-	-	4
Natural gas (Mcf/d)	2,543	2,356	1,154	2,450	2,040
NGLs (bbls/d)	57	53	30	55	59
Total (boe/d)	1,009	942	435	975	843
Total boe/d per million shares – diluted	9.3	8.6	4.0	9.0	7.7
Average realized prices					
Heavy crude oil (\$/bbl)	66.71	56.92	21.39	61.99	30.24
Natural gas (\$/Mcf)	3.39	3.30	2.06	3.35	2.16
NGLs (\$/bbl)	44.45	41.50	6.46	43.05	18.03
Average realized price (\$/boe)	45.97	40.59	16.36	43.39	22.37
(\$/boe)					
Petroleum and natural gas sales	45.97	40.59	16.36	43.39	22.37
Royalties	(5.15)	(4.45)	0.28	(4.81)	(1.38)
Operating expenses	(13.96)	(13.16)	(16.27)	(13.57)	(13.24)
Transportation expenses	(2.45)	(1.96)	(2.46)	(2.22)	(2.48)
Operating netback ⁽¹⁾	24.41	21.02	(2.09)	22.79	5.27
Realized gain (loss) on financial instruments	(6.67)	(4.75)	16.60	(5.75)	8.39
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	17.74	16.27	14.51	17.04	13.66
General and administrative	(4.46)	(5.49)	(7.98)	(4.95)	(4.66)
Interest and financing expense	(1.03)	(1.23)	(1.42)	(1.13)	(0.49)
Adjusted funds flow per boe ⁽¹⁾	12.25	9.55	5.11	10.96	8.51
FINANCIAL (\$000, except per share amounts)					
Petroleum and natural gas sales	4,220	3,440	647	7,660	3,430
Cash flow from operating activities	763	827	512	1,590	1,695
Adjusted funds flow ⁽¹⁾	1,125	809	204	1,934	1,306
Per share – basic ⁽¹⁾	0.01	0.01	-	0.02	0.01
Per share – diluted ⁽¹⁾	0.01	0.01	-	0.02	0.01
Net loss	(398)	(908)	(1,247)	(1,306)	(32,776)
Per share – basic	-	(0.01)	(0.01)	(0.01)	(0.30)
Per share – diluted ⁽²⁾	-	(0.01)	(0.01)	(0.01)	(0.30)
Capital expenditures	427	1,510	218	1,937	7,300
Property dispositions	(1,312)	(438)	(871)	(1,750)	(871)
Total capital expenditures, net	(885)	1,072	(653)	187	6,429
Net debt ⁽¹⁾	2,200	4,129	5,335	2,200	5,335
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	108,921	108,921	108,921

(1) Adjusted funds flow, net debt, operating netback, and operating netback after realized gain (loss) 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

SECOND QUARTER 2021 HIGHLIGHTS

- Production volumes averaged 1,009 boe per day in the quarter, up 132 percent year-over-year and seven percent from the first quarter of 2021.
- The Corporation closed two previously announced asset dispositions on April 27, 2021 and June 15, 2021, divesting of an aggregate 2.06 percent working interest for cash proceeds of \$1,312,000.
- Altura's net debt¹ was \$2.2 million at June 30, 2021, down from \$4.1 million at March 31, 2021, which represents 0.5 times the annualized quarterly adjusted funds flow. Excluding the impact of the realized loss on financial instruments, Altura's net debt to adjusted funds flow ratio would be very low at 0.2 times.
- Altura's realized heavy oil price increased 17 percent to \$66.71 per barrel in the quarter compared to \$56.92 per barrel in the first quarter of 2021 and increased 212 percent compared to \$21.39 per barrel in the second quarter of 2020.
- Operating expenses were \$13.96 per boe, compared to \$16.27 per boe in the second quarter of 2020. Transportation expenses were \$2.45 per boe, consistent with \$2.46 per boe in the second quarter of 2020.
- The Corporation's operating netback¹ averaged \$24.41 per boe, up 16 percent from the first quarter of 2021 due to higher crude oil and natural gas prices, partially offset by higher royalties and operating expenses.
- Adjusted funds flow¹ was \$1.1 million in the quarter, which is a 39 percent increase from the first quarter of 2021. This was mainly from higher commodity prices and higher production volumes which were partially offset by a \$0.6 million realized hedging loss.
- The net loss in the quarter was \$0.4 million, which decreased from \$0.9 million in the prior quarter and \$1.2 million in the second quarter of 2020.
- Altura invested \$0.4 million in capital expenditures which included workover costs related to four rod upgrades at Leduc-Woodbend to improve run-time efficiency and the lease construction costs related to the July 2021 drilling operation.

OPERATIONAL UPDATE

In July 2021, Altura drilled and completed an extended reach horizontal ("ERH") well under budget at 100/11-14-048-26W4 (the "11-14" well) (87.5% working interest) into the Rex member of the Upper Mannville at Leduc-Woodbend. The 11-14 well was drilled in the southern half of the pool and was classified as a probable location² in Altura's December 31, 2020 reserve report. Management believes that a successful 11-14 well will enable Altura to convert additional probable locations² adjacent to 11-14 to proved locations² in Altura's reserve report ending December 31, 2021.

The 11-14 ERH well is Altura's longest well to-date with a completed lateral length of 2,270 meters, which is 170 meters longer than previous Rex horizontal wells. The well was completed with 83 frac stages, which is a record number of stages for Altura. The longer well and increased frac density is expected to result in increased production and reserves compared to the average Leduc-Woodbend well of approximately 2,100 meters and a frac density of 55 stages. The 11-14 well commenced production mid-August and is in the cleanup phase, showing strong initial production rates and exceeding management's expectations. Altura will report production results on this well in the next quarterly release once it is fully cleaned-up.

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 See "Drilling Locations" contained within the "Advisories" section of Altura's MD&A

OUTLOOK

Altura has an active third quarter remaining with a second Leduc-Woodbend well (87.5% working interest) planned for September, with subsequent production in October. Additionally, the Corporation has budgeted a waterflood pilot project at Leduc-Woodbend, which is planned for the fourth quarter of 2021. Success of the pilot would result in gas/oil (GOR) ratio suppression, reservoir pressure maintenance and attenuated production declines which could add material upside to Altura's Rex oil pool reserve recoveries.

Altura's capital expenditure forecast for 2021 (excluding proceeds from asset dispositions) remains at \$7.5 million and average 2021 production is forecasted to be 1,100 to 1,150 boe per day, representing more than 25 percent growth over 2020 on a per share basis. With added production from the two new wells, improving commodity prices and a more favorable hedge book, Altura is forecasting substantial adjusted funds flow³ growth in the second half of 2021.

Altura's Leduc-Woodbend asset has a large economic well inventory of 47 (36.6 net) booked locations⁴ and 104 (66 net) additional drilling opportunities⁴ which at current commodity prices generates growth within cash flow while strengthening its balance sheet. See Altura's corporate presentation at www.alturaenergy.ca for further details on Altura's long-term plan.

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
August 25, 2021

³ 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

⁴ See "Drilling Locations" contained within the "Advisories" section of Altura's MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Altura Energy Inc. (the "Corporation" or "Altura") is dated August 25, 2021 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2021, the audited consolidated financial statements and related notes for the year ended December 31, 2020, as well as the Corporation's Annual Information Form ("AIF") that is filed on SEDAR at www.sedar.com. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise.

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

DESCRIPTION OF BUSINESS

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

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. Global oil demand improved steadily in the latter half of 2020 and first half of 2021 as economies began to reopen and governments approved the rollout of COVID-19 vaccines.

The West Texas Intermediate ("WTI") benchmark price increased in the second quarter of 2021, averaging 14 percent higher than the first quarter of 2021, and 137 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 17 percent in the second quarter of 2021 relative to the first quarter of 2021 and increased 199 percent relative to the second quarter of 2020.

Although government authorities have eased COVID-19 restrictions and global economies are improving, 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.

2021 GUIDANCE

2021 guidance is provided below along with a comparison to previous guidance. Previous 2021 guidance was updated in the Corporation's press release dated May 27, 2021, and Altura's First Quarter 2021 MD&A. Copies of the press release and MD&A are available under Altura's profile on SEDAR at www.sedar.com or on Altura's website at www.alturaenergy.ca.

	August 25, 2021 Guidance	Previous Guidance	2021 YTD Actual
2021 average production volumes (boe/d)	1,100 to 1,150	1,100 to 1,150	975
Capital expenditures (\$000)	7,500	7,500	1,937
Wells drilled	2 (1.8 net)	2 (1.8 net)	-
Wells completed	3 (2.7 net)	3 (2.7 net)	1 (0.9 net)

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 percent of corporate assets for \$3.0 million. If all three transactions closed, Altura would have sold a total working interest of 16.5 percent 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 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 \$2.5 million. Given that the parties agreed for the Second Commitment Well to be drilled in the Leduc-Woodbend area, PrivateCo will pay 12.5 percent of the well costs and earn a 12.5 percent working interest in the Second Commitment Well.

Subsequent to June 30, 2021, Altura drilled, completed and equipped the Second Commitment Well at Leduc-Woodbend and fulfilled the commitment.

June 30, 2020 Disposition

On June 30, 2020, Altura closed stage one of the First Amending Agreement and divested of a 1.375 percent 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 percent 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 stage three 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 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500. Altura recorded \$247,000 to D&P asset dispositions, \$2,000 to E&E asset dispositions, reduced the decommissioning liability by \$43,000 associated with the asset disposition and recorded a gain on disposition of \$232,000 for the three months ended March 31, 2021.

April 27, 2021 Disposition

Altura closed stage 3b of the Second Amending Agreement on April 27, 2021 divesting of a 0.6875 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500. Altura recorded \$246,000 to D&P asset dispositions, \$2,000 to E&E asset dispositions, reduced the decommissioning liability by \$40,000 associated with the asset disposition and recorded a gain on disposition of \$229,000 for the three months ended June 30, 2021.

June 15, 2021 Disposition

Altura closed the final stage of the Second Amending Agreement on June 15, 2021 divesting of a 1.375 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$875,000. Altura recorded \$491,000 to D&P asset dispositions, \$4,000 to E&E asset dispositions, reduced the decommissioning liability by \$81,000 associated with the asset disposition and recorded a gain on disposition of \$461,000 for the three months ended June 30, 2021.

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 on June 26, 2020.

RESULTS OF OPERATIONS

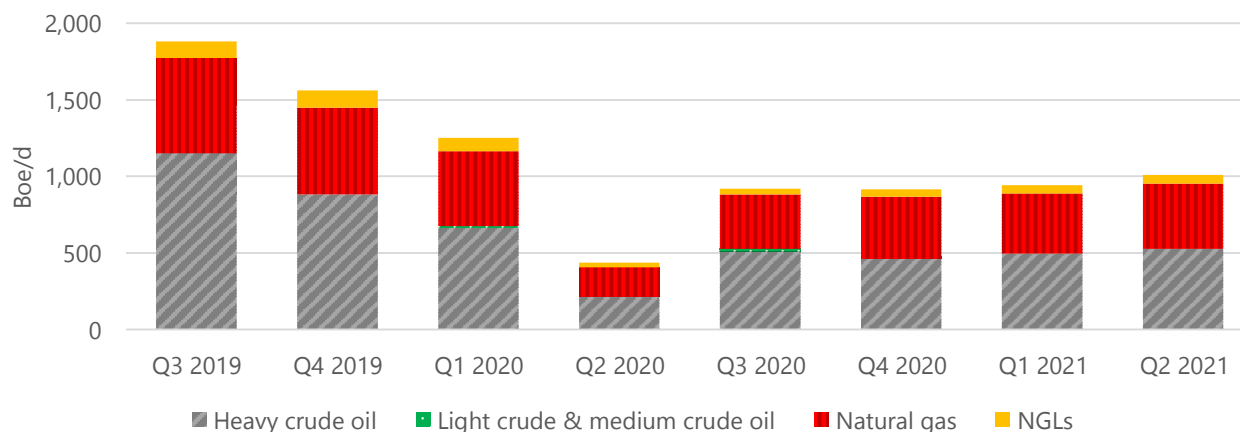
Production

	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Heavy crude oil (bbls/d)	528	213	148	512	440	16
Light crude & medium crude oil (bbls/d)	-	-	-	-	4	(100)
Natural gas (Mcf/d)	2,543	1,154	120	2,450	2,040	20
Natural gas liquids ("NGLs") (bbls/d)	57	30	90	55	59	(7)
Total (boe/d)	1,009	435	132	975	843	16
Oil and natural gas liquids % of production	58%	56%	4	58%	60%	(3)

During the second quarter of 2021, Altura's production increased 132 percent from the second quarter of 2020. The increase is primarily attributed to voluntary production curtailments of approximately 700 boe per day in the second quarter of 2020 due to low crude oil prices caused by the COVID-19 pandemic. Production in the second quarter of 2021 was affected by Altura divesting 4.13 percent of production in four working interest dispositions on June 30, 2020, September 30, 2020, January 29, 2021, and April 27, 2021.

During the first half of 2021, Altura's production increased 16 percent from the first half of 2020. The increased production relates to one (0.9 net) new well with 78 fracs (ie high density frac completion) brought on production in mid-February 2021 and lower production in the first half of 2020 due to the curtailed production volumes in the second quarter of 2020.

Quarterly Average Daily Production

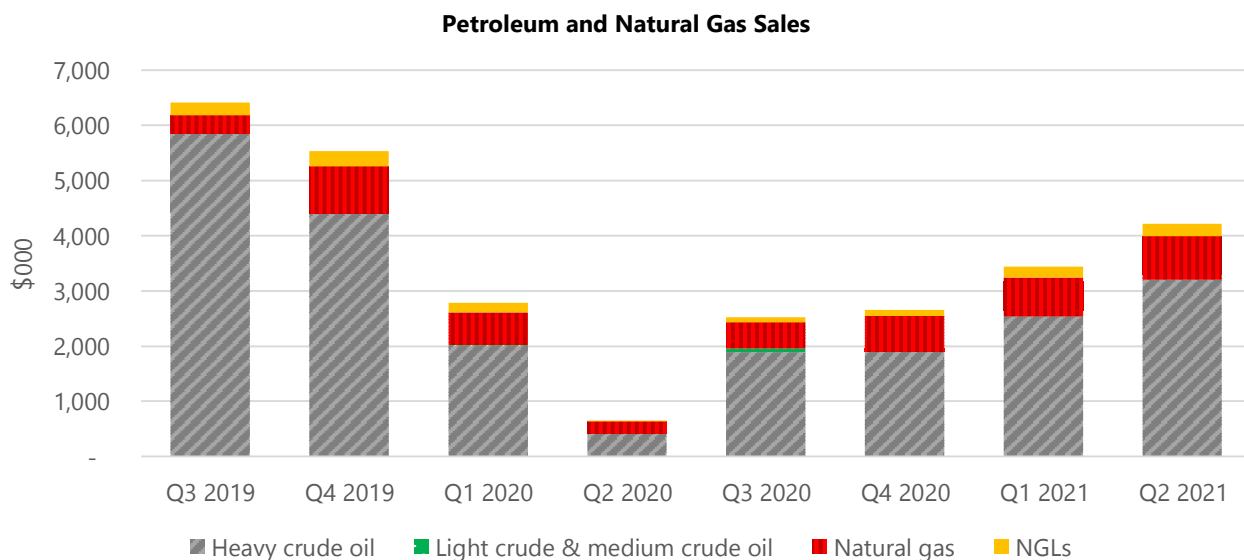


Petroleum and Natural Gas Sales

(\$000)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Heavy crude oil	3,203	413	>500	5,746	2,421	137
Light crude & medium crude oil	-	-	-	-	15	(100)
Natural gas	785	217	262	1,485	802	85
Natural gas liquids	232	17	>500	429	192	123
Petroleum and natural gas sales	4,220	647	>500	7,660	3,430	123

Petroleum and natural gas sales for the second quarter of 2021 increased 552 percent to \$4,220,000 compared to \$647,000 in the second quarter of 2020. The increase of \$3,573,000 consists of \$2,683,000 attributed to increased realized commodity prices and \$890,000 attributed to increased production volumes.

For the six months ended June 30, 2021, petroleum and natural gas sales increased 123 percent to \$7,660,000 compared to \$3,430,000 in the same period of 2020. The increase of \$4,230,000 consists of \$3,720,000 attributed to increased realized commodity prices and \$510,000 attributed to increased production volumes.



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:

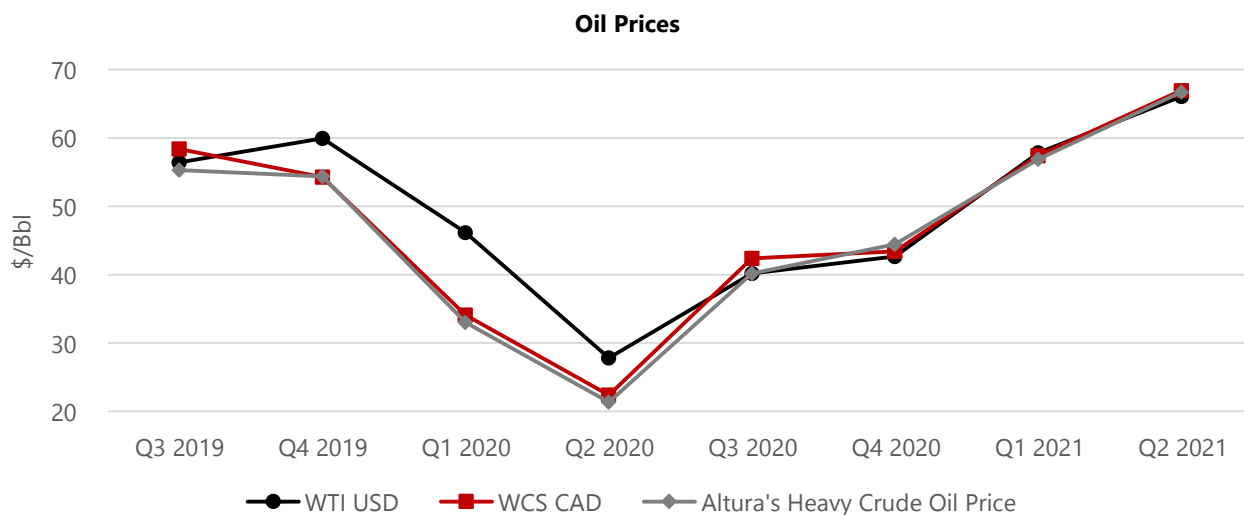
	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Average Benchmark Prices						
WTI crude oil (US\$/bbl) ⁽¹⁾	66.07	27.85	137	61.96	37.01	67
WCS differential (US\$/bbl) ⁽²⁾	(11.49)	(11.47)	-	(11.98)	(16.00)	(25)
US\$/Cdn\$ exchange rate	0.814	0.722	13	0.802	0.732	10
WCS (Cdn\$/bbl)	66.97	22.42	199	62.20	28.27	120
AECO daily spot (\$/GJ)	2.93	1.89	55	2.96	1.91	55
Average Realized Prices						
Heavy crude oil (\$/bbl)	66.71	21.39	212	61.99	30.24	105
Natural gas (\$/Mcf)	3.39	2.06	65	3.35	2.16	55
Natural gas liquids (\$/bbl)	44.45	6.46	>500	43.05	18.03	139
Average realized price (\$/boe)	45.97	16.36	181	43.39	22.37	94

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

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

For the second quarter of 2021, WTI increased 137 percent to US\$66.07 per barrel compared to the second quarter of 2020 and the differential between WTI and WCS was consistent with the second quarter of 2020 at US\$11.49 per barrel. The increase in WTI with a consistent WCS differential resulted in WCS increasing 199 percent to \$66.97 per barrel and Altura's realized heavy crude oil price increasing 212 percent to \$66.71 per barrel from the second quarter of 2020.

For the first half of 2021, WTI increased 67 percent to US\$61.96 per barrel compared to the first half of 2020 and the differential between WTI and WCS narrowed 25 percent to US\$11.98 per barrel, resulting in WCS increasing 120 percent to \$62.20 per barrel and Altura's realized heavy oil price increasing 105 percent to \$61.99 per barrel.



In the second quarter of 2021, Altura's realized natural gas price increased by 65 percent to \$3.39 per Mcf from the second quarter of 2020 while the AECO daily spot price increased 55 percent to \$2.93 per GJ. In the first half of 2021, Altura's realized natural gas price increased by 55 percent to \$3.35 per Mcf from the first half of 2020 while the AECO daily spot price increased 55 percent to \$2.96 per GJ.

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 June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Realized gain (loss) on financial instruments	(612)	658	(193)	(1,015)	1,287	(179)
Realized gain (loss) on financial instruments per boe	(6.67)	16.60	(140)	(5.75)	8.39	(169)

For the second quarter of 2021, the realized loss on financial instruments was \$612,000 as compared to a realized gain on financial instruments of \$658,000 in the second quarter of 2020. The second quarter loss is mainly attributed to the recovery in crude oil prices with WCS averaging \$66.97 per barrel in the second quarter of 2021, compared to Altura's average crude oil contract price of \$35.73 per barrel.

For the first half of 2021, the realized loss on financial instruments was \$1,015,000 as compared to a realized gain on financial instruments of \$1,287,000 in the first half of 2020. The loss in the first half of 2021 is mainly attributed to the recovery in crude oil prices with WCS averaging \$62.20 per barrel in the first half of 2021, compared to Altura's average crude oil contract price of \$35.73 per barrel.

At June 30, 2021, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at June 30, 2021 (\$'000)
WCS Swap Contracts						
Jul 1/21—Sep 30/21	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$36.70	(655)
Oct 1/21—Dec 31/21	Crude Oil	Fixed Swap	100 Bbls/d	WCS	CAD \$37.70	(289)
Oct 1/21—Dec 31/21	Crude Oil	Fixed Swap	100 Bbls/d	WCS	CAD \$39.70	(271)
Jan 1/22—Jan 31/22	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$51.00	(113)
Feb 1/22—Feb 28/22	Crude Oil	Fixed Swap	125 Bbls/d	WCS	CAD \$55.50	(46)
Mar 1/22—Mar 31/22	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$57.50	(63)
Feb 1/22—Feb 28/22	Crude Oil	Fixed Swap	75 Bbls/d	WCS	CAD \$66.70	(4)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS	CAD \$65.75	(8)
WCS Differential Swap Contracts						
Aug 1/21—Mar 31/22	Crude Oil	Fixed Swap	150 Bbls/d	WCS-WTI Differential	CAD (\$17.95)	(41)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS-WTI Differential	CAD (\$17.00)	(7)
WTI Put Options						
Jul 1/21—Mar 31/22	Crude Oil	Put Option ⁽¹⁾	150 Bbls/d	WTI	CAD \$62.00	20
Apr 1/22—Apr 30/22	Crude Oil	Put Option ⁽²⁾	175 Bbls/d	WTI	CAD \$62.00	9
Natural Gas Swap Contracts						
Jul 1/21—Sep 30/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.580	(70)
Oct 1/21—Dec 31/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.545	(104)
Jan 1/22—Jan 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.720	(31)
Jul 1/21—Jul 31/21	Natural Gas	Fixed Swap	500 GJ/d	AECO 5A	CAD \$2.64	(9)
Aug 1/21—Aug 31/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.44	(28)
Sep 1/21—Sep 30/21	Natural Gas	Fixed Swap	500 GJ/d	AECO 5A	CAD \$2.60	(13)
Feb 1/22—Feb 28/22	Natural Gas	Fixed Swap	750 GJ/d	AECO 5A	CAD \$2.87	(17)
Mar 1/22—Mar 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.79	(16)
Apr 1/22—Apr 30/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.68	(2)
Feb 1/22—Feb 28/22	Natural Gas	Fixed Swap	250 GJ/d	AECO 5A	CAD \$3.62	-
						(1,758)

(1) Altura recorded \$58,000 to accounts payable and accrued liabilities, which represents the amount payable to the counterparty on this contract for the deferred premium of \$1.40 per barrel.

(2) Altura recorded \$14,000 to accounts payable and accrued liabilities, which represents the amount payable to the counterparty on this contract for the deferred premium of \$2.65 per barrel.

At June 30, 2021, the crude oil and natural gas contracts were fair valued with an liability of \$1,758,000 (December 31, 2020 - \$369,000 liability) recorded on the balance sheet and an unrealized loss of \$595,000 and \$1,461,000 recorded in net loss for the three and six months ended June 30, 2021 (2020-\$1,494,000 unrealized loss and \$875,000 unrealized gain), respectively.

Subsequent to June 30, 2021, Altura entered into the following crude oil and natural gas contracts:

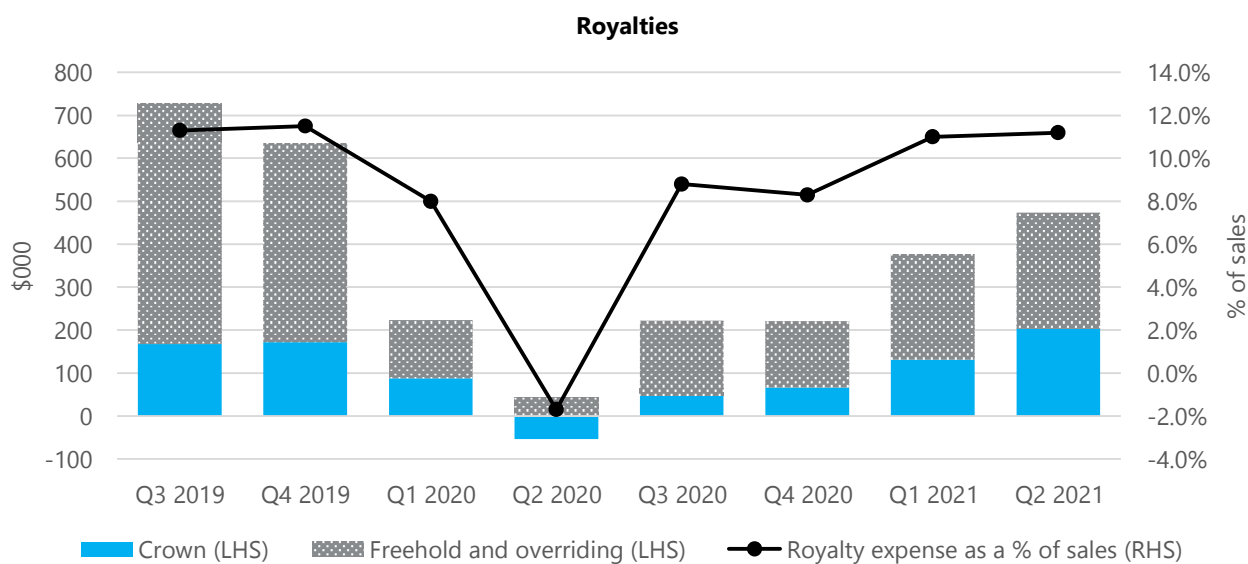
Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS	CAD \$65.50
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS-WTI Differential	CAD (\$16.70)
May 1/22—May 31/22	Crude Oil	Put Option ⁽¹⁾	175 Bbls/d	WTI	CAD \$62.00
May 1/22—May 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.73

(1) Deferred premium of \$2.50 per barrel payable to the counterparty.

Royalties

(\$000, except % and per boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Crown royalties	203	(54)	(476)	334	34	>500
Freehold and overriding royalties	270	43	528	516	178	190
Royalty expense	473	(11)	(>500)	850	212	301
Royalty expense as a % of sales	11.2%	(1.7%)	(>500)	11.1%	6.2%	79
Royalty expense per boe	5.15	(0.28)	(>500)	4.81	1.38	249

In the second quarter of 2021, royalty expense increased to \$473,000 (11.2 percent of sales) compared to a credit of \$11,000 in the second quarter of 2020. In the first half of 2021, royalty expense increased 301 percent to \$850,000 compared to \$212,000 in the first half of 2020. The increases in both periods in royalty expense and royalty expense as a % of sales is due to higher sales revenue from increased production and higher commodity prices, combined with a higher average royalty rate due to increased commodity prices compared to the same periods in 2020.



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

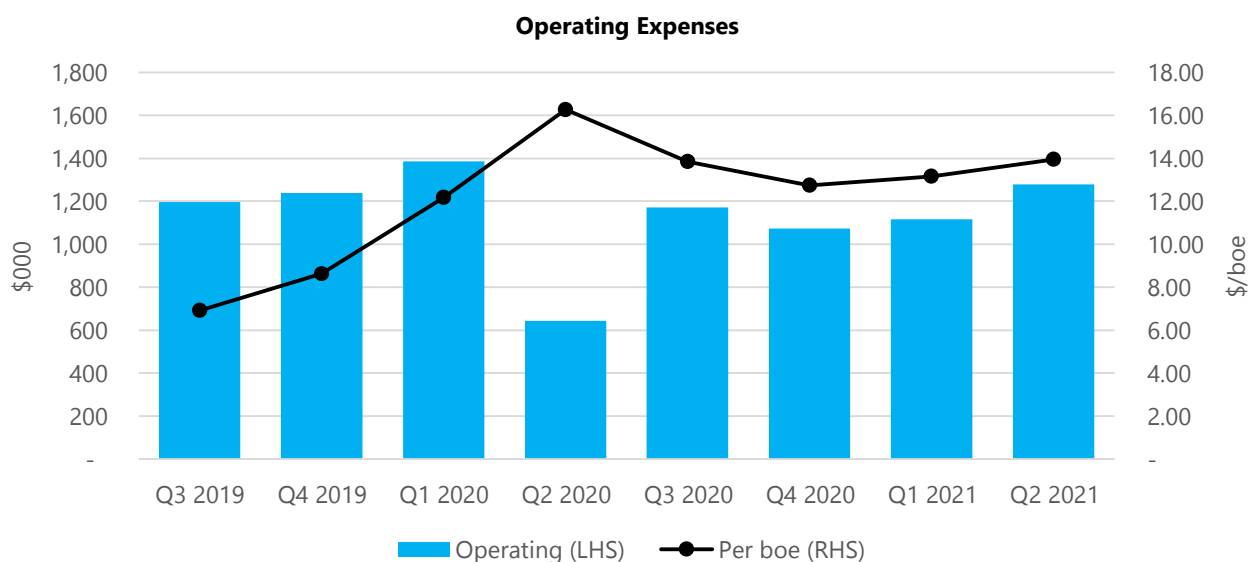
RHS = refer to Y axis scale on Right Hand Side of graph

Operating

(\$000, except per boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Operating	1,280	644	99	2,396	2,030	18
Operating per boe	13.96	16.27	(14)	13.57	13.24	2

Operating expenses increased \$636,000 in the second quarter of 2021 to \$1,280,000 as compared to \$644,000 in the second quarter of 2020. In the first half of 2021, operating expenses increased \$366,000 to \$2,396,000 compared to \$2,030,000 in the first half of 2020. These increases are due to increased production volumes from the curtailed production in the three and six months ended June 30, 2020.

On a per boe basis, operating expenses decreased to \$13.96 per boe in the second quarter of 2021 compared to \$16.27 per boe in the second quarter of 2020. The decrease is mainly due to higher per unit costs in the second quarter of 2020 from voluntary production curtailments. For the first half of 2021, operating costs were \$13.57 per boe, up two percent from the first half of 2020 due to higher repairs and maintenance costs and higher electricity costs.

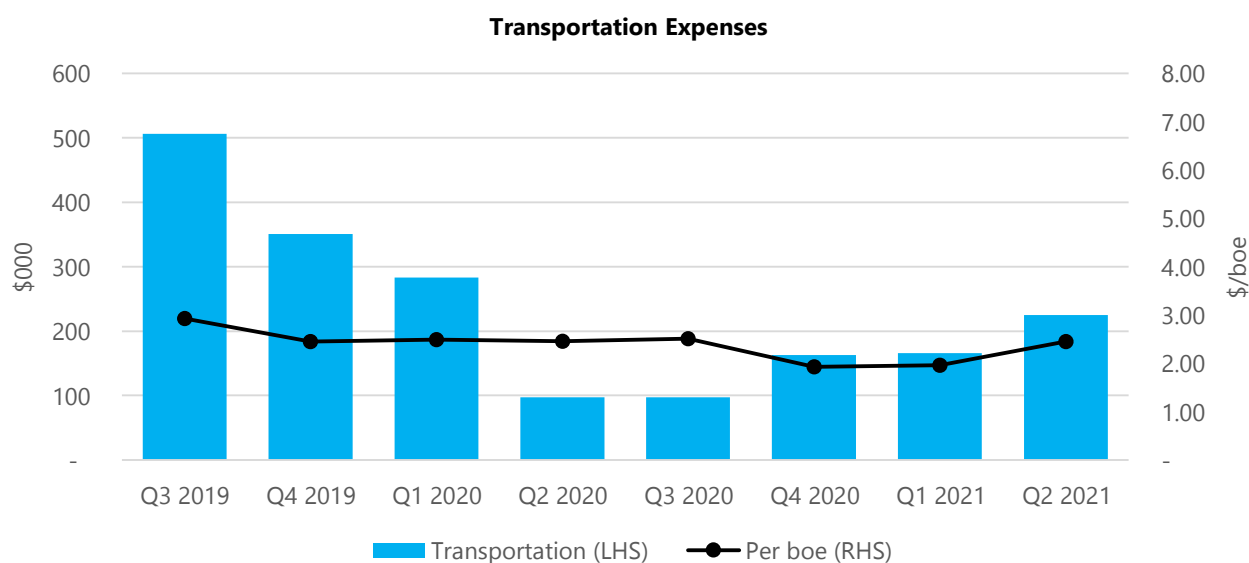


Transportation

(\$000, except per boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Transportation	225	97	132	391	380	3
Transportation per boe	2.45	2.46	-	2.22	2.48	(10)

Transportation costs for the three and six months ended June 30, 2021 increased to \$225,000 and \$391,000 as compared to \$97,000 and \$380,000 in comparable prior periods, due mainly to increased production volumes.

On a per boe basis, transportation expenses decreased to \$2.45 per boe and \$2.22 per boe in the three and six months ended June 30, 2021, respectively, compared to \$2.46 per boe and \$2.48 per boe in the same periods of 2020. The decrease in the six months ended June 30, 2021 is due to decreased clean oil hauling rates in the first quarter of 2021.



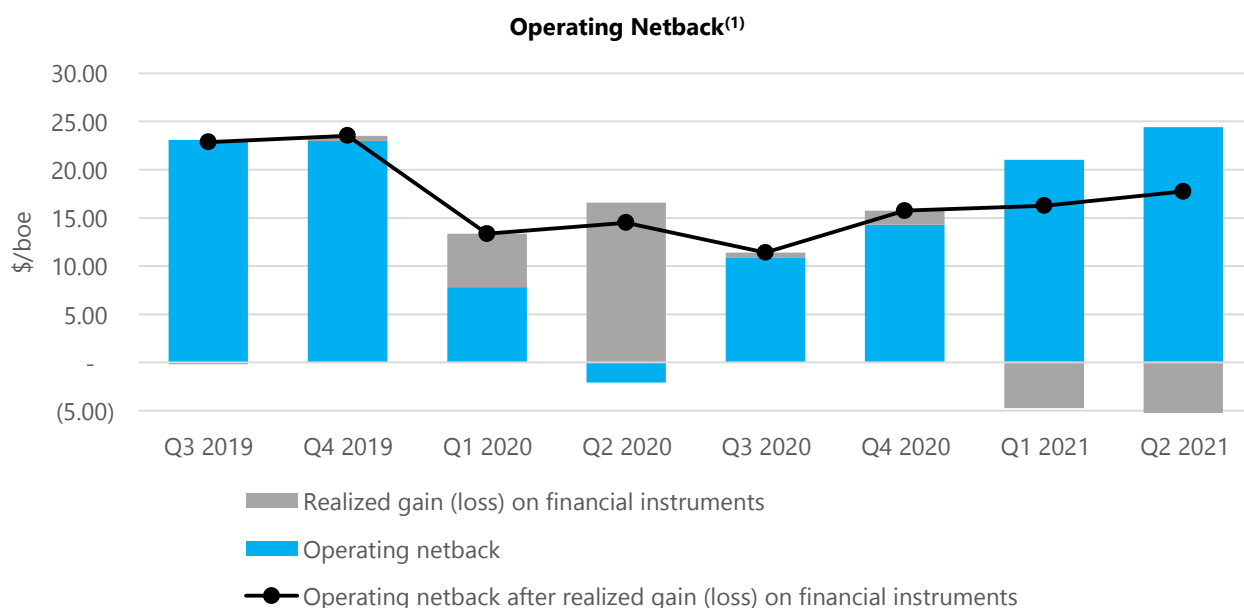
Operating Netback

(\$/boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Petroleum and natural gas sales	45.97	16.36	181	43.39	22.37	94
Royalties	(5.15)	0.28	(>500)	(4.81)	(1.38)	249
Operating	(13.96)	(16.27)	(14)	(13.57)	(13.24)	2
Transportation	(2.45)	(2.46)	-	(2.22)	(2.48)	(10)
Operating netback ⁽¹⁾	24.41	(2.09)	(>500)	22.79	5.27	332
Realized gain (loss) on financial instruments	(6.67)	16.60	(140)	(5.75)	8.39	(169)
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	17.74	14.51	22	17.04	13.66	25

(1) Operating netback and operating netback after realized gain (loss) 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 \$24.41 per boe in the second quarter of 2021 compared to negative \$2.09 per boe in the second quarter of 2020. The increase is a result of higher crude oil and natural gas prices and lower operating costs, partially offset by higher royalties. Altura's operating netback after realized gain (loss) on financial instruments was \$17.74 per boe in the second quarter of 2021 compared to \$14.51 in the second quarter of 2020.

In the first half of 2021, Altura's operating netback was \$22.79 per boe compared to \$5.27 per boe in the first half of 2020. The increase is a result of higher crude oil and natural gas prices and lower transportation costs, partially offset by higher operating costs and royalties. Altura's operating netback after realized gain (loss) on financial instruments was \$17.04 per boe in the first half of 2021 compared to \$13.66 in the first half of 2020.



(1) Operating netback and operating netback after realized gain (loss) 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.

General and Administrative ("G&A") Expenses

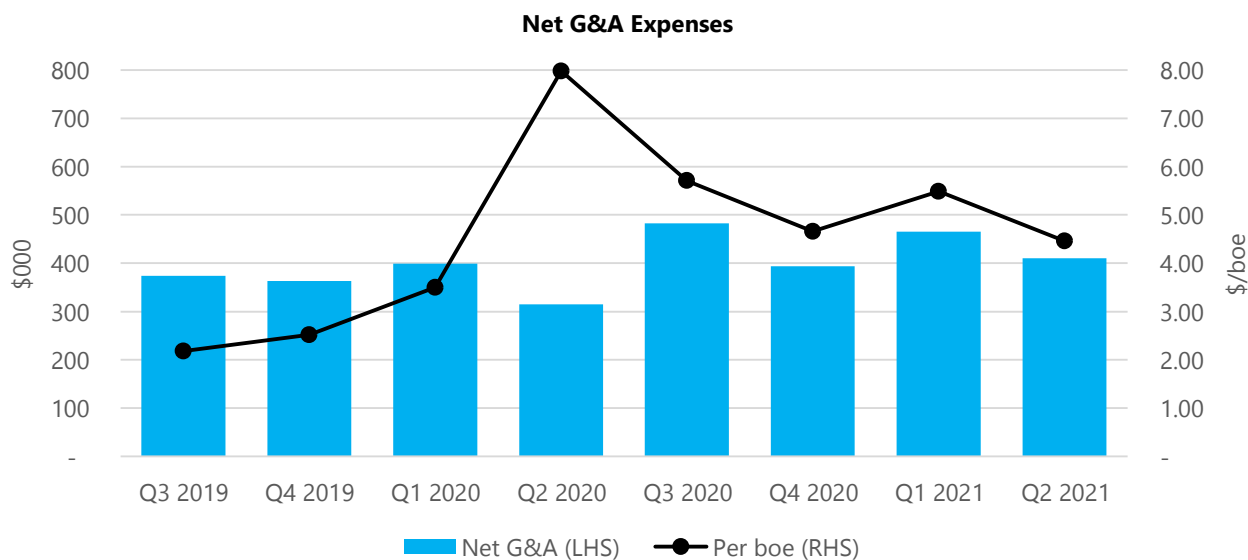
(\$000, except per boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Gross G&A	552	440	25	1,137	1,035	10
Capitalized G&A and overhead recoveries	(142)	(125)	14	(262)	(321)	(18)
Net G&A expenses	410	315	30	875	714	23
Net G&A per boe	4.46	7.98	(44)	4.95	4.66	6

Net G&A expenses totaled \$410,000 in the second quarter of 2021, compared to \$315,000 in the second quarter of 2020. The increase is primarily due to increased professional services, consulting, insurance costs and decreased funds received from the Canada emergency subsidy programs. Net G&A expenses decreased to \$4.46 per boe in the second quarter of 2021, compared to \$7.98 per boe in the second quarter of 2020 due to increased production volumes.

In the first half of 2021, net G&A expenses totaled \$875,000 compared to \$714,000 in the first half of 2020. On a per boe basis, net G&A expenses increased to \$4.95 per boe in the first half of 2021, compared to \$4.66 per boe in the first half of 2020. The increases in aggregate and on a per boe basis are primarily due to increased professional services, consulting, and insurance costs and decreased capitalized G&A associated with reduced capital spending in the period.

Altura received \$61,000 and \$110,000 in the three and six months ended June 30, 2021, respectively, under the Canada emergency subsidy programs (2020 - \$88,000 and \$88,000).

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 June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Credit facility interest and financing expenses	92	53	74	193	69	180
Lease interest	3	3	-	6	6	-
Interest and financing expenses	95	56	70	199	75	165
Interest and financing expenses per boe	1.03	1.42	(27)	1.13	0.49	131

Interest and financing expenses totaled \$95,000 and \$199,000 in the three and six months ended June 30, 2021, respectively, compared to \$56,000 and \$75,000 in the same periods of 2020. The increase in both periods is primarily due to higher credit facility renewal fees amortized over the periods, higher interest rates and higher average bank indebtedness. Altura's average interest rate in the six months ended June 30, 2021 was 6.9 percent, compared to 4.8 percent in the same period of 2020.

Share-Based Compensation

(\$000)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Share-based compensation	171	100	71	202	229	(12)
Capitalized share-based compensation	(21)	(20)	5	(25)	(55)	(55)
Share-based compensation expense	150	80	95	177	174	(2)

Altura's share-based compensation is related to the granting of stock options (and performance warrants in the prior comparative period). 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 \$150,000 and \$177,000 in the three and six months ended June 30, 2021, compared to \$80,000 and \$174,000 in the same periods of 2020, respectively. The increases reflect stock option expense associated with the stock options granted in June 2021.

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 June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
DD&A	1,113	429	159	2,143	2,079	3
DD&A per Boe	12.12	10.84	12	12.14	13.56	(10)

For the three and six months ended June 30, 2021, DD&A increased to \$1,113,000 and \$2,143,000, respectively, compared to \$429,000 and \$2,079,000 in the same periods of 2020. The increases are due to higher production volumes in the three and six months ended June 30, 2021, compared to the same periods of 2020.

On a per unit basis, DD&A increased to \$12.12 per boe in the three months ended June 30, 2021, compared to \$10.84 per boe in the same period of 2020. The increased per unit depletion is due to the impairment reversal recorded in the fourth quarter of 2020, which increased the net book value subject to depletion in the second quarter of 2021, relative to the second quarter of 2020. In the first half of 2021, DD&A decreased to \$12.14 per boe compared to \$13.56 per boe in the first half of 2020. The decreased per unit depletion is due to the impairment recorded in the first quarter of 2020, which decreased the net book value subject to depletion in the first half of 2021, relative to the first half 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.

June 30, 2021

E&E Assets

An impairment test was conducted on Altura's exploration and evaluation ("E&E") assets, which are all in the Entice area. As a result of its impairment test, Altura recognized an impairment charge of \$0.3 million on E&E assets in the three and six months ended June 30, 2021, relating to land and well costs associated with the exploratory well drilled in the first quarter of 2020.

D&P Assets

Altura evaluated its developed and producing ("D&P") assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified, and no impairment or impairment reversal was recorded on Altura's D&P assets in the three and six months ended June 30, 2021.

March 31, 2020

E&E Assets

An impairment test was conducted on Altura's E&E assets, which are all in the Entice area. As a result of its impairment test, Altura recognized an impairment charge of \$4.8 million on E&E assets in the three months ended March 31, 2020.

D&P Assets

An impairment test was conducted on Altura's D&P assets in Altura's Leduc-Woodbend CGU. Altura has only one CGU. As a result of its impairment test, Altura recognized an impairment charge of \$30.0 million on D&P and right-of-use ("ROU") assets in the three months ended March 31, 2020.

December 31, 2020

At December 31, 2020, indicators of impairment reversal were 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 March 31, 2020 impairment test. An impairment test was performed on D&P assets and the Corporation recognized an impairment reversal of \$11.2 million in the fourth quarter of 2020.

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.

Deferred Taxes

The Corporation recognized a deferred tax recovery of nil in the three and six months ended June 30, 2021, compared to deferred tax recovery of nil and \$1,472,000 in the same periods of 2020. The deferred tax recovery in the first half of 2020 was due to the pre-tax loss recorded in the three months ended March 31, 2020 which reduced the Corporation's deferred tax liability to nil. Altura has not recognized a deferred tax asset at June 30, 2021 as Management did not find it probable that the benefit will be realized.

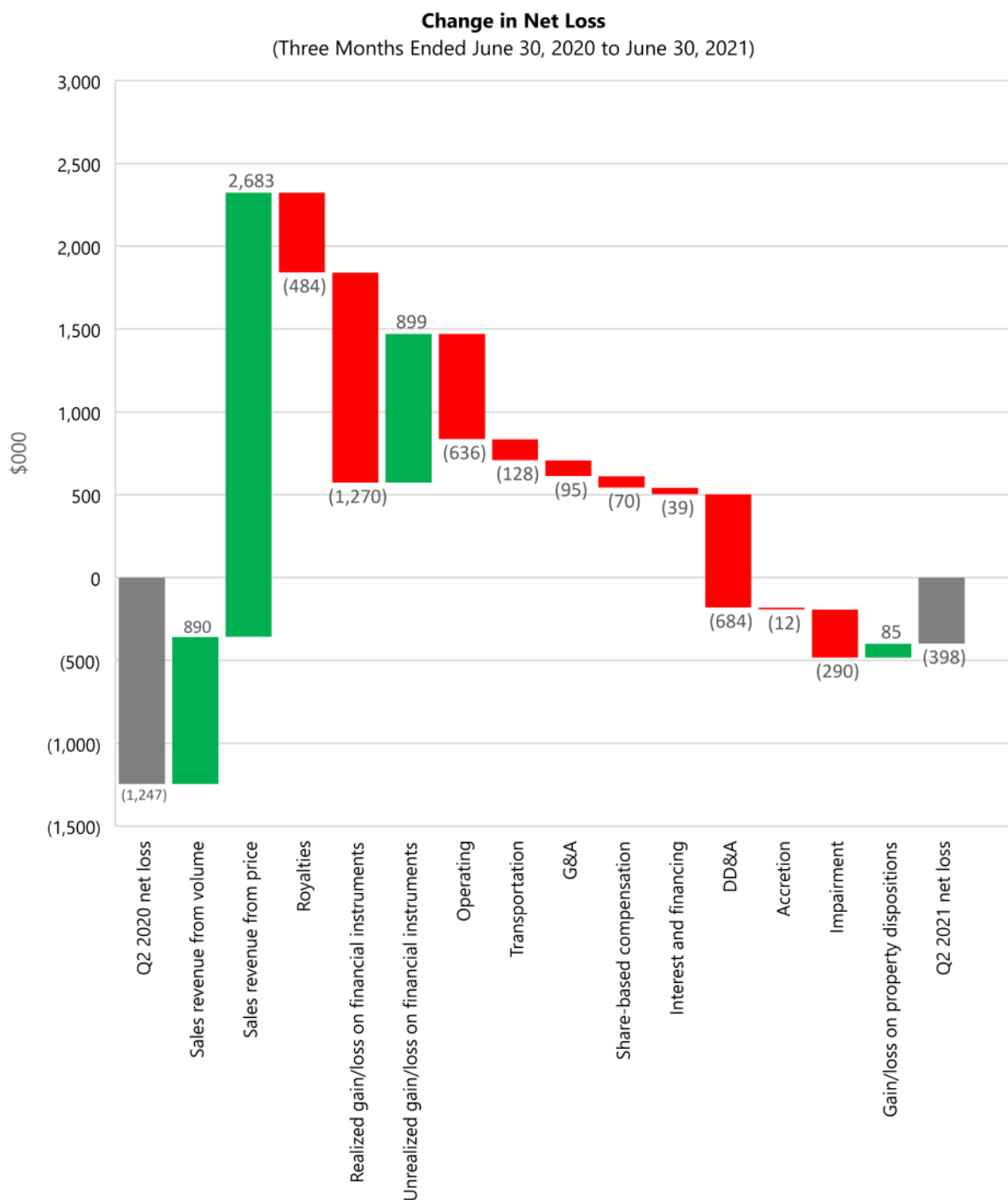
Net Loss and Adjusted Funds Flow

(\$000, except per share amounts and per boe)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Net loss	(398)	(1,247)	(68)	(1,306)	(32,776)	(96)
Per share – basic	-	(0.01)	(100)	(0.01)	(0.30)	(97)
Per share – diluted	-	(0.01)	(100)	(0.01)	(0.30)	(97)
Cash flow from operating activities	763	512	49	1,590	1,695	(6)
Adjusted funds flow ⁽¹⁾	1,125	204	451	1,934	1,306	48
Per share – basic ⁽¹⁾	0.01	-	-	0.02	0.01	100
Per share – diluted ⁽¹⁾	0.01	-	-	0.02	0.01	100
Adjusted funds flow per boe ⁽¹⁾	12.25	5.11	140	10.96	8.51	29

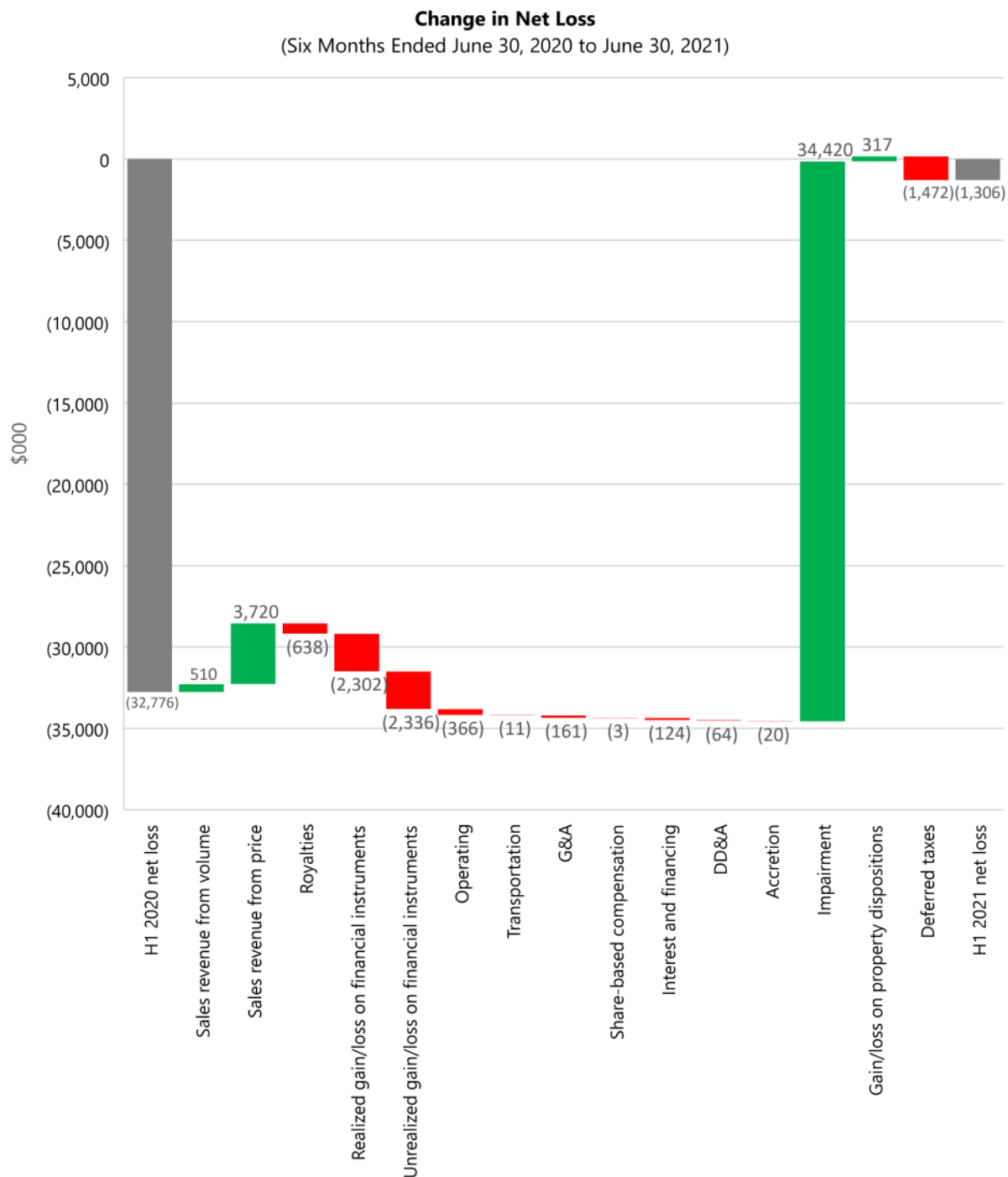
(1) Adjusted funds flow is a non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to the heading entitled "Non-GAAP Measures" included in the "Advisories" section at the end of this MD&A.

Net Loss

In the second quarter of 2021, the net loss decreased to \$0.4 million compared to a net loss of \$1.2 million in the second quarter of 2020. The decreased net loss primarily reflects increased commodity prices and production volumes and a decreased unrealized loss on financial instruments, partially offset by higher royalties, an increased realized loss on financial instruments, and higher operating, DD&A, and impairment expenses.

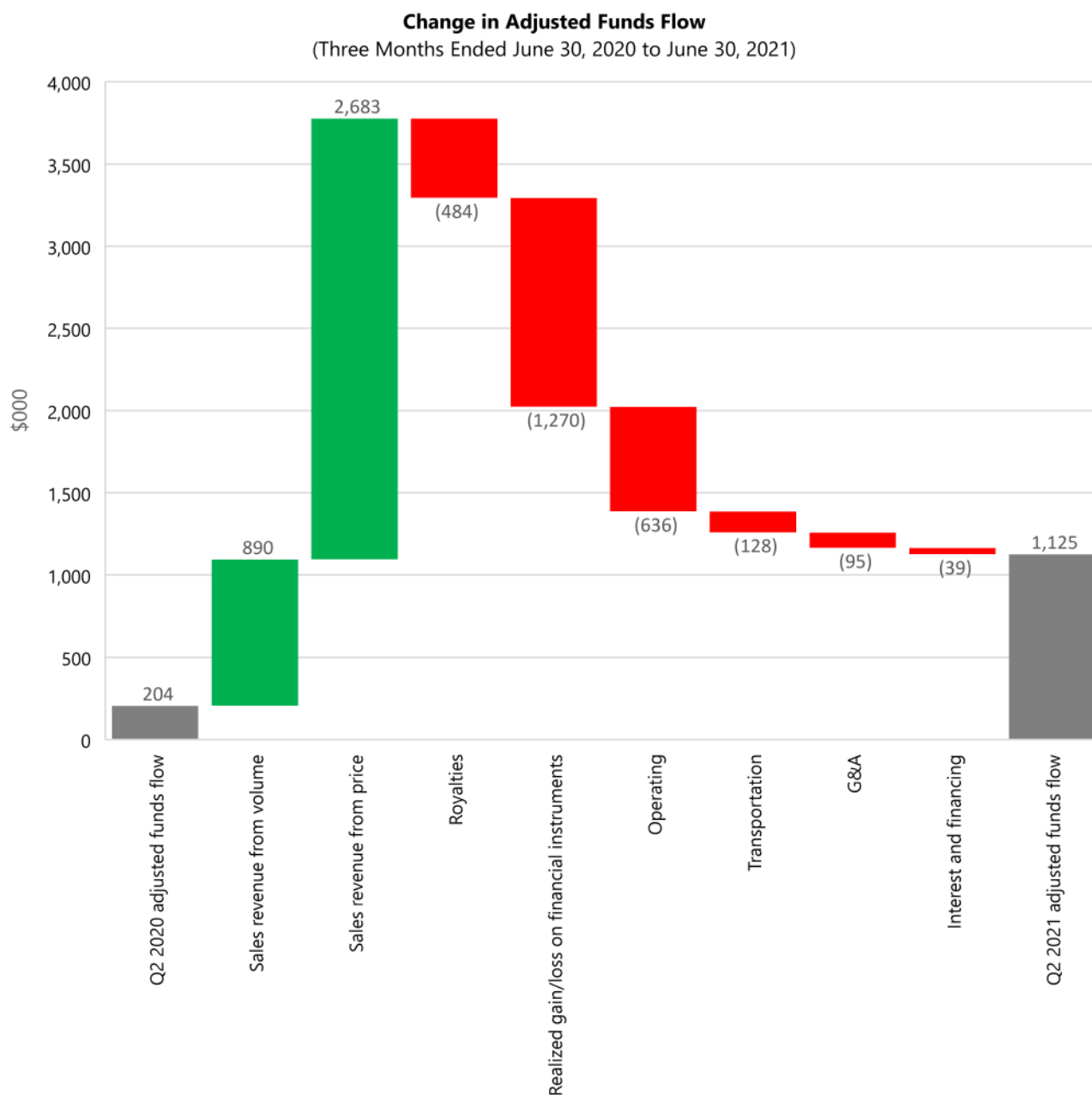


In the first half of 2021, the net loss decreased to \$1.3 million compared to a net loss of \$32.8 million in the first half of 2020. The decreased net loss primarily reflects decreased impairment expense, increased commodity prices and production volumes and an increased gain on property dispositions, partially offset by increased realized and unrealized losses on financial instruments, and higher royalties, operating, DD&A, and G&A expenses.

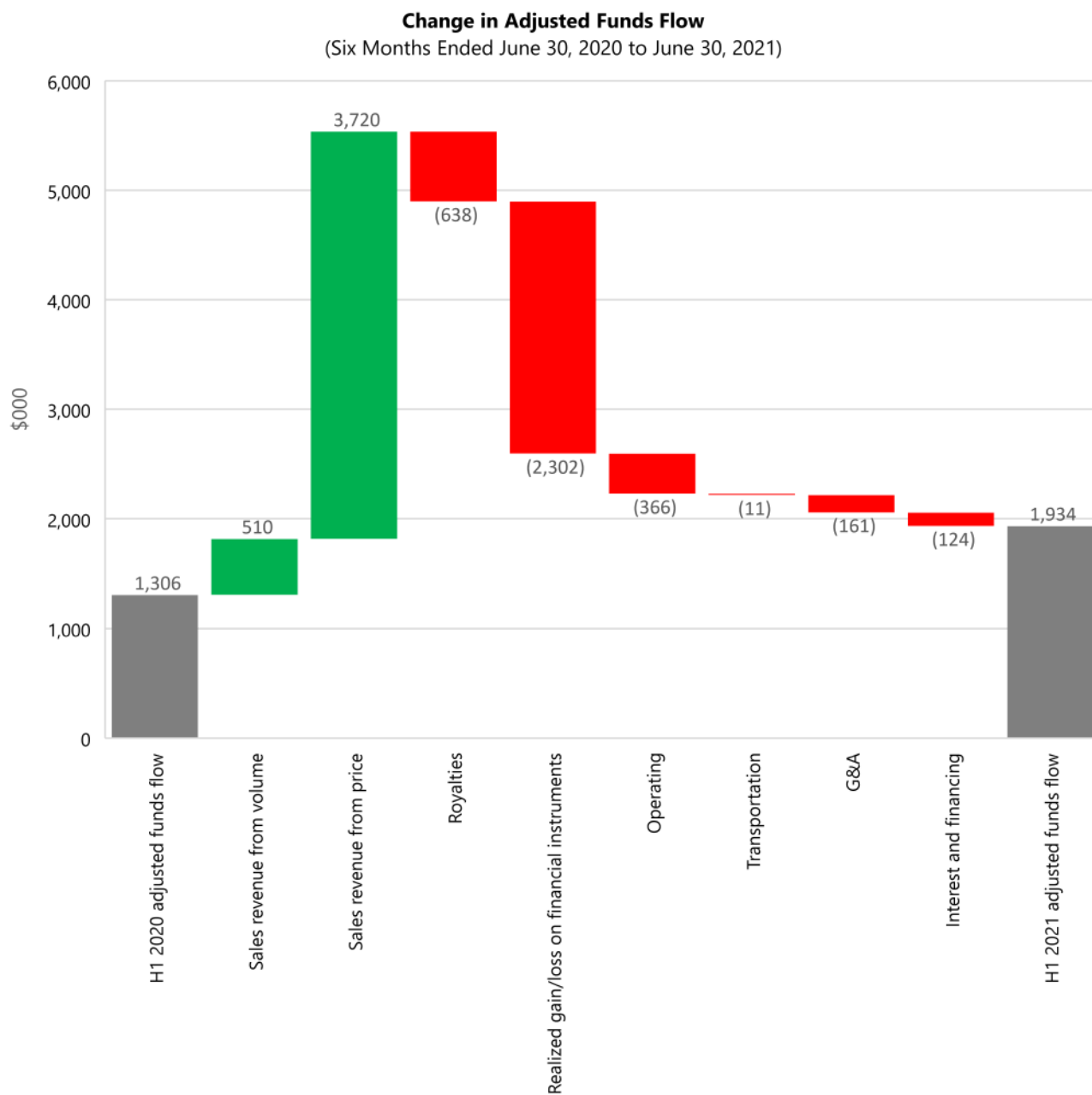


Adjusted Funds Flow

In the second quarter of 2021, adjusted funds flow increased by \$921,000 to \$1,125,000 compared to \$204,000 in the second quarter of 2020. The increase primarily reflects increased commodity prices and production volumes, partially offset by an increased realized loss on financial instruments, and higher royalties, operating, transportation and G&A expenses.



In the first half of 2021, adjusted funds flow increased to \$1,934,000 compared to \$1,306,000 in the first half of 2020. The increase primarily reflects increased commodity prices and production volumes, partially offset by an increased realized loss on financial instruments, and higher royalties, operating, G&A and interest expenses.



Capital Expenditures

(\$000)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Geological and geophysical	3	-	-	4	3	33
Land	56	26	115	140	352	(60)
Drilling and completions	117	71	65	917	6,319	(85)
Workovers	177	18	>500	503	6	>500
Equipping and tie-in	3	-	-	173	336	(49)
Facilities and pipelines	(1)	3	(133)	75	34	121
Other	72	100	(28)	125	250	(50)
Capital expenditures	427	218	96	1,937	7,300	(73)
Property disposition	(1,312)	(871)	51	(1,750)	(871)	101
Total capital expenditures	(885)	(653)	36	187	6,429	(97)

Capital expenditures were allocated as follows:

(\$000)	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Exploration and evaluation	18	72	(75)	80	3,990	(98)
Property and equipment, net	(903)	(725)	25	107	2,439	(96)
Total capital expenditures	(885)	(653)	36	187	6,429	(97)

In the second quarter of 2021, Altura invested \$0.4 million in capital expenditures which included the lease construction costs related to a July 2021 drill and workover costs related to four rod upgrades at Leduc-Woodbend to improve run-time efficiency.

In the first half of 2021, Altura invested \$1.9 million which included the completion and equipping of a horizontal oil well that was drilled in the first quarter of 2020. Workover costs in the first half of 2021 relate to seven rod upgrades at Leduc-Woodbend.

In the second quarter of 2021, Altura divested of a 2.06 percent working interest in two transactions for cash proceeds of \$1,312,000. In the first half of 2021, Altura divested of a 2.75 percent working interest in three transactions for cash proceeds of \$1,750,000. See the "Asset Disposition" section of this MD&A on page 5 for additional information.

In the first half of 2020, Altura invested \$7.3 million which included drilling, completing and equipping one well at Entice, completing and equipping one (0.9 net) well at Leduc-Woodbend and drilling one (0.9 net) well at Leduc-Woodbend. One asset disposition closed on June 30, 2020, whereby Altura divested of a 1.375 percent working interest for cash proceeds of \$871,000.

Decommissioning Liability

At June 30, 2021, Altura's decommissioning liability was \$5.4 million (December 31, 2020 - \$5.8 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 1.7 percent (December 31, 2020 - 1.5 percent) and discounted at the Bank of Canada's long-term risk-free bond rate of 1.8 percent (December 31, 2020 - 1.2 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 and six months ended June 30, 2021, accretion expense totaled \$25,000 and \$51,000 (June 30, 2020 - \$13,000 and \$31,000), respectively.

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 5.91 at August 7, 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 5.91 at August 7, 2021, consistent with its LMR.

CAPITAL RESOURCES AND LIQUIDITY

Net debt as at June 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	June 30, 2021	December 31, 2020
Current assets	(2,338)	(1,307)
Current liabilities	6,377	5,608
Working capital deficit	4,039	4,301
Fair value of financial instruments	(1,758)	(369)
Current portion of lease liabilities	(56)	(50)
Current portion of decommissioning liability	(25)	(25)
Net debt ⁽¹⁾	2,200	3,857
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	0.49	1.18

(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 12 "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 \$2.2 million as at June 30, 2021 decreased from \$3.9 million at December 31, 2020 due mainly to the property dispositions in the first half of 2021. The decreased net debt and increased adjusted funds flow resulted in net debt to annualized adjusted funds flow decreasing 0.49 times at June 30, 2021 compared to 1.18 times at December 31, 2020.

Working Capital

Altura targets to maintain sufficient unused credit facility capacity to satisfy working capital deficiencies. The Corporation had a working capital deficit of \$4.0 million at June 30, 2021 compared to a working capital deficit of \$4.3 million at December 31, 2020. At June 30, 2021, the major components of Altura's current assets were accounts receivable (72 percent) to be received from its oil and gas marketers in respect to June production and joint interest partners, and cash (19 percent). 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 (47 percent), trade and joint interest payables (12 percent), accrued liabilities (11 percent) related to the Corporation's operations and the fair value of financial instruments (28 percent).

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

In June 2021, Altura completed the redetermination of its revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") and the borrowing base was reduced to \$4.0 million from \$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 \$7.0 million of total credit facilities.

Altura's bank debt at June 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	June 30, 2021	December 31, 2020
Operating Loan	-	985
Term Loan	3,000	3,000
Bank debt	3,000	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") has decreased to the Lender's prime rate plus 3.5 percent (from 4.5 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 350 bbls/d of oil (Western Canadian Select) and no less than 1,000 GJ/d of natural gas (AECO) for no less than the succeeding nine-month period, on a rolling basis; and
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

As at June 30, 2021, the working capital ratio as defined was 3.82:1 (December 31, 2020 – 5.00:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at June 30, 2021, \$3.0 million (December 31, 2020 - \$4.0 million) was drawn on the Credit Facilities and the Corporation had an outstanding letter of credit for \$150,000 (December 31, 2020 - \$50,000).

The next review date for the Credit Facilities has been scheduled for May 31, 2022 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 June 30, 2021 there were 108,920,974 common shares outstanding, and 10,318,334 stock options outstanding. The number of common shares remains unchanged and the number of stock options has increased by 4,233,334 from December 31, 2020.

At August 25, 2021 the number of common shares remain unchanged and the number of stock options have decreased by 680,000 from June 30, 2021.

Capital Resources

The Corporation's capital expenditure budget of \$7.5 million 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, and available funding from its Credit Facilities.

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.

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 was \$2.5 million. PrivateCo will pay 12.5 percent of the well costs and earn a 12.5 percent working interest in the well and the optional third funding transaction contemplated by the Original Disposition Agreement will not be executed by PrivateCo.

Altura had 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 was 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 were both fulfilled by Altura drilling, completing and equipping a well in the Leduc-Woodbend area subsequent to June 30, 2021.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2021			2020			2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
OPERATING								
Average daily production								
Heavy crude oil (bbls/d)	528	496	468	512	213	667	881	1,150
Light crude & medium crude oil (bbls/d)	-	-	-	16	-	8	-	-
Natural gas (Mcf/d)	2,543	2,356	2,402	2,118	1,154	2,926	3,406	3,733
NGLs (bbls/d)	57	53	48	38	30	87	113	108
Total (boe/d)	1,009	942	916	919	435	1,250	1,561	1,880
Average realized sales price								
Heavy crude oil (\$/bbl)	66.71	56.92	44.45	40.19	21.39	33.06	54.40	55.31
Light crude & medium crude oil (\$/bbl)	-	-	-	43.79	-	20.85	-	-
Natural gas (\$/Mcf)	3.39	3.30	2.87	2.45	2.06	2.20	2.70	0.95
NGLs (\$/bbl)	44.45	41.50	25.72	25.83	6.46	22.02	26.64	24.42
Average realized price (\$/boe)	45.97	40.59	31.56	29.87	16.36	24.46	38.50	37.12
(\$/boe)								
Petroleum and natural gas sales	45.97	40.59	31.56	29.87	16.36	24.46	38.50	37.12
Royalties	(5.15)	(4.45)	(2.61)	(2.63)	0.28	(1.96)	(4.43)	(4.20)
Operating expenses	(13.96)	(13.16)	(12.75)	(13.85)	(16.27)	(12.19)	(8.63)	(6.92)
Transportation expenses	(2.45)	(1.96)	(1.93)	(2.51)	(2.46)	(2.49)	(2.45)	(2.93)
Operating netback ⁽¹⁾	24.41	21.02	14.27	10.88	(2.09)	7.82	22.99	23.07
Realized gain (loss) on financial instruments	(6.67)	(4.75)	1.48	0.51	16.60	5.53	0.53	(0.22)
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	17.74	16.27	15.75	11.39	14.51	13.35	23.52	22.85
General and administrative	(4.46)	(5.49)	(4.66)	(5.71)	(7.98)	(3.50)	(2.52)	(2.16)
Interest and financing expense	(1.03)	(1.23)	(1.39)	(1.21)	(1.42)	(0.17)	(0.37)	(0.27)
Adjusted funds flow per boe ⁽¹⁾	12.25	9.55	9.70	4.47	5.11	9.68	20.63	20.42
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	4,220	3,440	2,659	2,526	647	2,783	5,531	6,420
Cash flow from operating activities	763	827	206	505	512	1,183	3,955	3,181
Adjusted funds flow ⁽¹⁾	1,125	809	818	378	204	1,102	2,963	3,532
Per share – basic ⁽¹⁾	0.01	0.01	0.01	-	-	0.01	0.03	0.03
Per share – diluted ⁽¹⁾	0.01	0.01	0.01	-	-	0.01	0.03	0.03
Net income (loss)	(375)	(908)	10,823	(360)	(1,247)	(31,529)	(56)	298
Per share – basic	-	(0.01)	0.10	-	(0.01)	(0.29)	-	-
Per share – diluted ⁽²⁾	-	(0.01)	0.10	-	(0.01)	(0.29)	-	-
(\$000)								
Capital expenditures	427	1,510	105	469	218	7,082	1,528	3,553
Property dispositions	(1,312)	(438)	-	(875)	(871)	-	(3,508)	-
Total assets	33,707	34,725	34,439	23,789	24,517	26,895	55,053	61,202
Net debt ⁽¹⁾	2,200	4,129	3,857	4,560	5,335	6,183	563	5,130
Shareholders' equity	21,794	22,021	22,898	12,023	12,309	13,456	44,856	44,748
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	108,921	108,921	108,936	109,097	109,517
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, operating netback and operating netback after realized gain (loss) 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.

(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 third quarter of 2019 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price.

Average production volumes declined in the fourth quarter of 2019 from no new wells being brought on production and a disposition of a 7 percent 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 most of its wells that were curtailed in the second quarter of 2020 and were held flat in the fourth quarter of 2020. Average production volumes increased in the first half of 2021 with one new well brought on production in February 2021.

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 and the first half of 2021 as economies have begun to reopen and the rollout of approved COVID-19 vaccines.

In the fourth quarter of 2019, Altura completed a disposition of a 7 percent working interest in Altura's assets for cash of \$3.5 million and committed to an additional 5.5 percent working interest for \$3.5 million. In the second quarter of 2020, Altura closed a disposition of a 1.375 percent working interest for \$871,000 and closed a disposition of a 1.375 percent working interest for \$875,000 in the third quarter of 2020. In the first quarter of 2021, Altura closed a disposition of a 0.6875 percent working interest for \$437,500. In April 2021, Altura closed a disposition of a 0.6875 percent working interest for \$437,500 and on June 15, 2021, Altura closed the final stage of the asset disposition of a 1.375 percent working interest for \$875,000.

In the first quarter of 2020, Altura completed a horizontal oil well (93 percent working interest) that was drilled in the third quarter of 2019, drilled a horizontal oil well (93 percent working interest) at Leduc-Woodbend and drilled and completed a horizontal well (93 percent working interest) targeting the Pekisko Formation at Entice. In the first quarter of 2021, Altura completed and equipped one well at Leduc-Woodbend.

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. In the first quarter of 2021, Altura recorded a net loss of \$0.9 million, mainly due to an unrealized loss on financial instruments of \$0.9 million and a realized loss on financial instruments of \$0.4 million. In the second quarter of 2021, Altura recorded a net loss of \$0.4 million, mainly due to an unrealized loss on financial instruments of \$0.6 million and a realized loss on financial instruments of \$0.6 million, partially offset by a gain on property dispositions of \$0.7 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.

ADVISORIES

Non-GAAP Measures

This MD&A and second quarter report contains references to measures used in the oil and natural gas industry such as "adjusted funds flow", "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 second 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 Loss and Adjusted Funds Flow" section of this MD&A on page 19. 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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Net loss	(398)	(1,247)	(1,306)	(32,776)
Adjusted for the following non-cash items				
Deferred tax recovery	-	-	-	(1,472)
Depletion, depreciation and amortization	1,113	429	2,143	2,079
Impairment	330	40	330	34,750
Accretion of decommissioning liability	25	13	51	31
Share-based compensation	150	80	177	174
Gain on property dispositions	(690)	(605)	(922)	(605)
Unrealized loss (gain) on financial instruments	595	1,494	1,461	(875)
Adjusted funds flow	1,125	204	1,934	1,306
Changes in non-cash operating working capital	(362)	308	(344)	389
Cash flow from operating activities	763	512	1,590	1,695

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 25.

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 15.

Barrels of Oil Equivalent

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

Forward-looking Information

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

- 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;

- the 2021 capital expenditure budget of \$7.5 million, including plans to drill one (87.5% working interest) well in September 2021 and bring it on production in October 2021 and plans to implement a waterflood pilot project;
- the 2021 average production guidance of 1,100 to 1,150 boe per day;
- management's expectation that a longer ERH well and increased frac density is expected to result in increased production and reserves;
- management's belief that a successful 11-14 well will enable Altura to convert additional probable locations adjacent to 11-14 to proved locations in Altura's reserve report ending December 31, 2021;
- the success of a waterflood pilot project including GOR suppression, reservoir pressure maintenance and attenuated production declines which could add material upside to Altura's Rex oil pool reserve recoveries;
- management's plan to report 11-14 production results in the next quarterly release;
- Altura's forecast of substantial adjusted funds flow growth in the second half of 2021 from added production from the two new wells, improving commodity prices and a more favorable hedge book; and,
- Altura's ability to generate growth within cash flow at current commodity prices while strengthening its balance sheet.

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

Drilling Locations

This MD&A and second quarter report discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) potential drilling opportunities. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the Corporation's most recent independent reserves evaluation as of December 31, 2020 and account for drilling locations that have associated proved reserves. 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.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

As at

(\$000)	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	436	-
Accounts receivable (note 11)	1,677	1,086
Prepaid expenses and deposits	225	221
	2,338	1,307
Exploration and evaluation (note 4)	-	260
Property and equipment (note 5)	31,369	32,872
Total assets	33,707	34,439
LIABILITIES		
Current liabilities		
Bank debt (note 6)	3,000	3,985
Accounts payable and accrued liabilities	1,538	1,179
Current portion of lease liabilities (note 7)	56	50
Current portion of decommissioning liability (note 8)	25	25
Fair value of financial instruments (note 11)	1,758	369
	6,377	5,608
Lease liabilities (note 7)	132	156
Decommissioning liability (note 8)	5,404	5,777
Total liabilities	11,913	11,541
SHAREHOLDERS' EQUITY		
Share capital (note 9)	37,712	37,712
Contributed surplus	7,451	7,249
Deficit	(23,369)	(22,063)
Total shareholders' equity	21,794	22,898
Total liabilities and shareholders' equity	33,707	34,439
Commitments (notes 3 and 14)		
Subsequent event (note 11)		

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (unaudited)

(\$000, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
REVENUE				
Petroleum and natural gas sales (note 10)	4,220	647	7,660	3,430
Royalties	(473)	11	(850)	(212)
Realized gain (loss) on financial instruments	(612)	658	(1,015)	1,287
Unrealized gain (loss) on financial instruments (note 11)	(595)	(1,494)	(1,461)	875
	2,540	(178)	4,334	5,380
EXPENSES				
Operating	1,280	644	2,396	2,030
Transportation	225	97	391	380
General and administrative	410	315	875	714
Share-based compensation (note 9)	150	80	177	174
Interest and financing charges	95	56	199	75
Depletion, depreciation and amortization (note 5)	1,113	429	2,143	2,079
Impairment (notes 4 and 5)	330	40	330	34,750
Accretion of decommissioning liability (note 8)	25	13	51	31
Gain on property dispositions (note 3)	(690)	(605)	(922)	(605)
	2,938	1,069	5,640	39,628
Net loss before taxes	(398)	(1,247)	(1,306)	(34,248)
Deferred tax recovery	-	-	-	(1,472)
Net loss and comprehensive loss	(398)	(1,247)	(1,306)	(32,776)
Net loss per share, (note 9d)				
Basic	-	(0.01)	(0.01)	(0.30)
Diluted	-	(0.01)	(0.01)	(0.30)

See accompanying notes to the interim condensed consolidated financial statements.

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

For the periods ended June 30

(\$000)	Share capital	Performance warrants	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance, December 31, 2019	37,712	2,517	4,377	250	44,856
Share-based compensation expense (note 9)	-	86	88	-	174
Share-based compensation capitalized (note 9)	-	20	35	-	55
Net loss for the period	-	-	-	(32,776)	(32,776)
Balance, June 30, 2020	37,712	2,623	4,500	(32,526)	12,309
Balance, December 31, 2020	37,712	-	7,249	(22,063)	22,898
Share-based compensation expense (note 9)	-	-	177	-	177
Share-based compensation capitalized (note 9)	-	-	25	-	25
Net loss for the period	-	-	-	(1,306)	(1,306)
Balance, June 30, 2021	37,712	-	7,451	(23,369)	21,794

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$000)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss for the period	(398)	(1,247)	(1,306)	(32,776)
Items not involving cash:				
Deferred tax recovery	-	-	-	(1,472)
Depletion, depreciation and amortization (note 5)	1,113	429	2,143	2,079
Impairment (notes 4 and 5)	330	40	330	34,750
Accretion of decommissioning liability (note 8)	25	13	51	31
Share-based compensation (note 9)	150	80	177	174
Gain on property dispositions (note 3)	(690)	(605)	(922)	(605)
Unrealized (gain) loss on financial instruments (note 11)	595	1,494	1,461	(875)
Change in non-cash working capital (note 13)	(362)	308	(344)	389
	763	512	1,590	1,695
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Change in bank debt (note 6)	(838)	1,488	(985)	4,930
Repayment of principal relating to lease liabilities	(9)	(9)	(18)	(17)
	(847)	1,479	(1,003)	4,913
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Exploration and evaluation asset expenditures	(18)	(72)	(80)	(3,990)
Property and equipment expenditures	(409)	(146)	(1,857)	(3,310)
Property dispositions (note 3)	1,312	871	1,750	871
Change in non-cash working capital (note 13)	(365)	(2,644)	36	(321)
	520	(1,991)	(151)	(6,750)
CHANGE IN CASH AND CASH EQUIVALENTS	436	-	436	(142)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-	-	142
CASH AND CASH EQUIVALENTS, END OF PERIOD	436	-	436	-
Cash interest paid	95	56	199	75

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As at and for the three and six months ended June 30, 2021 and 2020

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 interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2020. In the opinion of management, these Financial Statements contain all adjustments necessary to present fairly Altura's financial position as at June 30, 2021 and the results of its operations and cash flows for the three and six months ended June 30, 2021 and 2020. Certain information and disclosures normally included in the notes to the audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were approved by the Board of Directors on August 25, 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 and first half of 2021 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.

3. 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 percent of corporate assets for \$3.0 million. If all three transactions closed, Altura would have sold a total working interest of 16.5 percent 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 was \$2.5 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.

Subsequent to June 30, 2021, Altura drilled, completed and equipped the Second Commitment Well at Leduc-Woodbend and fulfilled the commitment.

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 stage three 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. Altura recorded \$247,000 to D&P asset dispositions, \$2,000 to E&E asset dispositions, reduced the decommissioning liability by \$43,000 associated with the asset disposition and recorded a gain on disposition of \$232,000 for the six months ended June 30, 2021.

April 27, 2021 Disposition

Altura closed stage 3b of the Second Amending Agreement on April 27, 2021 divesting of a 0.6875% working interest in the Corporation's production, wells, lands and facilities for cash of \$437,500. Altura recorded \$246,000 to D&P asset dispositions, \$2,000 to E&E asset dispositions, reduced the decommissioning liability by \$40,000 associated with the asset disposition and recorded a gain on disposition of \$229,000 for the three months ended June 30, 2021.

June 15, 2021 Disposition

Altura closed the final stage of the Second Amending Agreement on June 15, 2021 divesting of a 1.375% working interest in the Corporation's production, wells, lands and facilities for cash of \$875,000. Altura recorded \$491,000 to D&P asset dispositions, \$4,000 to E&E asset dispositions, reduced the decommissioning liability by \$81,000 associated with the asset disposition and recorded a gain on disposition of \$461,000 for the three months ended June 30, 2021.

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 on June 26, 2020.

4. EXPLORATION AND EVALUATION

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

(\$000)	Total
Balance, December 31, 2019	1,170
Additions	3,787
Change in decommissioning costs	104
Dispositions (note 3)	(6)
Impairment	(4,795)
Balance, December 31, 2020	260
Additions	80
Change in decommissioning costs	(2)
Dispositions (note 3)	(8)
Impairment	(330)
Balance, June 30, 2021	-

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. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$nil in the three and six months ended June 30, 2021 (June 30, 2020 – \$47,000 and \$134,000), respectively.

Impairment

At June 30, 2021, an impairment test was conducted on Altura's E&E assets, which are all in the Entice area. Altura recognized an impairment charge of \$0.3 million on E&E assets in the three and six months ended June 30, 2021.

At March 31, 2020, an impairment test was conducted on Altura's E&E assets. As a result of its impairment test, Altura recognized an impairment charge of \$4.8 million on E&E assets in the three months ended March 31, 2020.

5. PROPERTY AND EQUIPMENT

The following table reconciles Altura's property and equipment:

Cost (\$000)	Developed and Producing Assets	Administrative Assets	Total
Balance, December 31, 2019	66,925	193	67,118
Additions	3,778	10	3,788
Dispositions (note 3)	(2,090)	-	(2,090)
Change in decommissioning costs	610	-	610
Balance, December 31, 2020	69,223	203	69,426
Additions	1,880	2	1,882
Dispositions (note 3)	(2,139)	-	(2,139)
Change in decommissioning costs	(258)	-	(258)
Balance, June 30, 2021	68,706	205	68,911
Depletion, depreciation and impairment			
(\$000)			
Balance, December 31, 2019	(15,465)	(79)	(15,544)
Depletion, depreciation and amortization	(3,814)	(29)	(3,843)
Dispositions (note 3)	1,410	-	1,410
Impairment	(18,577)	-	(18,577)
Balance, December 31, 2020	(36,446)	(108)	(36,554)
Depletion, depreciation and amortization	(2,131)	(12)	(2,143)
Dispositions (note 3)	1,155	-	1,155
Balance, June 30, 2021	(37,422)	(120)	(37,542)
Carry amounts			
(\$000)			
As at December 31, 2020	32,777	95	32,872
As at June 30, 2021	31,284	85	31,369

Estimated future development costs of \$93.5 million (December 31, 2020 – \$88.9 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 \$96,000 and \$148,000 in the three and six months ended June 30, 2021 (June 30, 2020 – \$70,000 and \$165,000).

Impairment

At June 30, 2021, there were no indicators of impairment or impairment reversal.

At March 31, 2020, an impairment test was conducted on Altura's developed and producing ("D&P") assets in Altura's Leduc-Woodbend CGU. Altura has only one CGU. As a result of its impairment test, Altura recognized an impairment charge of \$30.0 million on D&P and right-of-use ("ROU") assets in the three months ended March 31, 2020.

At December 31, 2020, indicators of impairment reversal were 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 March 31, 2020 impairment test. An impairment test was performed on D&P assets and the Corporation recognized an impairment reversal of \$11.2 million in the fourth quarter of 2020.

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.

6. CREDIT FACILITIES

In June 2021, Altura completed the redetermination of its revolving operating demand loan (the "Operating Loan") with a Canadian bank (the "Lender") and the borrowing base was reduced to \$4.0 million from \$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 \$7.0 million of total credit facilities.

Altura's bank debt at June 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	June 30, 2021	December 31, 2020
Operating Loan	-	985
Term Loan	3,000	3,000
Bank debt	3,000	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 has decreased to the Lender's prime rate plus 3.5 percent (from 4.5 percent). 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 have decreased to 0.875 percent (from 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 350 bbls/d of oil (Western Canadian Select) and no less than 1,000 GJ/d of natural gas (AECO) for no less than the succeeding nine-month period, on a rolling basis; and
- the Corporation will maintain a Licensee Liability Rating ("LLR") in Alberta, Saskatchewan and British Columbia, in each case, of no less than 2.0.

As at June 30, 2021, the working capital ratio as defined was 3.82:1 (December 31, 2020 – 5.00:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at June 30, 2021, \$3.0 million (December 31, 2020 - \$4.0 million) was drawn on the Credit Facilities and the Corporation had outstanding letters of credit for \$150,000 (December 31, 2020 - \$50,000).

The next review date for the Credit Facilities has been scheduled for May 31, 2022 but may be set at an earlier or later date at the sole discretion of the Lender.

7. LEASE LIABILITIES

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

(\$000)	Total
Balance, December 31, 2019	242
Lease interest	12
Total cash outflow	(48)
Balance, December 31, 2020	206
Lease interest	6
Total cash outflow	(24)
Balance, June 30, 2021	188

Altura has the following future commitments:

(\$000)	As at June 30, 2021
July 2021—December 2021	27
2022	61
2023—2024	119
Total lease payments	207
Impact of discounting	(19)
Lease liabilities	188
Payments due within one year	56
Payments due beyond one year	132

8. DECOMMISSIONING LIABILITY

The Corporation's decommissioning liability results from its net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Altura estimates the total undiscounted and un-escalated amount of cash flows required to settle its decommissioning obligations as at June 30, 2021 to be approximately \$5.2 million (December 31, 2020 – \$5.4 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 1.8 percent (December 31, 2020 – 1.2 percent) and an inflation rate of 1.7 percent (December 31, 2020 – 1.5 percent) were used to calculate the fair value of the decommissioning liability. A reconciliation of the decommissioning liability is provided below:

(\$000)	Six months ended June 30, 2021	Year ended December 31, 2020
Balance, beginning of period	5,802	5,378
Additions	23	80
Liabilities disposed (note 3)	(164)	(164)
Change in estimates ⁽¹⁾	(283)	634
Liabilities settled ⁽²⁾	-	(192)
Accretion	51	66
Balance, end of period	5,429	5,802
Expected to be incurred within one year	25	25
Expected to be incurred beyond one year	5,404	5,777

(1) The change in estimates is due to a change in the discount and inflation rates totaling a credit of \$283,000 (December 31, 2020 - \$625,000) with no change in abandonment and remediation cost estimates and future abandonment dates (December 31, 2020 - \$9,000 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.

9. SHARE CAPITAL

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

- (b) Issued and outstanding:

	Number of common shares	Amount (\$000)
Balance, December 31, 2019, December 31, 2020 and June 30, 2021	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. The Board of Directors determines the vesting schedule at the time of grant. For the June 2021 stock option grant, options vest as to one-third immediately, one-third on the first anniversary and one-third on the second anniversary. As at June 30, 2021 the Corporation may grant up to 10,892,097 stock options.

No stock options were exercised in the three and six months ended June 30, 2021 and 2020.

A summary of the Corporation's outstanding stock options at June 30, 2021 is presented below:

	Number of Stock Options	Weighted Average Exercise Price (\$)
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
Granted	4,800,000	0.21
Expired	(350,000)	0.29
Forfeited	(216,666)	0.40
Balance, June 30, 2021	10,318,334	0.29

The range of exercise prices for stock options outstanding and exercisable under the plan at June 30, 2021 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 (\$)
0.21	0.25	4,800,000	5.0	0.21	1,600,001	5.0	0.21
0.26	0.30	1,680,000	0.4	0.27	1,680,000	0.4	0.27
0.31	0.43	3,838,334	2.1	0.40	3,230,004	2.1	0.40
		10,318,334	3.2	0.29	6,510,005	2.4	0.32

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Weighted average fair value of options granted (\$)	0.12	-	0.12	-
Risk-free interest rate (%)	0.81	-	0.81	-
Expected life (years)	4.0	-	4.0	-
Expected volatility (%)	78.3	-	78.3	-
Estimated forfeiture rate (%)	4.2	-	4.2	-
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 three and six months ended June 30, 2021 was \$171,000 and \$202,000 (June 30, 2020 – \$47,000 and \$123,000) of which \$21,000 and \$25,000 was capitalized (June 30, 2020 – \$12,000 and \$35,000), respectively.

(d) Weighted average common shares:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Basic	108,920,974	108,920,974	108,920,974	108,920,974
Diluted	108,920,974	108,920,974	108,920,974	108,920,974

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 three and six months ended June 30, 2021, 10,318,334 stock options were excluded from the weighted average number of common shares as they were anti-dilutive (June 30, 2020 – 9,693,333 stock options and 9,749,879 performance warrants).

10. REVENUE

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

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

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

(\$000)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Heavy oil	3,203	413	5,746	2,421
Light & medium oil	-	-	-	15
Natural gas	785	217	1,485	802
Natural gas liquids	232	17	429	192
Petroleum and natural gas sales	4,220	647	7,660	3,430

As at June 30, 2021, receivables for revenue were \$1,507,000, which are included in accounts receivable (December 31, 2020 - \$857,000).

11. FINANCIAL INSTRUMENTS

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 June 30, 2021, pertain to revenue for accrued June 2021 production volumes and receivables from joint interest partners. Altura primarily transacts with four oil and natural gas marketing companies. The marketing companies typically remit amounts to Altura by the 25th day of the month following production. At June 30, 2021, 37 percent, 22 percent and 18 percent of total outstanding accounts receivable pertains to three marketing companies. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at June 30, 2021. For the six months ended June 30, 2021, the Corporation received approximately 39 percent, 22 percent, 18 percent and 12 percent of its revenue from four marketing companies (June 30, 2020 – 30 percent, 21 percent, 16 percent, 14 percent and 12 percent of its revenue from five marketing companies).

At June 30, 2021 and December 31, 2020, the Corporation's trade receivables have been aged as follows:

As at (\$000)	June 30, 2021	December 31, 2020
Current	1,671	917
31 – 60 days	-	44
61 – 90 days	-	116
> 90 days	6	9
Allowance for doubtful accounts	-	-
Total	1,677	1,086

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.

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 June 30, 2021, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at June 30, 2021 (\$'000)
WCS Swap Contracts						
Jul 1/21—Sep 30/21	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$36.70	(655)
Oct 1/21—Dec 31/21	Crude Oil	Fixed Swap	100 Bbls/d	WCS	CAD \$37.70	(289)
Oct 1/21—Dec 31/21	Crude Oil	Fixed Swap	100 Bbls/d	WCS	CAD \$39.70	(271)
Jan 1/22—Jan 31/22	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$51.00	(113)
Feb 1/22—Feb 28/22	Crude Oil	Fixed Swap	125 Bbls/d	WCS	CAD \$55.50	(46)
Mar 1/22—Mar 31/22	Crude Oil	Fixed Swap	200 Bbls/d	WCS	CAD \$57.50	(63)
Feb 1/22—Feb 28/22	Crude Oil	Fixed Swap	75 Bbls/d	WCS	CAD \$66.70	(4)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS	CAD \$65.75	(8)
WCS Differential Swap Contracts						
Aug 1/21—Mar 31/22	Crude Oil	Fixed Swap	150 Bbls/d	WCS-WTI Differential	CAD (\$17.95)	(41)
Apr 1/22—Apr 30/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS-WTI Differential	CAD (\$17.00)	(7)
WTI Put Options						
Jul 1/21—Mar 31/22	Crude Oil	Put Option ⁽¹⁾	150 Bbls/d	WTI	CAD \$62.00	20
Apr 1/22—Apr 30/22	Crude Oil	Put Option ⁽²⁾	175 Bbls/d	WTI	CAD \$62.00	9
Natural Gas Swap Contracts						
Jul 1/21—Sep 30/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.580	(70)
Oct 1/21—Dec 31/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.545	(104)
Jan 1/22—Jan 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.720	(31)
Jul 1/21—Jul 31/21	Natural Gas	Fixed Swap	500 GJ/d	AECO 5A	CAD \$2.64	(9)
Aug 1/21—Aug 31/21	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.44	(28)
Sep 1/21—Sep 30/21	Natural Gas	Fixed Swap	500 GJ/d	AECO 5A	CAD \$2.60	(13)
Feb 1/22—Feb 28/22	Natural Gas	Fixed Swap	750 GJ/d	AECO 5A	CAD \$2.87	(17)
Mar 1/22—Mar 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.79	(16)
Apr 1/22—Apr 30/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.68	(2)
Feb 1/22—Feb 28/22	Natural Gas	Fixed Swap	250 GJ/d	AECO 5A	CAD \$3.62	-
						(1,758)

(1) Altura recorded \$58,000 to accounts payable and accrued liabilities, which represents the amount payable to the counterparty on this contract for the deferred premium of \$1.40 per barrel.

(2) Altura recorded \$14,000 to accounts payable and accrued liabilities, which represents the amount payable to the counterparty on this contract for the deferred premium of \$2.65 per barrel.

At June 30, 2021, the crude oil and natural gas contracts were fair valued with liability of \$1,758,000 (December 31, 2020 - \$369,000 liability) recorded on the balance sheet.

Subsequent to June 30, 2021, Altura entered into the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS	CAD \$65.50
May 1/22—May 31/22	Crude Oil	Fixed Swap	175 Bbls/d	WCS-WTI Differential	CAD (\$16.70)
May 1/22—May 31/22	Crude Oil	Put Option ⁽¹⁾	175 Bbls/d	WTI	CAD \$62.00
May 1/22—May 31/22	Natural Gas	Fixed Swap	1,000 GJ/d	AECO 5A	CAD \$2.73

(2) Deferred premium of \$2.50 per barrel payable to the counterparty.

12. 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 second quarter of 2021 and fourth quarter of 2020 is calculated as follows:

(\$000)	Three months ended June 30, 2021	Three months ended December 31, 2020
Net income (loss)	(398)	10,823
Adjusted for the following non-cash items		
Other income	-	(192)
Depletion, depreciation and amortization	1,113	874
Impairment (recovery)	330	(11,190)
Accretion of decommissioning liability	25	19
Share-based compensation	150	45
Gain on property dispositions	(690)	-
Unrealized loss on financial instruments	595	439
Quarterly adjusted funds flow	1,125	818
Annualized adjusted funds flow	4,500	3,272

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 June 30, 2021 and December 31, 2020 is summarized as follows:

(\$000)	June 30, 2021	December 31, 2020
Current assets	(2,338)	(1,307)
Current liabilities	6,377	5,608
Working capital deficit	4,039	4,301
Fair value of financial instruments	(1,758)	(369)
Current portion of lease liabilities	(56)	(50)
Current portion of decommissioning liability	(25)	(25)
Net debt	2,200	3,857

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 decreased to 0.49:1 at June 30, 2021, from 1.18:1 at December 31, 2020.

	June 30, 2021	December 31, 2020
Net debt (\$000)	2,200	3,857
Annualized adjusted funds flow (\$000)	4,500	3,272
Net debt to annualized adjusted funds flow (times)	0.49	1.18

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 2021.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

(\$000)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Provided by (used in):				
Accounts receivable	(143)	663	(591)	1,058
Prepaid expenses and deposits	(11)	50	(4)	20
Accounts payable and accrued liabilities	(501)	(3,049)	359	(1,010)
Deferred put option premium included in accounts payable and accrued liabilities	(72)	-	(72)	-
	(727)	(2,336)	(308)	68
Provided by (used in):				
Operating activities	(362)	308	(344)	389
Investing activities	(365)	(2,644)	36	(321)
	(727)	(2,336)	(308)	68

14. COMMITMENT

Altura had a commitment to drill one horizontal well by January 31, 2022 in the Leduc-Woodbend area pursuant to a drilling commitment agreement with a royalty company. The Corporation was subject to a non-performance penalty of \$157,500 if the commitment is not fulfilled. Subsequent to June 30, 2021, Altura drilled and completed a well at Leduc-Woodbend and fulfilled the commitment.

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

Travis Stephenson
Vice President, Engineering

D. Robert Pinckston
Vice President, Exploration

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**

