

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at

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

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

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

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

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

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

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

See accompanying notes to the unaudited interim condensed consolidated financial statements

# INTERIM CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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## 1. REPORTING ENTITY

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

On July 31, 2015 the Corporation entered into a definitive reorganization and investment agreement (the "Reorganization") which provided for a non-brokered private placement (note 7b), appointment of a new management team and a future rights offering to shareholders.

On September 30, 2015, shareholders of the Corporation agreed to rename the Corporation from Northern Spirit Resources Inc. to Altura Energy Inc. and to consolidate the number of common shares on a ten for one basis. The name change and share consolidation was effected on October 16, 2015. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

## 2. BASIS OF PRESENTATION

### (a) Statement of Compliance

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

These financial statements were approved by the Board of Directors on May 11, 2016.

### (b) Basis of Measurement and Principles of Consolidation

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

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgement

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

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

**(e) Changes in Presentation**

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

**3. EXPLORATION AND EVALUATION**

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

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

E&E assets consist of the Corporation's exploration projects, which are pending the determination of proven or probable reserves. Additions represent Altura's share of costs incurred on E&E assets during the periods. Altura capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$31 thousand in the three months ended March 31, 2016 (March 31, 2015 – \$nil).

**4. PROPERTY AND EQUIPMENT**

The following table reconciles Altura's property and equipment:

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

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

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

## 5. CREDIT FACILITY

As at March 31, 2016, the Corporation had a revolving operating demand loan (the "Credit Facility") with a Canadian chartered bank (the "Lender") with a maximum borrowing limit of \$6.5 million. The Credit Facility is payable on demand and bears interest at a rate equal to the Lender's prime rate plus 1.50 percent per annum on the outstanding principal, payable monthly. The Credit Facility can be drawn in whole multiples of a minimum of \$10 thousand, and letters of credit and/or letters of guarantee can be issued not exceeding an aggregate of \$0.5 million. A standby fee calculated at a rate of 0.40 percent per annum on the unused portion of the authorized amount is payable monthly.

The Credit Facility is secured by a general security agreement providing a security interest over all present and after acquired property, a floating charge on all lands, and a \$12.0 million debenture with a first floating charge over all assets of the Corporation. Altura is subject to certain reporting and financial covenants that require the Corporation to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facility and the fair value of any commodity contracts are excluded and the unused portion of the Credit Facility is added to current assets. As at March 31, 2016, the working capital ratio as defined was 58.6:1 (December 31, 2015 – 29.8:1). The next review date for the Credit Facility has been set for May 31, 2016.

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

## 6. DECOMMISSIONING LIABILITY

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

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

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

(2) Amount relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition decommissioning obligations were estimated using a credit adjusted discount rate of 10%.

## 7. SHARE CAPITAL

### (a) Authorized:

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

### (b) Issued and outstanding:

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

On October 19, 2015 the Corporation completed a 10 to 1 common share consolidation. The number of shares, warrants and options outstanding have been adjusted on a retroactive basis.

- On December 18, 2014, the TSX Venture Exchange authorized the Corporation's notice to make a normal course issuer bid ("NCIB") to purchase for cancellation of up to 2,315,134 common shares of the Corporation on the open market during the period from December 24, 2014 to December 24, 2015. For the year ended December 31, 2015, the Corporation purchased a total of 624,200 common shares for cancellation at a weighted average price of \$0.46 per share pursuant to the NCIB, which excludes the fees incurred to implement the NCIB program. The excess of the purchase price over the book value of \$56 thousand was charged to deficit.
- On July 31, August 28, and September 4, 2015, the Corporation closed three tranches of a non-brokered private placement issuing (i) 10,223,953 units ("Units") at a price of \$0.3375 per unit to insiders, directors and management and (ii) 62,723,526 common shares of the Corporation at a price of \$0.3375 per common share for aggregate gross proceeds of \$24.6 million. Each Unit is comprised of one common share and one common share purchase warrant (a "Performance Warrant"). Each Performance Warrant will entitle the holder to purchase one common share at a price of \$0.449 per share for a period of five years (note 7e).
- On October 9, 2015, the Corporation completed a rights offering to shareholders of the Corporation (the "Rights Offering"). Under the Rights Offering, holders of common shares of the Corporation subscribed for and purchased an aggregate of 1,020,125 common shares at a price of \$0.3375 per common share, resulting in gross proceeds to the Corporation of \$344 thousand.
- Share issue costs on the private placement and Rights Offering totaled \$255 thousand.

### (c) Stock options:

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

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

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

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

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2016 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low (\$)	High (\$)	Quantity	Remaining contractual life (years)	Exercise Price	Quantity	Remaining contractual life (years)	Exercise Price (\$)
0.3375	0.3375	3,950,000	4.7	0.3375	-	-	-
		<b>3,950,000</b>	<b>4.7</b>	<b>0.3375</b>	-	-	-

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

(d) Weighted average common shares:

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

For the three months ended March 31, 2016 3,950,000 stock options and 10,223,953 performance warrants were excluded from the weighted average number of common shares as they were anti-dilutive (2015 – 3,060,000 stock options and 8,625,960 warrants).

(e) Performance Warrants:

On July 31, and August 28, 2015, as part of the Reorganization, the Corporation issued 10,223,953 performance warrants to officers and directors. The performance warrants vest and become exercisable as to one-third upon the 20-day weighted average trading price of the common shares equaling or exceeding \$0.675, an additional one-third upon the trading price equaling or exceeding \$0.901 and a final one-third upon the trading price equaling or exceeding \$1.124. As at March 31, 2016 no warrants are exercisable. On the grant date the weighted average fair value of \$0.27 per performance warrant was determined using an adjusted Black Scholes model using the following assumptions: exercise price of \$0.449 per warrant; risk free rate of 0.95 percent; volatility of 110 percent; forfeiture rate of 0 percent; and expected life ranging from 3.0 to 5.0 years. The Corporation recorded an expense of \$165 thousand (March 31, 2015 – nil) to share-based compensation and capitalized \$10 thousand (March 31, 2015 – nil) in the three months ended March 31, 2016. The fair value of the performance warrants is being expensed over the expected life.

## 8. FINANCIAL AND CREDIT RISK

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

The majority of the credit exposure on accounts receivable at March 31, 2016 pertains to revenue for accrued March 2016 production volumes. Altura primarily transacts with one oil and natural gas marketing company and is therefore subject to concentration risk. The marketing company typically remits amounts to Altura by the 25th day of the month following production. At March 31, 2016 90 percent of total outstanding accounts receivable pertains to this company. Altura did not have any other customers from which it had outstanding accounts receivable greater than 10 percent of the total outstanding balance at March 31, 2016.

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

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

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

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

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

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

## 10. COMMITMENTS

In November 2015, the Corporation entered into a lease issuance and drilling commitment agreement whereby Altura acquired freehold petroleum leases in Alberta. Pursuant to the agreement, Altura has agreed to drill one horizontal commitment well by October 31, 2016. The Corporation is subject to a non-performance penalty of \$0.5 million if the commitment is not fulfilled.