

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 May 26, 2021 and should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 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 quarter 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 first quarter of 2021, averaging 36 percent higher than the fourth quarter of 2020, and 25 percent higher than the first quarter of 2020. Altura primarily compares its oil price to the Western Canadian Select oil price ("WCS") at Hardisty, which increased 32 percent in the first quarter of 2021 relative to the fourth quarter of 2020 and increased 68 percent relative to the first quarter of 2020.

Although government authorities are easing 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 April 15, 2021, and Altura's Fourth Quarter 2020 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.

	May 26, 2021 Guidance	Previous Guidance	2021 YTD Actual
2021 average production volumes (boe/d)	1,100 to 1,150	1,100 to 1,150	942
Capital expenditures (\$000)	7,500	6,000	1,510
Wells drilled	2 (1.8 net)	2 (1.8 net)	-
Wells completed	3 (2.7 net)	3 (2.7 net)	1 (0.9 net)

Altura has increased its capital expenditure budget for 2021 from \$6.0 million to \$7.5 million in order to move forward several parallel initiatives:

1. Altura will continue to improve up its extended reach horizontal ("ERH") well design by increasing the lateral length in one of the proposed wells from 2,000 to 2,300 meters (a 15% increase). This extension will accommodate a commensurate increase in total frac stages from 74 to 85. Previous success with longer horizontal laterals and increased frac stages in the Rex pool illustrates improved production and reserve capture. This further optimization is expected to result in even greater well performance which will reduce the number of required wells and decrease the capital required to develop the remainder of the Rex pool.
2. The Corporation is excited to implement a waterflood pilot project at Leduc-Woodbend. Success of the pilot would result in gas/oil ratio ("GOR") suppression, reservoir pressure maintenance and attenuated production declines which could add material upside to Altura's Rex oil pool reserve recoveries.
3. In the first quarter of 2021, Altura modified the artificial lift system in three (2.7 net) Rex wells to a more robust rod string resulting in improved runtime efficiency which is expected to reduce future workover costs. The expanded budget will enable the conversion of an additional nine (7.9 net) wells in 2021.

ASSET DISPOSITIONS

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

The Original Disposition Agreement committed Altura to the following:

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

percent working interest in the Corporation's production, wells, lands and facilities as at that date for cash of \$3.5 million (the "Second Transaction"). Proceeds would be used to fund the Second Commitment Well.

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

First Transaction

December 4, 2019 Disposition

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

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

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

Second Transaction

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

Given the economic environment caused by the COVID-19 pandemic, drilling risk profile and capital efficiency in Leduc-Woodbend and Entice, the parties agreed the Second Commitment Well will be drilled at Leduc-Woodbend at a time when economic conditions justify the expenditure. Estimated total gross drill, complete and equipping costs of the well is \$2.5 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.

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 three months ended March 31, 2021.

The remaining stages as at March 31, 2021 pursuant to the Second Amending Agreement are as follows:

Stage	Closing Date	Disposition Interest	Cash Proceeds
Stage 3b	April 27, 2021	0.6875%	\$437,500
Stage 4	June 30, 2021	1.375%	\$875,000
Total		2.0625%	\$1,312,500

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.

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.

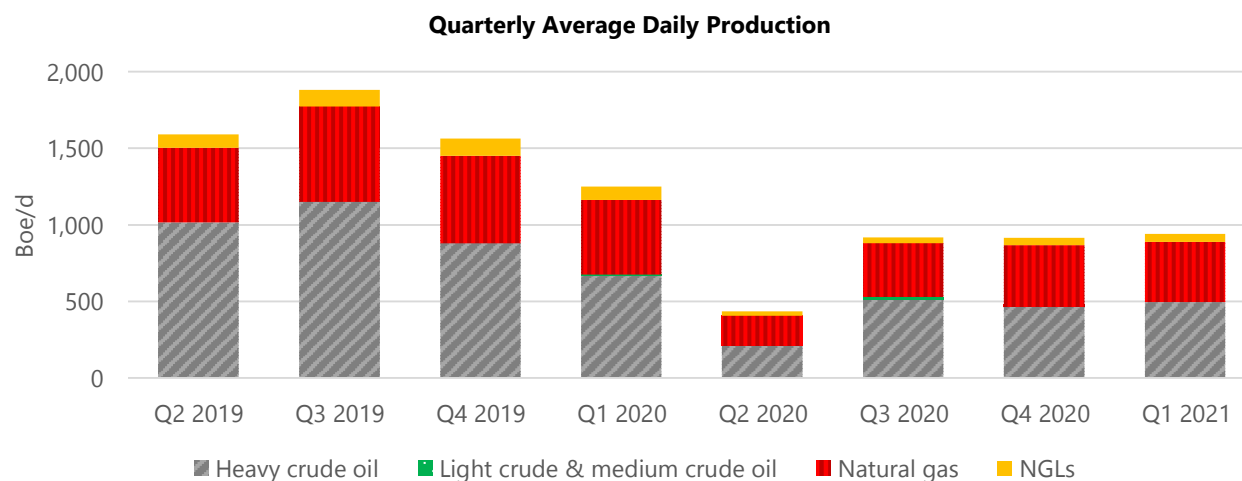
RESULTS OF OPERATIONS

Production

	Three months ended March 31		
	2021	2020	% Change
Heavy crude oil (bbls/d)	496	667	(26)
Light crude & medium crude oil (bbls/d)	-	8	(100)
Natural gas (Mcf/d)	2,356	2,926	(19)
Natural gas liquids ("NGLs") (bbls/d)	53	87	(39)
Total (boe/d)	942	1,250	(25)
Oil and natural gas liquids % of production	58%	61%	(5)

During the first quarter of 2021, Altura's production decreased 25 percent from the first quarter of 2020. The decrease is primarily attributed to natural declines at Altura's Leduc-Woodbend area due to minimal development activity in 2020 during the COVID-19 pandemic. Additionally, production in the first quarter of 2021 was affected by third-party gas processing restrictions for one (0.9 net) well and Altura divesting 3.44 percent of production in three working interest dispositions on June 30, 2020, September 30, 2020, and January 29, 2021.

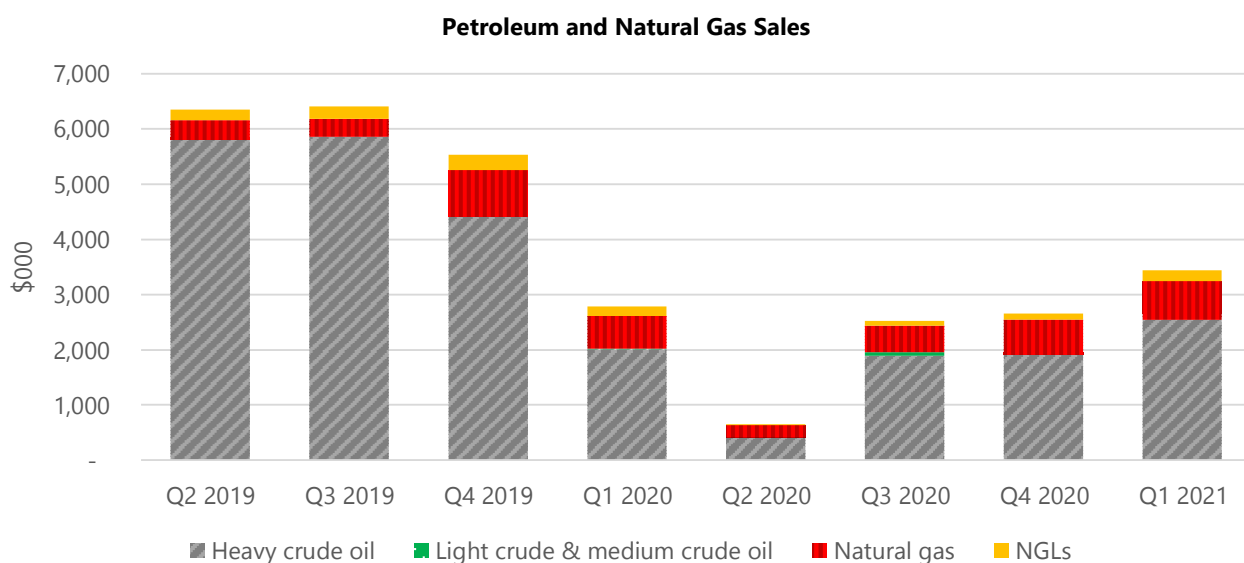
Altura brought one (0.9 net) new well with 78 fracs (ie high density frac completion) on production in mid-February 2021 that was drilled in 2020 before the COVID-19 pandemic. Initial production rates from the new well are consistent with management's expectations.



Petroleum and Natural Gas Sales

(\$000)	Three months ended March 31		
	2021	2020	% Change
Heavy crude oil	2,543	2,008	27
Light crude & medium crude oil	-	15	(100)
Natural gas	700	585	20
Natural gas liquids	197	175	13
Petroleum and natural gas sales	3,440	2,783	24

Petroleum and natural gas sales for the first quarter of 2021 increased 24 percent to \$3,440,000 compared to \$2,783,000 in the first quarter of 2020. The increase of \$657,000 consists of \$1,392,000 attributed to increased realized commodity prices, partially offset by \$735,000 attributed to decreased 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.

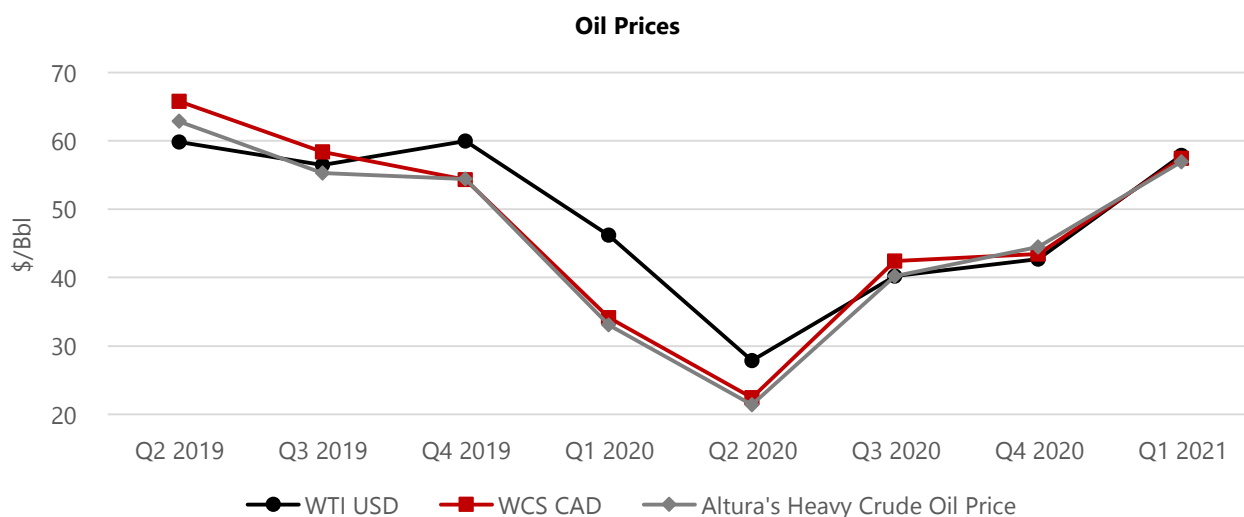
The following table outlines the Corporation's benchmark and realized petroleum and natural gas prices:

	Three months ended March 31		
	2021	2020	% Change
Average Benchmark Prices			
WTI crude oil (US\$/bbl) ⁽¹⁾	57.84	46.17	25
WCS differential (US\$/bbl) ⁽²⁾	(12.47)	(20.53)	(39)
US\$/Cdn\$ exchange rate	0.790	0.743	6
WCS (Cdn\$/bbl)	57.43	34.12	68
AECO daily spot (\$/GJ)	2.99	1.93	55
Average Realized Prices			
Heavy crude oil (\$/bbl)	56.92	33.06	72
Natural gas (\$/Mcf)	3.30	2.20	50
Natural gas liquids (\$/bbl)	41.50	22.02	88
Average realized price (\$/boe)	40.59	24.46	66

(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 first quarter of 2021, WTI increased 25 percent to US\$57.84 per barrel compared to the first quarter of 2020 and the differential between WTI and WCS narrowed 39 percent to US\$12.47 per barrel. These changes resulted in Altura's realized heavy crude oil price increasing 72 percent to \$56.92 per barrel from the first quarter of 2020.



In the first quarter of 2021, Altura's realized natural gas price increased by 50 percent to \$3.30 per Mcf from the first quarter of 2020 while the AECO daily spot price increased 55 percent to \$2.99 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 March 31		
	2021	2020	% Change
Realized gain (loss) on financial instruments	(403)	629	(164)
Realized gain (loss) on financial instruments per boe	(4.75)	5.53	(186)

For the three months ended March 31, 2021, the realized loss on financial instruments was \$403,000 as compared to a realized gain on financial instruments of \$629,000 in the first quarter of 2020. The first quarter loss is mainly attributed to the recovery in crude oil prices with WCS averaging \$57.43 per barrel in the first quarter of 2021, compared to Altura's average crude oil contract price of \$35.73 per barrel.

At March 31, 2021, Altura held the following crude oil and natural gas contracts:

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price	Fair Value at March 31, 2021
						(\$000)
Apr 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$32.25	(261)
Apr 1/21—Jun 30/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.20	(198)
Jul 1/21—Sep 30/21	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$36.70	(422)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$37.70	(172)
Oct 1/21—Dec 31/21	Crude Oil	Fixed	100 Bbls/d	WCS	CAD \$39.70	(154)
Jan 1/22—Jan 31/22	Crude Oil	Fixed	200 Bbls/d	WCS	CAD \$51.00	(27)
Apr 1/21—Jun 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.455	(4)
Jul 1/21—Sep 30/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.580	18
Oct 1/21—Dec 31/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.545	(12)
Jan 1/22—Jan 31/22	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.720	(3)
						(1,235)

At March 31, 2021, the crude oil and natural gas contracts were fair valued with an liability of \$1,235,000 (December 31, 2020 - \$369,000 liability) recorded on the balance sheet and an unrealized loss of \$866,000 recorded in net loss for the three months ended March 31, 2021 (2020- \$2,369,000 unrealized gain).

Subsequent to March 31, 2021, Altura entered into the following crude oil and natural gas contracts:

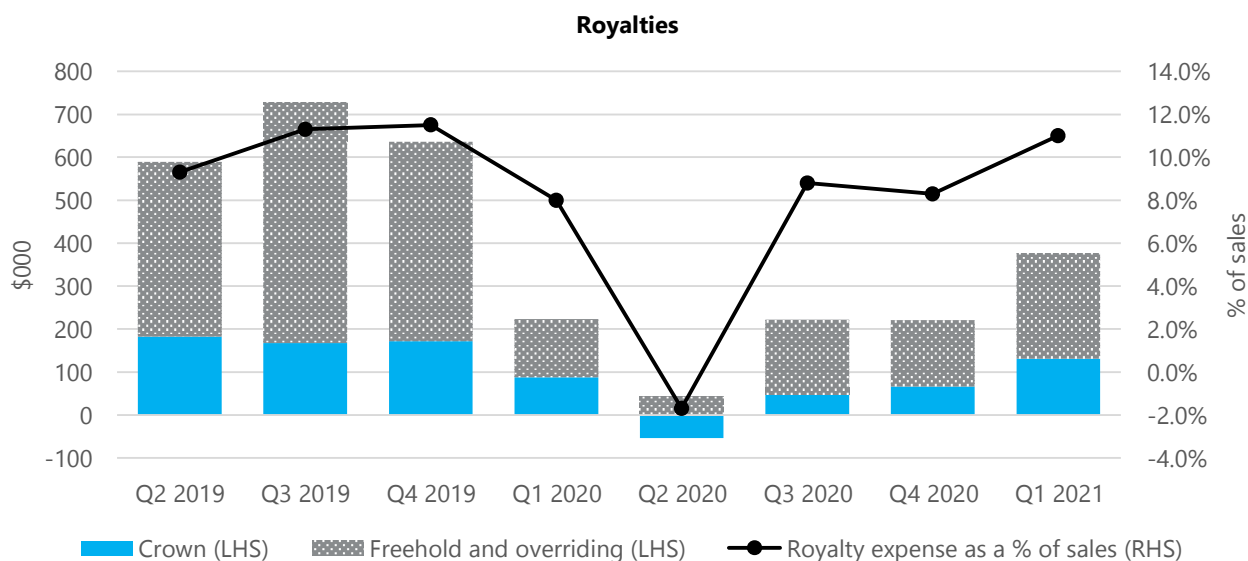
Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Feb 1/22—Feb 28/22	Crude Oil	Fixed	125 Bbls/d	WCS	CAD \$55.50
Jul 1/21—Jul 31/21	Natural Gas	Fixed	500 GJ/d	AECO 5A	CAD \$2.64
Aug 1/21—Aug 31/21	Natural Gas	Fixed	1,000 GJ/d	AECO 5A	CAD \$2.44
Sep 1/21—Sep 30/21	Natural Gas	Fixed	500 GJ/d	AECO 5A	CAD \$2.60
Feb 1/22—Feb 28/22	Natural Gas	Fixed	750 GJ/d	AECO 5A	CAD \$2.87

Royalties

(\$000, except % and per boe)	Three months ended March 31		
	2021	2020	% Change
Crown royalties	131	88	49
Freehold and overriding royalties	246	135	82
Royalty expense	377	223	69
Royalty expense as a % of sales	11.0%	8.0%	38
Royalty expense per boe	4.45	1.96	127

In the first quarter of 2021, royalty expense increased to \$377,000 (11.0 percent of sales) compared to \$223,000 (8.0 percent of sales) in the first quarter of 2020. The increase in royalty expense and royalty expense as a % of sales is due to higher sales revenue and a higher average royalty rate due to increased commodity prices compared to the first quarter of 2020.

Altura expects its royalty expense as a % of sales to decrease to approximately nine percent for the remaining three quarters of 2021 due to increased production forecasted on Crown lands that have lower average royalty rates than freehold lands.



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

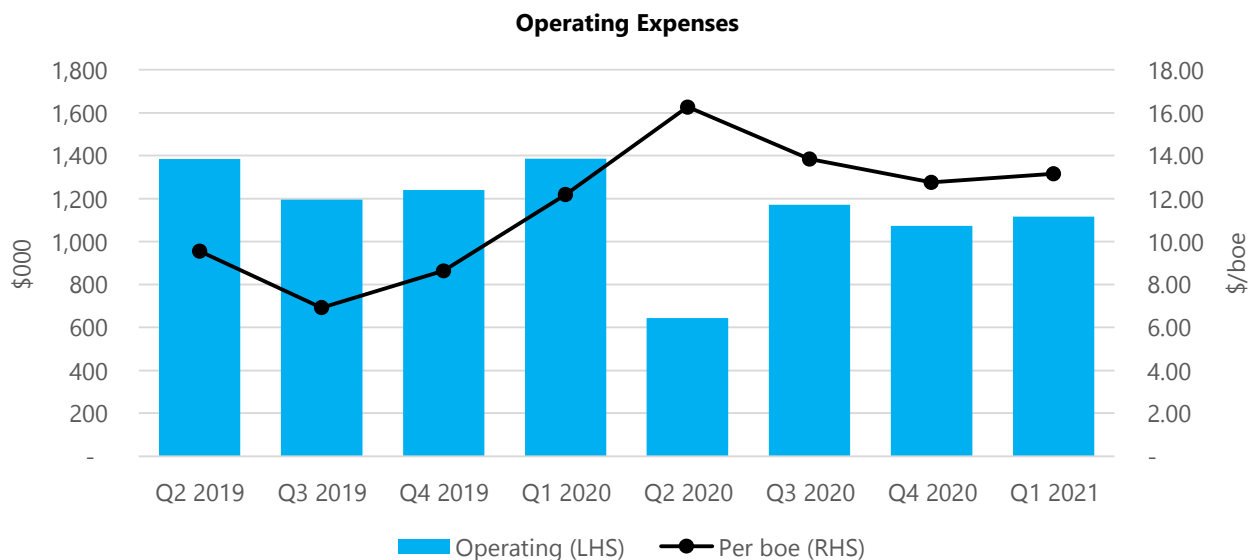
RHS = refer to Y axis scale on Right Hand Side of graph

Operating

(\$000, except per boe)	Three months ended March 31		
	2021	2020	% Change
Operating	1,116	1,386	(19)
Operating per boe	13.16	12.19	8

Operating expenses decreased \$270,000 in the first quarter of 2021 to \$1,116,000 as compared to \$1,386,000 in the first quarter of 2020. The decrease is due to lower production volumes in the first quarter of 2021 compared to the first quarter of 2020.

On a per boe basis, operating expenses increased to \$13.16 per boe in the first quarter of 2021 compared to \$12.19 per boe in the first quarter of 2020. The increase is mainly due to higher electricity costs in the first quarter of 2021 compared to the first quarter of 2020. Operating cost reductions remain a key focus for Altura in 2021.

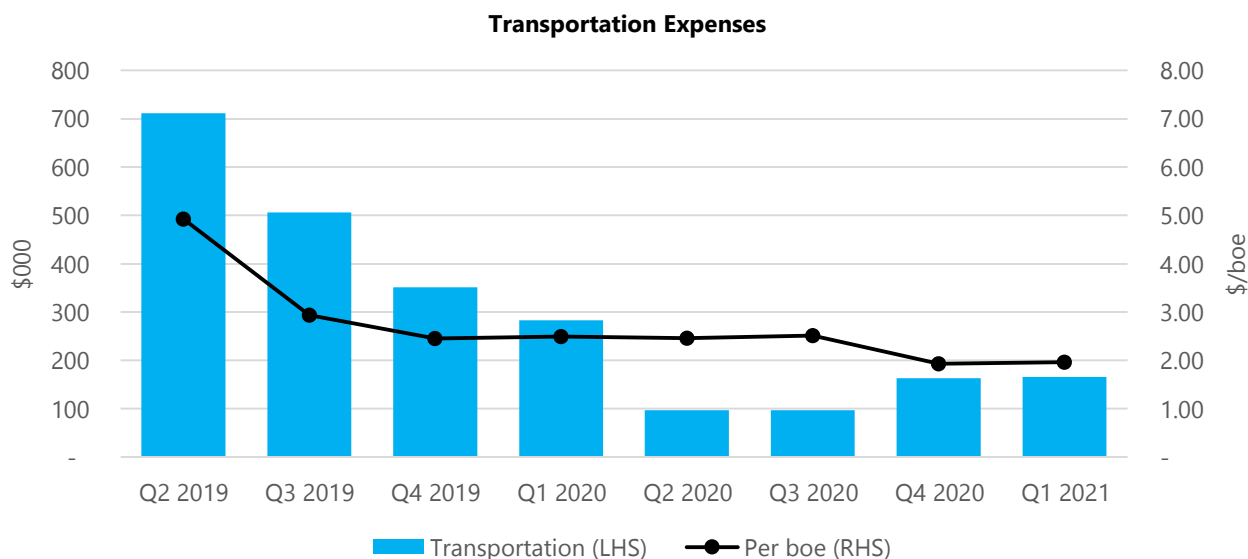


Transportation

(\$000, except per boe)	Three months ended March 31		
	2021	2020	% Change
Transportation	166	283	(41)
Transportation per boe	1.96	2.49	(21)

Transportation costs for the first quarter of 2021 decreased to \$166,000 as compared to \$283,000 in the first quarter of 2020, due to decreased production volumes, coupled with decreased clean oil hauling rates.

On a per boe basis, transportation expenses decreased to \$1.96 per boe in the first quarter of 2021, as compared to \$2.49 per boe in the first quarter of 2020. The decrease is due to decreased clean oil hauling rates from favorable contract negotiations.

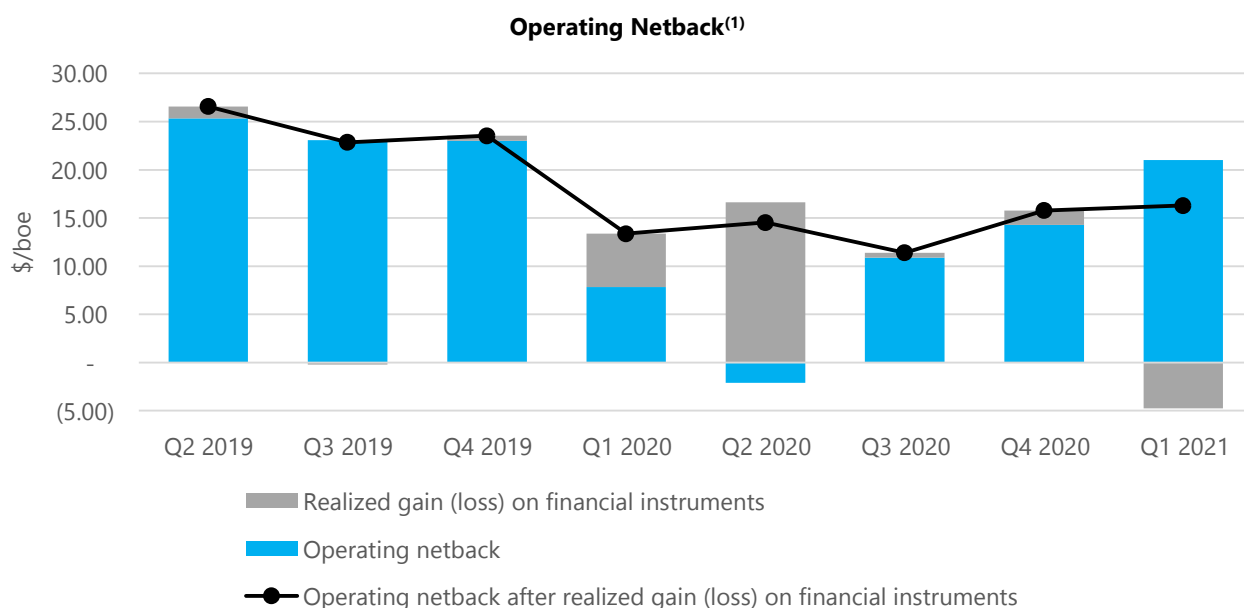


Operating Netback

(\$/boe)	Three months ended March 31		
	2021	2020	% Change
Petroleum and natural gas sales	40.59	24.46	66
Royalties	(4.45)	(1.96)	127
Operating	(13.16)	(12.19)	8
Transportation	(1.96)	(2.49)	(21)
Operating netback ⁽¹⁾	21.02	7.82	169
Realized gain (loss) on financial instruments	(4.75)	5.53	(186)
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	16.27	13.35	22

(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 \$21.02 per boe in the first quarter of 2021 compared to \$7.82 per boe in the first quarter 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 higher royalties. Altura's operating netback after realized gain (loss) on financial instruments was \$16.27 per boe in the first quarter of 2021 compared to \$13.35 in the first quarter 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.

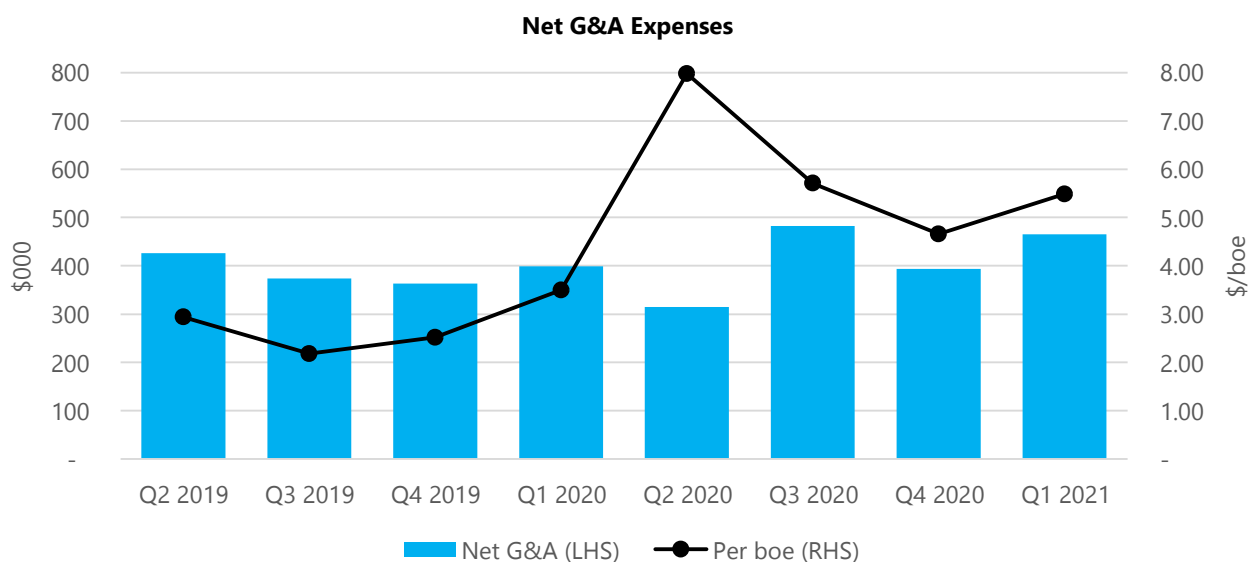
General and Administrative ("G&A") Expenses

(\$000, except per boe)	Three months ended March 31		
	2021	2020	% Change
Gross G&A	585	595	(2)
Capitalized G&A and overhead recoveries	(120)	(196)	(39)
Net G&A expenses	465	399	17
Net G&A per boe	5.49	3.50	57

Net G&A expenses totaled \$465,000 in the first quarter of 2021, compared to \$399,000 for the first quarter of 2020. This increase is primarily due to decreased capitalized G&A associated with reduced capital spending in the period, partially offset by \$50,000 received in the three months ended March 31, 2021 (March 31, 2020 - \$Nil) from the Canada emergency subsidy programs.

Net G&A expenses increased to \$5.49 per boe for the three months ended March 31, 2021, compared to \$3.50 per boe in the same period in 2020 due to decreased production volumes.

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



Interest and Financing Expenses

(\$000, except per boe)	Three months ended March 31		
	2021	2020	% Change
Credit facility interest and financing expenses	101	16	>500
Lease interest	3	3	-
Interest and financing expenses	104	19	447
Interest and financing expenses per boe	1.23	0.17	>500

Interest and financing expenses totaled \$104,000 in the three months ended March 31, 2021, compared to \$19,000 in the same period of 2020. The increase is primarily due to higher average bank indebtedness in the first quarter of 2021 compared to the first quarter of 2020. Altura's average interest rate in the first quarter of 2021 was 7.0 percent, compared to 5.0 percent in the first quarter of 2020.

Share-Based Compensation

(\$000)	Three months ended March 31		
	2021	2020	% Change
Share-based compensation	31	129	(76)
Capitalized share-based compensation	(4)	(35)	(89)
Share-based compensation expense	27	94	(71)

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 \$27,000 in the three months ended March 31, 2021, compared to \$94,000 in the same period of 2020. The decrease reflects the expiry of all performance warrants in 2020 and decreased stock option expense due to no options granted in 2020 or the first quarter of 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 March 31		
	2021	2020	% Change
DD&A	1,030	1,650	(38)
DD&A per Boe	12.15	14.50	(16)

Altura uses proved and probable oil and gas reserves to calculate DD&A expense. For the three months ended March 31, 2021, DD&A decreased to \$1,030,00, compared to \$1,650,000 in the same period of 2020. The decrease is due to lower production volumes and the impairment recorded in 2020.

On a per unit basis, DD&A decreased to \$12.15 per boe in the three months ended March 31, 2021, compared to \$14.50 per boe in the same period of 2020. The decreased per unit depletion is due to the impairment recorded in 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.

March 31, 2021

Altura evaluated its developed and producing ("D&P") assets and exploration and evaluation ("E&E") assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified, and no impairment or impairment reversal was recorded on Altura's D&P and E&E assets in the three months ended March 31, 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.

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 months ended March 31, 2021, compared to deferred tax recovery of \$1,472,000 in the same period of 2020. The deferred tax recovery in the first quarter of 2020 is 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 March 31, 2021 as Management did not find it probable that the benefit will be realized.

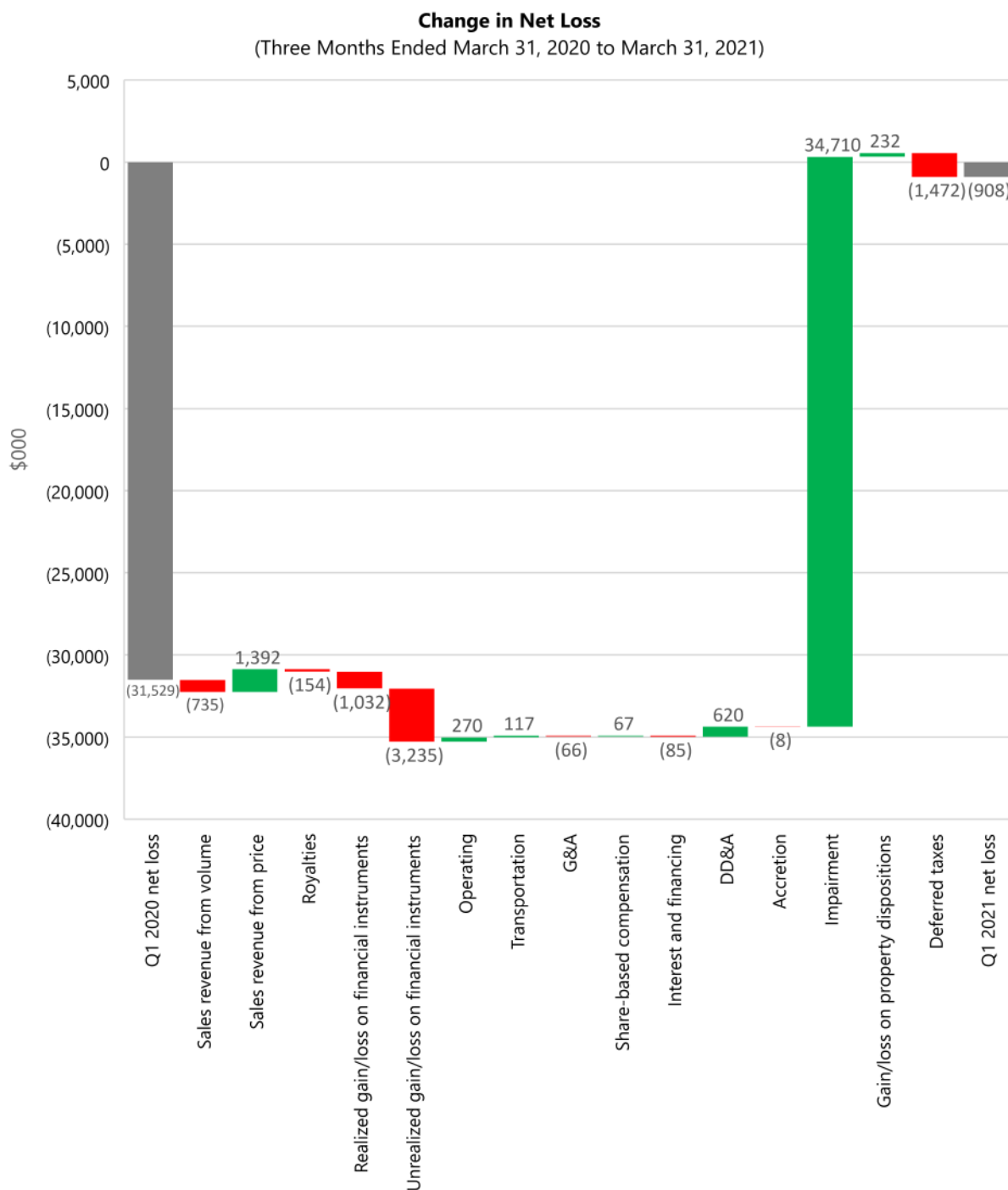
Net Loss and Adjusted Funds Flow

(\$000, except per share amounts and per boe)	Three months ended March 31		
	2021	2020	% Change
Net loss	(908)	(31,529)	(97)
Per share – basic	(0.01)	(0.29)	(97)
Per share – diluted	(0.01)	(0.29)	(97)
Cash flow from operating activities	827	1,183	(30)
Adjusted funds flow ⁽¹⁾	809	1,102	(27)
Per share – basic ⁽¹⁾	0.01	0.01	-
Per share – diluted ⁽¹⁾	0.01	0.01	-
Adjusted funds flow per boe ⁽¹⁾	9.55	9.68	(1)

(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.

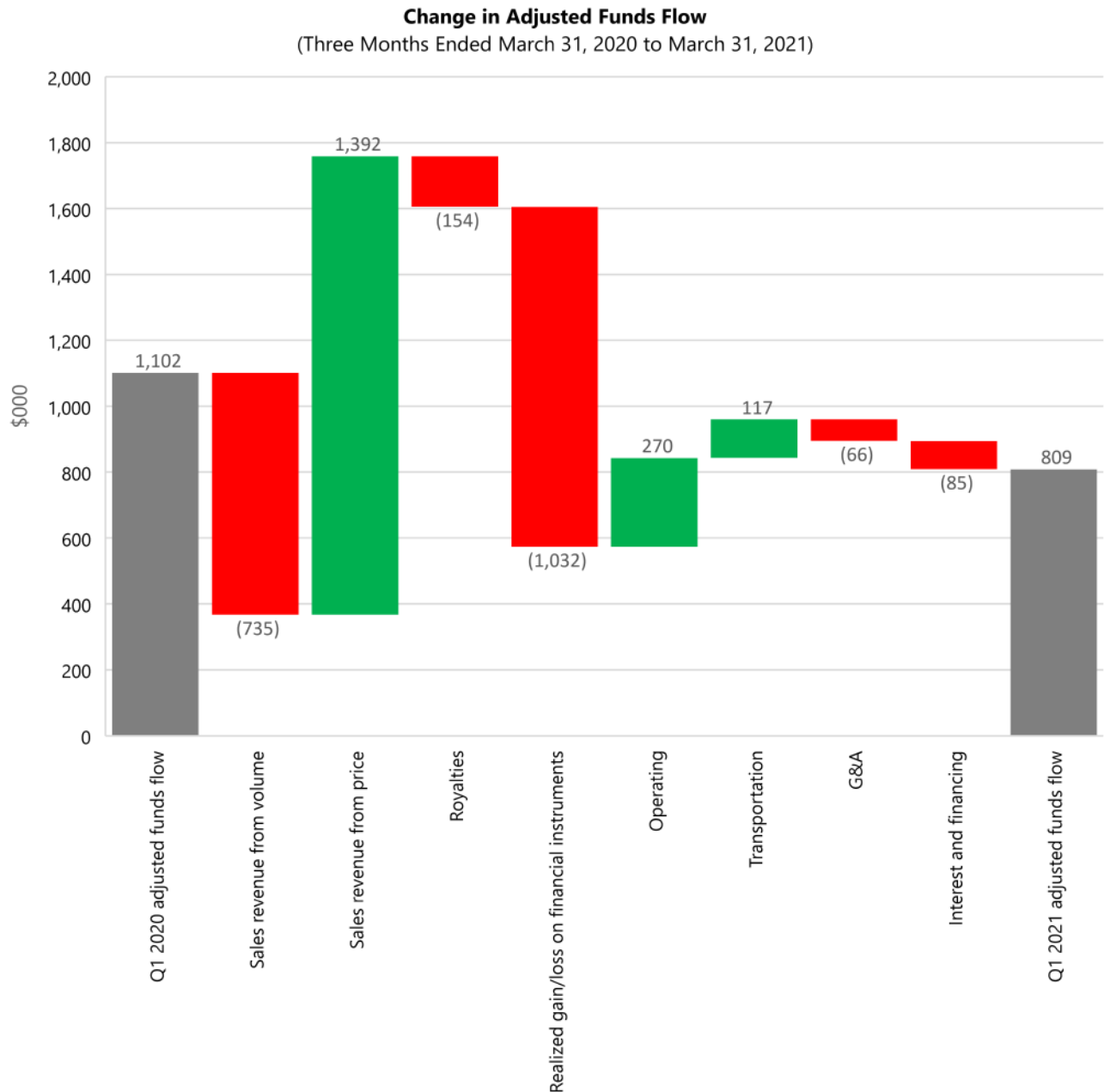
Net Loss

In the first quarter of 2021, the net loss decreased to \$0.9 million compared to a net loss of \$31.5 million in the first quarter of 2020. The decreased net loss primarily reflects no impairment in the first quarter of 2021, increased commodity prices, lower DD&A, a gain on property disposition and decreased transportation and operating costs, partially offset by lower production volumes, increased losses on realized and unrealized financial instruments and no deferred tax recovery.



Adjusted Funds Flow

In the first quarter of 2021, adjusted funds flow decreased by \$293,000 to \$809,000 compared to \$1,102,000 in the first quarter of 2020. The decrease primarily reflects lower production volumes, a realized loss on financial instruments and higher royalties, partially offset by increased commodity prices, and lower transportation and operating costs.



Capital Expenditures

(\$000)	Three months ended March 31		
	2021	2020	% Change
Geological and geophysical	1	3	(67)
Land	84	326	(74)
Drilling and completions	800	6,248	(87)
Workovers	326	(12)	(>500)
Equipping and tie-in	170	338	(50)
Facilities and pipelines	76	29	162
Other	53	150	(65)
Capital expenditures	1,510	7,082	(79)
Property disposition	(438)	-	-
Total capital expenditures	1,072	7,082	(85)

Capital expenditures were allocated as follows:

(\$000)	Three months ended March 31		
	2021	2020	% Change
Exploration and evaluation	62	3,918	(98)
Property and equipment, net	1,010	3,164	(68)
Total capital expenditures	1,072	7,082	(85)

In the first quarter of 2021, Altura invested \$1.5 million in capital expenditures 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 quarter of 2021 relate to three rod upgrades at Leduc-Woodbend to improve run-time efficiency and a production test on Altura's Entice well.

In the first quarter of 2021, Altura closed an asset disposition for cash proceeds of \$437,500 as discussed in the "Asset Disposition" section of this MD&A on page 5.

In the first quarter of 2020, Altura invested \$7.1 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.

Decommissioning Liability

At March 31, 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, 2019 - 1.5 percent) and discounted at the Bank of Canada's long-term risk-free bond rate of 2.0 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 months ended March 31, 2021, accretion expense totaled \$26,000 (March 31, 2020 - \$18,000).

The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 4.98 at May 1, 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 4.98 at May 1, 2021, consistent with its LMR.

CAPITAL RESOURCES AND LIQUIDITY

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

(\$000)	March 31, 2021	December 31, 2020
Current assets	(1,748)	(1,307)
Current liabilities	7,190	5,608
Working capital deficit	5,442	4,301
Fair value of financial instruments	(1,235)	(369)
Current portion of lease liabilities	(53)	(50)
Current portion of decommissioning liability	(25)	(25)
Net debt ⁽¹⁾	4,129	3,857
Net debt to annualized adjusted funds flow ⁽¹⁾⁽²⁾	1.28	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 \$4.1 million as at March 31, 2021 increased from \$3.9 million at December 31, 2020 due to capital expenditures in the first quarter of 2021 exceeding adjusted funds flow. The increased net debt resulted in net debt to annualized adjusted funds flow increasing marginally to 1.28 times at March 31, 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 \$5.4 million at March 31, 2021 compared to a working capital deficit of \$4.3 million at December 31, 2020. At March 31, 2021, the major components of Altura's current assets were accounts receivable (81 percent) to be received from its oil and gas marketers in respect to March production and joint interest partners. Altura routinely assesses the financial strength of its marketers and joint interest partners and has determined all past due accounts receivable to be collectible. Current liabilities largely consist of bank debt (53 percent), trade and joint interest payables (13 percent), accrued liabilities (15 percent) related to the Corporation's operations and the fair value of financial instruments (17 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

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

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

(\$000)	March 31, 2021	December 31, 2020
Operating Loan	838	985
Term Loan	3,000	3,000
Bank debt	3,838	3,985

The Operating Loan is revolving, payable on demand and contains customary material adverse change clauses. As the borrowing base of the Operating Loan is based on the Lenders' interpretation of Altura's estimated proved and probable oil and natural gas reserves and forecasted commodity prices, there can be no assurance as to the amount of available limit that will be determined at each scheduled review. The Term Loan is a non-revolving term facility to be used exclusively to provide additional liquidity to finance Altura's business operations. It can be used to pay operating expenses, G&A expenses, interest on the Operating Loan, lease payments and pay down temporary advances on Altura's Operating Loan. The Term Loan cannot be used to repay or refinance permanent reductions to the Operating Loan or to make shareholder contributions, shareholder loans, share buy backs, or pay any bonuses or increase executive compensation.

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

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

Altura is subject to certain reporting and financial covenants including:

- the Corporation is required to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, the Credit Facilities and the fair value of any commodity contracts are excluded and the unused portion of the Operating Loan is added to current assets;
- the Corporation will, at all times, maintain hedging agreements covering no less than 30 percent of Altura's forecasted total production for no less than the succeeding nine-month period, on a rolling basis whereby at least fifty percent of the hedged volumes (on a barrels of oil equivalent basis) must be crude oil hedges (Western Canadian Select); 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 March 31, 2021, the working capital ratio as defined was 3.24:1 (December 31, 2020 – 5.00:1) and the Corporation was compliant with all covenants, including the hedging covenant and LLR covenant.

As at March 31, 2021, \$3.8 million (December 31, 2020 - \$4.0 million) was drawn on the Credit Facilities and the Corporation had an outstanding letter of credit for \$50,000 (December 31, 2020 - \$50,000).

The next review date for the Credit Facilities has been extended from May 31, 2020 to June 30, 2021.

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 March 31, 2021 there were 108,920,974 common shares outstanding, and 6,085,000 stock options outstanding. The number of common shares and stock options remain unchanged from December 31, 2020.

At May 26, 2021 the number of common shares and stock options outstanding remain unchanged from March 31, 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, available funding from its Credit Facilities and proceeds from closing stages 3b and 4 of the Second Transaction of Altura's December 2019 asset disposition as discussed in the "Asset Disposition" section of this MD&A on page 6.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Altura has an agreement to close additional asset dispositions in 2021 totaling a 2.0625 percent working interest in the Corporation's production, wells, lands and facilities for cash of \$1.31 million, as discussed in the "Asset Dispositions" section of the MD&A on page 5.

The Original Disposition Agreement included a drilling commitment related to the Second Transaction, whereby Altura committed to the drilling of a horizontal well in either the Entice area or the Leduc-Woodbend area on or before December 31, 2020. Given the economic environment on June 26, 2020, drilling risk profile and capital efficiency in each of the areas, the parties agreed the well will be drilled at Leduc-Woodbend at a time when commodity prices support well economics. Estimated total gross drill, completion and equipping costs of the well is \$2.5 million. PrivateCo will pay 12.5% of the well costs and earn a 12.5% working interest in the well and the optional third funding transaction contemplated by the Original Disposition Agreement will not be executed by PrivateCo.

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

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

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
OPERATING								
Average daily production								
Heavy crude oil (bbls/d)	496	468	512	213	667	881	1,150	1,016
Light crude & medium crude oil (bbls/d)	-	-	16	-	8	-	-	-
Natural gas (Mcf/d)	2,356	2,402	2,118	1,154	2,926	3,406	3,733	2,914
NGLs (bbls/d)	53	48	38	30	87	113	108	88
Total (boe/d)	942	916	919	435	1,250	1,561	1,880	1,591
Average realized sales price								
Heavy crude oil (\$/bbl)	56.92	44.45	40.19	21.39	33.06	54.40	55.31	62.83
Light crude & medium crude oil (\$/bbl)	-	-	43.79	-	20.85	-	-	-
Natural gas (\$/Mcf)	3.30	2.87	2.45	2.06	2.20	2.70	0.95	1.30
NGLs (\$/bbl)	41.50	25.72	25.83	6.46	22.02	26.64	24.42	24.23
Average realized price (\$/boe)	40.59	31.56	29.87	16.36	24.46	38.50	37.12	43.89
Petroleum and natural gas sales	40.59	31.56	29.87	16.36	24.46	38.50	37.12	43.89
Royalties	(4.45)	(2.61)	(2.63)	0.28	(1.96)	(4.43)	(4.20)	(4.08)
Operating expenses	(13.16)	(12.75)	(13.85)	(16.27)	(12.19)	(8.63)	(6.92)	(9.56)
Transportation expenses	(1.96)	(1.93)	(2.51)	(2.46)	(2.49)	(2.45)	(2.93)	(4.92)
Operating netback ⁽¹⁾	21.02	14.27	10.88	(2.09)	7.82	22.99	23.07	25.33
Realized gain (loss) on financial instruments	(4.75)	1.48	0.51	16.60	5.53	0.53	(0.22)	1.23
Operating netback after realized gain (loss) on financial instruments ⁽¹⁾	16.27	15.75	11.39	14.51	13.35	23.52	22.85	26.56
General and administrative	(5.49)	(4.66)	(5.71)	(7.98)	(3.50)	(2.52)	(2.16)	(2.94)
Interest and financing expense	(1.23)	(1.39)	(1.21)	(1.42)	(0.17)	(0.37)	(0.27)	(0.50)
Adjusted funds flow per boe ⁽¹⁾	9.55	9.70	4.47	5.11	9.68	20.63	20.42	23.12
FINANCIAL (\$000, except per share)								
Petroleum and natural gas sales	3,440	2,659	2,526	647	2,783	5,531	6,420	6,353
Cash flow from operating activities	827	206	505	512	1,183	3,955	3,181	3,568
Adjusted funds flow ⁽¹⁾	809	818	378	204	1,102	2,963	3,532	3,346
Per share – basic ⁽¹⁾	0.01	0.01	-	-	0.01	0.03	0.03	0.03
Per share – diluted ⁽¹⁾	0.01	0.01	-	-	0.01	0.03	0.03	0.03
Net income (loss)	(908)	10,823	(360)	(1,247)	(31,529)	(56)	298	1,044
Per share – basic	(0.01)	0.10	-	(0.01)	(0.29)	-	-	0.01
Per share – diluted ⁽²⁾	(0.01)	0.10	-	(0.01)	(0.29)	-	-	0.01
(\$000)								
Capital expenditures	1,510	105	469	218	7,082	1,528	3,553	6,350
Property dispositions	(438)	-	(875)	(871)	-	(3,508)	-	-
Total assets	34,725	34,439	23,789	24,517	26,895	55,053	61,202	59,719
Net debt ⁽¹⁾	4,129	3,857	4,560	5,335	6,183	563	5,130	5,109
Shareholders' equity	22,021	22,898	12,023	12,309	13,456	44,856	44,748	44,251
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	108,936	109,097	109,517	110,503
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 second quarter of 2019 are the result of changes in oil and gas volumes sold as well as changes in Altura's average realized price. Production volumes increased in the third quarter of 2019 with two

new wells brought on production. Average production volumes declined in the fourth quarter of 2019 from no new wells being brought on production and a disposition of a 7% working interest in Altura's assets.

Average production volumes declined in the first quarter of 2020 from natural declines and increased down-time associated with repairs and maintenance activity. In the second quarter of 2020, Altura curtailed production volumes as a result of the severe decline in oil prices associated with the COVID-19 pandemic. Average production volumes increased in the third quarter of 2020 as Altura restarted 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 quarter of 2021 with one new well brought on production.

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

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

In the first quarter of 2020, Altura completed a horizontal oil well (93% working interest) that was drilled in the third quarter of 2019, drilled a horizontal oil well (93% working interest) at Leduc-Woodbend and drilled and completed a horizontal well (93% working interest) targeting the Pekisko Formation at Entice. In the second quarter of 2020, Altura closed a disposition of a 1.375% working interest for \$871,000 and closed a disposition of a 1.375% working interest for \$875,000 in the third quarter of 2020. In the first quarter of 2021, Altura completed and equipped one well at Leduc-Woodbend and closed a disposition of a 0.6875% working interest for \$437,500.

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

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;
- 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; and
- the Corporation's credit facilities are currently undergoing review by its lender at the date of this MD&A and a reduction in the borrowing limit could impact Altura's capital program and liquidity management plans.

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 first 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 first 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 20. The following schedule sets out the reconciliation of net income to adjusted funds flow and cash flow from operating activities for the reporting period and the comparable prior period:

(\$000)	Three months ended March 31	
	2021	2020
Net loss	(908)	(31,529)
Adjusted for the following non-cash items		
Deferred tax recovery	-	(1,472)
Depletion, depreciation and amortization	1,030	1,650
Impairment	-	34,710
Accretion of decommissioning liability	26	18
Share-based compensation	27	94
Gain on property disposition	(232)	-
Unrealized loss (gain) on financial instruments	866	(2,369)
Adjusted funds flow	809	1,102
Changes in non-cash operating working capital	18	81
Cash flow from operating activities	827	1,183

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 24.

Operating Netback

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

Barrels of Oil Equivalent

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

Drilling Locations

This MD&A and first 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.

Forward-looking Information

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

- uncertainty about the COVID-19 pandemic and the impact it will have on Altura's operations, the demand for Altura's products, and economic activity in general;
- Altura's capital budget of \$7.5 million and plans to drill two (1.8 net) Rex wells and complete three (2.7 net) Rex wells at Leduc-Woodbend;
- Altura's forecasted royalty rate of approximately nine percent for the remaining three quarters of 2021;
- Altura's forecast of substantial adjusted funds flow growth in the second half of 2021, while reducing net debt;
- management's belief over the next five years the Corporation could double production at Leduc-Woodbend and eliminate its debt while drilling only half of its booked locations and could further accelerate production growth at Leduc-Woodbend by utilizing conservative debt levels;
- management's expectation that further ERH well optimization could result in even greater well performance which will reduce the number of required wells and decrease the capital required to develop the remainder of the Rex pool;
- 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;
- forecasted production volumes to range between 1,100 and 1,150 boe per day for 2021; and
- the expected closing of a disposition of a 1.375% working interest for \$875,000 on June 30, 2021.

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

- the continued performance of Altura's oil and gas properties in a manner consistent with its past experiences;
- that Altura will continue to conduct its operations in a manner consistent with past operations;
- the return of industry conditions to pre-COVID-19 levels;
- the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes;
- the accuracy of the estimates of Altura's reserves and resource volumes;
- certain commodity price and other cost assumptions;
- the continued availability of oilfield services; and
- the continued availability of adequate debt and equity financing and cash flow from operations to, among other things, fund its planned expenditures.

Altura believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable based on prior operating history but no assurance can be given that these factors, expectations and assumptions will prove to be correct particularly in the current operating environment which is unprecedented by any standard. To the extent that any forward-looking information contained herein may be considered future oriented financial information

or a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeted and developing future plans and readers are cautioned that the information may not be appropriate for other purposes.

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

- the COVID-19 pandemic and related disruptions in oil and gas markets, including the duration and impacts thereof;
- changes in commodity prices including, without limitation, as a result of COVID-19 pandemic;
- changes in commodity prices including, without limitation, as a result of the COVID-19 pandemic and related disruptions in oil and gas markets;
- unanticipated operating results or production declines;
- public health crises, such as the recent outbreak of COVID-19 and the related economic disruption that can result in volatility in financial markets, disruption to global supply chains, and the ability to directly and indirectly staff the Corporation's day to day operations;
- changes in tax or environmental laws, royalty rates or other regulatory matters;
- changes in development plans of Altura or by third-party operators of Altura's properties;
- increased debt levels or debt service requirements;
- inaccurate estimation of Altura's oil and gas reserve and resource volumes;
- limited, unfavorable or a lack of access to capital or debt markets;
- increased costs;
- a lack of adequate insurance coverage;
- the impact of competitors; and
- certain other risks detailed from time to time in Altura's public documents.

The forward-looking information and statements contained in this MD&A and first quarter report speak only as of the date of this MD&A and first 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.