

# ALTAI RESOURCES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (FORM 51-102F1)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

Dated November 20, 2023

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated November 20, 2023 has been prepared by management and are based on and derived from the unaudited condensed interim consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the nine months ended September 30, 2023 in comparison with those at September 30, 2022.

This MD&A should be read in conjunction with the condensed interim consolidated financial statements and the related notes for the nine months ended September 30, 2023, as well as the Company's audited consolidated financial statements for the year ended December 31, 2022 and the related MD&A.

The condensed interim consolidated financial statements for the nine months ended September 30, 2023 are unaudited and prepared by management in accordance with the International Financial Reporting Standards (IFRS) and in compliance with IAS 34, Interim Financial Reporting. The consolidated financial statements were presented in Canadian dollars, which is both the functional and presentation currency of the Company. Figures referred to in this MD&A are in Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available on SEDAR+ at [www.sedar.com](http://www.sedar.com) and on Altai's website at [www.altairesources.com](http://www.altairesources.com).

### FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements and assumptions respecting the Company's strategies, future operations, commodity prices and presents certain issues, risks and uncertainties that can be expected to impact on any of such matters.

Forward-looking statements and assumptions are generally identifiable by the terminology used, such as "plan", "intend", "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. By its very nature, the forward-looking statements contained in this discussion require Altai and its management to make assumptions that may not materialize or that may not be accurate. In addition, the forward-looking statements and assumptions contained in this discussion are subject to known and unknown risks and uncertainties and other factors, some of which are beyond the control of Altai, which could cause actual results, expectations, achievements or performance to differ materially.

The Company disclaims any intention or obligation to update publicly or revise any forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

### COMPANY OVERVIEW

Altai Resources Inc. is a natural resource exploration and development company incorporated under the laws of the province of Ontario, Canada, and is listed on the TSX Venture Exchange under the symbol ATI.

### OVERVIEW OF PROPERTIES

Altai has 50% net working interest in a gold property in the Malartic Township, Quebec, which is at an early stage of development and 50% net working interest in an oil producing property in southern Alberta. Both properties are in Canada and are in good standing as at September 30, 2023 and to date.

The 100% owned Sorel-Trois Rivières natural gas property with five oil and gas and reservoir exploration licences, St. Lawrence Lowlands, Quebec, Canada had all its licences (along with all other issued Quebec oil and gas exploration licences of all other licence holders) revoked and expropriated by the Quebec Government on August 23, 2022 with the latter's enactment of the 2022 *Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine*, CQLR c R-1.01 (the "Act"). In March 2022, the Company, through its attorneys, has filed a Claim in the Superior Court of Quebec against the Minister of Energy and Natural Resources of Quebec and the Quebec Government, as represented by the Attorney-General for Quebec (collectively the "Defendants"). Through this legal proceeding, Altai is defending its rights and seeking compensation from the Defendants for the unlawful expropriation of its Quebec oil and gas licences by the Defendants with the entry into force of the *Petroleum Resources Act* and its Regulations and the enactment of the Act. The Claim is ongoing as at the date of this MD&A.

Altai's properties are as following:-

- a) the 50%-owned Malartic gold property (named "Blackcliff gold property" by the property joint-venture partner and operator) in the Val d'Or area of Quebec, and
- b) the 50%-owned Cessford oil property in the Cessford area of southern Alberta. Canadian Natural Resources Limited is the 50% partner and operator of the property.

#### 1) Malartic gold property, Quebec

##### Ownership and Location

The 50%-owned Malartic gold property (named "Blackcliff gold property" by joint-venture partner and operator, Globex Mining Enterprises Inc.) consists of six map designated claims (CDC) totalling 127.6 hectares (315 acres) in the Malartic Township, Val d'Or area, Quebec, approximately 5 km north-east of the town of Malartic and the Canadian Malartic mine which is Canada's largest gold mine.

##### Access

The property is easily accessible from 0.6 km west of Malartic on Highway 117. A gravel all-season road which services the Camflo mill is followed north-west for 3.5 km and then a secondary gravel road is followed for a further 3.5 km to the shaft area.

##### Topography

The area is relatively flat and has been previously forested. No important streams or wetlands are found on the property.

## **Services**

Water and power resources are available in close proximity to the property.

## **Regional Geology**

The area is situated in the south central part of the Abitibi Greenstone Belt of the Superior Province. All the rocks are of Archean age. Alteration is of the green schist grade.

The property is in the southern part of the Malartic group approximately 1 km north of the contact with Kewagama group sediments. Abitibi rock units strike roughly east-west but at least two phases of deformation affect the rocks of the region.

## **Local Geology**

The rock types which underlie the property are the following; mafic lavas, tuffs, agglomerates, diorite, thin bands of peridotite, granodiorite, albitite and siliceous syenite dykes.

The property is underlain by a major fold the axis of which is oriented east-west. The northern flank dips north-east while the southern flank dips south-east. The shaft (Vinray Shaft) is situated at the nose of the fold.

The gold mineralization is hosted in a concordant folded quartzo-felspathic granophyre sill or "grey diorite" approximately 91 m (300 feet) thick which defines the nose of the fold.

The grey diorite dips 65 to 71 degrees to the north-east and is flanked on the north-east by dacites and tuffs to the south-west. The diorite can be followed for several km and the Camflo gold deposit occurs in proximity to the unit. The gold zone in the area of the shaft is traversed by east-west faults 1.22 m (4 feet) to 3.05 m (10 feet) thick.

## **Economic Geology**

Within the limits of the property, 14 gold zones have been discovered, several of which are discontinuous lenses in the same horizon. Ten zones are considered important. These veins are zones of silification and pyritization accompanied by carbonatization and chloritization associated with faulting and brecciation with grey or green diorite or tuff.

The principal alteration minerals are epidote, biotite and magnetite. The zones are injected by veins of quartz less than 30 cm (1 foot) thick which are well mineralized by pyrite and pyrrhotite. Intensity of faulting varies from moderate to intense, and is oriented east-west at a small angle to the diorite. All the gold zones are located on the south flank of the synform second phase fold.

At the shaft area the gold zones are subvertical at surface but dip 70 degrees north at the 61 m (200 feet) level. To the east, the dip is a constant 70 degrees north to a depth of 174 m (570 feet).

## **Resources**

The property has a drill indicated resource inventory (non NI 43-101 compliant) of 466,342 tonnes averaging 7.11 gr/tonne (513,909 tons, 0.21 oz/t) to a depth of 200 meters (600 feet).

An aeromagnetic survey on the property was carried out by Novaterra on behalf of the two joint-venture partners in late June 2020.

In late 2022, Altai participated in a 1,994.5 metre, ten-hole drilling program. Drill holes tested openings on the main Blackcliff fold south flank horizon as well as the Lencour horizon further to the south of the property. The best results from the main Blackcliff horizon returned 3.77 g/t Au over 1.2 metres in hole BK-22-01, 5.25 g/t Au over 1.0 metre and 1.0 g/t Au over 2.0 metres (where visible gold was identified) in hole BK-22-02 and finally 5.66 g/t Au over 1.0 metre, 2.02 g/t Au over 3.0 metres and 1.38 g/t Au over 5.1 metres in hole BK-22-09. Six of the seven holes completed on the Lencour horizon returned anomalous gold. Best results on the Lencour horizon returned 4.27 g/t Au over 1.0 metre in hole BK-22-04, and 1.06 g/t Au over 1.0 metre in hole BK-22-05.

## **2) Cessford oil property, central Alberta**

In 2012, the Company acquired a gross 50% (net 45%) working interest in 240 acres of Alberta Crown leases in the Cessford area of southern Alberta and production of approximately 12.5 barrels of light oil per day (11bopd net to Altai) in four long-life oil producing wells for a cash consideration of \$800,000. 692012 Alberta Ltd. and another Calgary party (together the "Parties") provided technical support to Altai during the acquisition process and were paid a fee in kind by Altai, that is, each of the two parties held a 2.5% working interest in the property on the transaction closing. ConocoPhillips Canada Energy Partnership of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US, was the 50% partner and operator of the property until November 2015 when it assigned both its working interest and operatorship of the property to Canadian Natural Resources Limited ("CNRL").

The four wells are subject to certain royalty payments.

The four wells are producing from the Glauconitic "C" pool. Reserve life of the wells is estimated at 13-15 years. However, there have been no reserve studies performed to accurately estimate the reserves of this property.

In April 2022 the civil claim filed by the Parties in 2020 for a payment of \$10,481 for their share of the property revenue to a certain date and the counterclaim by the Company were resolved with Altai and the Parties signing a Settlement Agreement and Mutual Release and the Company purchasing the Parties' combined 5% net working interest in the property, Thereafter the Company owns 50% net working interest in the property.

## **Oil and gas interests, Quebec**

The Company held a 100% interest in 5 oil and gas exploration licences, situated in the St. Lawrence Lowlands and issued by the Quebec Government totalling 68,483 hectares (169,225 acres), and a 15% gross production royalty in an exploration licence optioned by Altai to Talisman Energy Canada (now

Repsol Canada Energy Partnership which had assigned that licence to Questerre Energy Corporation on February 1, 2020), together referred to as the Sorel-Trios Rivieres natural gas property, Quebec, until the Quebec Government revoked and expropriated them (along with all other issued oil and gas exploration licences of other licence holders) on August 23, 2022 by its enactment of the 2022 *Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine*, CQLR c R-1.01 (the “Act”) (the “Expropriation”) as explained below.

Prior to June 13, 2011 the Company held 7 oil and gas and reservoir licences totalling 114,344 hectares (282,544 acres) of land in the St. Lawrence Lowlands. The Quebec government enacted **Bill 18 (2011, chapter 13) on June 13, 2011**, limiting oil and gas activity within Quebec and started the moratorium. **Bill 18 expropriated without compensation 45,861 hectares (113,323 acres equalling 40.108%) of the Company’s 100% owned and operated exploration licences.** As a result of that expropriation, the Company took an impairment write down of \$9,845,601 on the carrying value of the property (\$24,547,724) by 40.108%, for the year ended December 31, 2011.

Bill 106 created a new **Petroleum Resources Act (the “PRA”)** that governs the development of petroleum resources in Quebec. The PRA outlines the various general conditions and norms (including social acceptability) regarding licensing, exploration, drilling and production. The PRA and its Regulations (which included a ban on fracking in shales and various other restrictions including distances for wells and fracking) came into effect on September 20, 2018.

On February 2, 2022 the Quebec Minister of Energy and Natural Resources introduced and tabled Bill 21, an Act mainly to end petroleum exploration and production and the public financing of those activities (the “Bill”) at the National Assembly of Quebec. The Bill enacted the Act ending exploration for petroleum and underground reservoirs (including for storage purpose) and production of petroleum and brine. It revokes petroleum exploration and production licences and authorizations to produce brine as of October 19, 2021. The Bill validates the Regulations made under the authority of the PRA and the collection by the Minister of the annual fees for oil and gas activities since June 13, 2011, the starting date of the moratorium.

**Bill 21 was passed by the National Assembly of Quebec on April 12, 2022, was assented to on April 13, 2022, and came into effect on August 23, 2022 as CQLR c R-1.01, the Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine (the “Act”)** when all exploration licences were revoked and expropriated, including Altai’s five Licences. The Act includes a compensation program (“Program”) for specific expenses on the revoked licences incurred between October 2015 and October 2021 if the activities and expenses meet the eligible compensation criteria of the Program.

**In March 2022, the Company, through its attorneys, has filed a Claim (the “Claim”) in the Superior Court of Quebec against the Minister of Energy and Natural Resources of Quebec and the Quebec Government, as represented by the Attorney-General for Quebec (collectively the “Defendants”).**

**Through this legal proceeding, Altai is defending its rights and seeking compensation from the Defendants for the unlawful expropriation of its Quebec oil and gas licences by the Defendants with the entry into force of the *Petroleum Resources Act* and its Regulations and the enactment of the Act.**

**The Claim is ongoing as at the date of this MD&A.**

The Honorable Philippe Cantin, J.S.C. has been appointed as case management judge to jointly manage the legal proceedings filed by Altai and other holders of licences that similarly contest the validity of the Act.

**Altai had been working in the oil and gas industry in Quebec for more than 30 years since 1987, had entered into several licence agreements, had incurred over \$25 million in the exploration and development of its oil and gas licences, the whole, at the instigation of the Defendants and with their assurances that the rights of parties to explore and exploit their discoveries would be respected.**

**As explained in the beginning of this section, in 2011, the Quebec Government had already expropriated without compensation 40.108% of Altai’s land via Bill 18 (2011, Chapter 13).**

Altai had always been in full compliance with all applicable legislative and regulatory requirements governing the exploration and development of its Quebec oil and gas licences including payment of the annual rent for the period of July 9, 2022 to July 8, 2023 and the filing of the reports of the four Altai Monitoring Committees in June 2022, all as required by the Ministry of Energy and Natural Resources of Quebec. The part of the annual rent paid for the period from August 23, 2022 to July 8, 2023 had been refunded to the Company at the end of January 2023.

**Based on Altai’s exploration work done over thirty years, Altai considers that the Sorel-Trois Rivieres property has good potential for conventional gas, gas reservoirs and storage facilities (an important exploration objective for the Company all along), and shale gas.**

In view of the prolonged delay regarding approval of shale exploration in Quebec thereby creating uncertainty as to the future of shale gas development, the Company in December 2014 had already adopted a prudent approach and wrote down the project to \$1 as required by accounting standards.

Total cumulative capital, exploration and other (including legal) expenditures incurred on the Quebec natural gas interests to September 30, 2023 amounted to \$25,251,541 (2022 - \$25,202,908), with total cumulative write downs of \$25,251,540 (2022 - \$25,202,907).

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30, 2023**

1) For the nine months ended September 30, 2023, the Company earned revenue of \$267,362 (2022 - \$276,110), comprising of oil revenue, net of royalties, of \$129,750 (2022 - \$172,743) and \$137,612 interest and dividend income (2022 - \$103,367). Total expenses, including Cessford property production expenses of \$50,634 (2022 - \$47,764) and expenditure on Quebec oil and gas interests of \$37,302 (2022- \$148,010) amounted to \$214,237 (2022 - \$313,229). The net income for the period ended September 30, 2023 was \$53,125 (2022 – net loss of \$37,119).

### **2) Revenue**

(1) Revenue, net of royalty expense, from the Cessford oil property for the period ended September 30, 2023 (\$129,750) was lower by 24.88% to that of 2022 (\$172,743) due to lower oil prices and the downtime of a well which required workover in Q2 of 2023.

(2) Dividend and interest income from marketable securities and bank deposit accounts for the period (\$137,612) were higher by \$34,245 (33.12%) than those for 2022 (\$103,367) as bank deposit interest rates have increased since late 2022.

### 3) Expenses

Expenses for the periods ended September 30, 2023 and 2022 are as following:

	2023 \$	2022 \$
Production	50,634	47,764
Professional fees	40,500	40,500
Expenditure on Quebec oil and gas interests	37,302	148,010
General and administrative expenses	46,532	30,185
Amortization	39,269	46,770
	214,237	313,229

(1) Production expenses – The production costs of \$50,634 for the Cessford oil property for the nine months ended September 30, 2023 were higher by 40.10% of those for similar period of 2022 (\$36,141 excluding legal fees of \$11,623 for the civil claim case of the two parties owning a 5% net working interest). The 2023 production expenses included \$6,716 workover costs for one of the wells.

(2) Professional fees – Niyazi Kacira, Chairman and President of the Company, continued to voluntarily offer to provide his professional services to the Company without any cash compensation to help the Company to reduce its expenses.

(3) Expenditure on Quebec oil and gas interests – Expenditure of \$37,302 for the expropriated Quebec oil and gas asset comprising mainly of legal fees were lower by \$110,708 to those of same period for 2022 (\$148,010 - \$7,500 technical consulting fees and the balance mainly on legal expenses for the Altai's claim filed in March 2022 against the Quebec Government in defending its rights and seeking compensation from the Government for the unlawful expropriation of Altai's Quebec oil and gas assets by the latter with its entry into force of the *Petroleum Resources Act* and its Regulations and the subsequent application of the same. The expropriation took place on August 23, 2022).

(4) General and administrative expenses – included \$5,993 TSX Venture exchange annual sustaining fees, \$6,670 transfer agency fees, \$4,790 corporate and SEDAR filing fees and expenses and \$7,398 on upgrading of the computer system.

(5) Amortization - Amortization expense of \$39,269 (2022 - \$46,770) included \$38,658 amortization for the Cessford oil property and \$611 depreciation for computer equipment.

### SUMMARY OF QUARTERLY RESULTS

The following table presents the quarterly results for each of the last eight quarters:

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	September 30, 2023 \$	June 30, 2023 \$	March 31, 2023 \$	December 31, 2022 \$	September 30, 2022 \$	June 30, 2022 \$	March 31, 2022 \$	December 31, 2021 \$
Revenue	98,316	86,238	82,808	101,366	102,373	94,161	79,576	49,430
Expenses	76,323	72,905	65,009	107,475	85,054	97,145	131,030	114,945
Net income (loss)	21,993	13,333	17,800	(6,109)	17,319	(2,984)	(51,454)	(65,515)
Net income (loss) per share (Basic and Diluted)*	0.00	0.00	0.00	(0.00)	0.00	(0.00)	(0.00)	(0.00)

\* For each of the quarters with net loss, the diluted weighted average number of shares used to calculate the diluted net loss per share in the period is the same as the basic weighted average number of shares as the inclusion of dilutive shares would be anti-dilutive.

#### 1) Q4 of 2021

a) Revenue from oil production, net of royalty expenses, of \$20,570 was 45.16% lower than that of Q3 (\$37,515) due to lower production related to work over on a well.

b) i) Expenses for oil production of \$33,825 included \$19,795 work over expenses on a well and \$5,823 annual insurance fees.

ii) Exploration expenses for the Sorel-Trois Rivieres gas property of \$27,451 included \$7,500 project consulting service provided by a former director and \$19,423 other project professional services.

iii) General and administration expenses of \$27,925 included \$3,892 expenses for the annual shareholders meeting and \$15,000 accrued fees for the audit of the 2021 year end consolidated financial statements.

#### 2) Q1 of 2022

a) Revenue from oil production, net of royalty expenses, of \$48,243 was higher than that of Q4, 2021 (\$20,570) due to higher production subsequent to the work over of a well and higher oil prices.

b) i) Expenses for oil production of \$15,506 included \$7,649 legal fees on the civil claim case.

ii) Exploration expenses for the Sorel-Trois Rivieres gas property of \$73,358 included \$7,500 paid to a consultant at \$2,500 per month to provide consulting service for the project and \$64,623 legal expenses for the claim filed in March 2022 against the Quebec Government for the unlawful expropriation of Altai's Quebec oil and gas licences with the entry into force of the *Petroleum Resources Act* and its Regulations on September 20, 2018 and the subsequent unlawful application of same by the Quebec Government.

iii) General and administrative expenses included \$5,500 TSX Venture exchange annual sustaining fees and \$2,512 transfer agency fees.

#### 3) Q2 of 2022

a) Revenue from oil production, net of royalty expenses, of \$59,946 was higher than that of Q1, 2022 (\$48,243) due to higher oil prices and the increase

by 5% in the Company's net working interest in the Cessford property since April 2022.

b) i) Expenses for oil production was reduced due to cancellation of net revenue payable to the two minority interest parties upon Altai's purchase of their 5% net working interest in the Cessford property in April 2022.

ii) Exploration expenses for the Sorel-Trois Rivières gas property of \$60,549 comprised mainly of legal expenses for the claim against the Quebec Government filed in March 2022 and certain expenses for the preparation and filing of monitoring committee reports in June of the year.

iii) General and administrative expenses included \$4,638 corporate and SEDAR filing fees and \$2,082 transfer agent fees.

4) Q3 of 2022

a) Revenue from oil production, net of royalty expenses, of \$64,553 was higher than that of Q2, 2022 (\$59,946) due to slightly higher production.

b) i) Expenses for oil production was increased due to the work over expenditure of \$19,021 on one well.

ii) Exploration and other expenses for the Sorel-Trois Rivières gas property of \$14,102 comprised mainly of legal expenses for the claim against the Quebec Government filed in March 2022.

iii) General and administrative expenses included \$1,602 transfer agent fees.

5) Q4 of 2022

a) Revenue from oil production, net of royalty expenses, of \$59,091 was lower than that of Q3, 2022 (\$64,553) due to slightly lower oil prices.

b) i) Expenses for oil production was \$5,366.

ii) Expenditure for the expropriated Quebec oil and gas asset of \$11,330 comprised mainly of legal expenses for the claim against the Quebec Government filed in March 2022.

iii) Financing cost (re decommissioning liabilities of the Cessford property) of \$9,806 was due to the yearend adjustment of the decommissioning liabilities of the property.

iv) General and administrative expenses included \$10,043 expenses for the annual shareholders meeting and \$15,000 accrued fees for the audit of the 2022 year end consolidated financial statements.

6) Q1 of 2023

a) Revenue from oil production, net of royalty expenses, of \$37,794 was lower by \$21,297 (36.04%) than that of Q4, 2022 (\$59,091) due to continuing slide in oil prices.

b) i) Expenses for oil production (\$14,482) were higher than that of Q4, 2022 (\$5,366) by \$9,116.

ii) Expenditure for the expropriated Quebec oil and gas asset of \$6,823 consisted of legal expenses for the claim against the Quebec Government filed in March 2022.

iii) General and administrative expenses included \$5,993 TSX Venture Exchange annual sustaining fees and \$2,507 transfer agency fees.

7) Q2 of 2023

a) Revenue from oil production, net of royalty expenses, of \$40,731 was higher by \$2,937 (7.77%) than that of Q1, 2023 (\$37,794) due to slightly higher production volume.

b) i) Expenses for oil production (\$19,988) were higher than that of Q1, 2023 (\$14,482) by \$5,506 due to workover for one of the wells.

ii) Expenditure for the expropriated Quebec oil and gas asset of \$12,019 consisted of legal expenses for the claim against the Quebec Government filed in March 2022.

iii) General and administrative expenses included \$4,554 corporate and SEDAR filing fees and expenses and \$2,082 transfer agency fees.

8) Q3 of 2023

a) Revenue from oil production, net of royalty expenses, of \$51,224 was higher by \$10,493 (25.76%) than that of Q2, 2023 (\$40,731) due to higher production volume.

b) i) Expenditure for the expropriated Quebec oil and gas asset of \$18,459 consisted of legal expenses for the claim against the Quebec Government filed in March 2022.

ii) General and administrative expenses included \$5,260 expenses on upgrading of the computer system.

#### **EXPENDITURES FOR MINING PROPERTY AND QUEBEC OIL AND GAS INTERESTS**

1) Expenditures for the resource properties for the periods ended September 30, 2023 and 2022 are:

	2023 \$	2022 \$
Malartic gold property, Quebec	446	48,031
Quebec oil and gas interests (expropriated by the Quebec Government on August 23, 2022)	37,302 (1)	148,010
Expenditures	37,748	196,041

(1) Please refer to Section 3(3) of Overall Performance and Results of Operations for the nine months ended September 30, 2023.

#### **OUTLOOK**

1) Since 1989 to date the Company has always been in full compliance with all applicable legislative and regulatory requirements governing the exploration of its oil and gas licences in the Sorel-Trois Rivières natural gas property, Quebec. To date Altai has incurred over \$25 million in exploration expenditures in the property. The Company believes that the licences it had present solid economic potential. Apart from Utica shales, the property also has good potential for conventional gas, gas reservoirs and storage facilities.

**Bill 21** was passed by the National Assembly of Quebec on April 12, 2022, was assented to on April 13, 2022, and **came into effect on August 23, 2022 as CQLR c R-1.01, the Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine (the "Act")** when all oil and gas exploration licences were revoked, including Altai's five licences. The Act includes a compensation program (the "Program") for specific expenses on the revoked licences incurred between October 2015 and October 2021 if the activities and expenses meet the eligible compensation criteria of the Program.

**In March 2022, the Company, through its attorneys, has filed a claim (the "Claim") in the Superior Court of Quebec against the Minister of Energy and Natural Resources of Quebec and the Quebec Government, as represented by the Attorney-General for Quebec (collectively the**

“Defendants”).

The Claim is ongoing as at the date of this MD&A. The Honorable Philippe Cantin, J.S.C. has been appointed as case management judge to jointly manage the legal proceedings filed by Altai and other holders of licences that similarly contest the validity of the Act.

Through this legal proceeding, Altai is defending its rights and seeking compensation from the Defendants for the unlawful expropriation of its Quebec oil and gas licences by the Defendants with the entry into force of the *Petroleum Resources Act* and its Regulations and the enactment of the Act.

Please refer to the Oil and gas interests, Quebec Section of Overview of Properties for further details.

2) Altai's 50% owned 240 acres Cessford property with production of light oil in four long-life wells (13-15 years) is operated by Canadian Natural Resources Limited.

The ongoing geopolitical risk related to the situation in Europe since early 2022, the current conflict in the middle east, and a challenging economic environment due to slower post-COVID-19 global economic recovery have contributed to higher crude oil prices in 2022 followed by the current lower and more volatile prices. All these factors may hit oil demand and continue to affect oil prices. It remains to be seen how the net revenue from the Cessford property will be affected.

## LIQUIDITY AND CAPITAL RESOURCES

1) The Company's treasury funds comprise of cash and cash equivalents and marketable securities.

At the beginning of 2023, the Company's working capital was \$3.61million comprising of \$1.24 million cash and cash equivalents and \$2.37 million marketable securities classified and measured at fair value through other comprehensive income. As at September 30, 2023, the Company's working capital was \$3.47 million comprising of \$1.30 million cash and cash equivalents and \$2.17 million marketable securities.

The Company maintains its usual thrifty mode for the administrative and general expenses and continues to seek appropriate ways to reduce such costs.

With the Canadian bank interest rates rising steadily since 2022, interest income from the Company's low risk bank deposits has improved over the same period in 2022.

The Company's marketable securities consists of shares of Canadian major banks and relatively stable companies which are denominated in Canadian currency and are liquid and regularly pay dividends or interests. As such, Altai's marketable securities investment remains liquid and reasonably safe, especially for bank stock as Canadian banks have to meet stringent rules and increasing capital requirements imposed by the banking regulator. Due to the macroeconomic impact of the continuing inflation and the softening economic outlook, and the geopolitical risks in the world, share prices, especially bank stock prices, remain volatile. For the nine months ended September 30, 2023, the value of our portfolio contracted by \$196,528. Despite that, the dividend income stream from our marketable securities portfolio remains steady. The total fair value of the marketable securities at September 30, 2023 was \$2,176,066 (2022 - \$2,339,897) with total cost of \$1,234,653 (2022 - \$1,234,653).

2) Since Altai does not have any debt nor committed capital expenditures and has liquid investment, the Company does not anticipate any liquidity issues in the next twelve months.

3) The Company includes the following in its capital as at September 30, 2023 and 2022:

	2023	2022
<b>Shareholders' equity comprised of</b>		
Share capital	\$ 34,003,020	\$ 34,003,020
Contributed surplus	3,251,391	3,238,391
Accumulated Deficit	(33,616,882)	(33,663,898)
Accumulated other comprehensive income	796,447	938,571
	<b>\$ 4,433,976</b>	<b>\$ 4,516,084</b>

The Company's objectives when managing capital are to:

- ensure that the Company maintains the level of capital necessary to meet the requirements of its exploration programs and current operating expenditures;
- allow the Company to respond to changes in economic and/or marketplace conditions;
- give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments in light of variations in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- realizing proceeds from the disposition of its investments; and
- raising capital through equity financings.

The Company is not subject to any capital requirements imposed by a regulator.

The payment of cash dividends does not form part of Altai's current capital management program and, to date, the Company has not declared any cash dividends on its shares. The Company's management is responsible for the management of capital. The Company expects that its current capital resources will be sufficient to discharge its liabilities for the ensuing twelve months.

## SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements requires management to use accounting policies relevant for its industry and operations. The significant accounting policies used are presented in Note 3 to the unaudited consolidated financial statements for the nine months ended September 30, 2023.

In the process of applying the Company's accounting policies, management has to make:

- 1) estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates; and
- 2) critical judgments related to the economic recoverability of the Company's resources properties and the assumption that the Company will continue as a going concern.

## SHARE CAPITAL

### a) Share capital

#### Authorized

An unlimited number of common shares of no par value.

Issued and outstanding common shares	No. of shares	Amount
<b>Balance at September 30, 2022, December 31, 2022 and September 30, 2023</b>	<b>56,033,552</b>	<b>\$34,003,020</b>

### b) Share purchase warrants

There is no share purchase warrants outstanding at September 30, 2023 and to date.

### c) Stock options

The 2010 Stock Option Plan permits the grant of up to 4,950,000 option shares to directors, officers and employees of the Company or of its subsidiaries. Options granted are generally exercisable for up to five years from the date of grant.

The prices of all stock options granted are greater than or equal to the closing fair market value of each common share on the days prior to the options being granted.

At September 30, 2023, there were 3,830,000 (2022 – 3,030,000) option shares available for future grants.

A summary of the status of the Company's stock options as at September 30, 2023 and 2022 is presented below:

	2023		2022	
Stock options	No. of Options	Weighted average exercise price \$	No. of Options	Weighted average exercise price \$
<b>Outstanding and exercisable at beginning of period</b>	1,200,000	0.100	1,080,000	0.100
<b>Cancelled</b>	1,000,000	0.100	80,000	0.100
<b>Outstanding and exercisable at end of period</b>	200,000	0.100	1,000,000	0.100

The following table summarizes information on outstanding and exercisable stock options as at September 30, 2023:

Number of options outstanding and exercisable	Exercise Price \$	Remaining contractual life (years)	Expiry date
200,000	0.100	4.23	December 22, 2027

- 4) The Company's share capital at September 30, 2022, December 31, 2022 and September 30, 2023 are as following:

	September 30, 2022		December 31, 2022		September 30, 2023	
	Basic	Weighted average	Basic	Weighted Average	Basic	Weighted average
Issued and outstanding common shares	56,033,552	56,033,552	56,033,552	56,033,552	56,033,552	56,033,552
Stock options	1,080,000	-	1,200,000	-	200,000	-
Common shares fully diluted	57,113,552	56,033,552	57,233,552	56,033,552	56,233,552	56,033,552

## COMMITMENTS

- 1) In October 2010 the Company signed an agreement to pay \$50,000 as termination fee to Maria Au, an officer of the Company, when her service to the Company terminates in the future.
- 2) The Company is committed to certain royalty payments on its oil production assets, the cost of which cannot be reasonably estimated.

## RELATED PARTY TRANSACTIONS

Consulting services were provided by management personnel who are officers of the Company and companies owned by officers of the Company. The directors of the Company did not receive any cash compensation in their capacity as directors during the periods ended September 30, 2023 and 2022. The remuneration of directors and officers of the Company for the periods ended September 30, 2023 and 2022 are as follows:

	2023			2022		
	Cash Compensation \$	Fair value of stock-based compensation \$	Total Compensation \$	Cash Compensation \$	Fair value of stock-based compensation \$	Total Compensation \$
<b>Directors</b>	-	-	-	-	-	-
<b>Officers</b>						
Niyazi Kacira – Chairman and President	- (1)	-	-	-	-	-
Maria Au – Secretary-Treasurer	40,500 (2)	-	40,500	40,500	-	40,500
	40,500	-	40,500	40,500	-	40,500
<b>Total – Directors and Officers</b>	40,500	-	40,500	40,500	-	40,500

(1) Niyazi Kacira, Chairman and President of the Company, voluntarily offered to provide his professional services to the Company without any cash compensation effective January 1, 2015, to help the Company to reduce its expenses.

(2) These fees have been allocated all to administrative expenses (2022 - \$40,500).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the periods ended September 30, 2023 and 2022.

## OFF-BALANCE SHEET TRANSACTIONS

At September 30, 2023 and to date, the Company does not have any off-balance sheet arrangements.

## FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through profit or loss and marketable securities as available-for-sale, both of which are measured at fair value. Accounts receivable are classified as loans and receivable, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process.

The types of risk exposure and the way in which such exposures are managed as follows:

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk includes cash and cash equivalents. The risk exposure is limited to their carrying amounts at the date of the financial position statement.

Cash and cash equivalents are maintained with financial institutions. The risk is mitigated because the financial institutions are major institutions with high credit ratings.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by actively forecasting, planning, reviewing and monitoring expenditures and commitments and anticipated financial requirements.

Cash and cash equivalents on hand at September 30, 2023 and to date are expected to be sufficient to fund the Company's ongoing operational needs for the next 12 months.

### (c) Market risk

Market risk is the risk that changes in market prices, such as natural gas and mineral prices, foreign exchange rates and interest rates will affect the Company's income. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 1) Commodity risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals and oil and gas prices. The Company does not use derivative financial instruments to reduce its exposure to commodity price risk.

#### 2) Currency risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates mainly in Canada and all of its expenses are incurred in Canadian dollars.

3) Interest rate risk

The Company is not exposed to significant interest rate risks since all of its financial instruments can be quickly turned into cash, thus avoiding additional risks.

**DISCLOSURE CONTROL AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the interim financial statements and interim MD&A (the "interim filings") for the interim period ended September 30, 2023 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, for the periods covered by the interim filings, and (ii) the interim financial statements together with other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the interim filings.

In contrast to the certificates required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificates filed by the Company's President (in his capacity as an officer also performing the functions of a chief executive officer) and the Secretary-Treasurer (in her capacity as an officer also performing the functions of a chief financial officer) (together the "certifying officers") do not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the certificates are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed in the annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting standards (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificates. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of the annual and interim filings and other reports provided under securities legislation.