

ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2022

Dated April 24, 2023

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated April 24, 2023 has been prepared by management and are based on and derived from the audited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the year ended December 31, 2022 in comparison with those for the year ended December 31, 2021.

This discussion should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2022, as well as the Company's audited consolidated financial statements for the year ended December 31, 2021 and the related MD&A.

The audited consolidated financial statements for the year ended December 31, 2022 were audited and prepared by management in accordance with the International Financial Reporting Standards (IFRS). The audited consolidated financial statements were presented in Canadian dollars, which is both the functional and presentation currency of the Company. Figures referred to in this discussion are in Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on Altai's website at 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 December 31, 2022 and to date.

The third property, the 100% owned Sorel-Trois Rivieres natural gas property with five oil and gas and reservoir exploration licences ("Licences"), St. Lawrence Lowlands, Quebec, Canada had all its Licences (among all other issued Quebec oil and gas and reservoir exploration licences of 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.

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,
- 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, and
- c) the 100%-owned Sorel-Trois Rivieres natural gas property, St. Lawrence Lowlands, Quebec, with all its five oil and gas and reservoir exploration licences (among all other issued oil and gas exploration licences of other licence holders) having been revoked and expropriated by the Quebec Government on August 23, 2022 per its 2022 *Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine*, CQLR c R-1.01.

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 multi-hole drill program on the property, which was carried out by the property operator. The drill program has been completed and the Company is waiting for the technical report.

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.

3) Sorel-Trois Rivieres natural gas property, St. Lawrence Lowlands, Quebec

a) Licences

The Company held a 100% interest in 5 oil and gas exploration licences issued by the Quebec Government (the "Licences") 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-Trois Rivieres property, until the Quebec Government revoked and expropriated the Licences (among 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.

The Licences and the licence for the gross production royalty are situated in the St. Lawrence Lowlands. Before the Expropriation, Altai's land position for its Licences in the Quebec Lowlands totalled 68,483 hectares (169,225 acres).

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. Bill 18 is composed of two parts. The first part revoked without compensation, all exploration licences situated between the two shores of the St. Lawrence River from the westernmost tip of Anticosti Island and the Ontario border. The second part of Bill 18 exempted holders of oil and gas and reservoir exploration licences from performing the required work (a "stop the clock" provision) until the date determined by the Minister, which date was not to be later than 13 June 2014". The duration of the licences was also extended by the same period of time as the exemption. **Because of Bill 18, 45,861 hectares (113,323 acres) equal to 40.108% of the Company's 100% owned and operated exploration licences were expropriated without compensation.** 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.

Summary of the situation concerning Quebec government policies for licences and exploration activities in the St. Lawrence Lowlands from 2010 to date

2010: Exploration work in the Quebec Lowlands halted pending the BAPE Report to be presented approximately in 2013.

2011: Bill 18 (2011, chapter 13) was enacted by the Quebec provincial legislature on June 13, 2011. Please refer to Paragraph 2 above for details.

2014: a) Bill 5 of the Quebec provincial legislature (an Act to amend the Act to limit oil and gas activities and other legislative provisions) was enacted on June 13, 2014. It allowed the Quebec Government to extend, beyond June 13, 2014, the exemption for holders of exploration licences from performing the exploration programs required by law. It also extended the suspension of the term of those licences and deferred the increase of the annual licence fees payable until the exemption was lifted.

b) The BAPE released its 4 year study concerning shale gas exploration and development for the Quebec Lowlands. The report concluded, among other things, that shale gas development did not have social acceptability and that further work should not continue in the Lowlands. As a result, any and all development programs were suspended in the Quebec Lowlands "for the time being" according to the Premier of Quebec.

2015: The Environmental Assessment Study prepared by and for the government presented its conclusions in late October 2015 and suggested various modifications to existing procedures. It suggested that some exploration work might continue, particularly regarding areas other than the Lowlands mainly because of social acceptability.

2016: a) The document titled "Energy Policy to 2030" presented and adopted by the Quebec Government in April 2016 provides the general framework for guidance and objectives for the government on the overall policy regarding all energy sources, including oil and gas. As for hydrocarbon exploration and development, the Energy Policy states that it supports responsible development of oil and gas resources in Quebec, that a legal framework will be established and that an office will be created to oversee the Quebec energy sector including various energy projects.

b) Bill 106, "An Act to implement the Energy Policy to 2030 and amend various legislative provisions", was passed in the Quebec National Assembly in December 2016. The Bill contains a series of modifications to existing legislation to cover the Energy Policy, including changes to the Mining Act and other Acts then in force and the creation of 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.

2017: On September 20, 2017, the Quebec Ministry of Energy and Natural Resources (the "Ministry") published the draft regulations to govern oil and gas activities in the province and required for the implementation of the PRA.

2018: a) On June 6, 2018, the Quebec Minister of Energy and Natural Resources announced in a press release a series of new measures regarding regulations for hydrocarbon exploration and production in Quebec including a ban on fracking in shales and various other restrictions including distances for wells and fracking. On June 20, 2018, the Ministry published the revised draft regulations incorporating all the measures announced in its June 6, 2018 press release.

b) On September 5, 2018 the Quebec Government published the Final Regulations (the "Regulations") which include all the significant restrictions and measures published in the June 20, 2018 revised draft regulations. **Both the PRA and the Regulations automatically came into effect on September 20, 2018.**

2021: On October 19, 2021, the Quebec Premier announced at the inaugural speech at the National Assembly, the potential ban on the exploitation of hydrocarbons in Quebec without giving any details of the means the Quebec Government would use to achieve such goals. Over the next few months, the government mentioned compensation for the expropriation, but such compensation would be as little as possible.

2022: 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 enacts 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 Act requires the holders of a revoked licence to permanently close wells, with some exceptions, and restore sites according to the terms and conditions it determines. 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, 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 Honourable 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 has been working in the oil and gas industry in Quebec for more than 30 years since 1987, has entered into several licence agreements, has 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 has 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 has been refunded to the Company at the end of January 2023.

Based on our previous exploration work, 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 and exploration and other expenditures incurred on the Quebec natural gas interests to December 31, 2022 amounted to \$25,214,239 (2021 - \$25,054,899), with total cumulative write downs of \$25,214,238 (2021 - \$25,054,898).

b) Property Summary

The sedimentary geology of the St. Lawrence Lowlands comprises unconsolidated Quaternary sediments overlying Cambrian and Ordovician age sedimentary rocks that were deposited on the Precambrian basement or Canadian Shield. Within this sedimentary sequence several potential conventional and unconventional hydrocarbon play types have been targeted since exploration began in the late 1800s. The most recent and widely known of these is the shale gas play in the organic rich Ordovician Utica Shale. Although the Utica has been recognised as the major hydrocarbon source rock in the St. Lawrence Lowlands for some time, exploration work before 2005 (with two notable exceptions) had focused on conventional structural targets both in the hard rock and shallow unconsolidated sedimentary sequences with hydrocarbons having migrated out of the Utica over geological time. Prior to Forest Oil's 2008 announcement of a natural gas "discovery" in the Utica, there have been two conventional producing gas fields in the province, both of which have been converted to gas storage facilities.

Given the relative success reported in shale wells drilled by the various operators of exploration licences in the immediate vicinity of the Company's assets (Talisman, Canadian Forest Oil & Junex) since 2005, Altai recognises the need to fully evaluate its own extensive 100% owned and operated land position but has been unable to do so to date given the current situation in Quebec.

The Utica play is essentially divided into the deep (Tier 2) sector, where the base of the Utica is at 1,100 meters to 2,500 meters and the shallow (Tier 1) sector where the shale is less than 1,000 meters deep. Tiers 1 and 2 are separated by the Yamaska fault system which runs approximately north-east south-west, sub parallel to the St. Lawrence River. Before March 2011, approximately 30 wells had been successfully drilled and fracked in both Tier 1 and Tier 2 on the lands adjacent to Altai's with several operators having produced gas to surface at quasi commercial rates from horizontal wells. The estimated Original Gas In Place ("OGIP") of the Utica in Quebec has been variously reported as being between 90 and 153 billion cubic feet (BCF) per section (640 acres) over an area of approximately 1.5 million acres. Altai estimates that 17,400 hectares (43,000 acres) of the Company's gross land is situated in Tier 2, and 51,083 hectares (126,225 acres) situated onshore in Tier 1. Based on both proprietary and public domain seismic and well data, Altai estimates that the Tier 2 Utica thickness is 195 - 220 meters and the Tier 1 Utica thickness is 80 - 140 meters.

In addition to the Utica shale, potential for conventional hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands and in Altai's licences.

In 2006, Talisman Energy drilled an earn-in well on an Altai Licence near St-Francois-du-Lac south of Lac Saint-Pierre. That well targeted a conventional collapsed graben structure in the Trenton / Black River (TBR) carbonates that is present on Altai's licences for some 34 km, sub parallel to the St. Lawrence River. This type of reservoir has produced large quantities of gas and oil in Ohio, Michigan, New York State and West Virginia with a significant number of producing Hydrothermal Dolomite (HTD) gas wells having been drilled by Talisman Energy's US subsidiary in upstate New York. Since HTD and collapsed grabens are localised structures, it is likely that the current widely spaced regional seismic coverage has 'missed' a few potential targets. In the development of every gas play across the continent, the use of extensive 3-D seismic in identifying optimum well locations, sweet spots and horizontal well paths has so far proven invaluable. In the case of Quebec, such data would not only improve our knowledge of the shale morphology, it would have the knock on effect of imaging previously un-imaged sections of the TBR immediately below and increase the possibility of identifying hydrocarbon reservoir structures within the TBR group.

According to an independent consultant, the main target in Altai's existing lands is a NE trending collapse zone 34 kilometers long averaging one kilometer in width. The zone appears as a depression at the top of Trenton formation of Ordovician age at a depth of about 750 meters. The depression may have been caused by hydrothermal dolomitization of fractured limestones (hydrothermal dolomite reservoir facies). Targets in similar geological setting along former shoreline of Cambro-Ordovician craton have produced large quantities of gas and oil in Ohio, Michigan, New York State, West Virginia and elsewhere in the Appalachians. In addition to Trenton formation, the stratigraphically lower Chazy, Beekmantown and Potsdam formations have gas showings elsewhere in the Appalachians.

Dr. Robert Theriault, formerly with the Hydrocarbons Branch, Quebec Ministry of Natural Resources, compared Altai's deep collapse structure (referred to by him as a "sag" at the top of the Trenton Formation to the Albion-Scipio oil and gas field ("Albion-Scipio") in the State of Michigan, USA. Albion-Scipio, also in the Trenton Formation, has produced over 130 million barrels of oil (290 million barrels of original oil in place) and 200 BCF (billion cubic feet) of natural gas since the start of its production in the late 1950s. The sag zone, 34 kilometers long and outlined in Altai's licences, may extend for approximately

another 20 kilometers towards the SW, all in Altai's existing licences, making its physical size similar to that of Albion-Scipio. Dr. Theriault pointed out the similarity of the seismic cross section of Altai's target with that of Albion-Scipio.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

1) For the year ended December 31, 2022, the Company earned revenue of \$377,476 (2021 - \$229,751), comprising of oil revenue, net of royalties, of \$231,834 (2021 - \$114,191) and \$145,642 interest and dividend income (2021 - \$115,560). Total expenses, including Cessford property production expenses of \$70,051 (2021 - \$65,474) and exploration expenditure of \$159,340 (2021- \$132,458) amounted to \$420,704 (2021 - \$372,941). The net loss for the year ended December 31, 2022 was \$43,228 (2021 - \$143,190).

2) Revenue

(1) Revenue, net of royalty expense, from the Cessford oil property for the year ended December 31, 2022 (\$231,834) was higher by \$117,643 (103.02%) to that of 2021 (\$114,191) due to higher production and higher oil prices during the year.

(2) Dividend and interest income from marketable securities and bank deposit accounts (\$145,642) were higher by \$30,082 (26.03%) than those for 2021 (\$115,560) as there were slight increase in dividends from marketable securities and higher interest income from the bank deposits with higher interest rates.

3) Expenses

Expenses for the years ended December 31, 2022 and 2021 are as following:

	2022 \$	2021 \$
Production	70,051	65,474
Professional fees	54,000	54,000
Exploration expenditures – oil and gas	159,340	132,458
Stock-based compensation expense	13,000	-
General and administrative expenses	71,980	63,255
Amortization	52,333	57,754
	420,704	372,941

(1) Production expenses – Production costs of \$70,051 for the Cessford oil property for the year ended December 31, 2022 included \$11,623 legal fees for the case of civil claim served in January 2020 by the two parties holding 5% net working interests on the property (the Parties) which was resolved with the Company purchasing the said working interests from them in April 2022 (the "Purchase") and \$26,030 work over expenditure on two wells, less \$24,430 cost adjustment upon the Purchase. The actual production cost including the work over expenditure was \$82,858 which was \$24,529 (42.05%) higher than that of 2021 (\$58,329).

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

(3) Exploration expenditures-oil and gas – Expenditures of \$159,340 were for the Sorel-Trois Rivieres gas property, out of which \$7,500 were paid to a consultant at \$2,500 per month to provide technical consulting service for the project to the end of March 2022, \$4,558 annual rent for the period of July 9, 2022 to August 22, 2022, the day before the expropriation of the licences by the Quebec Government per *CQLR c R-1.01, the Act ending exploration for petroleum and underground reservoirs and production of petroleum and brine* (the "Act"), and \$145,401 legal expenses for the Company's claim filed in March 2022 against the Quebec Government (the "Defendants") in defending Altai's 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.

(4) General and administrative expenses – included \$5,500 TSX Venture exchange annual sustaining fees, \$4,913 filing fees for the regulatory filing of the audited consolidated financial statements for the year ended December 31, 2021 and other SEDAR filings, \$8,278 transfer agency fees, \$10,043 expenses for the annual general meeting of shareholders, and \$15,000 accrued fees for the audit of the 2022 year end consolidated financial statements.

(5) Amortization - Amortization expenses of \$52,333 include \$51,543 (2021 - \$57,754) for the Cessford oil property and \$790 for the computer equipment bought in 2022.

SUMMARY OF QUARTERLY RESULTS

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

	December 31, 2022 \$	September 30, 2022 \$	June 30, 2022 \$	March 31, 2022 \$	December 31, 2021 \$	September 30, 2021 \$	June 30, 2021 \$	March 31, 2021 \$
Revenue	101,366	102,373	94,161	79,576	49,430	66,452	59,637	54,232
Expenses	107,475	85,054	97,145	131,030	114,945	139,994	55,775	62,227
Net income (loss)	(6,109)	17,319	(2,984)	(51,454)	(65,515)	(73,542)	3,862	(7,995)
Net 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) Q1 of 2021
 - a) Revenue from oil production, net of royalty expenses, of \$25,455 was lower by 3.84% to that of 2020 (\$26,472). Canadian oil prices continued to improve gradually in Q1 of 2021.
 - b)
 - i) Expenses for oil production of \$13,333 included \$4,825 legal fees on the case of civil claim served in January 2020 by the two parties holding 5% net working interests on the property. The actual production cost for the period was \$8,508.
 - ii) Exploration expenses for the Sorel-Trois Rivieres gas property of \$7,750 comprised mainly of \$7,500 consulting fees to the director providing consulting service for the project.
 - iii) General and administration expenses of \$12,474 included \$5,200 TSX Venture exchange annual sustaining fees and \$2,512 transfer agency fees.
- 2) Q2 of 2021
 - a) Revenue from oil production, net of royalty expenses, of \$30,651 was greater by 20.41% to that of 2021 Q1 as production stabilized and Canadian oil prices continued to improve gradually during the quarter.
 - b)
 - i) Expenses for oil production of \$8,129 was marginally lower (by \$379) than that of 2021 Q1 (\$8,508).
 - ii) Exploration expenses for the Sorel-Trois Rivieres gas property of \$7,715 comprised mainly of \$7,500 consulting fees to the director providing consulting service for the project. \$215 was spent on monitoring committees meetings.
 - iii) General and administration expenses of \$11,261 included \$4,079 2020 annual financials filing and SEDAR fees.
- 3) Q3 of 2021
 - a) Revenue from oil production, net of royalty expenses, of \$37,515 was greater by 22.39% to that of 2021 Q2 (\$30,651) as oil prices continued to increase in the quarter.
 - b)
 - i) Expenses for oil production of \$10,187, which included \$2,765 annual lease rents, was higher than those of 2021 Q2 (\$8,129) by \$2,058 (25.32%) amid higher oil production revenue.
 - ii) Exploration expenses for the Sorel-Trois Rivieres gas property of \$89,542 comprised of \$80,535 annual rent and insurance premium expense for the five licences and \$7,500 paid to a director (to September 27, 2021) of the Company at \$2,500 per month to provide consulting service for the project since 2017.
 - iii) General and administration expenses of \$11,595 included \$5,599 expenses for the annual shareholder's meeting, and \$1,003 for office insurance fee.
- 4) 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.
- 5) 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.
- 6) 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 Rivieres 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.
- 7) 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 Rivieres 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.
- 8) 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) Exploration and other expenses for the Sorel-Trois Rivieres gas property 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.

EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

1) Expenditures for the resource properties for the years ended December 31, 2022 and 2021 are:

	2022 \$	2021 \$
Malartic gold property, Quebec	163,577 (1)	2,402
Sorel-Trois Rivieres gas property, Quebec	159,340 (2)	132,458
Expenditures	322,917	134,860

(1) Expenditures for the 2022 drill program.

(2) Please refer to Section 3(3) of Overall Performance and Results of Operations for the year ended December 31, 2022.

2) Expenditures for revenue producing oil property

In April 2022 the Company paid \$17,696 for the purchase of the 5% net working interest of the Cessford oil property from its two minority partners in the project. Thereafter Altai owns 50% net working interest in the property. Please refer to Section 2 of Overview of Properties.

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 Rivieres 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 exploration licences were revoked, 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").

The Claim is ongoing as at the date of this MD&A. The Honourable 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 Section 3a) of Overview of Properties for further details.

2) The 240 acres Cessford property with production of light oil in four long-life wells (13-15 years) is operated by Canadian Natural Resources Limited which owns 50% working interest in the property.

In April 2022 the Company purchased the 5% net working interest from the two parties which were given by the Company for their technical support in the 2012 acquisition of the 50% gross working interest in the property. With Altai now owning 50% net working interest of the property, our production revenue has risen proportionally.

Since December 2020, no monthly oil and gas production limitation (imposed since December 2018) had been in effect in Alberta, and the Alberta Government allowed the oil production curtailment policy to expire on December 31, 2021.

Stronger petroleum demand due to the waning of the COVID-19 pandemic and slower crude oil production growth and supply have put upward pressure on global crude oil prices. Since early 2022 the geopolitical risk related to the situation in Europe has contributed to even higher and more volatile crude oil prices. But then concerns of the recent banking crises of the western world and various challenges to the global economy may hit oil demand and affect/moderate 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 2022, the Company's working capital was \$4.07million comprising of \$1.39 million cash and cash equivalents and \$2.68 million marketable securities classified and measured at fair value through other comprehensive income. As at December 31, 2022, the Company's working capital was \$3.61 million comprising of \$1.24 million cash and cash equivalents and \$2.37 million marketable securities.

During 2022, the Company maintained its usual thrifty mode for the administrative and general expenses and continued to seek appropriate ways to reduce such costs.

With the bank interest rates gradually rising in 2022 to date, yields on the Company's low risk bank deposits have improved.

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. Due to the macroeconomic impact of the rampant inflation and the geopolitical risks in the world, share prices became volatile, and in 2022 the value of our

portfolio had dipped by \$310,943. The dividend income stream from our marketable securities portfolio remains steady and has grown slightly, and the interest income from bank deposits has increased with the rise in the interest rates. The total fair value of the marketable securities at December 31, 2022 was \$2,372,594 (2021 - \$2,683,537) with total cost of \$1,234,653 (2021 - \$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 December 31, 2022 and 2021:

	2022	2021
Shareholders' equity comprised of		
Share capital	\$ 34,003,020	\$ 34,003,020
Contributed surplus	3,251,391	3,238,391
Deficit	(33,670,007)	(33,626,779)
Accumulated other comprehensive income	966,935	1,236,679
	\$ 4,551,339	\$ 4,851,311

The Company's objectives when managing capital are to:

- (a) ensure that the Company maintains the level of capital necessary to meet the requirements of its exploration programs and current operating expenditures;
- (b) allow the Company to respond to changes in economic and/or marketplace conditions;
- (c) give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) 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:

- (a) realizing proceeds from the disposition of its investments; and
- (b) 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 audited consolidated financial statements for the year ended December 31, 2022.

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
Balance at December 31, 2022 and 2021	56,033,552	\$34,003,020

b) Share purchase warrants

There is no share purchase warrants outstanding at December 31, 2022 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.

During the year ended December 31, 2022, the Company granted 200,000 share options to an officer at \$0.10 per share with an expiry date of December 22, 2027 and vested immediately. The option shares were granted to replace those expired on July 6, 2022.

The fair values of the options granted during the year ended December 31, 2022 were estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 86%; expected dividend yield of 0.0%; risk free interest rate of 2.75%; and expected life of five years. The fair value of the stock options granted was \$13,000.

At December 31, 2022, there were 2,830,000 (2021 – 2,950,000) option shares available for future grants.

A summary of the status of the Company's stock options as at December 31, 2022 and 2021 is presented below:

Stock options	2022		2021	
	No. of Options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding and exercisable at beginning of year	1,080,000	\$0.100	1,280,000	\$0.100
Cancelled	80,000	0.100	200,000	0.100
Granted	200,000	0.100	-	-
Exercised	-	-	-	-
Outstanding and exercisable at end of year	1,200,000	\$0.100	1,080,000	\$0.100

The following table summarizes information on outstanding and exercisable stock options as at December 31, 2022:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
1,000,000	0.100	0.66	August 29, 2023
200,000	0.100	4.98	December 22, 2027
1,200,000	\$0.100	1.38	

4) The Company's share capital at December 31, 2021, December 31, 2022 and March 31, 2023 are as following:

	December 31, 2021		December 31, 2022		March 31, 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	-	1,200,000	-
Common shares fully diluted	57,113,552	56,033,552	57,233,552	56,033,552	57,233,552	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 years ended December 31, 2022 and 2021. The remuneration of directors and officers of the Company for the years ended December 31, 2022 and 2021 are as follows:

	2022			2021		
	Cash compensation	Fair value of stock-based compensation	Total compensation	Cash compensation	Fair value of stock-based compensation	Total compensation
Directors	\$ -	\$ -	\$ -	\$ 22,166	\$ -	\$ 22,166

Officers						
Niyazi Kacira – Chairman and President	- (1)	-	-	-	-	-
Maria Au – Secretary-Treasurer	54,000 (2)	13,000 (3)	67,000	54,000	-	54,000
	\$ 54,000	\$ 13,000	\$ 67,000	\$ 54,000	\$ -	\$ 54,000
Total – Directors and Officers	\$ 54,000	\$ 13,000	\$ 67,000	\$ 76,166	\$ -	\$ 76,166

(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 (2021 - \$54,000).

(3) 200,000 share options were granted to Maria Au as an officer at \$0.10 per share with an expiry date of December 22, 2027 and vested immediately. These grants were to replace options expired on July 6, 2022.

The fair value of these share options granted was estimated at the date of the grants, using the Black-Scholes option pricing model with the following assumptions: expected volatility of 86%; expected dividend yield of 0.0%; risk free interest rate of 2.75%; and expected life of 5 years.

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the years ended December 31, 2022 and 2021.

OFF-BALANCE SHEET TRANSACTIONS

At December 31, 2022 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 December 31, 2022 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 annual financial statements and annual MD&A (the "annual filings") for the financial year ended December 31, 2022 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 annual filings, and (ii) the annual financial statements together with other financial information included in the annual 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 annual 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.

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