ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2021 **Dated April 25, 2022**

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated April 25, 2022 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, 2021 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, 2021, as well as the Company's audited consolidated financial statements for the year ended December 31, 2020 and the related MD&A.

The audited consolidated financial statements for the year ended December 31, 2021 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, and is listed on the TSX Venture Exchange under the symbol ATI.

OVERVIEW OF PROPERTIES

The Company has three natural resource properties, all in Canada. Two of the properties, both in Quebec, are still in exploration stage. Altai has 45% net working interest in an oil producing property in southern Alberta. All properties were in good standing as at December 31, 2021 and to date.

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 100%-owned Sorel-Trois Rivieres natural gas property, St. Lawrence Lowlands, Quebec, and
c) the 45%-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 Novatem on behalf of the two joint-venture partners in late June 2020. To date Altai has received maps and data of the survey. To date, a work program has been planned but work has been delayed due to COVID-19 and the winter conditions in Quebec.

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

a) Licences

The Company holds a 100% interest in 5 oil and gas exploration licences issued by the Quebec Government and a 15% gross production royalty in an exploration licence optioned by Altai to Talisman Energy Canada (now Repsol Canada Energy Partnership which has assigned that licence to Questerre Energy Corporation on February 1, 2020). The licences and the gross production royalty are situated in the St. Lawrence Lowlands and are referred to as the Sorel-Trois Rivieres property. Altai's current land position for its 5 licences in the Quebec Lowlands totals 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 the 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 proposed Bill enacts the Act ending exploration for petroleum and underground reservoirs (including for storage purpose) and production of petroleum and brine (the “Act”). It revokes petroleum exploration and production licences and authorizations to produce brine as of October 19, 2021, and it provides that the government must establish a compensation program pertaining to the revocation of licences. 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, to the date of assent to this Act.

The amount of compensation for the revoked licences, per the Act, is equal to the total of paid exploration or development expenses and related expenses including acquisition cost of licences if the acquisition was made after October 19, 2015, incurred during the period from October 19, 2015 to October 19, 2021 by the holder of the revoked licences. It also includes a maximum of 75% of expenses for the permanent well closure and site restoration carried out per the Act. The Minister predicts and estimates that it will cost a total of $100 million compensation out of which $33 million will be for wells closure and site restoration, and $66 million to cover expenses incurred between 2015 and 2021 by about 5 companies.

The Quebec National Assembly adopted Bill 21, as amended, on April 12, 2022. The law, in whole or in parts, will come into force at the government’s discretion following the finalization of the associated regulations including the proposed compensation program.

In March 2022, the Company, through its attorneys, has filed a claim against the Quebec Government, in the Superior Court of Quebec.

Through this legal proceeding, Altai is enforcing its rights and seeking compensation from the Minister of Energy and Natural Resources of Quebec and the Quebec Government (collectively the “Parties”) for the illegal expropriation of its Quebec oil and gas licences by the Parties 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 Parties.

Altai has been working in the oil and gas industry in Quebec for more than 30 years since 1989, has entered into many different licence agreements with the Parties and has incurred over $25 million in the exploration and development of its oil and gas licences at the encouragement of the Parties and with their assurances that the rights of explorers 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).

To date 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.

Based on our previous exploration work, Altai considers that the property has good potential for conventional gas, gas reservoirs and storage facilities (an important exploration objective for the Company), and shale gas.

Information on the four Monitoring Committees for the Altai licences is available on our website www.altairesourcesquebec.com.

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 adopted a prudent approach and wrote down the project to $1 as required by accounting standards.

Total cumulative capital and exploration expenditures incurred on the natural gas interests to December 31, 2021 amounted to $25,054,899 (2020 - $24,922,441), with total cumulative write downs of $25,054,898 (2020 - $24,922,440).

There has been no shale gas exploration or fracture stimulation for natural gas in the Quebec Lowlands since 2010.

To date, various legal proceedings against the Ministry regarding the PRA are still in various stages of hearings.

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.

3) **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 January 2020 the Company was served with a Civil Claim by the Parties for a payment of $10,480.96 for their share of the property revenue to a certain date. The Company is defending against the Civil Claim and has counterclaimed against the Parties for certain damages. Please refer to 3) of the Subsequent Events section for further details.

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

1) For the year ended December 31, 2021, the Company earned revenue of $229,751 (2020 - $208,612), comprising of oil revenue, net of royalties, of $114,191 (2020 - $81,337) and $115,560 interest and dividend income (2020 - $127,275). Total expenses, including Cessford property production expenses of $65,474 (2020 - $60,158) and exploration expenditure of $132,458 (2020- $88,734) amounted to $372,941 (2020 - $322,722). The net loss for the year ended December 31, 2021 was $143,190 (2020 - $114,110).

2) **Revenue**

(1) Revenue, net of royalty expense, from the Cessford oil property for the year ended December 31, 2021 ($114,191) was higher by 40.39% to that of 2020 ($81,337).

(2) Dividend and interest income from marketable securities and bank deposit accounts ($115,560) were lower by $11,715 (9.20%) than those for 2020 ($127,275) as slight increase in dividends from marketable securities was offset by lower interest income from the bank deposits due to continued low interest rates caused by the COVID-19 pandemic.

3) **Expenses**

Expenses for the years ended December 31, 2021 and 2020 are as following:

	2021 $	2020 $
Production	65,474	60,158
Professional fees	54,000	54,000
Exploration expenditures – oil and gas	132,458	88,734
General and administrative expenses	63,255	59,151
Amortization	57,754	60,679
	372,941	322,722

(1) Production expenses – Production costs of $65,474 for the Cessford oil property for the year ended December 31, 2021 included $7,145 legal fees for the case of civil claim served in January 2020 by the two parties holding 5% net working interests on the property (refer to Section 3 of Overview of Properties). The actual production cost for the year was $58,329 which was 18.48% higher than that of 2020 ($49,233).

(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 were for the Sorel-Trois Rivieres gas property and included $80,535 annual rent and insurance premium expense for the five licences and $30,000 paid to a director (to September 27, 2021)/consultant at $2,500 per month to provide consulting service for the project since 2017.

(4) General and administrative expenses – included $5,200 TSX Venture exchange annual sustaining fees, $4,304 filing fees for the regulatory filing of the audited consolidated financial statements for the year ended December 31, 2020, $8,774 transfer agency fees, $10,022 expenses for the annual general meeting of shareholders held in September 2021, and $15,000 accrued fees for the audit of the 2021 year end consolidated financial statements.

(5) Amortization - Amortization expense of $57,754 (2020 - $60,679) was entirely for the Cessford oil property as the computer equipment became fully depreciated by 2017 year end.

SUMMARY OF QUARTERLY RESULTS

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

	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $	December 31, 2020 $	September 30, 2020 $	June 30, 2020 $	March 31, 2020 $
Revenue	49,430	66,452	59,637	54,232	55,356	54,884	39,782	58,590
Expenses	114,945	139,994	55,775	62,227	82,663	84,468	92,475	63,116
Net loss	(65,515)	(73,542)	3,862	(7,995)	(27,307)	(29,584)	(52,693)	(4,526)
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 2020
a) Revenue from oil production, net of royalty expense, of $26,472 was lower than that of Q4 of 2019 ($36,720) by $10,248, representing a decrease of 27.90% due to the various external economic factors adversely impacting the oil prices.
b) Expenses on production, excluding the $9,425 legal fees on the civil claim referred to in Section 3(1) of Overall Performance and Results of Operations, were $9,886. General administrative expenses continued to be maintained at a low level.

2) Q2 of 2020
a) Revenue from oil production, net of royalty expense, of $7,992 was lower than that of Q1 of 2020 ($26,472) by $18,480, being a decrease of 69.80%, due to the sharp drop in Canadian oil prices with the low oil demand because of COVID-19 and other external economic factors affecting oil prices.
b) i) Expenses on oil production, $9,322 (excluding $188 legal fees on the civil claim referred to in Section 3(1) of Overall Performance and Results of Operations) were higher than the oil revenue of $8,176 by $1,147 due to the drop in the oil revenue as explained in a) above.
ii) Exploration expenses on oil and gas of $43,367 included $35,601 annual rent paid for the 5 licences, apart from $7,500 project consulting fees to a director.
iii) General and administrative expenses of $11,539 included $3,972 fees to the securities commissions for the filing of the 2019 yearend financial statements and the SEDAR system fees.

3) Q3 of 2020
a) Revenue from oil production, net of royalty expense, of $23,244 was higher than that of Q2 of 2020 ($7,992) by $15,252, being an increase of 190.84%, as the Canadian oil prices bounced back with the COVID-19 easing off somewhat in Q3 before the second wave started and due to other external

factors affecting oil prices.
b) i) Expenses for oil production of $11,258 included $2,728 mineral lease rents for 2020-2021.
ii) Exploration expenses for the Sorel-Trois Rivieres gas property of $43,367 included $45,000 insurance premium expense for the five licences for the period of 2020-2021 and $7,500 project consulting fees to a director, offset by a $22,517 refund by the Quebec Government for the increase in property rent for 2017-2019 charged by the Ministry in December 2018 after the Petroleum Resources Act came into effect on September 20, 2018..
iii) General and administrative expenses of $15,155 included $7,143 expenses for the annual shareholders meeting.

4) Q4 of 2020
a) Revenue from oil production, net of royalty expenses, of $23,629 was marginally higher than that of Q3 ($23,244) by $385 reflecting Canadian oil prices stabilizing in the second half of 2020.
b) i) Expenses for oil production of $20,078 included $2,325 property taxes for 2020-2021 for the four wells and $6,400 insurance policy premium for the project.
ii) Exploration expenses for the Sorel-Trois Rivieres gas property of $7,726 comprised mainly of $7,500 consulting fees to the director providing consulting service for the project.
iii) General and administration expenses of $25,628 included $4,358 expenses for the annual shareholders meeting and $15,000 accrued fees for the audit of the 2020 year end consolidated financial statements.

5) 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.

6) 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.

7) 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.

8) 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 workover on a well.
b) i) Expenses for oil production of $33,825 included $19,795 workover 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.

EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

1) Expenditures for the resource properties for the years ended December 31, 2021 and 2020 are:

	2021 **$**	**2020** **$**
Malartic gold property, Quebec	2,402	1,618
Sorel-Trois Rivieres gas property, Quebec	132,458 (1)	88,734
Expenditures	134,860	90,352

(1) Please refer to Section 3.3 of Overall Performance and Results of Operations for the year ended December 31, 2021.

2) Expenditures for revenue producing oil property

There was no capital cost or expenditure for the Cessford oil property, Alberta for the years ended December 31, 2021 and 2020.

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 its licences present solid economic potential. Apart from Utica shales, the property also has good potential for conventional gas and gas reservoirs and storage facilities.

However in October 2021 the Quebec government announced its potential ban on the exploitation of hydrocarbons in Quebec and mentioned compensation for the expropriation. On February 2, 2022 it tabled in the National Assembly Bill 21, an Act mainly to end petroleum exploration and production and the public financing of those activities. The proposed Bill indicated the scope of the compensation for all revoked licences to be the total of paid exploration or development expenses and related expenses including acquisition cost of licences if the acquisition was made after October 19, 2015, incurred during the period from October 19, 2015 to October 19, 2021, and a maximum of 75% of expenses for permanent well closure and site restoration.

The Quebec National Assembly adopted Bill 21, as amended, on April 12, 2022. The law, in whole or in parts, will come into force at the government's discretion following the finalization of the associated regulations including the proposed compensation program.

In March 2022, the Company, through its attorneys, has filed a claim against the Quebec Government, in the Superior Court of Quebec to enforce its rights and seek compensation from the Quebec Minister of Energy and Natural Resources and the Quebec Government (collectively the "Parties") for the illegal expropriation of its Quebec oil and gas licences by the Parties 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 Parties.

Please refer to Section 2a) of Overview of Properties for further details.

2) The 45% net working interest in the 240 acres Cessford property and production of light oil in four long-life wells (13-15 years) is operated by Canadian Natural Resources Limited.

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. Oil prices have been rising since 2017. Stronger petroleum demand as the COVID-19 pandemic has begun to ease and also slower crude oil production growth have put upward pressure on global crude oil prices. Furthermore the recent geopolitical risk related to the situation in Europe has contributed to even higher and more volatile crude 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 2021, the Company's working capital was $3.46 million comprising of $1.37 million cash and cash equivalents and $2.09 million marketable securities classified and measured at fair value through other comprehensive income. As at December 31, 2021, the Company's working capital was $4.07 million comprising of $1.39 million cash and cash equivalents and $2.68 million marketable securities.

During 2021, 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 being drastically lowered due to the impact of COVID-19, yield on the Company's low risk bank deposits became very low.

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. Impacted by the coronavirus pandemic, share prices in 2021 faced gigantic fluctuations but had become higher than in 2020. The fair market value of the portfolio has increased during the year 2021 by $594,672. The dividend income stream from our marketable securities portfolio has slightly increased, but is offset by low interest income from bank deposits. The total fair value of the marketable securities at December 31, 2021 was $2,683,537 (2020 - $2,088,865) with total cost of $1,234,653 (2020 - $1,262,798).

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, 2021 and 2020:

	2021	**2020**
Shareholders' equity comprised of		
Share capital	$ 34,003,020	$ 34,003,020
Contributed surplus	3,238,391	3,238,391
Deficit	(33,626,779)	(33,485,445)
Accumulated other comprehensive income	1,236,679	696,385
	$ 4,851,311	**$ 4,452,351**

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, 2021.

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

1) 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, 2019, 2020 and 2021	**56,033,552**	**$34,003,020**

2) Share purchase warrants

There is no share purchase warrants outstanding at December 31, 2016 through to December 31, 2021 and to date.

3) 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 December 31, 2021, there were 2,950,000 option shares available for future grants.

In 2021, the Company did not grant any stock options.

A summary of the status of the Company's stock options as at December 31, 2021 and 2020 is presented below:

	2021		**2020**	
Stock options	**No. of Options**	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding and exercisable at beginning of year	1,280,000	$0.100	1,280,000	$0.100
Cancelled	200,000	0.100	-	-
Granted	-	-	-	-
Exercised	-	-	-	-
Outstanding and exercisable at end of year	1,080,000	$0.100	1,280,000	$0.100

The following table summarizes information on outstanding and exercisable stock options as at December 31, 2020:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
80,000	$0.100	0.52	July 6, 2022
1,000,000	$0.100	1.66	August 29, 2023
1,080,000	$0.100	1.58	

4) The Company's share capital at December 31, 2020, December 31, 2021 and March 31, 2022 are as following:

	December 31, 2020		December 31, 2021		March 31, 2022	
	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	1,280,000	-	1,080,000	-	1,080,000	-
Common shares fully diluted	57,313,552	56,033,552	57,113,552	56,033,552	57,113,552	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, 2021 and 2020. The remuneration of directors and officers of the Company for the years ended December 31, 2021 and 2020 are as follows:

	2021			2020		
	Cash compensation	Fair value of stock-based compensation	Total compensation	Cash compensation	Fair value of stock-based compensation	Total compensation
Directors	$ 22,166 (1)	$ -	$ 22,166	$ 30,000	$ -	$ 30,000
Officers						
Niyazi Kacira – Chairman and President	- (2)	-	-	-	-	-
Maria Au – Secretary-Treasurer	54,000	-	54,000	54,000	-	54,000
	$ 54,000 (3)	$ -	$ 54,000	$ 54,000	$ -	$ 54,000
Total – Directors and Officers	$ 76,166	$ -	$ 76,166	$ 84,000	$ -	$ 84,000

(1) Since October 2017, a director (to September 27, 2021) has been paid a monthly fee of $2,500 to provide consulting service for the Sorel-Trois Rivieres natural gas property (the "Property"). From September 27, 2021 on (to March 31, 2022), he acted as a consultant for the Property to the Company - please refer to Note 17c – Subsequent Events.
(2) 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.
(3) These fees have been allocated all to administrative expenses (2020 - $54,000).

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, 2021 and 2020.

OFF-BALANCE SHEET TRANSACTIONS

At December 31, 2021 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 involvment 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, 2021 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.

SUBSEQUENT EVENTS

1) **In March 2022, the Company, through its attorneys, has filed a claim against the Quebec Government, in the Superior Court of Quebec.**

Through this legal proceeding, Altai is enforcing its rights and seeking compensation from the Minister of Energy and Natural Resources of Quebec and the Quebec Government (collectively the "Parties") for the illegal expropriation of its Quebec oil and gas licences by the Parties 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 Parties.

Please refer to Section 2a) of Overview of Properties for further details.

2) The consulting service to the Company's Sorel-Trois Rivieres natural gas property provided by a former director (to September 27, 2021) of Altai has been terminated on March 31, 2022.

3) As at April 15, 2022 the Civil Claim referred to in Section 3) of Overview of Properties has not yet been resolved. The Company continues to defend against the Civil Claim.

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, 2021 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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