

ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2013

Dated April 28, 2014

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated April 28, 2014 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, 2013 in comparison with those for the year ended December 31, 2012.

This discussion should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2013, as well as the Company's audited consolidated financial statements for the year ended December 31, 2012 and the related MD&A.

The audited consolidated financial statements for the year ended December 31, 2013 were audited and prepared by management in accordance with the International Financial Reporting Standards (IFRS). The 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 discussion includes forward-looking statements and assumptions respecting the Company's strategies, future operations, commodity prices and discusses certain issues, risks and uncertainties that can be expected to impact on any of such matters.

The Company disclaims any intention or obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements

COMPANY OVERVIEW

Altai Resources Inc. is a junior 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 trading 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. Since late December 2012, Altai has acquired 45% net working interest in an oil producing property in central Alberta.

Altai's properties are as following:-

- a) the 50% owned Malartic gold property (named "Blackcliff gold property" by 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 central Alberta. ConocoPhillips Canada Energy Partnership of ConocoPhillips Canada Resources Corp., is the 50% partner and operator of the property.

1) Malartic gold property, Quebec

The 50% owned Malartic gold property (named "Blackcliff gold property" by property joint-venture partner and operator) of 3 claims of 120 hectares (300 acres), in the Val d'Or area of Quebec, was maintained in good standing as at December 31, 2013 and to date.

Overall this 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).

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

The Sorel-Trois Rivieres natural gas property is owned and operated by Altai, with the Company holding a 100% interest in lands covered by oil and gas and reservoir exploration permits issued by the Quebec provincial government.

The Quebec provincial legislature enacted Bill 18 (2011, chapter 13) on June 13, 2011, limiting oil and gas activity within Quebec. Bill 18 has two parts. The first part revokes without compensation, any exploration permit situated between the two banks of the St. Lawrence River and between the westernmost tip of Anticosti Island and the Ontario border. The second aspect of Bill 18 exempts holders of exploration permits "from performing the work required under the Mining Act until the date determined by the Minister, which date may not be later than 13 June 2014". The duration of the permits is also extended by the same period of time as the exemption.

With respect to the first part of Bill 18, the Quebec Ministry of Natural Resources confirmed to the Company in September 2011 the exact area of Altai's 100% owned and operated permits being expropriated to be 45,861 hectares (113,323 acres) which equates to 40.11% of its pre-Bill 18 direct holding.

– Prior to the enactment of Bill 18, the Company held 7 oil and gas and reservoir permits totalling 114,344 hectares (282,544 acres) of land in the St. Lawrence Lowlands, representing the largest contiguous block in the Utica fairway with a 100% interest held by the operator.

– Following Bill 18, 45,861 hectares (113,323 acres) of the Company's 100% operated exploration permits have been expropriated, leaving 68,483 hectares (169,221 acres) in 5 oil and gas and reservoir permits.

As a result of the expropriation, the Company has written down the carrying value of the property by 40.11%, that is pro-rata to the percentage of its direct land holding expropriated by the Quebec provincial government, for the year ended December 31, 2011.

Altai also retains a 15% gross royalty on an exploration permit operated by Talisman Energy Canada, which is contiguous with the Altai operated land. As a result of Bill 18, this permit has been reduced from 13,290 hectares (32,840 acres) to 12,334 hectares (30,477 acres).

Thus Altai's total land position in Southern Quebec prior to Bill 18 comprised 127,634 gross hectares (315,380 gross acres) or 116,338 net hectares (287,470 net acres). Following Bill 18 the total land position remaining is 80,817 gross hectares (199,699 gross acres) or 70,333 net hectares (173,793 net acres).

In early March 2011, the much publicised report on the Sustainable Development of Shale Gas in Quebec by the Bureau d'Audiences Publique pour l'Environnement (BAPE) was released to the public. The report reviewed the various environmental costs and benefits of natural gas exploration and development in St. Lawrence Lowlands and recommended that additional scientific data be acquired and analysed, in order to fully evaluate the environmental impact of such activity. The BAPE recommended that the Ministère du Développement Durable, de l'Environnement et des Parcs (MDDEP) undertake a Strategic Environmental Assessment (SEA) coordinated by a steering committee including representatives from the Ministères des Affaires municipales, des Régions et de l'Occupation du territoire (MAMROT), the Ministère des Ressources Naturelles et Faune, the oil and gas industry in addition to representatives from the general population and the education and research sectors. The SEA committee was given the mandate to manage the interim operational regulations pertaining to shale exploration and oversee limited exploration operations in the St. Lawrence Lowlands, in order to fully assess the environmental risks.

Presently, all hydrocarbon exploration activity in the St. Lawrence Lowlands and all hydraulic fracturing operations in Quebec are subject to review by the SEA committee. The SEA committee is comprised of various stakeholder groups, notably government agencies, municipal authorities, environmental groups, academia and the oil & gas industry. The SEA committee was formed during Q2 - Q3 2011, and prepared a scope of work for the study, which was released for comments in October 2011. In March 2012, the SEA committee has completed the implementation plan.

The SEA committee released its synthesis report in late February 2014. The findings from this report lay the groundwork for the next stage of the assessment of the shale gas industry. The SEA committee found that the risks and impacts addressed are manageable and are in line with what industry has been open and transparent about for years in Quebec. The report summarizes the 73 research studies examined by the SEA committee. It highlights four key areas of interest including social, economic, environmental and governance impacts as they relate to the principals of sustainable development in Quebec.

There will be a series of public consultations to be held by BAPE in the spring of 2014.

At present, still no fracture stimulation for natural gas is authorized in the St. Lawrence Lowlands or elsewhere in Quebec.

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 1800's. 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 permits 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. However, given the current political climate, the Company has been unable to undertake its planned exploratory drilling and testing programs. Indeed, the Ministère des Ressources Naturelles has not issued any new drilling or completion (fracturing) permits to any of the operators in the St. Lawrence Lowlands during 2011, though several operators were permitted to modify existing wells in order to deal with surface casing vent flows (SCVF) widely reported in the provincial media. Furthermore, no seismic survey permits were issued for the region in the same time period. Although there is no *de jure* moratorium on exploration in the basin, the lack of permit issuance would tend to indicate that a *de facto* moratorium is in place.

The Utica play is essentially divided into the deep (Tier 1) sector, where the base of the Utica is at 1,100 meters to 2,500 meters and the shallow (Tier 2) 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. Approximately 30 wells have been successfully drilled and fracked in both Tier 1 and Tier 2 on the lands adjacent to Altai's with several operators producing 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 16,000 hectares (39,000 acres) of the Company's gross land is situated in Tier 1, 60,900 hectares (151,000 acres) situated onshore in Tier 2. Based on both proprietary and public domain seismic and well data, Altai estimates that the Tier 1 Utica thickness is 195 - 220 meters and the Tier 2 Utica thickness is 80 - 140 meters.

In addition to the Utica shale, potential for commercial hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands.

In 2006, Talisman Energy drilled an earning well on an Altai Permit near St-François-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 Permits 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 shale 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 kilometre in width. It may extend further SE within the lands. The zone appears as a depression at the top of Trenton formation of Ordovician age at a depth of about 750 meters. The depression is interpreted to 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 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 1950's. The sag zone is 34 kilometers outlined in Altai's permits and may extend for approximately another 20

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

In October 2013, the Quebec government announced a new economic policy which makes a priority of the demonstration of the hydrocarbon potential of the province and the long-term reduction of its dependence on foreign energy sources through the drilling of exploratory wells in a context of rejuvenated regulations, and the complete respect of the environment and the community. The new policy is reflected in the amended Mining Act with certain changes in regulations on the oil and gas sector. It is further demonstrated by the Quebec government's announcement in mid February 2014 of its joint ventures with some junior oil and gas companies in the Anticosti Island projects, one of which transactions has closed in late March 2014.

3) Cessford oil property, central Alberta

In July 2012, the Company conditionally closed a transaction with Arkoma PUC (a private oil and gas company based in US) subject to final closing, for Altai to acquire from the latter a gross 50% (net 45%) working interest in 240 acres of Alberta Crown leases in the Cessford area of central 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. The final closing, which was subject to Arkoma having fulfilled all the terms and conditions of the sale agreement, was completed in late December 2012. The effective date of the transaction was April 11, 2012. Two Calgary parties provided technical support to Altai during the acquisition process and was 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, is the partner and operator of the property.

The four wells are subject to certain royalty payments.

The four wells are producing from the Glauconitic "C" pool. Altai paid approximately \$64,000 per flowing barrel of oil per day and \$22.80 per barrel of proven reserves in the ground. Reserve life of the wells is estimated at 13-15 years.

The acquisition is aimed to enhance the cash flow of Altai. This is the Company's first venture into conventional oil exploration and production in Alberta as Altai diversifies its portfolio of investments.

EVENTS OF 2013

1) Advance Notice By-Law

At the annual and special meeting of the shareholders held on June 28, 2013, shareholders of Altai confirmed, ratified and approved the Advance Notice By-Law (By-Law No.8 or the "By-Law") which was approved and adopted by the board of directors on April 9, 2013.

The purpose of the Advance Notice By-Law is to provide shareholders, directors and management of the Company with a clear framework for nominating directors. The By-Law fixes a deadline prior to any shareholders' meeting called for the election of directors by which a shareholder may submit director nominations to the Corporation, and sets forth the information that the nominating shareholder must include in the notice to the Company in order for a nominee to be eligible for election. Full text of the By-Law is available on SEDAR at www.sedar.com and on Altai's website at www.altairesources.com.

2) On June 3, 2013 K. Sethu Raman and Nick Tintor resigned as directors of the Company. The board of directors Altai thanks Mr. Raman for his long time services as a director since joining the Altai board in 2001, and Mr. Tintor for his services as a director of the Company since 2012.

3) At the annual and special meeting of the shareholders held on June 28, 2013, the following directors were re-elected - Dr. Niyazi Kacira, Dr. Didier Pomerleau, and Dr. Mehmet F. Taner. Mr. Jeffrey S. Ackert, a geologist and a director of several public and private companies, was elected as a new director of the Company. He has been doing exploration and development consulting work up to the pre-feasibility stage on projects in various continents.

4) On July 10, 2013, the Board of directors appointed Mr. Raymond Savoie as a new director of the Company. Mr. Savoie has been involved with various aspects of exploration and development of resource projects and of the resource industry for 25 years, and is currently an officer of two TSXV listed companies and a director of several public and private companies.

5) Unsolicited Offer of Zara

In late August 2013, Zara Resources Inc. of CNSX Exchange commenced a hostile and unsolicited offer to purchase 100% of Altai's issued and outstanding shares and those of two other TSX Venture Exchange listed companies. Zara offered a consideration of 1.4167 Zara common shares for each Altai share with a bid expiry date of October 28, 2013.

After reviewing the Zara bid circular in detail, the Altai Board determined, in consultation with its legal counsel, that there were a number of material deficiencies in the Zara circular which threatened equal treatment of shareholders and deprived them the ability to make a reasonably informed investment decision re Zara offer. On September 6, 2013, Altai's legal counsel, on behalf of Altai, submitted an application to the Quebec Bureau de decision et de revision (the "Bureau"), complaining of the unlawful nature of the Zara offer and the material deficiencies in Zara's bid circular and seeking an order to invalidate the Zara offer for the Altai shares, and at the same time submitted a letter to Ontario Securities Commission seeking its assistance in the matter.

On September 13, 2013 the Bureau issued a "cease-trade" order (the "Order") that effectively invalidated the Zara offer which might not be recommenced until such time as Zara had resolved the material deficiencies in the disclosure in its bid circular to the satisfaction of the Quebec securities administrator and which also provided that until such time, Zara and its agents may not solicit, or communicate with, in any manner whatsoever, the shareholders of the Company in connection with the Zara offer.

6) Shareholder Rights Plan

On August 28, 2013 the Board of Directors adopted a shareholder rights plan (the "Rights Plan") pursuant to a shareholder rights plan agreement dated and effective August 28, 2013 (the "Rights Agreement") between the Company and Computershare Investor Services Inc., as Rights Agent. Full text of the Rights Agreement is available on SEDAR at www.sedar.com and on Altai's website at www.altairesources.com.

The Rights Plan is intended to (1) provide the Board sufficient time to consider and evaluate any unsolicited take-over bid for the Company's common shares and if considered appropriate, seek, develop and pursue alternatives to maximize value for shareholders; (2) encourage the equal treatment of shareholders in connection with any take-over offer; and (3) give adequate time for shareholders to properly assess a take-over bid without undue pressure.

The Rights Plan discourages discriminatory, coercive or unfair take-overs of the Company and gives the Board time, if in the circumstances, the Board

determines it is appropriate to take such time, to pursue alternatives to maximize shareholder value in the event an unsolicited take-over bid is made for all or a portion of the outstanding common shares of the Company.

The Rights Plan does not prevent take-overs, rather it encourages potential acquirers of control to make take-over bids by means of a Permitted Bid or to approach the Board to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Rights Plan are designed to ensure that in any take-over bid for outstanding common shares all shareholders are treated equally and fairly and are given adequate time to properly assess the take-over bid and alternative transactions on a fully-informed basis.

The Rights Plan was ratified and approved by Altai shareholders at the November 12, 2013 special meeting of the shareholders.

7) Reduction of Stated Capital and Special Distribution

At the special meeting of shareholders of the Company held on November 12, 2013, the shareholders approved a special resolution authorizing the board of directors to reduce the stated capital attributable to the common shares of the Company and associated special distribution, permitting the board, at its discretion, to make one or more distributions, if any, to Altai shareholders in the form of a return of capital at such future dates and amounts as the board may deem advisable, up to a maximum accumulative total of \$4,000,000.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

1) For the year ended December 31, 2013, the Company earned revenue of \$350,431 (2012- \$239,059), comprising of \$128,545 interest and dividend income (2012-\$139,070) and oil revenue, net of royalties, of \$221,886 (approximately 4 months of 2012 - \$99,989). Total expenses, including Cessford property production expenses of \$159,236 (approximately 4 months of 2012 - \$46,379) amounted to \$946,295. The net loss for 2013 was \$595,864 (2012 - net loss of \$57,233 which included a recovery of note receivable and accrued interest of \$191,161).

2) Revenue

(1) Interest income for 2013 (\$57,069) was lower than that in 2012 (\$70,296) due to lower interest rates of GIC bought after the ones matured in April 2013.

(2) Actual revenue from the Cessford oil property for 2013 was lower than the projected amount due to the production downtime of two of the four wells while makeover maintenance work was carried out. It is anticipated that production will improve in 2014 with the makeover maintenance work completed by the end of 2013.

3) Expenses

Expenses for the years ended December 31, 2013 and 2012 are as following:

	2013 \$	2012 \$
Production	159,236	46,379
General and administrative	713,554	395,117
Write off investment in subsidiaries	-	1
Loss on sale of marketable securities	-	84
Stock-based compensation	5,600	11,250
Amortization	67,905	34,622
	946,295	487,453

(1) Production expenses – Production costs of \$159,236 for the four oil wells of Cessford oil property for 2013 included \$42,742 makeover maintenance costs (which were extra maintenance costs apart from the usual maintenance) for 2 wells. It is anticipated that the maintenance costs for 2014 would return to the normal level.

(2) General and administrative – Higher general and administrative expenses for 2013 were mainly due to higher consulting charges with the fees paid to an officer being expensed instead of being allocated to the resource projects and fees paid to outside consultants, and higher legal fees.

(3) Stock-based compensation cost – On July 10, 2013 the Company granted a total of 400,000 share options, being 200,000 share options to each of the two new directors who joined the Board in 2013, at \$0.10 per share with an expiry date of July 9, 2018 and vested immediately.

The fair values of \$0.014 of the options granted during 2013 were estimated at the date of the grants using the Black-Scholes Option Pricing Model with the following assumptions: expected volatility of 41%, expected dividend yield of 0.0%, risk free interest rate of 1.63%, and expected life of five years. The total fair value of the stock options granted was \$5,600.

(4) Amortization - Amortization expense of 2013 comprised of two components:

a) \$9,271 depreciation expense for equipment (2012 - \$11,267). The Toronto office leasehold improvement expenses were fully depreciated at the end of June 2013.

b) \$58,634 amortization expense for the full year of 2013 for the Cessford oil property with the increased decommissioning liabilities (5 1/2 months of 2012 - \$23,355).

SUMMARY OF QUARTERLY RESULTS

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

	December 31, 2013 \$	September 30, 2013 \$	June 30, 2013 \$	March 31, 2013 \$	December 31, 2012 \$	September 30, 2012 \$	June 30, 2012 \$	March 31, 2012 \$
Revenue	89,621	86,737	91,419	82,654	133,918	33,141	36,104	35,896
Expenses	358,649	279,024	190,608	118,014	202,849	66,378	120,369	97,857
Recovery of note receivable and accrued interest written down	–	–	–	–	191,161	–	–	–
Net income (loss)	(269,028)	(192,287)	(99,189)	(35,360)	122,230	(33,237)	(84,265)	(61,961)
Net income (loss) per share (Basic and Diluted*)	(0.01) *	(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) The comparative data for all periods were prepared in accordance with IFRS.

(2) The general and administrative expenses in all quarters of 2012 and 2013 included contractual expenses of the Montreal office (set up on February 1, 2011).

Though the Montreal office has been closed since May 24, 2012, the Company has to continue paying the expenses of the Montreal office rent and copier leases which expire respectively at the end of January and February 2014, and the basic utilities for that office. Due to the terms of the head lease, Altai would take on a high risk of rent expenses if the Montreal office space was subleased and the subtenant does not vacate the premises by the head lease expiry date of January 31, 2014. The Company decided not to sublease that office for the remaining lease term.

(3) the \$120,369 expenses of Q2 of 2012 included \$38,000 legal fees re the resignation of two officers (Lavoie and Lloyd) on May 23, 2012.

(4) For Q4 of 2012,

a) revenue of \$133,918 included \$99,989 oil revenue net of royalties for Cessford oil property for the period from July 24, 2012 to December 31, 2012 being recognized after the conditional closing of the purchase of the property;

b) expenses included \$49,379 production expenses and \$23,355 amortization expense of the Cessford property for the period from July 24, 2012 to December 31, 2012, \$50,000 expense related to the annual shareholders' meeting and \$25,000 audit fee accrued for the 2012 year-end audit; and

c) The Company received \$191,161 from Altai Philippines Mining Corporation as a partial repayment of the outstanding note interest owing to Altai.

(5) For Q1 of 2013,

a) revenue of \$82,654 included \$48,881 oil revenue net of royalties for Cessford for the quarter.

b) expenses included \$42,654 production expenses and \$14,013 amortization expenses of the Cessford property for the quarter.

(6) For Q2 of 2013,

a) Interest and dividend income was lower than that of Q1 as the Interest rates of the new GICs bought in Q2 of 2013 were generally lower than those for the GICs that matured in April 2013.

b) Higher expenses were due to legal fees related to general corporate matters.

(7) For Q3 of 2013,

The high expenses for the quarter were due to production costs of the Cessford oil property with makeover expenses incurred on one of the four oil wells, and expenses related to the shareholder rights plan and other corporate matters.

(8) For Q4 of 2013,

High expenses for the quarter were due to the makeover expenses incurred in a second well of the Cessford oil property, expenses for the special meeting of the shareholders held in November 2013, allocation of the consulting charges of an officer from resource projects to professional fees, audit fees for 2013 audit and related service, and other corporate matter expenses.

EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

(a) Expenditures for the exploration and evaluation properties for the years of 2013 and 2012 are:

	2013 \$	2012 \$
Malartic gold property, Quebec	-	-
Sorel-Trois Rivieres gas property, Quebec (1)	13,492 (1)	186,839
Expenditures	13,492	186,839

(1) The expenditures comprised of :

a) technical consulting expenses	\$ 5,140
b) other exploration expenses	<u>8,352</u>
	\$13,492

(b) Expenditures for revenue producing oil property

	2013 \$	2012 \$
Cessford oil property, Alberta		
Acquisition	-	-
Expenditures	205	-
Total	205	-

OUTLOOK FOR 2014 AND BEYOND

1) In the Quebec Utica Shale play, no exploration work has taken place in the St Lawrence Lowlands during 2012 and 2013.

Contributing to the negative investor perception was the enactment of Bill 18 by the Quebec National Assembly in June 2011. This Bill has revoked without compensation all the exploration permits located in the St Lawrence River, West of Anticosti. This measure effectively expropriated 113,677 net acres of the total 287,470 net acres of the pre-Bill 18 exploration permits held by Altai in the Province of Quebec. Bill 18 also provides for work exemptions and time extension of permits which will benefit Altai's remaining 173,793 net acres in Quebec. The work expenditure requirement is to be determined by the Minister not later than June 13, 2014.

The uncertain regulatory environment in Quebec, combined with the continuing low prices for dry natural gas in North America (though improving slightly due to the current exceptionally cold winter in North America), Altai has also delayed its planned exploration spending in the St. Lawrence Lowlands until more favourable conditions are present.

The SEA committee released its synthesis report in late February 2014. The findings from this report lay the groundwork for the next stage of the assessment of the shale gas industry. The SEA committee found that the risks and impacts addressed are manageable and are in line with what industry has been open and transparent about for years in Quebec. The report summarizes the 73 research studies examined by the SEA committee. It highlights four key areas of interest including social, economic, environmental and governance impacts as they relate to the principals of sustainable development in Quebec.

There will be a series of public consultations to be held by BAPE in the spring of 2014.

In October 2013, the Quebec government announced a new economic policy which makes a priority of the demonstration of the hydrocarbon potential of the province and the long-term reduction of its dependence on foreign energy sources through the drilling of exploratory wells in a context of rejuvenated regulations, and the complete respect of the environment and the community. The new policy is reflected in the amended Mining Act with certain changes in regulations on the oil and gas sector. It is further demonstrated by the Quebec government's announcement in mid February 2014 of its joint ventures with some junior oil and gas companies in the Anticosti Island projects, one of which transactions has closed in late March 2014.

The new economic policy, the announcement of the Quebec Government's joint ventures with the junior oil and gas companies in the Anticosti Island, and the release of SEA's report give rise to some hope on the shale gas and gas development in Quebec. All, including Altai, are waiting for the announcement by the Ministère des Ressources Naturelles by June 13, 2014 on the work requirement of the permits.

2) In late December 2012, the Company completed the final closing of the transaction to acquire 45% net working interest in the 240 acres Cessford oil property in the Cessford area of central Alberta and the production of light oil in four long-life (13-15 years) wells for a cash consideration of \$800,000. There are future infill locations for two additional wells and undrilled lands to be explored and for drilling opportunities. The property partner (50%) and operator is ConocoPhillips Canada Energy Partnership of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US.

This is Altai's first venture into conventional oil exploration and production in Alberta as the Company diversifies its portfolio of investment.

The performance in 2013 has slackened behind that of April to December 2012 due to the continual problem on the most productive well which had finally been remediated with major overhaul which has been completed in September 2013 and has since then been producing in higher volume. This was followed by the breakdown of a second well which makeover has started in October and is expected to be completed by end of 2013. After these overhauls, overall production is expected to return to normal or higher in 2014. The Company is monitoring closely the performance/situation of the property.

3) The Company is endeavouring to add new energetic management which will work for the best interest of Altai and all its shareholders.

Altai intends to rebuild our asset portfolio, explore them and then wait for better markets to develop them. Under the prevailing market conditions we still observe that even those companies which announce fairly good transactions and results continue to be hammered (selling on news) in the market.

Therefore the best way for Altai may be to acquire assets and wait for better times to see revaluation of its market price.

The search, review and examination of resource assets for our potential acquisition is an ongoing process for the Company so that we can capture the right opportunity to acquire worthwhile assets at the right prices.

LIQUIDITY AND CAPITAL RESOURCES

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

At the beginning of 2013, Altai had working capital of \$6.31 million comprising of \$4.81 million cash and cash equivalent and \$1.50 million available-for-sale marketable securities. As at December 31, 2013, the Company's working capital was \$6.19 million comprising of \$4.57 million cash and cash equivalents and \$1.62 million available-for-sale marketable securities.

In 2013 the Company incurred higher expenses than the previous years as explained above. The Company has returned to its usual thrifty mode in 2014 and general and administrative expenses are expected to be much lower in 2014.

There is still relatively low probability of equity financing in the near future for junior resource companies. Yield on low risk short term and long term papers remains low due to the persistent low interest rates in North America versus the much higher yield for the much more risky papers. Despite that, the Company continues to prefer investing the greater part of its cash in secured short term papers with maturity from 30 days to one year, such as guaranteed investment certificates (GIC) which offer very low yields.

Since July 2009 the Company invested and continues to hold part of its cash in shares of Canadian major banks and relatively stable companies which are denominated in Canadian currency and are liquid and regularly pay dividends or interests. A small portion of the marketable securities are shares received by the Company pursuant to previous option agreements and they are publicly traded in Canada. As such, the Company's marketable securities investment remains liquid and reasonably safe, though as we have expected, the prices of the shares in our portfolio continued to fluctuate in the year of 2013 in view of the still sensitive swings in investment moods and global economy though the range of price fluctuation has narrowed. The income from this investment was higher than that of the secured short term papers. The total fair market values at December 31, 2013 were \$1,616,820 (2013 - \$1,503,775) compared to total costs of \$1,137,563 (2012 - \$1,137,563).

2) Since Altai does not have any debt nor committed capital expenditures and has liquid investment, the Company will have no liquidity issues in the next twelve months.

In the long term, the Company may pursue to raise additional funds through equity financing (if and when the equity financing market for the resource industry improves) for the exploration of the Company's resource properties.

3) The Company includes the following in its capital as at December 31, 2013 and 2012:

	2013	2012
Shareholders' equity comprised of		
Share capital	\$36,627,178	\$36,627,178
Share purchase warrants	-	339,701
Contributed surplus	3,159,111	2,813,810
Deficit	(17,967,078)	(17,371,214)
Accumulated other comprehensive income	395,527	298,376
	\$22,214,738	\$22,707,851

The Company's objectives when managing capital are:

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

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, 2013.

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 DATA

1) The number of shares outstanding as at December 31, 2013 was 55,113,552.

2) The 2002 Stock Option Plan was discontinued and terminated on May 3, 2010 and replaced by the 2010 Stock Option Plan to grant up to 4,950,000 option shares to directors, officers and employees of the Company or of its subsidiaries. The outstanding 300,000 stock options granted under the 2002 Stock Option Plan remain in full force until they are exercised, expired or cancelled. The options 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, 2013, there were 3,250,000 option shares available for future grants.

During the year ended December 31, 2013, the Company granted 400,000 share options, being 200,000 share options to each of the two new directors who joined the board in 2013, at \$0.10 per share with an expiry date of July 9, 2018 and vested immediately.

The fair values of the options granted in 2013 were estimated at the date of the grants using the Black-Scholes option pricing model with the following assumptions: expected volatility of 41%; expected dividend yield 0.0%; risk free interest rate 1.63%, expected life – five years. The total fair value of the stock options granted was \$5,600.

A summary of the status of the Company's stock options as at December 31, 2013 and 2012 and changes during the periods then ended is presented below:

	2013		2012	
Stock options	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of year	2,220,000	\$0.365	3,020,000	\$0.480
Granted	400,000	0.100	1,200,000	0.100
Cancelled	(920,000)	0.605	(2,000,000)	0.379
Outstanding at end of year	1,700,000	\$0.173	2,220,000	\$0.365
Exercisable at end of year	1,700,000	\$0.173	2,220,000	\$0.365

The following table summarizes information on outstanding and exercisable stock options as at December 31, 2013:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
100,000	\$0.225	0.18	March 4, 2014
200,000	\$0.460	1.15	February 21, 2015
200,000	\$0.300	1.75	September 30, 2015
800,000	\$0.100	3.48	June 21, 2017
400,000	\$0.100	4.52	July 9, 2018
1,700,000		3.05	

3) At December 31, 2012, there were 2,800,000 share purchase warrants outstanding with exercise price of \$0.45 per share expiring January 10, 2013. These share purchase warrants expired on January 10, 2013 without being exercised.

4) The Company's share capital at December 31, 2012, December 31, 2013 and March 31, 2014 are as following:

	December 31, 2012		December 31, 2013		March 31, 2014	
	Basic	Weighted average	Basic	Weighted average	Basic	Weighted average
Issued and outstanding common shares	55,113,552	55,113,552	55,113,552	55,113,552	55,113,552	55,113,552
Stock options	2,220,000	1,652,787	1,700,000	1,491,781	1,600,000	1,600,000
Share purchase warrants	2,800,000	2,800,000	–	–	–	–
Common shares fully diluted	60,135,552	59,566,339	56,813,552	56,605,333	56,713,552	56,713,552

COMMITMENTS

a) The Company has exercised the lease option to extend the Toronto office lease by one year expiring on June 30, 2014. The basic rent is \$1,218 per month.

b) In October 2010 the Company signed agreements to pay \$50,000 and \$16,000 as termination fees to Maria Au, an officer of the Company, and a staff of Altai, respectively, when their service to the Company terminates in any manner in the future.

c) The Company's Montreal office has a three year lease expiring at the end of January 2014. The basic rent is \$2,592 per month.

d) The Company's Montreal office has a three year copier lease contract expiring at the end of February 2014. The lease payment is \$786 per quarter.

The minimum annual payments for the premises rental and equipment lease are approximately as follows:

	Office rent	Equipment lease	Total
2014	9,900	524	10,424

e) 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, 2013 and 2012. The remuneration of directors and officers of the Company for the years ended December 31, 2013 and 2012 are as follows:

	2013			2012		
	Cash compensation	Fair value of stock-based compensation	Total compensation	Cash compensation	Fair value of stock based compensation	Total compensation
Directors	\$ 0	\$5,600	\$ 5,600	\$ 0	\$ 51,000	\$ 51,000
Officers						
Niyazi Kacira – Chairman, and President (effective May 23, 2012)	45,000	0	45,000	36,000	0	36,000
Marc-Andre Lavoie – President & CEO (to May 23, 2012)	0	0	0	37,027	(41,625)	(4,598)
Maria Au – Secretary-Treasurer	52,500	0	52,500	48,000	10,200	58,200
Geraint Lloyd – COO and VP Exploration (to May 23, 2012)	0	0	0	40,427	(8,325)	32,102
	\$97,500 (1)	\$ 0	\$ 97,500	\$161,454	\$(39,750)	\$121,704
Total – Directors and Officers	\$97,500	\$5,600	\$103,100	\$161,454	\$ 11,250	\$172,704

(1) These fees have been allocated to administrative expenses in the amount of \$97,500 (2012 - \$72,514) and resource properties in the amount of \$nil (2012 - \$88,940).

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, 2013 and 2012.

OFF-BALANCE SHEET TRANSACTIONS

At December 31, 2013 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 (held-for-trading) and marketable securities are available-for-sale, which are measured at fair value. Accounts receivable is classified as loans and receivable, which is measured at amortized cost. Accounts payable and accrued liabilities is 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:

1) Credit risk

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

Cash and cash equivalents are maintained with a financial institution. The risk is mitigated because the financial institution is a major institution with high credit ratings. The marketable securities are mainly very liquid securities that are reflected at market value.

2) 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.

3) Market risk

Market risk is the risk that changes in market prices, such as natural gas 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.

a) 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.

b) 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.

c) 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.

GENERAL MATTERS

From time to time, the Company may be involved in minor and immaterial legal issues in the normal course of business.

SUBSEQUENT EVENTS

- 1) The lease of the Company's Montreal office expired on January 31, 2014 and the premises have been officially vacated by the Company on that date. The security deposit balance held by the landlord was applied to pay the January 2014 gross rent.
- 2) The copier leased by the Montreal office has been returned to the leasing company upon the expiry of the lease contract at the end of February 2014.
- 3) 100,000 option shares at \$0.25 per share granted to an officer of the Company expired on March 4, 2014 without being exercised.
- 4) In April 2014 the Company has extended its Toronto office lease by one year expiring at the end of June 2015. The basic rent is \$1,218 per month.

PRESENTATION OF ANNUAL FINANCIAL REPORT AND ANNUAL MD&A

Management, including the President and the Secretary-Treasurer, have reviewed the annual financial statements and annual MD&A (the "annual filings") for the financial year ended December 31, 2013.

Based on the knowledge of the President and the Secretary-Treasurer, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a 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 was made, for the period covered by the annual filings.

Based on the knowledge of the President and the Secretary-Treasurer, having exercised reasonable diligence, 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.

AT13MD&A