ALTAI RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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For the years ended December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Altai Resources Inc. (the "Company") were prepared by management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the Company's Audit Committee and the Board of Directors. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 of the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements 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, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Niyazi Kacira"
Niyazi Kacira
President

"Maria Au"
Maria Au
Secretary-Treasurer

Toronto, Canada
April 17, 2018

I&A
PROFESSIONAL CORPORATION
chartered professional accountants

Independent Auditor's Report

To the Shareholders of
Altai Resources Inc.

We have audited the accompanying consolidated financial statements of Altai Resources Inc. which comprise the consolidated statements of financial position as at December 31, 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Altai Resources Inc., as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Altai Resources Inc.'s ability to continue as a going concern.

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Other Matters

The consolidated financial statements of Altai Resources Inc. for the year ended December 31, 2016 were audited by another auditor who expressed an unqualified opinion on those statements on March 15, 2017.

"I&A Professional Corporation"

Toronto, Canada
April 17, 2018

I&A Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting
by the Chartered Professional
Accountants of Ontario

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016
(EXPRESSED IN CANADIAN DOLLARS)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,469,339	$ 1,459,512
Marketable securities	4	2,304,993	2,213,977
Accounts receivables		29,332	19,064
Prepaid expenses		2,847	2,847
Total current assets		3,806,511	3,695,400
Non-current assets			
Exploration and evaluation assets	5	863,891	863,891
Property and equipment	6	570,607	631,948
Total non-current assets		1,434,498	1,495,839
Total assets		**$ 5,241,009**	**$ 5,191,239**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 36,464	$ 28,814
Non-current liabilities			
Decommissioning liabilities	7	132,318	130,877
Deferred tax liabilities	8	129,516	114,406
Total non-current liabilities		261,834	245,283
Total liabilities		**$ 298,298**	**$ $ 274,097**
SHAREHOLDERS' EQUITY			
Share capital	9a	$ 33,889,620	$ 33,871,500
Contributed surplus		3,193,791	3,159,111
Deficit		(32,968,432)	(32,842,279)
Accumulated other comprehensive income		827,732	728,810
Total equity		**$ 4,942,711**	**$ 4,917,142**
Total liabilities and shareholders' equity		**$ 5,241,009**	**$ 5,191,239**
Commitments	13		
Subsequent events	18		

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the board on April 17, 2018

"Niyazi Kacira"
Director

"Didier Pomerleau"
Director

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	Note		2017		2016
REVENUE					
Oil sales		$	155,658	$	144,389
Royalties			(6,363)		(6,330)
Interest and dividend income			103,950		106,454
			253,245		244,513
EXPENSES					
Production			99,714		78,537
General and administrative	11		169,939		178,084
Exploration expenses	11		16,566		7,248
Stock-based compensation expense	11		40,800		–
Gain on sale of marketable securities			(7,581)		–
Amortization			59,960		60,401
			379,398		324,270
NET LOSS		$	(126,153)	$	(79,757)
OTHER COMPREHENSIVE INCOME					
Items that will be reclassified subsequently to the profit or loss statements					
Increase in fair value of available-for-sale marketable securities, net of taxes			98,922		334,529
COMPREHENSIVE (LOSS) INCOME		$	(27,231)	$	254,772
Basic and diluted loss per share	10	$	(0.00)	$	(0.00)
Weighted Average Number of Common Shares Outstanding					
– basic			55,147,744		55,113,552
– diluted			55,147,744		55,113,552

The accompanying notes are an integral part of the consolidated financial statements.

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	Share capital					
	Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive income (net of tax) $	Deficit $	Total equity $
Balance, December 31, 2015	**55,113,552**	**36,627,178**	**3,159,111**	**394,281**	**(32,762,522)**	**7,418,048**
Net loss for the year	-	-	-	-	(79,757)	(79,757)
Reduction of stated capital and cash distribution	-	(2,755,678)	-	-	-	(2,755,678)
Increase in fair value of available-for-sale marketable securities	-	-	-	334,529	-	334,529
Balance, December 31, 2016	**55,113,552**	**33,871,500**	**3,159,111**	**728,810**	**(32,842,279)**	**4,917,142**
Net loss for the year	-	-	-	-	(126,153)	(126,153)
Stock-based compensation	-	-	40,800	-	-	40,800
Exercise of stock options	120,000	18,120	(6,120)	-	-	12,000
Increase in fair value of available-for-sale marketable securities	-	-	-	98,922	-	98,922
Balance, December 31, 2017	**55,233,552**	**33,889,620**	**3,193,791**	**827,732**	**(32,968,432)**	**4,942,711**

The accompanying notes are an integral part of the consolidated financial statements.

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (126,153)	$ (79,757)
Items not affecting cash		
Amortization	59,960	60,401
Finance expense	2,822	2,836
Stock-based compensation expense	40,800	–
Gain on sale of marketable securities	(7,581)	–
	(30,152)	(16,520)
Changes in non-cash working capital balances:		
Accounts receivable	(10,267)	14,393
Accounts payable and accrued liabilities	7,650	4,278
Cash (used in) provided by operating activities	(32,769)	2,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	30,596	–
Cash provided by investing activities	30,596	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	12,000	
Reduction of stated capital and cash distribution	-	(2,755,678)
Cash provided by (used in) financing activities	12,000	(2,755,678)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,827	(2,753,527)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,459,512	4,213,039
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,469,339	$ 1,459,512

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Operations and Going Concern

Altai Resources Inc. ("Altai" or the "Company"), incorporated under the laws of the province of Ontario with a head-office location at 2550 Victoria Park Avenue, Suite 738, Toronto, Ontario, M2J 5A9. The Company is a resource company with a portfolio of oil revenue producing property and other gas and gold properties which it is in the process of exploring and has not yet determined whether those properties contain reserves that are economically recoverable. All properties are in Canada.

Altai's common shares are listed on the TSX Venture Exchange under the symbol ATI.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Apart from an oil revenue producing property, the other properties are at an early stage of development. The Company has incurred losses in the past and currently has an accumulated deficit of $32,968,432.

The Company's ability to continue as a going concern is dependent upon the existence of economically recoverable resource reserves, the ability of the Company to obtain necessary financing to complete the exploration and the development of those properties, and upon future profitable production or proceeds from the disposition thereof.

The Company has cash and cash equivalents of $1,469,339 and believes this amount is sufficient to meet its planned exploration expenditures on its properties and to meet its corporate administrative expenses for the next 12 months. Long term, the Company may pursue opportunities to raise additional funds, and while the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future.

2. Basis of Presentation

Statement of compliance

These consolidated financial statements are audited and have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied to all periods presented in these consolidated financial statements.

The consolidated financial statements for the years ended December 31, 2017 and 2016 were approved by the Board of Directors on April 17, 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. These consolidated financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

Functional and presentational currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

Accounting judgments and estimation uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates and underlying assumptions are reviewed annually and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these consolidated financial statements, the Company makes judgments regarding the application of its accounting policies.

The financial statement areas that require significant estimates and assumptions are included in the following notes:

Asset impairments

For impairment testing of property, plant and equipment and exploration and evaluation assets, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. One of the more significant policies adopted by the Company has been deciding the level at which assets are to be aggregated for assessing impairment. These groupings are referred to as Cash Generating Units ("CGU"). CGU is defined as the lowest levels for which there are separately identifiable independent cash inflows. Based on numerous factors, including the independence of cash inflows and production infrastructure, management considers the Company to have three CGUs, namely Malartic Gold properties, the Quebec natural gas properties and Cessford oil properties. The testing of assets or CGU's for impairment, as well as the assessment of potential impairment reversals, requires estimates of an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including quantities of reserves, expected production volumes, future commodity prices, discount rates as well as future development and operating costs. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions, such as a downward revision in reserves, a decrease in commodity prices or an increase in costs, could result in an impairment of an asset's or CGU's carrying value.

Apart from the Sorel-Trois Rivieres gas property in Quebec which has been written down at December 31, 2014 as required by accounting standards, at December 31, 2017 management assessed whether there were indicators that the other CGUs may be impaired. Management determined no such indicators are present and therefore no impairment exists.

Decommissioning liabilities

Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free interest rate. At each reporting date, management reviews the provision for decommissioning liabilities and adjusts it to reflect the current best estimate.

Depletion, depreciation and amortization

The Company's property, plant and equipment and exploration and evaluation assets are measured at cost less accumulated depletion, depreciation and amortization (DD&A) and accumulated impairment losses. The amount subject to DD&A is determined as the cost of the asset less its residual value and should be allocated on a systematic basis over the useful life of the assets. The estimate of useful life and residual value are determined annually by qualified independent oil properties specialists. If changed significantly, the changes will be accounted for in the consolidated statements of compressive loss prospectively as a change in an accounting estimate in accordance with International Accounting Standards ("IAS") 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Valuation allowance for deferred income taxes

Each period, the Company evaluates the likelihood of whether some portion of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

Fair value measurements

The Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The marketable securities have been designated as available-for-sale and carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

The fair value of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

The fair value of share-based compensation is estimated using the Black-Scholes Option Pricing valuation model. The inputs are based on factors including the share price on measurement date and the exercise price of the instrument, and based on assumptions for the risk-free interest rate (based on government bonds), the forfeiture rate and expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the volatility of the share price (based on historic movements in the Company's share price).

3. Summary of Significant Accounting Policies

The significant accounting policies used in the presentation of these consolidated financial statements are described below:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary: Petro St-Pierre Inc. All inter-company accounts and transactions have been eliminated upon consolidation.

Revenue recognition

Revenues from the sale of crude oil are recognized when the title and the risks and rewards of ownership pass to the buyer. Revenue is presented net of royalties.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits with terms to maturity of ninety days or less when acquired.

Marketable securities

Marketable securities are recorded at fair value and are classified as available-for-sale assets. Unrealized gains and losses are recorded in other comprehensive income until the shares are sold or impaired at which time the amounts would be recorded in the consolidated statement of comprehensive income (loss).

Exploration and evaluation assets

The exploration and evaluation expenditures include the costs of acquiring licences and claims, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights, directly attributable expenses and technical studies. Exploration and evaluation expenditures are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting mineral and natural gas reserves have yet to be determined. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

When a project is deemed to no longer have commercial viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss. The Company assesses exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Property, plant and equipment

Property, plant and equipment include oil properties, computer equipment and furniture and fixtures.

The cost of oil properties include all costs directly associated with the acquisition of crude oil wells and adherent land. These expenditures include its purchase price, legal fees related to the acquisition, and the initial estimate of decommissioning liabilities. The oil properties include four wells and three pieces of adherent land. Since all four wells locate within a single geographic unit and have same useful lives and depreciation methods, the four well components have been grouped together as one component. The Company does not currently have a reserve study to allow for depletion based on unit-of-production and therefore depletes the oil property over an estimated useful life using the straight line method.

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment. Amortization has been provided in the accounts on the straight line basis at the following rates:

Computer equipment – over 3 years
Furniture and fixtures – over 5 years
Oil properties – over 15 years

Impairment

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset or asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Any previously recognized loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reverse is recognized in the consolidated statement of operations. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

When an exploration and evaluation asset is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. Exploration and evaluation asset and property, plant and equipment are accumulated on an area-by-area basis then grouped into CGU's on the basis of geographical area having regard to the operational infrastructure (such as facilities and sales points) of the area, and are the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Decommissioning liabilities

The Company provides for the costs of decommissioning associated with oil properties, including the abandonment of crude oil wells, related facilities, compressors, removal of equipment from leased acreage and returning such land in a condition as it is contractually obligated. The expected value of each asset's decommissioning liabilities is recorded in the period a well or related asset is drilled and evaluated, constructed or acquired. The decommissioning liabilities are measured in the statement of financial position at the expected value of the expenditures expected to be required to settle the obligation and discounted using a risk free rate. A corresponding amount is capitalized in the relevant asset category. Any further adjustment arising from a reassessment of estimated cost of the decommissioning liabilities or a change in the discount rate also has a corresponding amount capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs in the consolidated statement of comprehensive income (loss).

Fair value of stock options

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's profit and loss and contributed surplus.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of comprehensive income (loss).

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company creates a valuation allowance to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits, and unused tax losses cannot be utilized.

Stock-based compensation cost

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes Option Pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to share capital.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the year. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the per share calculation.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfilment of the arrangement is dependent on the use of a specific tangible asset or the arrangement conveys a right to use the tangible asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income (loss) on a straight-line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for those financial assets and liabilities classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement income (loss) for the period.

b) Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's accounts receivables are of short term nature and approximate their carrying values and are included in current assets. Loan and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at amortized cost using the effective interest method less a provision for impairment.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the entity's original effective interest rate. The impairment losses are recognized in the statement of income (loss).

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of income (loss).

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement income (loss) for the period.

b) Financial liabilities measured at amortized cost – Financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

The Company's accounts payables and accrued liabilities and other current liabilities, due to their short term nature and approximation to their carrying values, are classified as current liabilities.

The Company's financial instruments consist of the following:

Instrument	Classification	Measurement basis
Cash and cash equivalents	Fair value through profit or loss	Fair value
Marketable securities	Available-for-sale	Fair value
Accounts receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Decommissioning liabilities	Financial liabilities measured at amortized cost	Amortized cost

Classification of financial instruments

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's cash and cash equivalents and marketable securities are designated as Level 1.

The fair value of cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short term nature. Decommissioning liabilities have been recorded at its present value.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Future changes in accounting policies

IFRS 15, *Revenue from Contracts with Customers* was issued in May 2014. It establishes a five-step model to account for revenue arising from contracts with customers. The standard sets out the principles required to report useful information to financial statement users about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a modified retrospective application or a full retrospective application is required for annual periods beginning on or after January 1, 2018. The Company will adopt the new standard beginning January 1, 2018 using the modified retrospective approach.

The Company reviewed the sales contracts and applied the five-step model established in IFRS 15 to assess the implications of adopting the new standard on existing contracts. Based on the work completed to date, the Company has not identified any material changes in either the timing or measurement of revenue recognition under IFRS 15. The Company has concluded that the point of transfer of risks and rewards for its sale of oil under IAS 18 - Revenue and the point of transfer of control under IFRS 15 occur at the same time.

IFRS 15 contains presentation and disclosure requirements that are more detailed than the current standards. The presentation requirements represent a significant change from current practice and will increase the amount of disclosure required in the financial statements. Many of the disclosure requirements in IFRS 15 are completely new. During 2017, the Company has continued to consider the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

The estimated impact of the adoption of IFRS 15 is based on the assessments undertaken by the Company to date. The actual impact of adopting this new standard on January 1, 2018 may be different should there be any changes in the Company's assessment of the impact of the adoption of IFRS 15 or interpretations of the new standard in the industry prior to the Company presenting its first consolidated financial statements that include the date of initial adoption.

IFRS 9, *Financial Instruments*, the final version of which was issued in July 2014, addresses classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39, *Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9.* It brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It has three classifications: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company will adopt IFRS 9 standards beginning January 1, 2018. The Company has completed its assessment of the impact of IFRS 9 and a summary of these impacts is provided below.

Classification and measurement

The Company will apply the election available under IFRS 9 to designate investments in equity instruments as financial assets at fair value through other comprehensive income. This election will be applied to all investments in equity instruments held upon adoption. As a result, changes in the fair value of investments in equity instruments will be recognized in the other comprehensive income. The accounting of the Company's investments in equity instruments will be unaffected by this election and no measurement adjustments are required to these financial assets. However gains or losses realized on future sales of financial assets at fair value through other comprehensive income will no longer be transferred to profit or loss on sale, but instead will be transferred directly from the fair value through other comprehensive income reserve to retained earnings.

The Company has determined that the classification of certain other financial assets will change to conform to the revised model for classifying financial assets; however the Company expects that there will be no impact on the recognition or measurement of the Company's other financial assets. There will be no significant impact on the classification and measurement of the Company's financial liabilities.

Impairment

The impairment requirements are based on a forward-looking expected credit loss model. The adoption of the expected credit loss model is not expected to have any significant impact on the Company's financial statements.

IFRS 2, *Share-based Payments* amendment clarifies how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, shared-based payment transactions with a net settlement feature and a modification to the terms and conditions that changes the classification of the transactions. The amendment is effective for annual periods beginning on or after January 1, 2018. Adoption of this amendment on January 1, 2018 has no impact on the Company's financial statements.

IFRS 16, *Leases* replaces IAS 17 and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments, issued in June 2017, clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. More specifically, it provides guidance in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when uncertainty exists. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company will determine the impact of the adoption of IFRIC 23 in the future on its current and deferred income tax balances.

4. Marketable Securities

The available-for-sale marketable securities consist of dividend/interest paying Canadian financial and utilities shares and shares of junior resource companies the Company received pursuant to option agreements. They are reported in their fair market values at the end of the reporting periods. The unrealized gain (the total fair market values less the total costs and net of taxes) is included in other comprehensive income.

Total fair market values and costs of the available-for-sale marketable securities at December 31, 2017 and 2016 are as follows:

	2017	2016
Total fair market values	$2,304,993	$2,213,977
Total costs	$1,327,517	$1,350,532

As at December 31, 2017, the Company has unrealized gain of $827,732 (2016 – $728,810) net of taxes of $129,516 (2016 – $114,406).

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the interest in mining properties and natural gas interests.

	Interests in mining properties (i)	Natural gas interests (ii)	Total
Balance at December 31, 2016 and 2017	$863,890	$1	$863,891

i) Interests in mining properties

Malartic Township gold property, Quebec	Acquisition cost	Expenditure	Total
Balance at December 31, 2016 and 2017	$123,711	$740,179	$863,890

The Company owns 50% working interest in the Malartic Township gold property of six map designated claims (CDC). The other 50% working interest is owned by the property operator, Globex Mining Enterprises Inc., which names the project "Blackcliff gold property".

ii) Natural gas interests

Sorel-Trois Rivieres natural gas property, Quebec

As at December 31, 2017, Altai holds 100% interest in five oil and gas and reservoir permits in the Sorel-Trois Rivieres area, St. Lawrence Lowlands.

The Company also has 15% gross royalty on all net receipts from an adjacent permit (and its successor permit) that Talisman Energy Canada (now Repsol Canada Energy Partnership) has 100% working interest.

The Company considers that the property is still a promising project for the future, but because of the socio-economic climate related to this project, it recognizes that recovery of its investments in the project in the near term is unlikely. In view of the prolonged delay in the formation of a new energy policy since 2011 resulting in the uncertainty in the future Quebec shale gas development, the Company adopted a prudent approach and wrote down the project to $1 as required by accounting standards, at December 31, 2014.

Thereafter all exploration expenditures on the property are reported in the profit and loss. Total cumulative capital and exploration expenditures (including expenditures reported in the profit and loss) incurred on the natural gas interests to December 31, 2017 amounted to $24,633,729 (2016-$24,617,383), with total cumulative write downs (including expenditures reported in the profit and loss) of $24,633,728 (2016-$24,617,382).

The impairment of exploration and evaluation assets recognized can be reversed in the coming years (in whole or in part), if there is any indication that the impairment loss recognized may no longer exist and that the recoverable amount of impaired assets exceeds its carrying amount. The value of the impaired assets will be re-evaluated when the final regulations for the implementation of the Petroleum Resources Act enacted in December 2016, are published and implemented sometime in 2018.

6. Property and Equipment

	December 31, 2017			December 31, 2016		
	Cost	**Accumulated amortization**	**Net**	**Cost**	**Accumulated amortization**	**Net**
Computer equipment	$24,577	$ 24,577	$ -	$24,577	$ 24,385	$ 192
Furniture and fixtures	-	-	-	4,303	4,303	-
Oil properties (1)	890,809	320,202	570,607	892,190	260,434	631,756
	$915,386	$344,779	$570,607	$921,070	$289,122	$631,948

(1) In 2012, the Company acquired a 50% (net 45%) working interest in Alberta Crown leases in the Cessford area of central Alberta and production of light oil in four long-life oil producing wells. The cost of oil properties include all costs directly associated with the acquisition of crude oil and adherent land. These expenditures include its purchase price, legal fee related to acquisition, and the decommissioning liabilities. 692012 Alberta Ltd. and another Calgary party which provided technical support to Altai during the acquisition process, 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 ("Conoco") of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US, was the partner and operator of the property. In November 2015, Conoco assigned its interest in the property to Canadian Natural Resources Limited which becomes the partner and operator of the property.

The four wells are subject to various royalty payments, some of which are 1.25-3% of gross revenue on certain wells and another which is based on barrels of oil produced. Reserve life of the four wells is estimated at 15 years. There have been no reserve studies performed to accurately estimate the reserves of these properties.

7. Decommissioning Liabilities

The decommissioning liability was estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statement could be significant. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is approximately $122,000 (December 31, 2016 – $121,000) which will be incurred in 10 years. A nominal risk free rate of 2.26% (December 31, 2016 – 2.15%), and an inflation rate of 1.9% (December 31, 2016 – 1.9%), was used to calculate the fair value of the asset retirement obligation. Changes to the liability were as follows:

	December 31, 2017	**December 31, 2016**
Decommissioning liability, beginning of year	$ 130,877	$ 128,041
Change in discount rate	(1,381)	–
Accretion	2,822	2,836
Decommissioning liability, end of year	$ 132,318	$ 130,877

8. Income Taxes

(a) The provision for income taxes attributable to income before income taxes differs from the amounts computed by applying the 2017 combined federal and provincial tax rate of 26.5% (2016 – 26.5%) of pre-tax loss as a result of the following:

	2017	2016
Loss before income taxes	$ (126,153)	$ (79,757)
Computed expected income tax recovery	(33,431)	(21,136)
Non-deductible expenses	15,887	2,610
Deferred capital gain	(1,004)	–
Temporary differences not recognized in the year	15,889	16,006
Change of valuation allowance	2.659	2.520
Provision for income taxes	$ –	$ –

(b) The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

Deferred income tax assets:	**2017**	**2016**
Non-capital losses	211,044	207,381
Capital losses	409,340	409,340
Tax basis of development, exploration and oil and gas expenditures in excess of carrying value	1,009,145	1,006,676
Total deferred income tax assets	1,629,529	1,623,397
Less: Valuation allowance	1,629,529	1,623,397
Net deferred income tax assets	**$ –**	**$ –**
Deferred income tax liabilities:	**2017**	**2016**
Marketable securities –unrealized gains	129,516	114,406
Marketable securities –deferred capital gain	2,851	1,847
Carrying value of property and equipment in excess of tax basis	93,981	110,236
Total deferred income tax liabilities	226,348	226,489
Less: Valuation allowance	96,832	112,083
Net deferred income tax liabilities	**129,516**	**114,406**

At December 31, 2017, the Company has non-capital loss carry forwards of $796,394 (2016 – $782,572) and resource deduction tax pools of $4,671,985 (2016 – $4,662,667) available to reduce future years' income for tax purposes.

Income tax losses by year of expiry:

2026	16,150
2029	33,749
2031	185,478
2032	16,433
2033	521,252
2034	–
2035	–
2036	9,510
2037	13,822
Total	**$796,394**

9. Share Capital

a) Share capital

Authorized
An unlimited number of common shares of no par value.

Issued and outstanding common shares	**No. of shares**	**Amount**
Balance at December 31, 2015	**55,113,552**	**$36,627,178**
Reduction of stated capital and cash distribution	–	(2,755,678)
Balance at December 31, 2016	**55,113,552**	**$33,871,500**
Exercise of stock options	120,000	18,120
Balance at December 31, 2017	**55,233,552**	**$33,889,620**

Reduction of Stated Capital and Cash Distribution

On April 15, 2016 the Board of Directors approved a special cash distribution by way of a return of capital on the common shares of the Company of $0.05 per common share (the "Cash Distribution"). The special resolution on reduction of stated capital and cash distribution(s) approved by shareholders at the July 16, 2015 shareholders meeting allowed the Board to approve the Cash Distribution by way of a return of capital.

The aggregate amount of the Cash Distribution was $2,755,678. It was funded from Altai's cash reserves and the payment was made on June 9, 2016.

Shareholder Rights Plan

The Shareholder Rights Plan which was implemented on August 28, 2013 and had been in effect for three years, expired on August 27, 2016 without being renewed.

b) Share purchase warrants

There is no share purchase warrants outstanding at December 31, 2015 through to December 31, 2017 and to date.

c) Stock options

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

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

At December 31, 2017, there were 3,750,000 option shares available for future grants.

During the year ended December 31, 2017, the Company granted a total of 800,000 share options, being 200,000 share options to each of three directors and one officer, at $0.10 per share with an expiry date of July 6, 2022 and vested immediately. These grants were to replace options expired on June 21, 2017.

The fair values of the options granted during the year ended December 31, 2017 were estimated at the date of the grants using the Black-Scholes option pricing model with the following assumptions: expected volatility of 106%; expected dividend yield 0.0%; risk free interest rate 1.13%, expected life – five years. The total fair value of the stock options granted was $40,800.

A summary of the status of the Company's stock options as at December 31, 2017 and 2016 is presented below:

Stock options	2017 No. of options	2017 Weighted average exercise price	2016 No. of options	2016 Weighted average exercise price
Outstanding and exercisable at beginning of year	1,200,000	$0.100	1,200,000	$0.100
Cancelled	(800,000)	$0.100	–	–
Granted	800,000	$0.100	–	–
Exercised	(120,000)	$0.100	–	–
Outstanding and exercisable at end of year	1,080,000	$0.100	1,200,000	$0.100

The following table summarizes information on outstanding and exercisable stock options as at December 31, 2017:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
400,000	$0.100	0.52	July 9, 2018
680,000	0.100	4.52	July 6, 2022
1,080,000	$0.100	3.04	

10. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2017 and 2016:

	2017	2016
Net loss for the year	$(126,153)	$(79,757)
Weighted average number of shares – basic	55,147,744	55,113,552
– diluted	55,147,744	55,113,552
Basic and diluted net loss per share (1)	$(0.00)	$(0.00)

(1) Due to the loss in the years of 2017 and 2016, the diluted weighted average number of shares used to calculate the diluted net loss per share is the same as the basic weighted average number of shares as the inclusion of dilutive shares would be anti-dilutive.

11. 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, 2017 and 2016. The remuneration of directors and officers of the Company for the years ended December 31, 2017 and 2016 are as follows:

	2017			2016		
	Cash compensation	**Fair value of stock-based compensation**	**Total compensation**	**Cash compensation**	**Fair value of stock based compensation**	**Total compensation**
Directors	$ 7,500 (1)	$ 30,600	$ 38,100	$ 0	**$ 0**	$ 0
Officers						
Niyazi Kacira – Chairman and President	0 (2)	0	0	0	0	0
Maria Au – Secretary-Treasurer	54,000	10,200	64,200	54,000	0	54,000
	$ 54,000 (3)	$ 10,200	$ 64,200	$ 54,000	$ 0	$ 54,000
Total – Directors and Officers	$ 61,500	$ 40,800 (4)	$ 102,300	$ 54,000	$ 0	$ 54,000

(1) Since October 2017, a director has been paid a monthly fee of $2,500 to provide consulting service for the Sorel-Trois Rivieres natural

gas property.

(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 (2016 - $54,000).

(4) 200,000 share options were granted to each of three directors and one officer at $0.10 per share with an expiry date of July 6, 2022 and vested immediately. These grants were to replace options expired on June 21, 2017.

The fair values of these options granted were estimated at the date of the grants, using the Black-Scholes option pricing model with the following assumptions: expected volatility of 106%; expected dividend yield 0.0%; risk free interest rate 1.13%; expected life – 5 years.

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the years ended December 31, 2017 and 2016.

12. Key Management Personnel Compensation

The Company recognized the professional fees of $54,000 (2016 - $54,000) and stock-based compensation expense of $10,200 (2016 - $0) for its key management personnel for the year ended December 31, 2017.

13. Commitments

a) The Company's Toronto office extended its office lease by one year to expire at the end of June 2018. The basic rent for the extended lease is $1,292 per month. The total rent payment for 2018 is approximately $7,752.

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 the future. Please refer to Note 17a) Subsequent events for the payment of $16,000 to a staff of Altai in February 2018.

c) The Company is committed to certain royalty payments on its oil production assets, the cost of which cannot be reasonably estimated.

14. Financial Instruments Hierarchy

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at December 31, 2017 categorized into levels of the fair value hierarchy in accordance with IFRS 7:

	Level 1 Quoted market price	**Level 2 Valuation technique - observable market Inputs**	**Level 3 Valuation technique -non-observable market inputs**	**Total**
Financial assets				
Fair value through profit or loss				
Cash and cash equivalents	$1,469,339	–	–	$1,469,339
Available-for-sale				
Marketable securities	2,304,993	–	–	2,304,993
Total	$3,774,332			$3,774,332

There was no transfer from Level 1 to 2 or Level 2 to 1 during the years ended December 31, 2017 and 2016.

15. Management of Capital

The Company includes the following in its capital as at December 31, 2017 and 2016:

	2017	**2016**
Shareholders' equity comprised of		
Share capital	$ 33,889,620	$ 33,871,500
Contributed surplus	3,193,791	3,159,111
Deficit	(32,968,432)	(32,842,279)
Accumulated other comprehensive income	827,732	728,810
	$ 4,942,711	**$ 4,917,142**

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. 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 next 12 months.

16. Segmented Information

As at December 31, 2017, the Company has three reportable segments: investments in marketable securities, oil and gas interests and mining property.

The Company's investment segment comprises its investment in marketable securities. The oil and gas segment is comprised of its oil and gas interests in Canada. The mining segment comprises its mining property in Canada.

The Company evaluates performance and allocates resources based on profit and loss from operations before taxes and results from exploration. There are no inter-segment transactions.

As at December 31, 2017	Investments	Oil and gas	Mining	Corporate	Consolidated
Revenue	$ -	$149,295	$ -	$ -	$ 149,295
Interest and dividend income	103,950	-	-	-	103,950
Production expense	-	(99,714)	-	-	(99,714)
Exploration expense	-	(16,496)	-	-	(16,496)
Gain on marketable securities	7,581	-	-	-	7,581
Amortization	-	(59,768)	-	-	(59,768)
Segment income(loss)	111,531	(26,683)	-	(211,001)	(126,153)
Segment assets	2,304,993	591,136	863,890	1,480,990	5,241,009

As at December 31, 2016	Investments	Oil and gas	Mining	Corporate	Consolidated
Revenue	$ -	$138,059	$ -	$ -	$ 138,059
Interest and dividend income	106,454	-	-	-	106,454
Production expense	-	(78,537)	-	-	(78,537)
Exploration expense	-	(7,248)	-	-	(7,248)
Amortization	-	(59,906)	-	-	(59,906)
Segment income(loss)	106,454	(7,632)	-	(178,579)	(79,757)
Segment assets	2,213,977	642,255	863,890	1,471,117	5,191,239

Geographic information

All of the Company's revenues are earned in Canada. All the Company's assets and operations are located in Canada.

17. 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 is classified as loans and receivable, which is 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, 2017 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.

18. Subsequent events

a) In February 2018, $16,000 termination fee was paid to a staff of the Company upon resignation in accordance with the agreement signed in October 2010.

b) 1) In February 2018, a stock option of 200,000 common shares at an exercise price of $0.10 per share was exercised for proceeds of $20,000.

2) In March 2018, two stock options, each of 200,000 common shares at an exercise price of $0.10 per share, were exercised for total proceeds of $40,000.