ALTAI RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS (FORM 51-102F1)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 **Dated November 23 , 2018**

The following management discussion and analysis of the financial position and results of operations (the "MD&A") dated November 23, 2018 has been prepared by management of Altai Resources Inc. (the "Company" or "Altai") and are based on and derived from the condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2018 in comparison with those at September 30, 2017.

This discussion should be read in conjunction with the condensed interim consolidated financial statements and the related notes for the nine months ended September 30, 2018, as well as the Company's audited consolidated financial statements for the year ended December 31, 2017 and the related MD&A.

The condensed interim consolidated financial statements for the nine months ended September 30, 2018 are unaudited and prepared by management under the International Financial Reporting Standards (IFRS) in accordance with IAS 34, Interim Financial Reporting. 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 contains 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.

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

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

COMPANY OVERVIEW

Altai Resources Inc. is a natural resource exploration and development company incorporated under the laws of the province of Ontario, and is listed on the TSX Venture Exchange under the 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. Altai has 45% net working interest in an oil producing property in central Alberta. All properties were in good standing as at September 30, 2018 and to date.

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., was the 50% partner and operator of the property until November 2015 when it assigned both its working interest and operatorship of the property to Canadian Natural Resources Limited.

1) **Malartic gold property, Quebec**

The 50% owned Malartic gold property (named "Blackcliff gold property" by joint-venture partner and operator, Globex Mining Enterprises Inc.) of six map designated claims (CDC) totalling 127.6 hectares (315 acres) in the Val d'Or area of Quebec.

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

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

a) Licences

The Company holds a 100% interest in 5 oil and gas and reservoir exploration licences issued by the Quebec Government and a 15% gross royalty interest in an exploration licence optioned by Altai to Talisman Energy Canada (Repsol Canada Energy Partnership since 2006). The licences and the gross royalty interest are situated in the St. Lawrence Lowlands and are referred to as the Sorel-Trois Rivieres property. Altai's current land position for its 5 licences in the Quebec Lowlands totals 68,483 hectares (169,225 acres).

Prior to June 13, 2011 the Company held 7 oil and gas and reservoir licences totalling 114,344 hectares (282,544 acres) of land in the St. Lawrence Lowlands. The Quebec government enacted Bill 18 (2011, chapter 13) on June 13, 2011, limiting oil and gas activity within Quebec. Bill 18 is composed of two parts. The first part revoked without compensation, all exploration licences situated between the two shores of the St. Lawrence River from the westernmost tip of Anticosti Island and the Ontario border. The second part of Bill 18 exempted holders of oil and gas and reservoir exploration licences from performing the required work (a "stop the clock" provision) until the date determined by the Minister, which date was not to be later than 13 June 2014". The duration of the licences was also extended by the same period of time as the exemption. Because of Bill 18, 45,861 hectares (113,323 acres) equal to 40.11% of the Company's 100% owned and operated exploration licences were expropriated without compensation. As a result of the expropriation, the

Company took an impairment write down of $9,845,601 on the carrying value of the property ($24,547,724) by 40.11%, for the year ended December 31, 2011.

The former Altai licence optioned to Talisman and now held by Repsol in which Altai has a 15% gross royalty interest was reduced from 13,290 hectares (32,840 acres) to 12,334 hectares (30,477 acres).

Time line summary of the situation concerning licence holding and exploration activities in the St. Lawrence Lowlands from 2010 to date

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

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

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

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

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

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

b) Bill 106, "An Act to implement the Energy Policy to 2030 and amend various legislative provisions", was passed in the Quebec National Assembly in December 2016. The Bill contains a series of modifications to existing legislation to cover the Energy Policy, including changes to the Mining Act and other Acts now in force and the creation of a new Petroleum Resources Act (the "Act") that governs the development of petroleum resources in Quebec. The Act outlines the various general conditions and norms (including social acceptability) regarding licensing, exploration, drilling and production.

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

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

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

To date while the Company is still waiting for the Ministry's clarification on certain issues arising from the Regulations, Altai has performed and completed Notification to all landowners, regional county municipalities and local municipalities covered by its five licences as required by the Act; and had individual meetings with most of the county and municipal representatives within its licences.

There has been no shale gas exploration or fracture stimulation for natural gas in the Quebec Lowlands since 2010 when the moratorium started**.** The moratorium has not yet been lifted by the Quebec Government to date.

In view of the prolonged delay regarding approval of shale exploration in Quebec thereby creating uncertainty as to the future of shale gas development, the Company in December 2014 adopted a prudent approach and wrote down the project to $1 as required by accounting standards. The impairment of exploration and evaluation assets can be reversed in the future (in whole or in part) if there is evidence that the impairment no longer exists.

Based on exploration work to date, Altai considers that the property has good potential for conventional gas, gas storage and shale gas. Development of a gas storage site or sale of storage rights is also one of the important aims of the property for the Company.

Total cumulative capital and exploration expenditures incurred on the natural gas interests to September 30, 2018 amounted to $24,675,691 (2017 - $24,624,782), with total cumulative write downs of $24,675,690 (2017 - $24,624,781).

b) Property Summary

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

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

The Utica play is essentially divided into the deep (Tier 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. Before March 2011, approximately 30 wells had been successfully drilled and fracked in both Tier 1 and Tier 2 on the lands adjacent to Altai's with several operators having produced gas to surface at quasi commercial rates from horizontal wells. The estimated Original Gas In Place ("OGIP") of the Utica in Quebec has been variously reported as being between 90 and 153 billion cubic feet (BCF) per section (640 acres) over an area of approximately 1.5 million acres. Altai estimates that 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 conventional hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands and in Altai's licences.

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

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

Dr. Robert Theriault, formerly with the Hydrocarbons Branch, Quebec Ministry of Natural Resources, compared Altai's deep collapse structure (referred to by him as a "sag" at the top of the Trenton Formation to the Albion-Scipio oil and gas field ("Albion-Scipio") in the State of Michigan, USA. Albion-Scipio, also in the Trenton Formation, has produced over 130 million barrels of oil (290 million barrels of original oil in place) and 200 BCF (billion cubic feet) of natural gas since the start of its production in the late 1950s. The sag zone, 34 kilometers long and outlined in Altai's licences, may extend for approximately another 20 kilometers towards the SW, all in Altai's existing licences, making its physical size similar to that of Albion-Scipio. Dr. Theriault pointed out the similarity of the seismic cross section of Altai's target with that of Albion-Scipio.

3) **Cessford oil property, central Alberta**

In 2012, the Company acquired a gross 50% (net 45%) working interest in 240 acres of Alberta Crown leases in the Cessford area of 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. Two Calgary parties provided technical support to Altai during the acquisition process and were paid a fee in kind by Altai, that is, each of the two parties held a 2.5% working interest in the property on the transaction closing. ConocoPhillips Canada Energy Partnership ("Conoco") of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US, was the 50% partner and operator of the property until November 2015 when it assigned both its working interest and operatorship of the property to Canadian Natural Resources Limited ("CNRL").

The four wells are subject to certain royalty payments.

The four wells are producing from the Glauconitic "C" pool. 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.

There have been no reserve studies performed to accurately estimate the reserves of these properties.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

1) For the nine months ended September 30, 2018, the Company earned revenue of $195,740 (2017 - $190,124), comprising of oil revenue, net of royalties, of $110,022 (2017 - $112,993) and $85,718 interest and dividend income (2017 - $77,131). Total expenses, including Cessford property production expenses of $44,594 (2017 - $72,232) and exploration expenditure for oil and gas interests of $41,962 (2017- $7,549) amounted to $327,619 (2017 - $281,360). The net loss for the nine months ended September 30, 2018 was $131,879 (2017 - $91,236).

2) **Revenue**

(1) Revenue, net of royalty expense, from the Cessford oil property for the nine months ended September 30,2018 ($195,740) was higher by 2.95% to that of 2017 ($190,124).

(2) Dividend and interest income from marketable securities and bank deposit account were higher by $8,587 (11.13%) than those for the same period in 2017 as the shares in the portfolio increased their dividend/interest payments and the interest rate has edged up slightly for bank deposits.

3) **Expenses**

Expenses for the nine months ended September 30, 2018 and 2017 are as following:

	2018 **$**	**2017** **$**
Production	44,594	72,232
Professional fees	40,500	40,500
Exploration expenditure – oil and gas	41,962	7,549
Gain on sale of marketable securities	-	(7,581)
Other general and administrative expenses	77,737	82,766

Amortization	44,826	45,094
Stock-based compensation expense	78,000	40,800
	327,619	281,360

(1) Production expenses – Production costs of $44,594 for the four oil wells of Cessford oil property for the nine months ended September 30, 2018 were lower by 38.26% to those for 2017 ($72,232).

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

(3) Exploration expenditure – Expenditure of $41,962 (2017 - $7,549) for the Sorel-Trois Rivieres gas property included $22,500 paid to a director at $2,500 per month to provide consulting service for the project, annual property rent for the licences and expenses for preparation work done in anticipation of the enforcement of the Petroleum Resources Act.

(4) Other general and administrative expenses – included a payment of $16,000 termination fee to a staff of the Company upon resignation in accordance with an agreement signed in October 2010.

(5) Amortization - Amortization expense of $44,826 (2017 - $40,800) is entirely for the Cessford oil property as the computer equipment became fully depreciated by 2017 year end.

SUMMARY OF QUARTERLY RESULTS

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

	September 30, 2017 $	**June 30, 2018 $**	**March 31, 2018 $**	**December 31, 2017 $**	**September 30, 2017 $**	**June 30, 2017 $**	**March 31, 2017 $**	**December 31, 2016 $**
Revenue	65,990	66,412	63,338	63,121	58,424	52,806	78,894	66,422
Expenses	155,963	83,103	88,553	98,038	123,461	83,193	74,706	92,789
Net loss	(89,973)	(16,691)	(25,215)	(34,917)	(65,037)	(30,387)	4,188	(26,367)
Net loss per share (Basic and Diluted)*	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.00)

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

1) Q4 of 2016
a) Revenue was slightly higher in Q4 due to higher oil revenue from the Cessford property.
b) Production costs for the Cessford wells were higher due to the annual insurance premium of $3,750 for the property and the accrued land rents of $3,809 charged by CNRL. Other general and administrative expenses included $15,000 year-end audit and tax return preparation fees for the year of 2016.

2) Q1 of 2017
a) Revenue was higher in Q1 due to higher oil revenue from the Cessford property.
b) Production costs for the Cessford wells were higher with higher production volume. Total expenses ($74,706) were slightly lower with the offset by a gain on the sale of marketable securities ($8,396).

3) Q2 of 2017
a) Revenue was lower in Q2 due to lower oil revenue from the Cessford property partly because of prior period downward adjustment of revenue by the operator of the wells, CNRL.
b) Production costs for the four oil wells ($20,619) were close to that of Q1 though the revenue generated was lower. $7,149 exploration expenditures incurred for the Sorel-Trois Rivieres gas property.

4) Q3 of 2017
a) Revenue was slightly higher in Q3 mainly due to higher Cessford property oil production revenue.
b) Production costs for the four oil wells ($28,287) increased due to the $9,286 makeover costs for one of the wells. There is also $40,800 stock-based compensation expense for the 800,000 share options granted to replace those expired in Q2, 2017.

5) Q4 of 2017
a) Revenue was slightly higher in Q4 than in Q3 due to higher oil production revenue from Cessford property.
b) Exploration expenditure of $7,500 was for consulting service for the Sorel-Trois Rivieres gas property.

6) Q1 of 2018
a) Revenue was similar to Q4 of 2017 as lower production revenue from Cessford property was offset by higher dividend income from the marketable securities in the portfolio.
b) Exploration expenditure included $7,500 consulting service fees paid to a director for the Sorel-Trois Rivieres gas property. Other general and administrative expenses included a $16,000 termination fee paid to a staff of the Company upon resignation in accordance with an agreement signed in October 2010.

7) Q2 of 2018
a) Revenue was slightly higher than Q1 of 2018 for both production revenue net of royalty from the Cessford property and dividend income from the marketable securities in the portfolio.
b) Total expenses improved over Q1 of 2018 with lower general and administrative expenses. Exploration expenditure included $7,500 consulting service fees paid to a director for the Sorel-Trois Rivieres gas property.

8) Q3 of 2018
a) Revenue was similar to Q2 of 2018.
b) Expenditure included $78,000 stock-based compensation expense for option grants to five directors and an officer,

EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

1) Expenditures for the resource properties for the nine months ended September 30, 2018 and 2017 are:

	2018 $	2017 $
Malartic gold property, Quebec	–	–
Sorel-Trois Rivieres gas property, Quebec	41,962	7,549
Expenditures	41,962	7,549

2) Expenditures for revenue producing oil property

There is no capital cost or expenditure for the Cessford oil property, Alberta for the periods ended September 30, 2018 and 2017.

OUTLOOK

1) As mentioned in Section 2a of Overview of Properties, no exploration work has taken place in the St. Lawrence Lowlands since 2010 when the moratorium started. To date the moratorium has not yet been lifted by the Quebec Government. Nevertheless, the Company plans to maintain its licences in good standing until such time as exploration work can resume.

The final regulations (the "Regulations") for the implementation of the Petroleum Resources Act (the "Act"), published on September 5, 2018, incorporated a ban on fracking in shales and various other restrictions including increased distances for wells and fracking. Both the Act and the Regulations became effective September 20, 2018. To date, the Company is still waiting for clarification by the Quebec Ministry of Energy and Natural Resource on certain issues arising from the Regulations. It is also important to note that legal proceedings have been initiated by an exploration company to stay and set aside the Regulations.

The Company believes that its licences still present solid economic potential. Apart from shale gas, the property also has good potential for conventional gas and gas storage. Exploration and development of a gas storage site or sale of storage rights is and has been one of the important objectives of these licences for Altai.

2) The 45% net working interest in the 240 acres Cessford oil production of light oil in four long-life (13-15 years) was operated by ConocoPhillips Canada Energy Partnership (property partner (50%) and operator) of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US until November 2015 when it assigned both its working interest and operatorship of the property to Canadian Natural Resources Limited.

Crude oil prices have gone down considerably. It remains to be seen how the net revenue from the Cessford property will be affected.

LIQUIDITY AND CAPITAL RESOURCES

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

At the beginning of 2018, the Company's working capital was $3.77 million comprising of $1.47 million cash and cash equivalents and $2.30 million marketable securities classified and measured at fair value through other comprehensive income. As at September 30, 2018, the Company's working capital was $3.74 million comprising of $1.53 million cash and cash equivalents and $ 2.21 million marketable securities.

In 2018, the Company continued its usual thrifty mode in administrative and general expenses.

Yields on low risk bank deposit papers have increased moderately. The Company has invested part of its cash in bank deposits.

The greater part of the Company's marketable securities consists of shares of Canadian major banks and relatively stable companies which are denominated in Canadian currency and are liquid and regularly pay dividends or interests. 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. The fair market value of the portfolio decreased in the period ended September 30, 2018 by $95,863, net of taxes, amid the roller coaster stock market, even with the slight recovery in the second and third quarters of the year. The dividend income stream from our portfolio and interest income from bank deposit remained steady and increased slightly in the period ended September 30, 2018 and the Company expects that it will be maintained for the balance of the year. The income from this investment was higher than that of the secured short term deposits. The total fair market values at September 30, 2018 were $2,209,130 (2017 - $2,219,294) compared to total costs of $1,289,017 (2017 - $1,327,517). The realized loss of $32,375 in the sale of marketable securities in the third quarter of 2018 was recorded in the retained earnings per IFRS 9 adopted on January 1, 2018.

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.

3) The Company includes the following in its capital as at September 30, 2018 and 2017:

	2018	2017
Shareholders' equity comprised of		
Share capital	$ 34,003,020	$ 33,889,620
Contributed surplus	3,238,391	3,193,791
Deficit	(33,132,686)	(32,933,515)
Accumulated other comprehensive income	777,969	753,388
	$ 4,886,694	**$ 4,903,284**

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 ensuing twelve months.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements requires management to use accounting policies relevant for its industry and operations. The significant accounting policies used are presented in Note 3 to the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2018.

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

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

SHARE CAPITAL

1) Share capital

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

Issued and outstanding common shares	No. of shares	Amount
Balance at December 31, 2016	**55,113,552**	**$33,871,500**
Exercise of stock options	120,000	18,120
Balance at September 30, 2017 and December 31, 2017	**55,233,552**	**$33,889,620**
Exercise of stock options	800,000	113,400
Balance at September 30, 2018	**56,033,552**	**$34,003,020**

2) Share purchase warrants

There is no share purchase warrants outstanding at December 21, 2016 through to September 30, 2018 and to date.

3) Stock options

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

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

At September 30, 2018, there were 2,750,000 option shares available for future grants.

During the period ended September 30, 2018, the Company granted a total of 1,200,000 share options, being 200,000 share options to each of the five directors (including one new director) and one officer, at $0.10 per share with an expiry date of August 29, 2023 and vested immediately. Out of these share options, 200,000 option shares were granted to a director to replace those expired on July 9, 2018.

The fair values of the options granted during the period ended September 30, 2018 were estimated at the date of the grants using the Black-Scholes option pricing model with the following assumptions: expected volatility of 123%; expected dividend yield 0.0%; risk free interest rate 1.48%, and expected life – five years. The total fair value of the stock options granted was $78,000.

A summary of the status of the Company's stock options as at September 30, 2018 and 2017 is presented below:

	2018		2017	
Stock options	**No. of Options**	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding and exercisable at beginning of period	1,080,000	$0.100	1,,200,000	$0.100
Cancelled	(200,000)	$0.100	(800,000)	$0.100
Granted	1,200,000	$0.100	800,000	$0.100
Exercised	(800,000)	$0.100	(120,000)	$0.100
Outstanding and exercisable at end of period	1,280,000	$0.100	1,080,000	$0.100

The following table summarizes information on outstanding and exercisable stock options as at September 30, 2018:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
80,000	$0.100	3.77	July 6, 2022
1,200,000	0.100	4.91	August 29, 2023
1,280,000	$0.100	4.84	

4) The Company's share capital at September 30, 2017, December 31, 2017 and September 30, 2018 are as following:

	September 30, 2017		December 31, 2017		September 30, 2018	
	Basic	Weighted average	Basic	Weighted average	Basic	Weighted average
Issued and outstanding common shares	55,233,552	55,118,827	55,233,552	55,147,744	56,033,552	55,800,585
Stock options	1,080,000	614,212	1,080,000	345,306	1,280,000	507,900
Common shares fully diluted	56,313,552	55,733,039	56,313,552	55,493,050	57,313,552	56,308,485

COMMITMENTS

1) The Company's Toronto office extended its office lease by one year to expire at the end of June 2019. The basic rent for the extended lease is $1,392 per month. The total rent payment for 2018 is approximately $16,104.

2) 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. In February 2018, $16,000 termination fee was paid to a staff of the Company upon resignation.

3) 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 nine months ended September 30, 2018 and 2017. The remuneration of directors and officers of the Company for the nine months ended September 30, 2018 and 2017 are as follows:

	2018			2017		
	Cash compensation	**Fair value of stock-based compensation**	**Total compensation**	**Cash compensation**	**Fair value of stock based compensation**	**Total compensation**
Directors	$ 22,500 (1)	$ 65,000 (2)	$ 87,500	$ 0	$ 30,600	$ 30,600
Officers						
Niyazi Kacira – Chairman and President	0 (3)	13,000	13,000	0	0	0

Maria Au – Secretary-Treasurer	40,500	0	40,500	40,500	10,200	50,700
	$40,500 (4)	$ 13,000	$53,500	$40,500	$ 10,200	$50,700
Total – Directors and Officers	$63,000	$ 78,000	$141,000	$40,500	$ 40,800	$81,300

(1) A director has been paid a monthly fee of $2,500 to provide consulting service for the Sorel-Trois Rivieres natural gas property.

(2) Total fair value of the 1,000,000 option shares granted to the five directors.

(3) 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.

(4) These fees have been allocated all to administrative expenses (2017 - $40,500).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the nine months ended September 30, 2018 and 2017.

OFF-BALANCE SHEET TRANSACTIONS

At September 30, 2018 and to date, the Company does not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through profit or loss and marketable securities as available-for-sale, both of which are measured at fair value. Accounts receivable 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 September 30, 2018 and to date are expected to be sufficient to fund the Company's ongoing operational needs for the next 12 months.

(c) Market risk

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

1) Commodity risk

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

2) Currency risk

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

3) Interest rate risk

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

DISCLOSURE CONTROL AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the interim financial statements and interim MD&A (the "interim filings") for the interim period ended September 30, 2018 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, for the periods covered by the interim filings, and (ii) the interim financial statements together with other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the interim filings.

In contrast to the certificates required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificates filed by the Company's President (in his capacity as an officer also performing the functions of a chief executive officer) and the Secretary-Treasurer (in her capacity as an officer also performing the functions of a chief financial officer) (together the

“certifying officers”) do not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the certificates are not making any representations relating to the establishment and maintenance of

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

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

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