

**ALTAI RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(UNAUDITED)**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Altai Resources Inc. for the six months ended June 30, 2022 and 2021 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Board of Directors. Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements.

**ALTAI RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022 AND DECEMBER 31, 2021**  
**(UNAUDITED)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 1,353,223	\$ 1,384,339
Marketable securities	4	2,503,686	2,683,537
Accounts receivables		32,244	6,095
Prepaid expenses		47	47
<b>Total current assets</b>		<b>3,889,200</b>	<b>4,074,018</b>
Non-current assets			
Exploration and evaluation assets	5	869,714	869,591
Property and equipment	6	321,757	321,469
<b>Total non-current assets</b>		<b>1,191,471</b>	<b>1,191,060</b>
<b>Total assets</b>		<b>\$ 5,080,671</b>	<b>\$ 5,265,078</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 123,959	\$ 87,911
Non-current liabilities			
Decommissioning liabilities	7	147,714	133,879
Deferred tax liabilities	8	168,147	191,977
<b>Total non-current liabilities</b>		<b>315,861</b>	<b>325,856</b>
<b>Total liabilities</b>		<b>\$ 439,820</b>	<b>\$ 413,767</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9a	\$ 34,003,020	\$ 34,003,020
Contributed surplus		3,238,391	3,238,391
Deficit		(33,681,218)	(33,626,779)
Accumulated other comprehensive income		1,080,658	1,236,679
<b>Total equity</b>		<b>\$ 4,640,851</b>	<b>\$ 4,851,311</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 5,080,671</b>	<b>\$ 5,265,078</b>
Commitments	13		

**ALTAI RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(UNAUDITED)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Note	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
<b>REVENUE</b>					
Oil sales		\$ 62,882	\$ 32,064	\$ 113,432	\$ 58,653
Royalties		(2,936)	(1,413)	(5,243)	(2,546)
		59,946	30,651	108,189	56,107
Interest and dividend income		34,215	28,986	65,547	57,763
		94,161	59,637	173,736	113,870
<b>EXPENSES</b>					
Production		(3,301)	8,129	12,204	21,462
Exploration expenses		60,549	7,715	133,907	15,465
General and administrative expenses		23,830	24,761	51,361	50,735
Amortization		16,067	15,170	30,703	30,340
		97,145	55,775	228,175	118,002
<b>NET (LOSS) INCOME</b>		(2,984)	3,862	(54,439)	(4,132)
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>					
(Decrease) Increase in fair value of available-for-sale marketable securities, net of taxes		(299,968)	188,959	(156,021)	409,757
<b>COMPREHENSIVE (LOSS) INCOME</b>		\$ (302,952)	\$ 192,821	\$ (210,460)	\$ 405,625
<b>NET (LOSS) INCOME PER SHARE</b>					
<b>Basic and diluted loss per share</b>	<b>10</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted Average Number of Common Shares Outstanding					
– basic		56,033,552	56,033,552	56,033,552	56,033,552
– diluted		56,033,552	56,033,552	56,033,552	56,033,552

**ALTAI RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(UNAUDITED)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	<u>Share capital</u>			Accumulated other comprehensive income (net of tax)	Deficit	Total equity
	Number of shares	Amount \$	Contributed surplus \$	\$	\$	\$
<b>Balance, December 31, 2020</b>	<b>56,033,552</b>	<b>34,003,020</b>	<b>3,238,391</b>	<b>696,385</b>	<b>(33,485,445)</b>	<b>4,452,351</b>
Net loss for the period	-	-	-	-	(4,132)	(4,132)
Increase in fair value of investment in marketable securities	-	-	-	409,756	-	409,756
<b>Balance, June 30, 2021</b>	<b>56,033,552</b>	<b>34,003,020</b>	<b>3,238,391</b>	<b>1,106,141</b>	<b>(33,489,577)</b>	<b>4,857,975</b>
Net loss for the period	-	-	-	-	(139,058)	(139,058)
Gain in sale of marketable securities	-	-	-	-	1,856	1,856
Increase in fair value of investment in marketable securities	-	-	-	130,538	-	130,538
<b>Balance, December 31, 2021</b>	<b>56,033,552</b>	<b>34,003,020</b>	<b>3,238,391</b>	<b>1,236,679</b>	<b>(33,626,779)</b>	<b>4,851,311</b>
Net loss for the period	-	-	-	-	(54,439)	(54,439)
Decrease in fair value of investment in marketable securities	-	-	-	(156,021)	-	(156,021)
<b>Balance, June 30, 2022</b>	<b>56,033,552</b>	<b>34,003,020</b>	<b>3,238,391</b>	<b>1,080,658</b>	<b>(33,681,218)</b>	<b>4,640,851</b>

**ALTAI RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(UNAUDITED)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (54,439)	\$ (4,132)
Adjusted for		
Amortization	30,703	30,340
Finance expense	2,735	968
Interest income	(4,416)	(57,763)
Interest received	4,416	57,763
	(21,001)	27,176
Changes in non-cash working capital balances:		
Accounts receivable	(31,691)	8,416
Accounts payable and accrued liabilities	41,590	(9,652)
<b>Cash (used in) provided by operating activities</b>	<b>(11,102)</b>	<b>25,940</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred exploration expenses	(123)	-
Property and equipment	(19,891)	-
<b>Cash used in investing activities</b>	<b>(20,014)</b>	<b>-</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,116)</b>	<b>25,940</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,384,339</b>	<b>1,366,752</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,353,223</b>	<b>\$ 1,392,692</b>

**ALTAI RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(UNAUDITED)**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**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 895 Don Mills Road, Two Morneau Shepell Centre, Suite 900, Toronto, Ontario, M3C 1W3, 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 condensed interim consolidated financial statements have been prepared by management 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 \$33,681,218.

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 \$1,353,223 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, all of which describe the material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern, which could be material.

**2. Basis of Presentation**

**Statement of compliance**

These condensed interim consolidated financial statements are unaudited 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.

These condensed interim consolidated financial statements were prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, have been omitted or condensed. Accordingly, these condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The condensed interim consolidated financial statements for the six months ended June 30, 2022 and 2021 were approved by the Board of Directors on August 26, 2022.

**Basis of measurement**

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. These condensed interim 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 June 30, 2022 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 comprehensive income (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 investments in equity instruments and carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an investment in equity instrument constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and reclassified directly to retained earnings.

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: Altai America Inc. All inter-company accounts and transactions have been eliminated upon consolidation. Petro St-Pierre Inc., the other wholly-owned subsidiary, had been wound up before the end of 2021 and its assets and liabilities had been distributed to the Company.

#### **Revenue recognition**

Revenues from the sale of crude oil are recognized over time, which is when the performance obligation associated with the sale has been completed and the right to use is transferred to the customer. Revenue is presented net of production expenses and 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 short term deposits with terms to maturity of ninety days or less when acquired.

#### **Marketable securities**

Marketable securities are classified and measured as financial assets at fair value through other comprehensive income. Unrealized gains and losses are recorded in other comprehensive income until the shares are sold or impaired at which time the realized gain or loss and impaired amounts would be reclassified directly from the fair value through other comprehensive income reserve to deficit.

#### **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 and computer equipment.

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 located 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

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 and equipment. Exploration and evaluation asset and property 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 consolidated 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 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 capital stock.

#### **Income (loss) per common share**

Basic income (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

#### **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.

Lessees are required 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.

#### **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 ("FVPL") – This category comprises financial assets designated upon initial recognition as FVPL and is 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). FVPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss for the period as they arise.
- b) Loans and accounts receivables – They 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. These assets are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, they 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. Interest income or expense is recognized in profit or loss.

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 consolidated statement of loss.

d) Investments in equity instruments – Non-derivative financial assets designated as investments in equity instruments that are not classified as loans and receivables, held to maturity investments or FVPL. Investments in equity instruments are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an investment in equity instrument constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and reclassified directly to retained earnings. When an investment in equity instruments at fair value through other comprehensive income is sold, the realized gain or loss is transferred directly from the fair value through other comprehensive income reserve to deficit.

All financial assets except for those recorded at fair value through profit or loss and at fair value through other comprehensive income 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 designated upon initial recognition as FVPL. FVPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of 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:

<u>Instrument</u>	<u>Classification and Measurement basis under IFRS 9</u>
Cash and cash equivalents	Fair value through profit or loss
Marketable securities	Fair value through other comprehensive income
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Decommissioning liabilities	Amortized cost

#### *Fair value hierarchy 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**

An amendment to IAS 1, *Presentation of Financial Statements*, has been issued in January 2020 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least twelve months after the reporting period. The amendment is effective for annual periods beginning on or after January 1, 2023. Adoption of this amendment is not expected to have significant impact on the Company's consolidated financial statements.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

#### **4. Marketable Securities**

Marketable securities, classified and measured at fair value through other comprehensive income, 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) is included in other comprehensive income.

When marketable securities are sold, the realized gains or losses are transferred directly from the fair value through other comprehensive income reserve to deficit.

Total fair market values and costs of the marketable securities at June 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
<b>Total fair market values</b>	\$2,503,686	\$2,561,207
<b>Total costs</b>	\$1,234,653	\$1,262,798

As at June 30, 2022, the Company has unrealized gain of \$1,269,033 (2021 – \$1,298,409) net of taxes of \$168,147 (2021 – \$172,039).

#### **5. Exploration and Evaluation Assets**

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

	<b>Interests in mining properties (i)</b>	<b>Natural gas interests (ii)</b>	<b>Total</b>
<b>Balance at December 31, 2020 and June 30, 2021</b>	\$867,188	\$1	\$867,189
Exploration expenditure	2,402	-	2,402
<b>Balance at December 31, 2021</b>	\$869,590	\$1	\$869,591
Exploration expenditure	123	-	123
<b>Balance at June 30, 2022</b>	\$869,713	\$1	\$869,714

i) Interests in mining properties

Malartic Township gold property, Quebec	Acquisition cost	Expenditure	Total
<b>Balance at December 31, 2020 and June 30, 2021</b>	\$123,711	\$743,477	\$867,188
Exploration expenditure	-	2,402	2,402
<b>Balance at December 31, 2021</b>	\$123,711	\$745,879	\$869,590
Exploration expenditure	-	123	123
<b>Balance at June 30, 2022</b>	\$123,711	\$746,002	\$869,713

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 June 30, 2022, Altai holds 100% interest in five oil and gas and reservoir exploration licences in the Sorel-Trois Rivieres area, St. Lawrence Lowlands covering 68,483 hectares (169,225 acres).

The Company also has a 15% gross production royalty from an adjacent licence (and its successor licence) of 13,290 hectares (32,840 acres) that Talisman Energy Canada (now Repsol Canada Energy Partnership "Repsol") has 100% working interest. That licence has been reduced to 12,334 hectares (30,477 acres) due to Bill 18 in Quebec. Repsol has assigned that licence to Questerre Energy Corporation on February 1, 2020.

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 June 30, 2022 amounted to \$25,188,806 (2021 - \$24,937,786), with total cumulative write downs (including expenditures reported in the profit and loss) of \$25,188,805 (2021 - \$24,937,785).

**In March 2022, the Company, through its attorneys, has filed a claim against the Quebec Government, in the Superior Court of Quebec. The case is currently ongoing.**

Through this legal proceeding, Altai is enforcing its rights and seeking compensation from the Minister of Energy and Natural Resources of Quebec and the Quebec Government (collectively the "Parties") for the illegal expropriation of its Quebec oil and gas licences by the Parties with the entry into force of the *Petroleum Resources Act* and its Regulations on September 20, 2018, and the subsequent unlawful application of same by the Parties.

Bill 21, an Act mainly to end petroleum exploration and production and the public financing of those activities (the "Bill"), introduced by the Minister of Energy and Natural Resources of Quebec on February 2, 2022, was passed by the National Assembly of Quebec on April 12, 2022 and was assented to on April 13, 2022. The Quebec Government has announced that the Bill will come into effect on August 23, 2022 when all exploration licences issued, including those held by the Company, will be revoked.

6. Property and Equipment

	June 30, 2022			June 30, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$ 26,947	\$ 24,972	\$ 1,975	\$ 24,577	\$ 24,577	\$ -
Oil properties (1)	906,731	586,949	319,782	895,662	529,227	366,435
	\$933,678	\$611,921	\$ 321,757	\$920,239	\$538,634	\$381,605

(1) In 2012, the Company acquired a 50% (net 45%) working interest in Alberta Crown leases in the Cessford area of southern 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 (together the "Parties") which provided technical support to Altai during the acquisition process, were paid a fee in kind by Altai, that is, each of the 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.

In April 2022 the civil claim filed by the Parties in 2020 for a payment of \$10,480.96 for their share of the property revenue to a certain date and the counterclaim by the Company were resolved by Altai and the Parties signing a Settlement Agreement and Mutual Release with the Company purchasing the Parties' combined 5% net working interest in the property, Thereafter the Company owns 50% net working interest in the Property.

## 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 \$135,566 (increased from \$122,009 in April 2022 with the purchase of the 5% net working interest referred to in Note 6 above) (June 30, 2021 – \$122,000) which will be incurred in 5 years. A nominal risk free rate of 4.08% (June 30, 2021 – 1.62%), and an inflation rate of 3.15% (June 30, 2021 – 0.62%), were used to calculate the fair value of the decommissioning liabilities. Changes to the liability were as follows:

	June 30, 2022	June 30, 2021
<b>Decommissioning liability, beginning of period</b>	\$ 133,879	\$ 146,206
Increase –purchase of 5% net working interest	11,100	-
Accretion	2,735	484
<b>Decommissioning liability, end of period</b>	<b>\$ 147,714</b>	<b>\$ 146,690</b>

## 8. Income Taxes

Future income tax liabilities as at June 30, 2022 and 2021 are:-

	2022	2021
Marketable securities –unrealized gains	\$168,147	\$ 172,039

## 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
<b>Balance at December 31, 2020, June 30, 2021, December 31, 2021 and June 30, 2022</b>	<b>56,033,552</b>	<b>\$34,003,020</b>

### b) Share purchase warrants

There is no share purchase warrants outstanding at December 31, 2020 through to June 30, 2022 and to date.

### c) Stock options

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

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

At June 30, 2022, there were 2,950,000 option shares available for future grants.

During the period ended June 30, 2022, the Company did not grant any stock options.

A summary of the status of the Company's stock options as at June 30, 2022 and 2021 is presented below:

	2022		2021	
Stock options	No. of Options	Weighted average exercise price	No. of options	Weighted average exercise price
<b>Outstanding and exercisable at beginning of period and at end of period</b>	1,080,000	\$0.100	1,280,000	\$0.100

The following table summarizes information on outstanding and exercisable stock options as at June 30, 2022:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (years)	Expiry date
80,000	\$0.100	0.02	July 6, 2022
1,000,000	0.100	1.16	August 29, 2023
1,080,000	\$0.100	1.08	

#### 10. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the periods ended June 30, 2022 and 2021:

	2022	2021
Net loss for the period	\$(54,439)	\$(4,132)
Weighted average number of shares – basic	56,033,552	56,033,552
– diluted	56,033,552	56,033,552
Basic and diluted net loss per share (1)	\$(0.00)	\$(0.00)

(1) Due to the loss in the periods of 2022 and 2021, 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 periods ended June 30, 2022 and 2021. The remuneration of directors and officers of the Company for the periods ended June 30, 2022 and 2021 are as follows:

	2022			2021		
	Cash compensation	Fair value of stock-based compensation	Total compensation	Cash compensation	Fair value of stock-based compensation	Total compensation
<b>Directors</b>	\$ - (1)	\$ -	\$ -	\$ 15,000	\$ -	\$ 15,000
<b>Officers</b>						
Niyazi Kacira – Chairman and President	- (2)	-	-	-	-	-
Maria Au – Secretary-Treasurer	27,000	-	27,000	27,000	-	27,000
	\$ 27,000 (3)	\$ -	\$ 27,000	\$ 27,000	\$ -	\$ 27,000
<b>Total – Directors and Officers</b>	\$ 27,000	\$ -	\$ 27,000	\$ 42,000	\$ -	\$ 42,000

- (1) Since October 2017, a director (to September 27, 2021) has been paid a monthly fee of \$2,500 to provide consulting service for the Sorel-Trois Rivieres natural gas property (the "Property"). From September 27, 2021 to March 31, 2022, he acted as a technical consultant for the Property to the Company at the monthly fee of \$2,500. His consulting service was terminated on March 31, 2022.
- (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 (2021 - \$27,000).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the periods



ended June 30, 2022 and 2021.

## 12. Key Management Personnel Compensation

The Company recognized the professional fees of \$27,000 (2021 - \$27,000) for its key management personnel for the period ended June 30, 2022.

## 13. Commitments

- a) In October 2010 the Company signed an agreement to pay \$50,000 as termination fee to Maria Au, an officer of the Company, when her service to the Company terminates in the future.
- b) 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 June 30, 2022 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
<b>Financial assets</b>				
<b>Fair value through profit or loss</b>				
Cash and cash equivalents	\$1,353,223	–	–	\$1,353,223
<b>Fair value through other comprehensive income</b>				
Marketable securities	2,503,686	–	–	2,503,686
<b>Total</b>	<b>\$3,856,909</b>	<b>–</b>	<b>–</b>	<b>\$3,856,909</b>

There was no transfer from Level 1 to 2 or Level 2 to 1 during the periods ended June 30, 2022 and 2021.

## 15. Management of Capital

The Company includes the following in its capital as at June 30, 2022 and 2021:

	2022	2021
<b>Shareholders' equity comprised of</b>		
Share capital	\$ 34,003,020	\$ 34,003,020
Contributed surplus	3,238,391	3,238,391
Deficit	(33,681,218)	(33,489,577)
Accumulated other comprehensive income	1,080,658	1,106,141
	<b>\$ 4,640,851</b>	<b>\$ 4,857,975</b>

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. Financial Instruments

The Company has designated its cash and cash equivalents as fair value through profit or loss and marketable securities as investments in equity instruments measured at fair value through other comprehensive income. 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 involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process.

The types of risk exposure and the way in which such exposures are managed as follows:

### a) Credit risk

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

Cash and cash equivalents are maintained with financial institutions. The risk is mitigated because the financial institutions are major institutions with high credit ratings.

### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by actively forecasting, planning, reviewing and monitoring expenditures and commitments and anticipated financial requirements.

Cash and cash equivalents on hand at June 30, 2022 and to date are expected to be sufficient to fund the Company's ongoing operational needs for the next 12 months.

### c) Market risk

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

## 17. Subsequent Event

The 80,000 balance of a share option granted to an officer at an exercise price of \$0.10 per share for five years expired on July 6, 2022 without being exercised.