
ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

Date prepared: June 28, 2023

GENERAL

This management discussion and analysis (“MDA”) covers the operations of Altima Resources Ltd. (“Company”) for the year ended February 28, 2023 and should be read in conjunction with the audited consolidated financial statements for the year ended February 28, 2023. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

In January 2022, the Company changed its financial year end from November 30 to February 28. The change in financial year end was completed to align the parent and subsidiary’s financial year ends. As a result of this change, the Company presented a transitional fifteen-month financial period ending February 28, 2022 in the comparative statement of financial position.

Additional information related to the Company is available for view on the company’s website at www.altimaresources.ca, on SEDAR at www.sedar.com, or by requesting further information from the Company’s head office in Vancouver.

FORWARD LOOKING STATEMENTS

Information contained in this MDA that is not historical fact may be considered “forward looking statements”. These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company’s objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in demand for and commodity prices of crude oil and natural gas, legislative, environmental, and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

NATURE OF BUSINESS

The Company was incorporated under the Company Act of British Columbia and is engaged in the acquisition, exploration and development of petroleum and natural gas properties in Western Canada. The recoverability of amounts shown for petroleum and natural gas properties is dependent upon the discovery of economically recoverable reserves of the Company’s interest in the petroleum and natural gas properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The Company is a public company listed on the TSX Venture Exchange under the symbol ARH.

Corporate development

The Company prioritizes the preservation and strengthening of its balance sheet through a diligent focus on reductions in all areas of spending, including operating, financing and administrative costs. Developing oil and natural gas resources requires a long-term commitment.

During fiscal year ended November 30, 2020 the Company pursued the acquisition of long-life assets with bookable reserves with the intention to capitalize on developments in the Canadian oil and gas industry during a period of increased market access, oil price differential and changes to the regulatory processes.

The Company will continue to focus on collaboration with a broad range of engaged stakeholders to achieve enduring success in reserve and cash flow development.

During the year ended February 28, 2023, the Company completed transfer of operatorship of a pipeline that is critical to its operations in the Red Earth area of Alberta. Subsequent to the year ended February 28, 2023, the Company initiated pipeline restart activities and successfully returned the associated wells back to production.

During the year, the Company has reviewed multiple acquisition targets with the objective of increasing cash flows from production, adding additional streams/CGU’s to increase cashflow from production to the Company’s revenue producing asset portfolio. Should the Company identify a viable target of merit, it intends to finance such an acquisition through either equity private placement or debt financing.

During the year ended February 28, 2023 and the 15 months ended February 28, 2022, global factors have had a significant impact on the Canadian and global oil and gas industry. During the fiscal year ended November 30, 2020, the industry had been

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

in a state of oversupply due to increased production by the major producing nations, coupled with the decrease in demand for oil due to the impact of travel restrictions as a result of the novel coronavirus causing significant price decreases. During the 15 months ended February 28, 2022, the industry recovered from an average of approximately US\$40 per barrel in 2020 to reaching averages of approximately US\$68 per barrel during 2021, and an average of approximately US\$95 per barrel based on West Texas Intermediate (WTI) pricing through the 2022. These price increases are a result of the decrease in travel restrictions that were in place as a result of the novel corona virus, and also due to geopolitical factors affecting supply and demand of oil in Europe.

Petroleum and natural gas properties

The Company's exploration program is focused on both conventional and resource based deeper multi-zone gas and gas condensate targets in Western Canada. As at November 30, 2019, the Company had title to two operable wells (the Chambers wells) in Alberta.

Effective April 1, 2020, the Company completed the acquisition of Crimson Oil and Gas Ltd ("Crimson"), a company with petroleum and natural gas operations in Alberta and British Columbia, Canada. Pursuant to the acquisition agreement, the Company acquired all of the issued and outstanding common stock of Crimson in consideration for the issuance of a promissory note of \$750,000, with a discounted value of \$692,155, maturing on or before November 30, 2020, secured by the assets purchased, and repayable at any time at the Company's option prior to maturity. On November 30, 2020, the term of the promissory note was extended to December 31, 2022 (now due on demand) with a discounted value of \$583,621, and the Company recorded a gain on refinancing the note of \$166,379.

Crimson has two major property areas and a number of smaller assets in Alberta and British Columbia. The Red Earth oil property has production capabilities of approximately 100 barrels of oil per day along with an inventory of four well reactivations and recompletions.

The transaction was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company allocated the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The fair values of the petroleum and natural gas properties and decommissioning provision were measured and assessed using an NI 51-101 reserve engineers report from engineers and discounted cash flows from a third-party valuation.

During the year ended February 28, 2023 and the 15 months ended February 28, 2022, the Company is remediating an environmental issue with the relevant regulators in Alberta on its production license, which has not impacted its operations. The Company has not accrued an estimate of it, but does not expect it to be significant.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the period ended February 28, 2023 and the 2 prior fiscal years.

During the 15 months ended February 28, 2022, the Company changed its year end from November to February and as such, the table below reports the 12 month fiscal year ended February 28, 2023, the 15-month period ended February 28, 2022, and the prior 12 month year ended November 30, 2020.

	Year ended	15 months ended	Year ended
	February 28,	February 28,	November 30,
	2023	2022	2020
	- \$ -	- \$ -	- \$ -
Revenue	1,481,621	2,379,592	596,771
Income (loss) and comprehensive income (loss)	(271,260)	(4,733,938)	(267,341)
Income (loss) per share	(0.01)	(0.14)	(0.01)
Total assets	5,146,283	5,625,134	6,383,119
Total long-term liabilities	2,897,935	4,385,605	2,740,702
Total deficiency	(7,963,576)	(8,472,485)	(3,738,547)

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

Year ended February 28, 2023:

In the year ended February 28, 2023, the Company had a net loss of \$271,260 compared to a net loss of \$4,733,938 for the 15 months ended February 28, 2022.

The comparative period contains the operations of Crimson for a 15-month period due to the change in year-end date. The following are the variances of note between the year ended February 28, 2023 and the 15 months ended February 28, 2022:

Near the close of the year ended February 28, 2022, the Company received the transfer of Operatorship of the pipeline which connects one of its producing fields in the Red Earth area after receiving notification from the predecessor of its intention not to continue as pipeline Operator last fiscal year. The transition of Operatorship caused temporary interruption of production of one of the Company's producing fields throughout the current fiscal year. This has impacted revenues realized in the current year. Revenues and associated direct costs in the current year are \$1,481,621 (2022 - \$2,379,592) of revenue and \$2,164,513 (2022 - \$3,039,694) of direct costs. During the year ended February 28, 2023, the Company produced a total of 14,902 BOE (2022 - 35,637 BOE) sold at an average sales price of \$99.42 (2022 - \$66.77)

Office facilities and miscellaneous decreased to \$813,591 (2022 - \$959,971), largely due to the number of months in the relevant periods. During the current year, the Company incurred \$60,438 (2022 - \$nil) in workover expenses. In addition, the Company recorded changes in estimate of decommissioning obligation of \$427,164 gain (2022 - \$1,987,102 loss) due to the changing factors of the basis of the estimate and a gain on extinguishment of decommissioning liabilities of \$1,044,769 (2022 - \$nil), in connection to abandonment activities completed on non-operated wells extinguishing the associated liabilities.

In the current year, the Company recorded a gain on sale of mineral rights of \$228,470 (2022 - \$35,000) in connection to the sale of certain mineral rights and extinguishment of the associated liabilities including cash consideration of \$16,000 (2022 - \$nil), reversals of accounts payable of \$176,587 (2022 - \$nil), allowance for expected credit loss of \$71,030 (2022 - \$506,991).

These factors contributed to the variability in total assets, long-term liabilities, and net loss/income in the comparative year.

15 Months ended February 28, 2022:

In the 15 months ended February 28, 2022, the Company had a net loss of \$4,733,938 compared to a net loss of \$267,341 for the fiscal year ended November 30, 2020.

During the year ended November 30, 2020, the Company completed the acquisition of Crimson, which included the operations of Crimson for 8 months from the date of acquisition April 1 to the year ended November 30, 2020. The current period contains the operations of Crimson for a 15-month period due to the change in year-end date. The following are the variances of note:

During the period ended February 28, 2022, the Company requested the transfer of Operatorship of the pipeline which connects one of its producing fields in the Red Earth area after receiving notification from the predecessor of its intention not to continue as pipeline Operator. This has caused temporary interruption of the production in this field while the Company attends to the transfer request. This has impacted revenues realized in the current year. Revenues and associated direct costs in the current period, comprised of 15 months as compared to 8 months in the prior year are \$2,379,592 (November 30, 2020 - \$596,771) of revenue and \$3,039,694 (November 30, 2020 - \$1,167,568) of direct costs. During the 15 months ended, the Company produced a total of 35,637 BOE (November 30, 2020 - 15,338 BOE, 8 months) sold at an average sales price of \$65.24 (November 30, 2020 - \$33.86)

Office facilities and miscellaneous increased to \$959,971 (November 30, 2020 - \$543,188), due to the number of months in the relevant periods and the acquisition of Crimson in the prior year. In addition, the Company recorded loss on change in estimate of decommissioning obligation of \$1,987,102, where there were no comparable entries in the prior year.

In the prior year, the Company recorded gains on impairment reversal of \$nil (November 30, 2020 - \$530,291), reversals of accounts payable of \$nil (November 30, 2020 - \$437,521), promissory note refinancing of \$nil (November 30, 2020 - \$166,379) and gain on bargain acquisition of \$nil (November 30, 2020 - \$425,776), whereas, there were no similar entries in the current year.

These factors contributed to the variability in total assets, long-term liabilities, and net loss/income in the comparative year.

In order to manage the Company's working capital deficiency, continue operations, fund its expenditure commitments, and provide adequate working capital for ongoing activities, the Company will continue to depend on equity financing through existing and new shareholders, third party financing, continued support from its trade creditors, and cost sharing arrangements to fund its work programs and operations.

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information compiled from the quarterly unaudited financial statements for eight quarters ending February 28, 2023

	Feb. 28, 2023	Nov. 30, 2022	Aug. 31, 2022	May 31, 2022
	-\$-	-\$-	-\$-	-\$-
Revenue	388,576	302,272	382,810	407,963
Total assets	5,146,283	5,258,011	5,491,612	5,501,081
Working capital deficiency	9,629,021	9,121,072	8,875,225	9,113,004
Long-term liabilities	2,897,935	4,684,183	4,584,657	4,465,225
Shareholders' deficiency	7,963,576	9,236,208	8,815,269	8,791,798
Net income (loss)	1,153,244	(484,217)	(535,971)	(404,313)
Net income (loss) per share	0.03	(0.02)	(0.02)	(0.01)
	Feb. 28, 2022	Nov. 30, 2021	Aug. 31, 2021	May 31, 2021
	-\$-	-\$-	-\$-	-\$-
Revenue	553,698	534,172	640,664	370,350
Total assets	5,625,134	6,468,910	6,399,568	6,312,324
Working capital deficiency	8,917,236	7,033,716	7,147,415	6,935,690
Long-term liabilities	4,385,605	3,211,309	3,155,312	3,036,552
Shareholders' deficiency	8,472,485	5,100,232	4,976,118	4,586,980
Net income (loss)	(3,372,254)	(124,113)	(389,138)	(421,316)
Net income (loss) per share	(0.10)	(0.00)	(0.01)	(0.01)

During the period ended February 28, 2023, the Company recorded a gain on the sale of mineral rights of \$228,470 (2022 - \$nil) in connection to the sale of certain mineral rights and extinguishment of the associated liabilities including cash consideration of \$16,000, and a gain on the reversal of historical accounts payable of \$176,587. In addition, the Company recorded an expected credit loss on accounts receivable of \$71,030.

In addition, During the period ended February 28, 2023, the Company recorded changes in estimate of decommissioning obligation of \$427,164 gain (due to the changing factors of the basis of the estimate and a gain on extinguishment of decommissioning liabilities of \$1,044,769, in connection to abandonment activities completed on non-operated wells extinguishing the associated liabilities.

In the period ended February 28, 2022, the Company recorded loss on change in estimate of decommissioning obligation of \$1,987,102, and allowance for expected credit loss of \$506,991.

During the period ended May 31, 2020, the Company completed the acquisition of Crimson, which is the contributing factor to the significant variances reported in the August 31, 2021, and May 31, 2021, periods due to the consolidation and reporting of Crimson's operations.

Comparison of operating results

During the year ended February 28, 2023, the Company had a net loss of \$271,260 compared to a net loss of \$4,733,938 in the comparative period. Significant variances in the results for the two periods are outlined in the following table:

	Year ended February 28, 2023 \$-	15 months ended February 28, 2022 -\$-
Petroleum and natural gas sales	1,481,621	2,379,592
<i>The decrease in the current period is due to the reduction in volume produced related the pending pipeline transfer as previously described, offset by the change in prices in the comparative periods as follows: 14,902 BOE (2022 – 35,637 BOE) sold at an average sales price of \$99.42 (2022 - \$66.77)</i>		
Operating costs	1,251,440	1,826,036
<i>The decrease in the current period is commensurate with the volume produced in the comparative periods.</i>		

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

	Year ended February 28, 2023 \$-	15 months ended February 28, 2022 -\$-
Gain on sale of mineral rights	(228,470)	(35,000)
<i>In the current year, the Company recorded a gain on sale of mineral rights of \$228,470 (2022 - \$nil) in connection to the sale of certain mineral rights and extinguishment of the associated liabilities including cash consideration of \$16,000.</i>		
Change in estimate of ARO	(427,164)	1,987,102
<i>In the prior period, the Company recorded loss on change in estimate of decommissioning obligation where there were no comparable entries in the current year.</i>		
Gain on reversal of accounts payable	(176,587)	-
<i>In the current year, the Company recorded a gain of reversal of historical accounts payable eligible to be reversed based on statutory regulations.</i>		
Allowance for expected credit loss	71,030	506,991
<i>In the current and prior periods, the Company recorded an allowance for expected credit loss on accounts receivable balances aged greater than 2 years.</i>		

During the three months ended February 28, 2023, the Company had a net loss of \$1,153,244 compared to a net loss of \$3,372,254 in the three months ended, February 2022. Significant variances in the results for the two periods are outlined in the following table:

	Three months February 28, 2023 \$-	Three months February 28, 2022 -\$-
Petroleum and natural gas sales	388,576	553,698
<i>The decrease in the current period is due to the reduction in volume produced related the pending pipeline transfer as previously described, offset by the change in prices.</i>		
Depletion	(33,983)	375,705
<i>The decrease in the current period is a result of an over accrual in previous periods.</i>		
Gain on sale of mineral rights	(212,470)	35,000
<i>In the current period, the Company recorded a gain on sale of mineral rights of in connection to the sale of certain mineral rights and extinguishment of the associated liabilities including cash consideration of \$16,000.</i>		
Change in estimate of ARO	(427,164)	1,987,102
<i>In the prior period, the Company recorded loss on change in estimate of decommissioning obligation where there were no comparable entries in the current year.</i>		
Gain on reversal of accounts payable	(176,587)	-
<i>In the current period, the Company recorded a gain of reversal of historical accounts payable eligible to be reversed based on statutory regulations.</i>		
Allowance for expected credit loss	71,030	506,991
<i>In the current and prior periods, the Company recorded an allowance for expected credit loss on accounts receivable balances aged greater than 2 years.</i>		

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

LIQUIDITY AND CAPITAL RESOURCES

At February 28, 2023, the Company had \$582,903 (2022 - \$794,778) in cash, prepaid expenses, deposits and receivables, a working capital deficiency of \$9,629,021 (2022 - \$8,917,236), and had a cumulative deficit of \$39,711,150 (2022 - \$39,439,890).

For the year ended February 28, 2023 significant cash flows were as follows:

Funds used in operating activities were \$849,569.

Funds used in investing activities were \$107,250.

Funds were provided by financing activities of \$887,370 which include the following activities as described below.

During the year ended February 28, 2023 the Company had the following share issuances:

- Closed a non-brokered private placement financing issuing a total of 6,000,000 units priced at \$0.05 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.075 per share on or before June 8, 2024.
- Closed tranche 1 of a private placement financing for gross proceeds of \$305,000, issuing 6,100,000 units priced at \$0.05 per unit. Each unit consisting of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of \$0.075 per share on or before September 1, 2023. In connection with the closing of this tranche, the Company paid a total of \$7,500 cash and issued 150,000 finders' warrants, valued at \$2,211, in connection with this first tranche closing. The finder's warrants are exercisable on or before September 1, 2023 into a total of 150,000 shares at \$0.075 per share.
- Closed the second tranche of a private placement financing for gross proceeds of \$195,000, issuing 3,900,000 units priced at \$0.05 per unit. Each unit consisting of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of \$0.075 per share on or before December 6, 2023. In connection with the closing of this tranche, the Company paid a total of \$7,200 cash and issued 144,000 finders' warrants, valued at \$1,890 in connection with the second tranche closing. The finder's warrants are exercisable on or before December 6, 2023 into a total of 144,000 shares at \$0.075 per share.

During the 15 months ended February 28, 2022, there were been no share capital transactions.

In addition, the Company received loans and advances of \$132,200 (2022 - \$172,987).

TRANSACTIONS WITH RELATED PARTIES

The Company incurred the following transactions with related parties for the year ended February 28, 2023, and the 15-month period ended February 28, 2022, not detailed elsewhere in the financial statements:

	Year ended Feb.28, 2023 - \$ -	15 months ended Feb.28, 2022 - \$ -
Management fees paid or accrued to directors, or companies controlled by directors ³	114,000	142,500
Office facilities and miscellaneous charges accrued to companies controlled by a director or an officer ^{3,4,5}	204,000	255,000
Interest accrual on related party loan during the period ^{1,5}	31,467	45,648

¹ Stephen Watts, Director

² Jurgen Wolf, Director

³ Joe DeVries, Director and CEO

⁴ Richard Barnett, Director, CFO and Secretary

⁵ Simco Services Inc.

The Company has identified all of the directors and officers as its key management personnel. The remuneration for these key management personnel for the year ended February 28, 2023, and the 15-month period ended February 28, 2022, which are included in the amounts disclosed above, was as follows:

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

	Year ended Feb.28, 2023 - \$ -	15 months ended Feb.28, 2022 - \$ -
Short-term employee benefits – management, administrative, and consulting fees ^{3,4}	138,000	172,500

These transactions were recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties. Except where previously indicated, the amounts due to related parties bear no interest and are due on demand. Liabilities to related parties consist of:

	February 28, 2023 - \$ -	February 28, 2022 - \$ -
Management, consulting, exploration and administrative fees payable presented as amounts payable to related parties ^{3, 4,5}	1,643,231	1,583,706
Amounts due to related parties bearing interest at 8% per annum ^{1,5}	265,681	495,225
Interest payable on loan ^{1,5}	131,319	99,852
Other related party loans ^{1,4}	217,053	210,819
	2,257,284	2,389,602

¹ Stephen Watts, Director

² Jurgen Wolf, Director

³ Joe DeVries, Director, and CEO

⁴ Richard Barnett, Director, CFO and Secretary

⁵ Simco Services Inc.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements during the year ended February 28, 2023 and as at the current date.

Outstanding Share Data: As at February 28, 2023 and as at the current date, the Company has 50,474,949 common shares issued and outstanding.

Outstanding Option Data: As at February 28, 2023 and as at the current date, there are no stock options outstanding.

Outstanding Warrant Data: As at February 28, 2023 and as at the current date, there are 16,294,000 warrants outstanding priced at \$0.075 as further described in Note 12 to the financial statements.

CONTINGENCIES

From time to time, the Company is involved in various disputes and litigation matters arising in the ordinary course of its business. In the oil and gas business, certain items may not be discernable until months afterwards, and under certain parameters invoices can be billed up to two years later. Should this occur, the Company will recognize the liabilities in the period in which they are invoiced.

In recording receivables and payables with customers and vendors, the Company estimates the probable inflow or outflow of financial resources in recording the related balances. The Company is currently in legal disputes with former joint venture partners, whereby claims have been made against the Company, for some of which legal claims have been formally made. The Company has responded to each of these claimants and is of the position that on a net basis more is due back to the Company from these parties than is due to them. All material amounts claimed by counterparties have been accrued on a gross basis at the time the relevant work was performed and no contingent receivables have been recorded in compliance with IAS 37 guidance.

The Company continues in discussions and negotiations to attempt to resolve these disputes, and ultimately may settle the disputes in Court. Any adjustments resulting from settlements will be recorded at the time a settlement is determined.

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of February 28, 2023 that our disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, is made known to them by others within those entities. It should be noted that disclosure controls and procedures cannot prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

The company is not required to certify the design and evaluation of its ICFR and has not completed such an evaluation, and inherent limitations on the ability of the certifying officers to design and implement, on a cost-effective basis, ICFR for the company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Management and the Board of Directors mitigate the risk of material misstatement in financial reporting by performing a detailed review of operational and financial reports. It is not possible to provide absolute assurance that this risk can be eliminated.

FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposures to credit risks are on its cash held in bank accounts of \$69,770, and receivables of \$308,615. The majority of cash is deposited in bank accounts held with major banks in Canada.

As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by rating agencies. The Company's exposure to credit risk on receivables is influenced mainly by the individual characteristics of each customer. As the Company sells its petroleum products through a large marketer, it is also exposed to a concentration risk. Trade receivables from petroleum products marketers are normally received within 30 days of the month following production. At February 28, 2023, the Company has trade receivables, receivables due from a government agency, receivables, and other receivables which were tested for collectability using the expected credit loss model.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. As at February 28, 2023 the Company has a working capital deficiency of \$9,629,021 (February 28, 2022 - \$8,917,236). The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future debt or equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollars, but also world economic events that dictate the levels of supply and demand. Fluctuations may be significant.

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it holds a portion of its debt denominated in US dollars. The assets, liabilities and expenses that are denominated in US Dollars will be affected by changes in the exchange rate between the Canadian dollar and the US Dollar.

If the Canadian dollar changes by ten percent against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a \$28,995 change in profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is nominally exposed to interest rate risk.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' deficiency as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements other than on its secured convertible debt, settled in the current period. There have been no changes to the Company's capital management during the year ended February 28, 2023.

Classification of financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments for the years then ended:

		Year ended February 28, 2023 - \$ -	15 months ended February 28, 2022 - \$ -
Fair value through profit or loss	(a)	69,770	139,219
Assets at amortized cost	(b)	308,615	474,809
Liabilities at amortized cost	(c)	10,211,924	9,712,014

(a) Fair value through profit or loss includes cash

(b) Assets include receivables, and loan receivable at amortized cost

(c) Liabilities include accounts payable and accrued liabilities, amounts due to related parties, advances and convertible debenture subscription at amortized cost.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring oil and gas properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.