ALTAI RESOURCES INC.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011 **Dated June 27, 2011**

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated June 27, 2011 has been prepared by management and are based on and derived from the condensed interim consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the three months ended March 31, 2011 in comparison with those at March 31, 2010.

This discussion should be read in conjunction with the condensed interim consolidated financial statements and the related notes for the three months ended March 31, 2011, as well as the Company's audited consolidated financial statements for the year ended December 31, 2010 and the related MD&A.

The Company's audited consolidated financial statements for the year ended December 31, 2010 were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The condensed interim consolidated financial statements for the three months ended March 31, 2011 were unaudited and prepared by management in accordance with the International Financial Reporting Standards (IFRS) including IAS 34 and IFRS 1. The financial statements were presented in Canadian dollars, which is both the functional and presentation currency of the Company. Figures referred to in this discussion are in Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on Altai's website at www.altairesources.com.

FORWARD LOOKING STATEMENTS

This discussion includes forward-looking statements and assumptions respecting the Company's strategies, future operations, commodity prices and discusses certain issues, risks and uncertainties that can be expected to impact on any of such matters.

Forward-looking statements are frequently characterized by words such as "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "outlook" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management of the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors whether described herein or not, which the Company may not be able to control, that can cause actual events or results to differ materially from those projected in the forward-looking statements.

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

COMPANY OVERVIEW

Altai Resources Inc. is a junior natural resource exploration 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 properties in Canada and the Philippines and at the present time does not have a producing natural resource property.

1) Altai's properties in Canada, both in the Quebec Province as following, were maintained in good standing as at March 31, 2011 and to date:–

a) the 50% owned Malartic gold property (named "Blackcliff gold property" by property joint-venture partner) of 3 claims of 120 hectares (300 acres), in the Val d'Or area of Quebec, and
b) the 100% owned Sorel-Trois Rivieres natural gas property, St. Lawrence Lowlands, of 7 oil and gas and reservoir permits of 114,344 Ha (282,544 acres) (excluding the permit of 13,290 Ha (32,840 acres) in which Talisman Energy Canada has 100% working interest and Altai has 15% gross royalty).

2) **Malartic gold property, Quebec**

In 2008, C2C Gold Corporation Inc. ("C2C" and name changed to Key Gold Holding Inc. in March 2010) whose option agreement on the Malartic gold property was terminated in 2009, drilled 4,055 meters at the near surface extension of the No. 2 gold vein zone of the property (where a historical non NI 43-101 compliant resource of 222,433 tonnes grading 7.06 g/t Au was reported in 1988) and reported that numerous shallow mineralized intersections of significant grade and/or thickness were encountered.

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

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

The Sorel-Trois Rivieres natural gas property is owned and operated by Altai, with the company holding a 100% interest in 114,344 Ha (282,544 acres) of land in the prospective Utica Shale fairway. This land position constitutes the largest contiguous block in the Utica fairway with a 100% interest held by the operator.

Altai also retains a 15% gross royalty on a 13,290 Ha (32,840 acres) exploration permit operated by Talisman Energy Canada, which is contiguous with the Altai operated land and thus the Company's total land position comprises 315,384 gross acres (287,470 net acres).

Highlights for the first quarter of 2011:

a) Quebec Environment Ministry (MDDEP) released BAPE Report;

b) Quebec Environment Minister (MDDEP), Pierre Arcand, announced Strategic Environmental Assessment of shale gas exploration impacts; and
c) Quebec Finance Ministry announced new proposed royalty and incentive regime for shale gas production in Quebec, based on royalty schemes in Alberta and BC.

The sedimentary geology of the St. Lawrence Lowlands comprises unconsolidated Quaternary sediments overlying Cambrian and Ordovician age sedimentary rocks that were deposited on the Precambrian basement or Canadian Shield. Within this sedimentary sequence several potential conventional and unconventional hydrocarbon play types have been targeted since exploration began in the late 1800's. The most recent and widely known of these, is the shale gas play in the organic rich Ordovician Utica Shale. Although the Utica has been recognised as the major hydrocarbon source rock in the St. Lawrence Lowlands for some time, exploration work before 2005 (with two notable exceptions) had focused on conventional structural targets both in the hard rock and shallow unconsolidated sedimentary sequences with hydrocarbons having migrated out of the Utica over geological time. Prior to Forest Oil's 2008 announcement of a natural gas "discovery" in the Utica, there have been two conventional producing gas fields in the province, both of which have been converted to gas storage facilities. The proximity of Quebec relative to major markets in the north-eastern North America means that the natural gas price in the province is usually $1.00 above NYMEX.

Since 2005, exploration activity in the basin has focused almost exclusively on producing hydrocarbons directly from the Utica Shale. 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 1000 meters deep. Tiers 1 and 2 are separated by the Yamaska fault system which runs approximately north-east south-west, sub-parallel to the St. Lawrence River. Approximately 30 wells have been successfully drilled and fracked in both Tier 1 and Tier 2 on the lands adjacent to Altai with several operators producing gas to surface at quasi commercial rates from horizontal wells. The estimated Original Gas In Place ("OGIP") of the Utica in Quebec has been variously reported as being between 90 and 153 billion cubic feet (BCF) per section (640 acres) over an area of approximately 1.5 million acres.

Altai estimates that 16,000 hectares (39,000 acres) of the company's gross land is situated in Tier 1, 60,900 hectares (151,000 acres) situated onshore in Tier 2, with the remainder underlying Lac-Saint-Pierre on the St Lawrence River. Based on both proprietary and public domain seismic and well data, Altai estimates that the Tier 1 Utica thickness is 195-220m and the Tier 2 Utica thickness is 80-140m. Given the relative success reported in shale wells drilled by the various operators of exploration permits in the immediate vicinity of the Company's assets (Talisman, Canadian Forest Oil & Junex), Altai recognises the need to fully evaluate its own extensive 100% owned and operated land position. In early March 2011, the much publicised report on the Sustainable Development of Shale Gas in Quebec, by the Bureau d'Audiences Publique pour l'Environment (BAPE) was released to the public. This report reviewed the various environmental costs and benefits of natural gas exploration and development in St. Lawrence Lowlands and recommended that additional scientific data be acquired and analysed, in order to fully evaluate the environmental impact of this activity. The BAPE recommended that the Ministère du Développement Durable, de l'Environnement et des Parcs (MDDEP) undertake a Strategic Environmental Assessment (SEA) coordinated by a steering committee including representatives from the Ministères des Affaires municipales, des Régions et de l'Occupation du territoire (MAMROT), the Ministère des Ressources Naturelles et Faune (MRNF), the Oil & Gas industry in addition to representatives from the general population and the education and research sectors. The SEA committee has been given the mandate to manage the interim operational regulations pertaining to shale exploration and oversee limited exploration operations in the St. Lawrence Lowlands, including drilling and hydraulic fracturing, in order to fully assess the environmental risks.

Altai is currently reviewing the elements of the Company's previously proposed exploration programs in order to determine what operations can, and should, be undertaken within the context of the ongoing SEA.

In March 2011, the Quebec provincial budget announced proposed revisions to the royalty and incentive scheme applicable to future shale gas production. The system, modelled on systems in British Columbia and Alberta, applies a sliding scale per-well royalty of between 5% and 35% applied as a function of well productivity and commodity price. The revised scheme also replaces the existing exploration tax credit, with a sliding scale per-well royalty credit designed to encourage exploration and research by allowing exploration companies to quickly recoup a portion of the large capital costs incurred during the early phases of development activity in the basin.

In addition to the Utica shale, potential for commercial hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands. The geological structure of one of the previously mentioned gas storage reservoirs, Pointe-du-Lac near Trois-Rivières, is adjacent to Altai's "Trois-Rivières" and "Lac-Saint-Pierre" exploration projects. The Pointe-du-Lac reservoir is situated in shallow unconsolidated fluvio-glacial Quaternary sediments and several potential analogues have been identified by extensive 2D-Seismic surveys undertaken on Altai's permits, both onshore and under Lac-Saint-Pierre. These are currently being evaluated with respect to their natural gas production and storage potential.

The Lower Lorraine Shale, which overlies the Utica throughout the basin, has been reported as having OGIP values in the range of 50 to 190 BCF per section and Altai estimates this zone to be approximately 180 meters in thickness. The Lorraine is a silicate shale and is much more sensitive to water than the carbonate Utica shale. As such it is clearly a secondary target for most operators, but the Lorraine will likely receive increasing attention over the coming years, as the Utica becomes more fully understood and developed.

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

4) **Altai Philippines Mining Corporation ("Altai Philippines")**

The Company has a 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines"). In addition the Company had loan and interest receivable from Altai Philippines in the amount of $1,640,709. In 2008 the Company performed a valuation of the investment and loan and determined that it was impaired. Accordingly the investment and loan were each written down to $1.

In September 2010, Altai Philippines closed the sale of its Sibuyan Island lateritic nickel-cobalt property to a consortium headed by Sunshine Gold Pty Ltd., a subsidiary of Pelican Resources Ltd. of Australia, for net proceeds of C$1,226,316. Pursuant to the agreement of Altai Philippines' shareholders and the sale option agreement, 60% of the net proceeds was remitted to Altai and the Company cancelled its net smelter return royalty interest in the property. The $734,114 received has been recorded as recovery of note receivable and accrued interest. The remaining $906,565 in accrued interest on the note remains outstanding, but the Company continues to provide an allowance for that amount.

After the sale of the Sibuyan nickel property in September 2010, the remaining property of Altai Philippines is Negros Island sulfur project.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2011

On January 11, 2011, the Company completed a non-brokered private placement of 5,600,000 common share units at a price of $0.25 per unit for gross proceeds of $1.4 million ($1,380,897 net of share issuance costs). Altai issued 5,600,000 common shares and 2,800,000 share purchase warrants each entitling holder to purchase one common share of the Company at a price of $0.45 per share on or before January 10, 2013. This financing further strengthened Altai's cash position and further diversified the Company's shareholder base. The President and CEO, and the COO and VP Exploration participated in this private placement.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

1) As mentioned above, the Company completed a 5,600,000 common share units private placement for net proceeds of $1,380,897, thereby raising the working capital to $7.4 million.

2) For the three months ended March 31, 2011, the Company had a net loss of $65,537 (2010-$189,133), being investment (interest and dividend) income of $35,835 (2010-$24,486) less expenses of $101,372 (2010-$213,619) comprising of $91,382 general and administration expenses (2010-$26,619) and $9,990 stock-based compensation cost (2010-$-187,000).

3) **Expenses**

Expenses for the three months ended March 31, 2011 and 2010 are as following:

	2011 **$**	**2010** **$**
Professional fees	29,250	1,600
Office rent	13,412	8,208
Travel	1,717	–
Other general and administrative expenses	15,471	3,622
Investor relations	8,757	–
Transfer agency fees	2,101	2,105
Stock exchange and filing fees	6,200	6,000
Audit fees and other service by auditors	11,500	–
Legal fees	–	3,716
Stock-based compensation cost	9,990	187,000
Amortization	2,974	1,368
	101,372	213,619

a) Excluding the stock-based compensation cost, general and administration expenses for the three months ended March 31, 2011 over those of the comparative period in 2010 by $64,763. The increases in general and administration expenses and amortization expense are mainly due to:

(1) professional fees – part of higher consulting fees for the President and CEO (appointed in October 2010) and the full amount of Secretary-Treasurer's fees are expensed in 2011;
(2) office rent – though the Montreal Office, the lease of which started in February 2011, enjoyed free basic rent for February and March, the Company had to pay the operating costs of approximately $2,417 per month effective February;
(3) investor relations expenses – $8,757 for 2011 versus $0 in 2010;
(4) audit fees and other service by auditors – 2011's figure of $11,500 includes $6,500 under-accrued fees for 2010 year end audit and $5,000 fee for review of the condensed interim consolidated financial statements re IFRS policies, applications and compliance; and
(5) other general and administration expenses and amortization – approximately $13,500 increase in 2011 due to expenses incurred in the Montreal office including office supplies, and depreciation for Montreal office's furniture and equipment since February, 2011.

b) Though no stock option had been granted during the first quarter of 2011, $9,990 stock-based compensation expense was recorded for the 1,000,000 and 200,000 special options granted to Marc-Andre Lavoie, President and CEO and Geraint Lloyd, COO and VP Exploration respectively on October 1, 2010 at $0.30 per share vesting conditional to the fulfilment of certain business and financial milestones, which remained non-vested at March 31, 2011 and to date.

For the first quarter of 2010, $187,000 stock-based compensation expense was for the 500,000 vested options granted to the five directors of the Company (100,000 options for each) at $0.46 per share.

4) **Summary of quarterly results**

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

	Three Months Ended							
	March 31, 2011 $	December 31, 2010 $	September 30, 2010 $	June 30, 2010 $	March 31, 2010 $	December 31, 2009 $	September 30, 2009 $	June 30, 2009 $
Revenue	35,835	33,357	27,007	24,891	24,486	29,380	7,440	12,193
Expenses	101,372	269,277	8,997	132,716	213,619	46,244	5,297	23,234
Recovery of note receivable and accrued interest written down	–	–	734,144	–	–	–	–	–
Net earnings (loss)	(65,537)	(235,920)	752,154	(107,825)	(189,133)	(16,864)	2,143	(11,041)
Net earnings (loss) per share (Basic and Diluted*)	(0.00)*	(0.01)*	0.02	(0.00)*	(0.01)*	(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.

5) **Expenditures for mining property and oil and gas interests**

Expenditures for the resource properties for the three months ended March 31, 2011 and 2010 are:

	2011 $	2010 $
Malartic gold property	–	105
Sorel-Trois Rivieres gas property	47,914	98,298
Sept-Iles gas property	–	70
	47,914	98,473

OUTLOOK FOR 2011 AND BEYOND

In the Quebec Utica Shale project, most of the recent focus has been on regulatory and social acceptability issues.

Notably, following the publication of the BAPE report, the Quebec government has mandated a comprehensive Strategic Environmental Assessment (SEA) expected to last 2-3 years. The government has also published a proposed new shale gas royalty regime expected to come into force once the SEA is complete.

While some limited exploration work is expected to be allowed under SEA supervision, the highly uncertain regulatory environment in Quebec has led Altai to delay its planned exploration spending in the St Lawrence Lowlands until a more stable situation is established.

After March 31, 2011, the government also introduced Bill 18, new draft legislation in the Quebec National Assembly. This Bill aims to unilaterally revoke without compensation all the exploration permits located in the St Lawrence River, West of Anticosti. If enacted, this measure would directly affect approximately 114,000 acres of the total 282,544 net acres of the exploration permits currently held by Altai in the Province of Quebec, effectively expropriating Altai of its existing exploration rights in the affected area. Bill 18 also provides exploration permit holders with a possible extension of the permits duration and a work exemption for a period of up to three years, corresponding with the time necessary to complete the SEA. If enacted, this second measure would directly affect 174,000 acres of its permits, effectively “stopping the clock” and protecting the Company from time decay on the permits during the SEA. Directly and through QOGA, Altai has made representations to the government relative to Bill 18 and is reviewing the proposed legislation with its legal advisers. The Company continues to push for the development of a regulatory framework for the industry in Quebec that is clear, fair and competitive.

While quiet on the exploration front in Quebec, the Company has been continuing work on management transition and corporate governance. The Montreal office has now been open since February 2011 and the Company has seamlessly transitioned its accounting to IFRS at the beginning of 2011. Also, given the Altai’s concentrated risk exposure to Quebec shale gas, the Company has been actively evaluating new opportunities to diversify its portfolio, with a focus on high impact oil plays.

Early in January 2011, the Company completed an equity private placement of $1.4M, increasing the Company’s treasury funds balance to approximately $7.4M. While strengthening the Company’s cash position, this financing also contributed to further diversifying Altai’s shareholder base. Altai’s new management team participated in the financing, further increasing its alignment with all shareholders.

While recent news from Quebec governmental authorities have delayed the potential commercial development of the Quebec Utica, the Company remains healthy with a 100% owned asset, a $7.4M in treasury funds and no debt. Furthermore, Altai‘s low cost base allows it to better withstand the cyclicality inherent in the resource exploration business.

LIQUIDITY AND CAPITAL RESOURCES

1) The Company’s treasury funds comprise of cash and cash equivalents and marketable securities, At January 1, 2011, treasury funds totalled $6.09 million ($4.63 million cash and cash equivalents and $1.46 million marketable securities). After the January 2011 private placement, the treasury funds were boosted to $7.4 million.

As at March 31, 2011, the Company’s working capital amounted to $7,435,292, comprising $5,887,647 million cash and equivalents and $1,547,647 marketable securities.

Preservation of the capital remained a priority of the Company, especially with the continual jitters in the prospects of economic recovery and growth in US and Europe. Yield on low risk short term papers remains low due to the persistent low interest rates in Canada versus the much higher yield for the much more risky papers. Despite that, the Company continues to prefer and invest the greater part of its cash in secured short term papers with maturity from 30 days to one year, such as guaranteed investment certificates (GIC) which offer very low yields.

Since July 2009 he Company invested and continues to hold part of its cash in shares of Canadian major banks and relatively stable companies which are denominated in Canadian currency and are liquid and regularly pay dividends or interests. A small portion of the marketable securities are shares received by the Company pursuant to previous option agreements and they are publicly traded in Canada. As such, the Company's marketable securities investment remains liquid and reasonably safe. The income from this investment was higher than that of the secured short term papers. The total fair market values at March 31, 2011 were $1,547,645 (2010 - $1,469,020) compared to total costs of $1,200,657 (2010 - $1,310,810).

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 few years.

Funds for the exploration of the Company's resource properties will be raised through equity financing.

3) The Company includes the following in its capital as at March 31, 2011 and 2010:

	2011 **$**	**2010** **$**
Shareholders' equity comprised of		
Share capital	36,622,479	35,678,910
Warrants	806,400	1,407,000
Contributed surplus	2,310,590	1,050,210
Deficit	(7,305,359)	(7,648,231)
Accumulated other comprehensive income	277,314	137,990
	32,711,424	30,625,879

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.

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted the International Financial Reporting Standards (IFRS) on January 1, 2011 with a transition date of January 1, 2010. Note 3 to the condensed interim consolidated financial statements described the elections made and the IFRS that Altai considered significant to the Company.

Notes 3 and 21 discuss the impact and effects of the transition to IFRS and the reconciliation of Canadian GAAP financial statements to IFRS on equity (at January 1, March 31and December 31, 2010) and on income and comprehensive income (for the three months ended March 31, 2010 and year ended December 31, 2010). The transition to IFRS did not affect the equity, income and comprehensive income, and cash and cash equivalents of the Company and therefore no adjustments have been made. However, it has resulted in many financial statement presentation changes in the Company's financial statements, most significantly in the descriptions and level of detail provided in the supporting notes.

As part of the post-implementation activities, management will continue to monitor changes in the IFRS environment and additional new or revised IFRS accounting policies that may impact the Company.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Company's condensed interim consolidated financial statements requires management to use accounting policies relevant for its industry and operations. The significant accounting policies used are presented in Note 4 to the financial statements.

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

1) estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The estimates are based on

management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates; and

2) critical judgments related to the economic recoverability of the Company's resources properties and the assumption that the Company will continue as a going concern.

SHARE DATA

1) On January 11, 2011, the Company closed a non-brokered private placement of 5,600,000 common share units at a price of $0.25 per unit for gross proceeds of $1.4 million ($1,380,897 net proceeds) Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.45 per share within a period of 24 months from the closing date. The shares and the underlying warrants issued for the private placement were subject to a hold period which expired on May 11, 2011. 5,600,000 common shares and 2,800,000 share purchase warrants were issued pursuant to this private placement.

The number of shares outstanding as at March 31, 2011 was 55,113,552.

2) On May 3, 2010 the 2002 Stock Option Plan was discontinued, terminated, and replaced by the 2010 Stock Option Plan which authorizes the Board to grant up to 4,950,000 option shares to directors, officers, employees and consultants of the Company or of its subsidiaries. The 1,020,000 stock options granted under the 2002 Stock Option Plan remain in full force until they are exercised, expired or cancelled.

In the first quarter of 2011, no stock option had been granted. At March 31, 2011, there were 3,020,000 options outstanding, comprising 1,820,000 vested options and 1,200,000 non-vested options, which remain non-vested to date.

3) At March 31, 2011, there were 3,800,000 share purchase warrants outstanding, including the 2,800,000 warrants issued on January 11, 2011.

On May 4, 2011, 1,000,000 share purchase warrants with exercise price of $1.25 per share expired unexercised.

4) The Company's share capital at March 31, 2010, December 31, 2010, March 31, 2011 and June 27, 2011 are as following:

	March 31, 2010		**December 31, 2010**		**March 31, 2011**		**June 27, 2011**	
	Basic	Weighted average	Basic	Weighted average	Basic	Weighted average	Basic	Weighted average
Issued and outstanding common shares	49,513,552	49,513,552	49,513,552	49,513,552	55,113,552	54,491,330	55,113,552	54,491,330
Stock options	1,220,000	931,112	3,020,000	1,518,630	3,020,000	3,020,000	3,020,000	3,020,000
Warrants	5,100,000	5,100,000	1,000,000	1,000,000	3,800,000	3,488,889	2,800,000	2,488,889
Common shares fully diluted	55,833,552	55,544,664	53,533,552	52,032,182	61,933,552	61,000,219	60,933,552	60,000,219

COMMITMENTS

1) The Company's Toronto office has a five year office lease expiring July 2013. The basic rent is $1,218 per month.

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.

3) The Company's Montreal office has signed a three year lease expiring February 2014. The basic rent is $2,592 per month.

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

	$
2011	35,352
2012	45,720
2013	38,412
2014	2,592
	122,076

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 three months ended March 31, 2011 and 2010.

The remuneration of directors and officers of the Company for the three months ended March 31 are as following:

	2011			2010		
	Cash compensation	**Fair value of stock-based compensation**	**Total compensation**	**Cash compensation**	**Fair value of stock based compensation**	**Total compensation**
Directors	$ 0	$ 0	$ 0	$ 0	$187,000	$187,000
Officers						
Niyazi Kacira – President & CEO to September 30, 2010; Chairman from October 1, 2010	9,000	0	9,000	11,000	0	11,000
Marc-Andre Lavoie – President & CEO from October 1, 2010	25,500	8,325 (1)	33,825	0	0	0
Maria Au – Secretary-Treasurer	12,000	0	12,000	11,000	0	11,000
Geraint Lloyd – COO and VP Exploration from October 1, 2010	25,500	1,665 (1)	27,165	0	0	0
	$72,000 (2)	$9,990	$81,990	$22,000 (2)	$ 0	$ 22,000
Total – Directors and Officers	$72,000	$9,990	$81,990	$22,000	$187,000	$209,000

(1) For the three months ended March 31, 2011, the Company recorded stock-based compensation expense of $9,990 for the 1,000,000 and 200,000 special options to Marc-Andre Lavoie and Geraint Lloyd respectively granted on October 1, 2010 vesting conditional to the fulfilment of certain business and financial milestones, which remained non-vested at March 31, 2011.
(2) These fees have been allocated to administrative expenses in the amount of $29,250 (2010 - $1,775) and resource properties in the amount of $42,750 (2010 - $20,225).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the three months ended March 31, 2011 and 2010.

OFF-BALANCE SHEET TRANSACTIONS

At March 31, 2011 and to date, the company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The board of directors of the Company is not aware of any proposed transactions involving any assets, businesses, business acquisitions or dispositions which may have an effect on the financial condition, results of operations and cash flows of the company.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through profit or loss (held-for-trading) and marketable securities are available-for-sale, which are measured at fair value. Accounts receivable is classified as loans and receivable, which is measured at amortized cost. Accounts payable and accrued liabilities is classified as financial liabilities measured at amortized cost.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management's close 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:

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

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

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

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

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

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

c) Interest rate risk

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

PRESENTATION OF INTERIM FINANCIAL REPORT AND INTERIM MD&A

Management, including the President and CEO and the Secretary-Treasurer, have reviewed the interim financial report and interim MD&A (the "interim filings") for the three months ended March 31, 2011.

Based on the knowledge of the President and CEO and the Secretary-Treasurer, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

Based on the knowledge of the President and CEO and the Secretary-Treasurer, having exercised reasonable diligence, the interim financial report 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 date of and for the periods presented in the interim filings.

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