ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2011 **Dated April 23, 2012**

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated April 23, 2012 has been prepared by management and are based on and derived from the audited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the year ended December 31, 2011 in comparison with those for the year ended December 31, 2010.

This discussion should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 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 audited consolidated financial statements for the year ended December 31, 2011 were prepared by management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, including 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 at the present time does not have a producing natural resource property.

Altai's properties in Canada, both in the Quebec Province, are as following:–

a) the 50% owned Malartic gold property (named "Blackcliff gold property" by property joint-venture partner and operator) in the Val d'Or area of Quebec, and
b) the 100% owned Sorel-Trois Rivieres natural gas property, St. Lawrence Lowlands, Quebec.

1) **Malartic gold property, Quebec**

The 50% owned Malartic gold property (named "Blackcliff gold property" by property joint-venture partner and operator) of 3 claims of 120 hectares (300 acres), in the Val d'Or area of Quebec, was maintained in good standing as at December 31, 2011 and to date.

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).

2) **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 lands covered by oil and gas and reservoir exploration permits issued by the Quebec provincial government.

On July 15, 2011 Altai issued a press release announcing that the provincial legislature has enacted Bill 18 (2011, chapter 13) on June 13, 2011, limiting oil and gas activity within Quebec. Bill 18 has two parts. The first part revokes without compensation, any exploration permit situated between the two banks of the St. Lawrence River and between the westernmost tip of Anticosti Island and the Ontario border. The second aspect of Bill 18 exempts holders of exploration permits "from performing the work required under the Mining Act until the date determined by the Minister, which date may not be later than 13 June 2014". The duration of the permits is also extended by the same period of time as the exemption.

With respect to the first part of Bill 18, the Quebec Ministry of Natural Resources has confirmed to the Company in September 2011 the exact area of Altai's 100% owned and operated permits being expropriated to be 45,861 hectares (113,323 acres) which equates to 40.11% of its pre-Bill 18 direct holding.

– Prior to the enactment of Bill 18, the Company held 7 oil and gas and reservoir permits totalling 114,344 hectares (282,544 acres) of land in the St. Lawrence Lowlands, representing the largest contiguous block in the Utica fairway with a 100% interest held by the operator.

– Following Bill 18, 45,861 hectares (113,323 acres) of the Company's 100% operated exploration permits have been expropriated, leaving 68,483 hectares (169,221 acres) in 5 oil and gas and reservoir permits.

As a result of the expropriation, the Company has written down the carrying value of the property by 40.11%, that is pro-rata to the percentage of its direct land holding expropriated by the Quebec provincial government, for the year ended December 31, 2011.

Altai also retains a 15% gross royalty on an exploration permit operated by Talisman Energy Canada, which is contiguous with the Altai operated land. As a result of Bill 18, this permit has been reduced from 13,290 hectares (32,840 acres) to 12,334 hectares (30,477 acres).

Thus Altai's total land position in Southern Quebec prior to Bill 18 comprised 127,634 gross hectares (315,380 gross acres) or 116,338 net hectares (287,470 net acres). Following Bill 18 the total land position remaining is 80,817 gross hectares (199,699 gross acres) or 70,333 net hectares (173,793 net acres).

Highlights for 2011

March	–	Quebec Environment Ministry (MDDEP) released BAPE Report
	–	Quebec Environment Minister (MDDEP) Pierre Arcand, announced Strategic Environmental Assessment (SEA) of shale gas exploration impacts
	–	Quebec Finance Ministry announced new proposed royalty and incentive regime for shale gas production in Quebec, based on the royalty schemes in Alberta and British Columbia
May	–	SEA Committee formed and began preparing mandate and work program
June	–	On June 13, 2011 Quebec Government enacted Bill18, expropriating 40.11% of the 100% operated Altai Permits, without compensation
	–	Quebec Government suspended statutory expenditure obligations on remaining "onshore" permits until 2014
October	–	SEA committee released draft scope of work
November	–	Public consultations on SEA draft scope of work started. Actual study scheduled to start in March 2012, with the final report deliverable in November 2013

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. The 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 such 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 was given the mandate to manage the interim operational regulations pertaining to shale exploration and oversee limited exploration operations in the St. Lawrence Lowlands, in order to fully assess the environmental risks.

Presently, all hydrocarbon exploration activity in the St. Lawrence Lowlands and all hydraulic fracturing operations in Quebec are subject to review by the Strategic Environmental Assessment (SEA) committee. The SEA committee is comprised of various stakeholder groups, notably government agencies, municipal authorities, environmental groups, academia and the oil & gas industry. The SEA committee was formed during Q2 - Q3 2011, and prepared a scope of work for the study, which was released for comments in October 2011. The public consultations on the work scope are scheduled to end in March 2012, with the SEA committee thenceforth undertaking the study prescribed. The SEA is currently scheduled to submit its final report in November 2013.

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.

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) since 2005, Altai recognises the need to fully evaluate its own extensive 100% owned and operated land position. However, given the current political climate, the Company has been unable to undertake its planned exploratory drilling and testing programs. Indeed, the MRNF has not issued any new drilling or completion (fracturing) permits to any of the operators in the St. Lawrence Lowlands during 2011, though several operators were permitted to modify existing wells in order to deal with surface casing vent flows (SCVF) widely reported in the provincial media. Furthermore, no seismic survey permits were issued for the region in the same time period. Although there is no *de jure* moratorium on exploration in the basin, the lack of permit issuance would tend to indicate that a *de facto* moratorium is in place.

The Utica play is essentially divided into the deep (Tier 1) sector, where the base of the Utica is at 1,100 meters to 2,500 meters and the shallow (Tier 2) sector where the shale is less than 1,000 meters deep. Tiers 1 and 2 are separated by the Yamaska fault system which runs approximately north-east south-west, sub parallel to the St. Lawrence River. Approximately 30 wells have been successfully drilled and fracked in both Tier 1 and Tier 2 on the lands

adjacent to Altai's 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. Based on both proprietary and public domain seismic and well data, Altai estimates that the Tier 1 Utica thickness is 195 - 220 meters and the Tier 2 Utica thickness is 80 - 140 meters.

In addition to the Utica shale, potential for commercial hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands. The geological structure of one of the above mentioned gas storage reservoirs, Pointe-du-Lac near Trois-Rivières, is adjacent to Altai's "Trois-Rivières" and "Lac-Saint-Pierre" exploration projects though a significant proportion of the exploration permits associated with the Lac-St-Pierre project has been revoked by Bill 18, as mentioned above. 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. These are currently being evaluated with respect to their natural gas production and storage potential, specifically the structures identified on the southern shore of the St. Lawrence River.

In 2006, Talisman Energy drilled an earning well on an Altai Permit near St-François-du-lac south of Lac-Saint-Pierre. That 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.

3) **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.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2011

1) 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 broadened the Company's shareholder base. The President and CEO, and the COO and VP Exploration participated in this private placement.

2) On June 10, 2011, the Quebec National Assembly passed Bill 18 (2011, chapter 13) (an Act to limit oil and gas activities) which was first introduced on May 12, 2011. The Bill became effective on June 13, 2011.

Bill 18 (the "Bill") unilaterally revokes without compensation the parts of the oil and gas exploration permits situated in the St. Lawrence River, West of Anticosti Island, including the islands situated in that part of the river.

In September 2011, the Quebec Ministry of Natural Resources confirmed that the exact area of Altai's direct holding in the region being expropriated without compensation by the Bill to be 45,861 hectares (113,323 acres), representing 40.11% of its total original holding of 114,344 hectares (282,544 acres) of oil and gas exploration rights. Post Bill 18 enactment, Altai's 100% holding has been reduced to 68,483 hectares (169,221 acres) and the number of oil and gas and reservoir exploration permits reduced from 7 to 5.

As a result of the expropriation, the Company has written down the carrying value of the property by 40.11%, that is pro-rata to the percentage of its direct land holding expropriated by the Quebec provincial government, for the year ended December 31, 2011.

The Bill also contains provisions to exempt holders of exploration permits "from performing the work required under the Mining Act until the date determined by the Minister, which date may not be later than 13 June 2014". The duration of the permits is also extended by the same period of time as the exemption. This provision affects the remaining (68,483 hectares or 169,221 acres) of oil and gas and reservoir exploration permits that the Company continues to directly hold in the St. Lawrence Lowlands.

Altai is currently reviewing the legislation with its advisors to determine its legal options.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011

1) As mentioned above, in January 2011 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 at end of January. As at December 31, 2011, the Company held $5.61 million cash and cash equivalents (2010 - $4.63 million) and $1.47 million available-for-sale marketable securities (2010 - $1.46 million).

2) For the year ended December 31, 2011, the Company had a net loss of $10,074,159 (2010 – net income of $219,276 after recovery of note receivable and accrued interest of $734,144), with investment revenue of $147,286 (2010 - $109,741) offset by expenses of $10,221,445 (2010 - $624,609).

The biggest expense item for the year of 2011 is the write down of the Sorel-Trois Rivieres gas property's carrying value by $9,845,601 as explained in the sections of Overview of Properties and Highlights for the Year Ended December 31, 2011.

In general, overall expenses in 2011, excluding the write down of the Sorel-Trois Rivieres gas property by $9,845,601, stock-based compensation cost of $39,960 (2010- $400,390), and gain on sale of marketable securities of $287 (2010 – loss of $4,147), are higher than those in 2010 by about $137,101, due to the expense impact of the addition of the Montreal office (since February 2011) and of the two officers, the President & CEO and the COO & VP. Exploration (both appointed on October 1, 2010).

3) **Expenses**

Expenses for the years ended December 31, 2011 and 2010 are as following:

	2011 $	2010 $
Consulting fees	114,450	61,975
Office rent	81,739	24,502
Travel	4,503	899
Other administrative and general expenses	47,647	37,923
Write down of exploration and evaluation assets	9,845,601	21,002
Prospecting and general	9,972	–
Write off investment in subsidiaries	–	1
(Gain) loss on sale of marketable securities	(287)	4,147
Shareholders meeting and information expenses	6,923	8,345
Investor relations expenses	5,598	3,645
Transfer agency fees	8,432	8,441
Stock exchange and filing fees	12,641	18,793
Audit fees	31,500	23,000
Legal fees	393	5,459
Stock-based compensation cost	39,960	400,390
Amortization	12,373	6,087
	10,221,445	624,609

(1) Consulting fees – Consulting fees increased by $53,000 in 2011 due to the addition of a management personnel, the President and CEO (appointed in October 2010), with a higher monthly consulting fee than that of the previous President (now Chairman) who also had reduced his consulting fees in 2011.

(2) Office rent – The biggest increase in administrative expenses in 2011 compared to 2010's is office rent (an increase of $57,000 over 2010's) with the Montreal office lease starting from February 1, 2011 costing approximately $5,000 net rent per month excluding electricity (even though the Company got 3 months' free base rent) almost double that of the Toronto office.

(3) Write down of exploration and evaluation assets – In 2011, the carrying value of the Sorel Trois Rivieres gas property was written down by $9,845,601, being 40.11% of the pre-write down carrying value of the property and pro-rata to the percentage (40.11%) of Altai's direct land holding that has been expropriated by the Quebec provincial government in June 2011 due to enactment of Bill 18.

In 2010, there was $21,000 write-off of the Sept-Iles gas property in Quebec.

(4) Prospecting and general – In 2011, the Company incurred about $10,000 prospecting expenses versus $0 in 2010.

(5) Other administrative and general expenses – The increase of approximately $10,000 in 2011 over 2010's figure was due to expenses incurred by the Montreal office including office supplies, equipment lease payments, etc.

(6) Audit fees – 2011's figure of $31,500 included $6,500 under-accrued fees for 2010 year end audit and $5,000 fee for the auditors' review of the 2011 Q1 condensed interim consolidated financial statements re IFRS policies, applications and compliance.

(7) Amortization – Higher depreciation expenses for 2011 were caused by purchases of furniture and various computer equipment by the Montreal office.

(8) Stock-based compensation cost - Though no stock option had been granted in 2011, $39,960 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 December 31, 2011 and to date.

For 2010, $400,390 stock-based compensation expense was recorded, including
(a) $187,000 for the 500,000 vested options granted in the first quarter of the year to the five directors of the Company (100,000 options for each) at $0.46 per share,
(b) $64,800 for 200,000 vested options at $0.42 per share to the then new director, Marc-Andre Lavoie, granted in June 2010,
(c) $138,600 for 400,000 options to two new officers and 200,000 options to two other officers, all vested and at $0.30 per share in October 2010, and
(d) $9,990 for the 1,000,000 and 200,000 special options to the two new officers at $0.30 per share vesting conditional to the fulfilment of certain business and financial milestones, which were not vested at December 31, 2010.

SUMMARY OF ANNUAL AND QUARTERLY RESULTS

Selected Financial Data for the years ended December 31, 2011, 2010 and 2009

	IFRS	IFRS- Restated	Canadian GAAP
	December 31, 2011	December 31, 2010	December 31, 2009
	$	$	$
Total revenue	147,286	109,741	57,455
Total expenses	10,221,445 (3)	624,609	98,611
Loss before recovery of note receivable and accrued interest	(10,074,159)	(514,868)	(41,156)
Recovery of note receivable and accrued interest	–	734,144	–
Net income (loss)	(10,074,159)	219,276	(41,156)
Net income (loss) per share (Basic and Diluted)	(0.18)	0.00	(0.00)
Weighted average number of shares outstanding			
Basic	54,960,127	49,513,552	49,498,484
Diluted	54,961,127	49,592,838	49,498,484
There was no cash dividend declared or distributed on the shares of the Company for the years ended December 31, 2011, 2010 and 2009			
Total assets	22,754,379 (3)	31,376,046 (1)	38,080,320
Long term deferred tax liabilities	41,068	38,424 (1)	7,448,211
Shareholders' equity	22,687,503	31,306,266	30,599,902

(1) The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") until December 31, 2010. The Company adopted the International Financial Reporting Standards (IFRS) on January 1, 2011 with a transition date of January 1, 2010. The consolidated financial statements for the year ended December 31, 2011 were prepared in accordance with and in compliance with IFRS, including IFRS 1.

The effects of the transition from Canadian GAAP to IFRS on financial position as at January 1, 2010 and December 31, 2010 and income and comprehensive income for the year ended December 31, 2010 have been presented in Note 18 of the audited consolidated financial statements for the year ended December 31, 2011.

On transition from Canadian GAAP to IFRS for the Statement of Financial Position at December 31, 2010, a deferred tax liability of $7,448,211 was reversed.

For temporary differences arising on initial recognition of an asset or liability (other than in a business combination), IAS 12 *income taxes*, does not permit the recognition of a deferred tax liability on taxable temporary differences that may arise on initial recognition of assets or liabilities (except if the transaction is a business combination or if the transaction affects accounting or taxable profit (loss)).

Under Canadian GAAP, in accordance with Section 3465 *Future income taxes*, when an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the deferred income tax liabilities recognized at the time of acquisition is added to the cost of the asset. In accounting for the acquisition of the remaining interest of the Sorel-Trois Rivieres natural gas property not yet owned by the Company in late 2008, the acquisition cost of $29,450,288 was assigned to the acquired assets and liabilities, including an estimated deferred tax liability of $7,448,211 attributable to taxable temporary differences on acquired natural gas interests.

Under IFRS, the Company has reversed this deferred tax liability at December 31, 2010 by reducing the acquired natural gas interests by the corresponding amount of $7,448,211.

(2) The financial statements for the years 2011, 2010 and 2009 were presented in Canadian dollars, which is both the functional and presentation currency of the Company.

(3) As a result of the expropriation of 40.11% of Altai's direct land holding in the Sorel-Trois Rivieres gas property by the Quebec provincial government with the enactment of Bill 18 on June 13, 2011, the Company has written down the carrying value of that property by $9,845,601, that is pro-rata to the percentage (40.11%) of its direct land holding being expropriated, for the year ended December 31, 2011.

This is the biggest expense for year 2011 and within the three years of 2011, 2010 and 2009.

(4) With the investment of part of the Company's capital in dividend paying marketable securities in mid 2009, investment income, being the main revenue of the Company in the past years, rose steadily year by year for the years 2009, 2010 and 2011, with the return from short-term investments such as guaranteed investment certificates remaining stable throughout the years.

(5) In general, expenses started to increase with the addition of two officers since October 1, 2010. Year 2011 reflected higher administrative expenses, including professional fees, office rent and other administrative and general expenses, with the set up of the Montreal office, accommodating the two added officers.

Two-third of the total expenses of 2010 was accounted for by stock-based compensation cost of $400,390 and $21,000 for write off of the Sept-Iles gas

property.

(6) With the closing of the sale of the Sibuyan nickel property by Altai Philippines Mining Corporation, an affiliate of the Company, in September 2010, the Company received, per agreement of the Altai Philippines' shareholders and the property sale option agreements, $734,144 , being its share (60%) of the net proceeds. The said amount was recorded as a recovery of the note receivable and accrued interest (from Altai Philippines) which had been written down to $1 over the previous years. This item turned the 2010 operations loss of $514,868 to a net income of $219,276.

(7) Since most of the expenses incurred and paid by the Company in years 2011, 2010 and 2009 were in Canadian currency, therefore the impact of exchange rates on the operations of the Company was minimal and insignificant.

Summary of quarterly results

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

	Three Months Ended							
	December 31, 2011 $	**September 30, 2011 $**	**June 30, 2011 $**	**March 31, 2011 $**	**December 31, 2010 $**	**September 30, 2010 $**	**June 30, 2010 $**	**March 31, 2010 $**
Revenue	32,501	38,322	40,628	35,835	33,357	27,007	24,891	24,486
Expenses	9,949,059	80,127	90,887	101,372	269,277	8,997	132,716	213,619
Recovery of note receivable and accrued interest written down	–	–	–	–	–	734,144	–	–
Net (loss) income	(9,916,558)	(41,805)	(50,259)	(65,537)	(235,920)	752,154	(107,825)	(189,133)
Net (loss) income per share (Basic and Diluted*)	(0.18) *	(0.00) *	(0.00) *	(0.00) *	(0.01) *	0.02	(0.00) *	(0.01) *

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

(1) The comparative data for all periods were prepared in accordance with IFRS.

(2) The high expenses of the quarters ended March 31, June 30 and December 31, 2010 were due to the high stock-based compensation cost with the grant of options ($187,000, $64,800 and $148,590 respectively).

The stock-based compensation cost accounted for approximately half of the expenses for the quarter ended December 31, 2010. That quarter also included the reclassification to the administrative expenses of a full year's consulting fees of an officer previously allocated to resource expenditures, and the additional consulting fees and expenses of the newly appointed President & CEO and COO & VP, Exploration since October 1, 2010.

(3) The net income of $ 752,154 for the quarter of September 30, 2010 was mostly due to the Company's receipt of $734,144 in September 2010, being Altai's share of the net proceeds from the sale of the Sibuyan nickel property by Altai Philippines Mining Corporation, its affiliate.

(4) The higher administrative and general expenses in all four quarters of 2011 reflected the effect of the full year's expenses of the Montreal office (set up on February 1, 2011) and the two officers (President & CEO and COO & VP Exploration) accommodated there.

(5) The expenses in Q4 of 2011 included the following:

a) $9,845,601 write down of the carrying value of the Sorel-Trois Rivieres gas property due to the expropriation of 40.11% of Altai's direct land holding in the St. Lawrence Lowlands by the Quebec provincial government with the enactment of Bill 18 on June 13, 2011.

b) An accrual of $20,000 expense for the audit of financial statements for the year ended December 31, 2011.

EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

Expenditures for the resource properties for the years ended December 31, 2011 and 2010 are:

	2011 $	**2010 $**
Malartic gold property, Quebec	9,924	605
Sorel-Trois Rivieres gas property, Quebec	231,249	190,995
Sept-Iles gas property, Quebec	–	70
	241,173	191,670
Less: tax credit	(71,810)	(185,088)
Expenditures, net of tax credit	169,363	6,582

OUTLOOK FOR 2012 AND BEYOND

In the Quebec Utica Shale project, most of the recent focus continues to be on regulatory and social acceptability issues. No exploration work has taken place in the St Lawrence Lowlands during 2011 and to our knowledge, no work is scheduled to take place in 2012 either.

The Strategic Environmental Assessment (SEA) has started its work late in 2011 with a mandate by the Quebec government to examine the feasibility and desirability of developing the Province's shale gas resource s. The work of the SEA will provide a focus for public debate during 2012 and is expected to last until Q4 of 2013. Although there are indications that some exploration work may be allowed during the SEA, it is our perception that most industry players have chosen not to allocate any further capital to Quebec shale gas for the moment.

Combined with recent historical lows for dry natural gas in North America and the highly uncertain regulatory environment in Quebec, Altai has also delayed its planned exploration spending in the St Lawrence Lowlands until more favourable conditions are present.

Also contributing to the current negative investor perception was the enactment of Bill 18 by the Quebec National Assembly in June 2011.This Bill has revoked without compensation all the exploration permits located in the St Lawrence River, West of Anticosti. This measure effectively expropriated 113,677 net acres of the total 287,470 net acres of the pre-Bill 18 exploration permits held by Altai in the Province of Quebec. Bill 18 also provides for work exemptions and time extension of permits which will benefit Altai's remaining 173,793 net acres in Quebec. The Company is still reviewing the new legislation with its advisers.

Through the Quebec Oil and Gas Association (QOGA), the Company continues to push for the development of a regulatory framework for the industry in Quebec that is clear, fair and competitive.

The Company will potentially come to an important crossroad during 2012. Faced with the reality of a stalled project in Quebec, where most of Altai's assets are concentrated, the Company has been actively evaluating a number of other resource plays in North America in order to better leverage its expertise and capital. We hope to provide more information on these developments as 2012 unfolds.

In the mean time, as a resource exploration company with no operating revenue, Altai will continue to preserve capital and maintain only minimal general and administrative expenses. At December 31, 2011, the Company had approximately $7.0 million in cash and marketable securities, no debt or major expenditure commitments.

LIQUIDITY AND CAPITAL RESOURCES

1) The Company's treasury funds comprise of cash and cash equivalents and available-for-sale 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 December 31, 2011, the Company's working capital was $7.07 million comprising $5.61 million cash and cash equivalents and $1.47 million available-for-sale marketable securities.

Preservation of the capital remains a priority of the Company, especially with the continual jitters and uncertainty in the prospects of economic recovery and growth in US and the debt crisis in the Eurozone. Yield on low risk short term and long 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 to 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 the 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, though as we have expected, the prices of the shares in our portfolio fluctuated more in the year of 2011 in view of the current swings in investment moods and economic and debt issues in the Western hemisphere. The income from this investment was higher than that of the secured short term papers. The total fair market values at December 31, 2011 were $1,465,460 (2010 - $1,456,815) compared to total costs of $1,172,119 (2010 - $1,200,657).

2) Since Altai does not have any debt nor committed capital expenditures and has liquid investment, the Company will have no liquidity issues in the next twelve months.

In the long term, the Company may pursue to raise additional funds through equity financing for the exploration of the Company's resource properties.

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

	2011 **$**	**2010** **$**
Shareholders' equity comprised of		
Share capital	36,627,178	35,585,982
Share purchase warrants	339,701	462,000
Contributed surplus	2,802,560	2,300,600
Deficit	(17,313,981)	(7,239,822)
Accumulated other comprehensive income	232,045	197,506
	22,687,503	31,306,266

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.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company first adopted the International Financial Reporting Standards (IFRS) on January 1, 2011 with a transition date of January 1, 2010. Note 3 to the consolidated financial statements for the year ended December 31, 2011 described the elections made and the IFRS that Altai considered significant to the Company.

Notes 3 and 18 discuss the impact and effects of the transition to IFRS and the reconciliation of Canadian GAAP financial statements to IFRS on financial position at January 1, 2010 and December 31, 2010 and on income and comprehensive income for the 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. However it affected both the Sorel-Trois Rivieres gas property asset and the deferred tax liabilities as discussed below.

Under the Canadian GAAP, a deferred tax liability of $7,448,211 was recognized at the time of the acquisition of part of the Sorel-Trois Rivieres gas property asset, and deferred tax liability recognized was added to the acquired asset cost. IFRS does not permit the recognition of a deferred tax liability on taxable temporary differences arising on acquisition of asset. Therefore under IFRS, the Company has reversed the deferred tax liability of $7,448,211 by reducing the acquired natural gas interest by the corresponding amount.

The transition to IFRS also 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 continues 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 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 consolidated financial statements for the year ended December 31, 2011.

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 December 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 2011, no stock option had been granted. At December 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 April 1, 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.

At December 31, 2011, there were 2,800,000 share purchase warrants outstanding with exercise price of $0.45 per share expiring January 10, 2013.

4) The Company's share capital at January 1, 2010, December 31, 2010, December 31, 2011 and April 22, 2012 are as following:

	January 1, 2010		December 31, 2010		December 31, 2011		April 22, 2012	
	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	54,960,127	55,113,552	55,113,552
Stock options	720,000	720,000	3,020,000	1,518,630	3,020,000	3,020,000	3,020,000	3,020,000
Share purchase warrants	5,100,000	5,100,000	1,000,000	1,000,000	2,800,000	2,723,288	2,800,000	2,800,000
Common shares fully diluted	55,333,552	55,333,552	53,533,552	52,032,182	60,933,552	60,703,415	60,933,552	60,933,552

COMMITMENTS

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

b) In October 2010 the Company signed agreements to pay $50,000 and $16,000 as termination fees to Maria Au, an officer of the Company, and a staff of Altai, respectively, when their service to the Company terminates in the future.

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

d) The Company's Montreal office has a three year copier lease contract expiring February 2014. The lease payment is $786 per quarter.

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

	Office rent	Equipment lease	Total
2012	$45,720	$3,144	$48,864
2013	38,412	3,144	41,556
2014	2,592	524	3,116
	$86,724	$6,812	$93,536

RELATED PARTY TRANSACTIONS

Consulting services were provided by management personnel who are officers of the Company and companies owned by officers of the Company.

The directors of the Company did not receive any cash compensation in their capacity as directors during the years ended December 31, 2011 and 2010.

The remuneration of directors and officers of the Company for the years ended December 31, 2011 and 2010 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	$251,800	$251,800
Officers						
Niyazi Kacira – President & CEO to September 30, 2010; Chairman from October 1, 2010	36,000	0	36,000	47,000	23,100	70,100
Marc-Andre Lavoie – President & CEO from October 1, 2010	96,900	33,300 (1)	130,200	25,500	54,525	80,025
Maria Au – Secretary-Treasurer	48,000	0	48,000	47,000	23,100	70,100
Geraint Lloyd – COO and VP Exploration from October 1, 2010	102,000	6,660 (1)	108,660	25,500	47,865	73,365
	$282,900 (2)	$39,960	$322,860	$145,000 (2)	$148,590	$293,590
Total – Directors and Officers	$282,900	$39,960	$322,860	$145,000	$400,390	$545,390

(1) For the year ended December 31, 2011, the Company recorded stock-based compensation expense of $39,960 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 December 31, 2011 and to date.
(2) These fees have been allocated to administrative expenses in the amount of $114,450 (2010 - $61,975) and resource properties in the amount of $168,450 (2010 - $83,025).

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

OFF-BALANCE SHEET TRANSACTIONS

At December 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 ANNUAL FINANCIAL STATEMENTS AND ANNUAL MD&A

Management, including the President and CEO and the Secretary-Treasurer, have reviewed the annual financial report and annual MD&A (the "annual filings") for the financial year ended December 31, 2011.

Based on the knowledge of the President and CEO and the Secretary-Treasurer, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.

Based on the knowledge of the President and CEO and the Secretary-Treasurer, having exercised reasonable diligence, the annual financial statements together with other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented in the annual filings.

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