

ALTAI RESOURCES INC.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Dated October 27, 2010

The selected consolidated financial information set out below and certain comments which follow are based on and derived from the unaudited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the nine months ended September 30, 2010 and should be read in conjunction with them. Some of the items discussed in the Management's Discussion and Analysis for the year ended December 31, 2009 ("2009 Annual MD&A") dated April 23, 2010 are relevant for the period under review and therefore readers are advised to read this with the 2009 Annual MD&A.

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.

By their nature, forward-looking statements are subject to numerous risks and uncertainties that can significantly affect future results. Actual future results may differ materially from those assumed or described in such forward-looking statements as a result of the impact of issues, risks and uncertainties whether described herein or not, which the Company may not be able to control. The reader is therefore cautioned not to place undue reliance on such forward-looking statements.

The Company disclaims any intention or obligation to update or revise these forward-looking statements, as a result of new information, future events or otherwise.

OVERVIEW

The Company is a junior natural resource exploration company with its 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 September 30, 2010 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

- a) Altai owns 100% of the Sorel-Trois Rivieres natural gas property ("Property") of 7 oil and gas and reservoir permits of 114,344 Ha (282,544 acres) and 15% gross royalty in the permit of 13,290 Ha (32,840 acres) in which Talisman Energy Canada ("Talisman") has 100% working interest ("Talisman Permit") and which is contiguous to the Altai permits.

Altai's 100% owned property is the largest uncommitted (not farmed-out) contiguous land block of 282,544 acres (among the junior public companies) in the St. Lawrence Lowlands Utica Shale Gas Fairway. Including the 15% gross royalty in the Talisman Permit, the Company holds varying interests in a land package consisting of **315,380 net acres**.

- (i) St. Lawrence Lowlands is an emerging major gas play aggregating to approximately 1.5 million acres. In the last four years about 30 wells were drilled in the play all with gas discoveries. Utica shales (about 150 meters or thicker) and overlying Lorraine shales-siltstones (500 to 2,000 meters) contain gas and both formations are amenable to fracture stimulation for enhanced gas flow. Approximately 220,000 acres of Altai lands are in Tier 2 area (west of Yamaska Fault) where the depth to Utica is less than 1,000 meters. The remainder (60,000 acres) are in Tier 1 area where Utica is at a depth of 1,100 to 1,500 meters. Forest Oil, which controls the lands adjacent to Altai lands to the east, north and south, estimates (in 2008) that recoverable gas potential of the Utica Formation in its land is 93 billion cubic feet (Bcf) per section (640 acres). Talisman (in 2008) puts the recoverable gas potential of Utica at 25 to 160 Bcf per section and that of Lorraine at 50 to 190 Bcf per section.

Gas in St. Lawrence Lowlands enjoys price advantage for producers compared to Western Canadian gas due to its proximity to user markets in Quebec and Eastern United States. To date there is no producing module in the Lowlands, hence precise economics of this emerging gas play are not known. Others (e.g. Talisman, Questerre) estimate that \$4.50 to 5.50 / MCF will be required to make production economical at present. The high threshold is due to the fact that currently all drilling equipment has to be brought in from outside Quebec and there are no economies of scale (too few wells are drilled in Quebec at present). Hence the work costs three times more than it does in nearby places like Pennsylvania. Eventually the costs of exploration and development will drop.

(ii) A carbonate gas target has been delineated. The target is a NE trending fault zone 34 kilometers long averaging one kilometer in width, all on land. The zone appears as a depression (a graben) at the top of Trenton formation of Ordovician age. The depression is interpreted by Paul Laroche, P.Eng., Consultant, to have been caused by hydrothermal dolomitization of fractured limestones (hydrothermal dolomite reservoir facies). Targets in similar geological setting along former shoreline of Cambro-Ordovician craton have produced large quantities of gas and oil in Ohio, Michigan, New York State, West Virginia and elsewhere in the Appalachians. Such targets are long and narrow. In 2006 Talisman Energy Canada drilled one well in one Altai permit aimed at the collapse zone at the top of Trenton-Black River. No gas was found at the target but "good gas shows" were present in the stratigraphically higher Utica Shales. In addition to the Trenton formation, the stratigraphically lower Chazy, Beekmantown and Potsdam formations have gas showings elsewhere in the Appalachians. Altai's deep gas target (the depression) may extend for another 20 kilometers to the SW, all in Altai's permits.

Altai's land package is adjacent and central to the properties of Gastem Inc., Questerre Energy Corporation and Junex Inc most of which are optioned either to Forest Oil or Talisman Energy.

In 2009 the Company completed an additional seismic survey mostly in the eastern part of Permits 2009PG537 and 2009PG538. The survey results were interpreted by Paul Laroche, P. Eng. and P. Geologist, consultant to the Company who was also in charge of the quality control during the field survey. He concluded that **60,000 acres of the survey area are in Tier 1 area east of Yamaska Fault**, hence in the "Utica Fairway". He estimated the depth to Utica varying from 1,150 meters to about 1,500 meters and its thickness at 195 to 220 meters. The overlying lower Lorraine Shales, 180 meters in thickness, are considered by the consultant, to be prospective for gas.

This seismic survey together with seismic surveys carried out earlier by the Company are adequate for the planning of a first phase drilling program of at least two wells, one in each of Tier 1 and Tier 2 areas.

4) Sept-Iles Gas Property, Sept-Iles, Quebec North

(1) At the end of June 2010, Altai abandoned the 100% owned gas permit of 24,042 hectares (59,408 acres) at Sept-Iles, Quebec North which is approximately 750 km north-east of the Company's Sorel-Trois Rivieres gas property.

(2) In 2009, Altai completed a resistivity survey over the area of previous gas discovery. The resistivity survey was aimed at mapping the extent, if any, of the gas bearing strata. The gas in recent unconsolidated sediments are in sands and gravels with clay cover. The resistivity survey suggests that in the area of gas showing the clay layer directly overlies the Precambrian basement, hence the gas potential of the property is thought to be low. The property was abandoned at the anniversary date of the permit.

5) Altai Philippines Mining Corporation ("Altai Philippines")

The Company has a 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines") and has a direct 10% Net Smelter Return (NSR) royalty interest in all properties in which Altai Philippines has an interest. Alternatively, the Company may elect to give up its 10% NSR interest in return for building and owning 80% of the ore processing facilities; in such event, the Company will buy the ore from Altai Philippines by paying a royalty equal to 10% of the direct mining costs of the ore delivered to the processing facilities. Altai Philippines will subsequently have 20% ownership of the processing plant.

In the event that properties are joint-ventured, leased or sold to a third party interest(s), 60% of residual proceeds will accrue to the Company until it recovers its expenditures and outlays and 40% to Altai Philippines. After recovery of the Company's expenditures, proceeds will be shared equally.

a) In November 2004, Altai Philippines entered into an option agreement with a consortium headed by Sunshine Gold Pty Ltd ("Sunshine") of Australia, a subsidiary of Pelican Resources Ltd., an Australian company, on Altai Philippines' nickel laterite property on Sibuyan Island ("Sibuyan property"). Under the option agreement, Sunshine, after satisfactory due diligence on the property, would have ninety days from the date of Altai Philippines obtaining approval of the Mineral Production Sharing Agreement (MPSA) application for the property to exercise the option to purchase the Sibuyan property. The MPSA permit was granted at the end of 2009 and in September 2010 the optionee bought the asset for a net C\$1.215 million. The optionee paid most of the expenses related to the MPSA application. Pursuant to the agreement, 60% of the net proceeds (C\$735,789) was remitted to Altai and 40% (C\$480,000) to Altai Philippines on the transaction closing, and Altai cancelled its Net Smelter Return royalty interest in the property. The money received, less all direct expenses incurred by Altai in relation to the transaction, was recorded as miscellaneous income in the statement of operations.

b) In June 2008, Altai Philippines entered into an agreement to sell its Negros Island sulphur property to a private Philippine company (the "Optionee") for US\$1,500,000 payable in three instalments over a maximum of 6 years (US\$500,000 every two years or less) subject to certain approvals of the Philippine Government. As at September 30, 2010 and to date, no instalment payment had been made by the Optionee.

After the sale of the Sibuyan nickel property, the remaining properties of Altai Philippines' properties are Negros Island sulfur project and Lahuy Island gold project.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has not adopted any new accounting standards during the current period.

FUTURE ACCOUNTING CHANGES

1) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standard Board confirmed the changeover from Canadian GAAP to IFRS to be applied to publicly accountable enterprises effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.

The Company is continuing to assess the impact on its consolidated financial statements and is developing an implementation plan.

2) Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601), and Non-controlling interests (Section 1602)

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replace CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"), and will be applicable to business combinations with

acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements, and will be applicable to the Company's interim and annual consolidated financial statements for the fiscal year beginning January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these sections on its future acquisitions.

OUTLOOK FOR 2010 AND BEYOND

1) In 2010, positive results of various drilled wells at the St. Lawrence Lowlands Utica Shale Fairway have somewhat lifted the share price of the Company in the first quarter of the year. Interest in natural gas projects subsided considerably after the first quarter. Persistent low natural gas price, the recent public hearings held by the Quebec Government on how shale gas will be developed in Quebec, and the recent postponement of Talisman/Questerre and Canbriam in the exploration programs and completion operations of some wells by approximately six to twelve months, have kept the stock prices of junior oil and gas companies in the Utica shale play depressed and the market interest in the St. Lawrence Lowlands shale gas play and in Altai's Sorel-Trois Rivieres gas property low. However, the Company believes that in the long run, if and when oil and gas are proven in Quebec and the new regulations on oil and gas industry in Quebec are established, our Property will be in a much more favourable position compared to projects in much more remote parts of North America due to its proximity to the Pipelines and the user markets, especially Quebec.

2) Preservation of the capital remains a priority of the Company, especially with the jitters in the prospects of economic recovery and growth in North America and Europe. Yield on low risk short term papers remains low due to the low interest rates throughout most parts of the world versus the much higher yield for the much more risky papers. Despite that, the Company prefers and continues to invest the greater part of its cash in secured short term papers, such as guaranteed investment certificates which offer very low yields.

Since July 2009 the Company has invested part of its cash in shares of Canadian major banks and relatively stable companies which are liquid and regularly pay dividends or interests. As such, the Company's marketable securities investment is liquid and reasonably safe. The income from these investments are higher than that of the secured short term papers.

The Company continually monitors the investment environment and the availability of low risk investment opportunities for its cash investment purpose, and adjusts its investment accordingly.

3) In April 2010, the Company extended the warrant term by one year to May 4, 2011 for the 1,000,000 common share purchase warrants issued pursuant to the private placement of 2,000,000 common share units at \$0.95 per unit closed on May 5, 2008 with warrant exercise price of \$1.25 per common share and original one year warrant expiry date of May 4, 2009 which was subsequently extended to May 4, 2010. All other terms and conditions of the warrants remain the same.

600,000 and 3,500,000 share purchase warrants with respective warrant exercise prices of \$0.60 per common share and \$0.65 per common share, all with expiry date of April 10, 2010, have expired without being exercised.

4) 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.

5) At the 2010 Annual Meeting of the Shareholders of the Company held on June 21, 2010 in Toronto, the following directors were re-elected/elected: Dr. Niyazi Kacira, as President, CEO and Director, along with Dr. K. Sethu Raman, Rejean Paul, P. Eng., Dr. Didier Pomerleau and Marc-Andre Lavoie as Directors, and Maria Au, MBA, CGA as Secretary-Treasurer.

6) On October 1, 2010, the Company appointed Mr. Marc-Andre Lavoie as the new President and CEO. Mr Lavoie has been working in gas exploration in the St Lawrence Lowlands, Quebec since 2006, notably as President of Gastem Inc between 2007 and 2009. Prior to that, he worked for an international investment bank in London, England and New York for 15 years. He holds degrees in Economics and Finance from London School of Economics and Cambridge University.

At the same time, Mr. Geraint Lloyd was appointed Chief Operating Officer and VP Exploration. Mr. Lloyd has been active in the oil and gas industry worldwide since the mid 90s. He was instrumental in the identification of the Utica shale's resource potential in Quebec during his tenure as VP-Exploration of Gastem between 2006 and 2010 where he developed and managed the company's technical programs. He holds bachelor and master degrees in Geophysics and Marine Geology.

As officers of the Company, each of them has been granted an option of 200,000 vested shares at the price of \$0.30 per share. As added incentive, Messrs. Lavoie and Lloyd have been granted special options of 1.0 million shares and 200,000 shares respectively at the price of \$0.30 per share vesting and exercisable within 3 years (option earning period) conditional to fulfillment of certain business and financial milestones. Both special options lapse in three years if not earned and/or exercised.

Messrs. Lavoie and Lloyd are based in Montreal, reflecting Altai's intention to considerably increase its level of activities in Quebec. Altai expects that the new appointees will bring enthusiasm, energy and relevant experience to further the development of the Company.

Dr. Niyazi Kacira, the outgoing President, has been appointed Chairman of the Altai Board on the same date.

The appointments and option grants are subject to regulatory approval.

The Board wishes to thank Dr. Kacira for his tireless efforts in managing the Company (and subsidiaries) as its President and CEO for the past 23 years, nurturing its properties, some of which will hopefully be very valuable and beneficial to the Company and its shareholders, and successfully guiding the Company through many economic downturns and cycles. His highest standard of integrity and honesty has defined the culture of this Company which will remain in the future.

8) Over the next twelve months, the Company's efforts will remain focused on exploring and developing the Sorel-Trois Rivieres gas property in the St. Lawrence Lowlands, which has been significantly enhanced by Forest Oil's discovery referred to in their press release of April 1, 2008 and those of Talisman Energy Canada and other players in the Fairway. In order to accomplish this task, the Company has upgraded its management by hiring new President and VP Exploration. Altai intends to drill, frac and test at least two wells, one in each of Tier 1 and Tier 2 areas. Altai had planned a financing in

the spring of 2010 followed by drilling in the fall. This was postponed due to deteriorating market conditions for gas projects and our share price. Eventually we will implement the program hopefully with acceptable dilution to shareholders' equity. The Company will also carry out resistivity surveys in thick overburden area to the west of city of Trois Rivières orientated to gas targets in recent sands and gravels. Such targets, similar to those found in Altai permits under the Lake St. Pierre to the south constitute excellent gas storage reservoirs similar to the adjacent Intragaz facilities to the west.

The Company intends to raise funds for its Sorel-Trois Rivières gas property exploration work through equity financing.

OFF-BALANCE SHEET TRANSACTIONS

The company does not have any off-balance sheet arrangements.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

- 1) For the nine months ended September 30, 2010, the Company had a net income of \$455,271. Total expenses of \$355,332 (\$66,554 administrative expenses and \$288,778 non-cash expenses including \$11,775 loss on the sale of marketable securities) were offset by investment income of \$76,384 and miscellaneous income of \$734,219 which is Altai's share of the net proceeds from Altai Philippines' sale of the Sibuyan nickel property.
- 2) In September 2010, the Company also received \$199,772 cash grant from the Quebec Government on Altai's 2009 eligible exploration expenditures of its properties in Quebec.
- 3) The marketable securities held by Altai comprising shares of Canadian major banks and relatively stable companies denominated in Canadian currency are liquid. A small portion of the marketable securities are shares received by the Company pursuant to previous option agreements. The overall market value of the marketable securities has increased slightly over the total cost. All shares have been adjusted to their fair market values as at September 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

- 1) With the receipts of Altai's share of the net proceeds from the sale of the Sibuyan nickel property by Altai Philippines Mining Corporation, its affiliate, and of the cash grant from the Quebec Government, Altai's working capital position has increased to about C\$6 million.
- 2) Since Altai does not have any debt nor committed capital expenditures, has relatively low administration expenses and liquid investment, the Company will have no liquidity issues in the next few years.
Funds for the Sorel-Trois Rivières gas property will be raised through equity financing.
- 3) In September 2010, the Company also received \$199,772 cash grant from the Quebec Government on Altai's 2009 eligible exploration expenditures on its properties in Quebec.
- 4) The Company has a 5 year office lease starting from July 1, 2008. The basic rent per month is \$1,218 and the 2010 additional rent per month is approximately \$1,514. The lease includes a 12 months Rent Free Period spread over the first three years of the lease.

RELATED PARTY TRANSACTIONS

To September 30, 2010, consulting services were provided by two officers. Fees for such services amounted to \$70,000 (2009 – \$57,000). These fees have been allocated to administrative expenses in the amount of \$5,800 and resource properties in the amount of \$64,200.

PRESENTATION OF INTERIM FINANCIAL STATEMENTS AND INTERIM MD&A

Management, including the President and the Secretary-Treasurer, have reviewed the interim financial statements and the interim MD&A (together the "interim filings") for the nine months ended September 30, 2010.

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

OUTSTANDING SHARES

As of October 26, 2010, the Company's share capital is as following:

	<u>Basic</u>	<u>Weighted average</u>
Issued and outstanding common shares	49,513,552	49,513,552
Stock options	3,000,000	1,518,630
Warrants	1,000,000	1,000,000
Common shares fully diluted	<u>53,513,552</u>	<u>52,032,182</u>