ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2010 **Dated April 18, 2011**

The selected consolidated financial information set out below and certain comments which follow are based on and derived from the audited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the years ended December 31, 2010 and 2009 and should be read in conjunction with them.

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.

OVERVIEW OF PROPERTIES

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 December 31, 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**

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 acre) exploration permit operated by Talisman Energy Canada, which is contiguous with the Altai operated land and thus the company's total Utica exposure comprises 315,380 net acres.

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 at least $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 1,100m to 2500m and the shallow (Tier 2) sector where the shale is less than 1000m 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 Ha (39,000 acres) of the company's gross land is situated in Tier 1, 60,900 Ha (151,000 acres) situated onshore in Tier 2, with the remainder underlying Lac St 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 October 2010, Altai began assembling a new management and technical team with a proven track record in unconventional gas development in order to develop a comprehensive exploration and evaluation program for the property. The scope of the field operations that the Company may undertake, will be tailored to comply with the Quebec Provincial Government's regulations and restrictions regarding the proposed Strategic Environmental Assessment (SEA), implemented following the publication of the BAPE (Bureau d'Audiences Publique pour l'Environment) report in March, 2011. As at April 18, 2011, the Provincial Government is forming an oversight committee to manage the SEA and this committee will be managing the interim operational regulations pertaining to shale exploration. Once the committee has been formed, Altai expects to be better able to determine what specific exploration activities will be permitted in Quebec during the SEA. However, the fact that the Utica has already been successfully fracture stimulated by various operators on land immediately adjacent to Altai's permits has substantially derisked the Company's Utica Shale project and has provided the company with significant relevant information, allowing efficient deployment of capital going forward.

In addition to the Utica shale, potential for commercial hydrocarbon resources exists in several other geological formations underlying the St. Lawrence Lowlands. One of the previously mentioned gas storage reservoirs is of direct relevance to the Altai land position, since the Pointe-du-lac storage reservoir near Trois-Rivières is adjacent to Altai's Trois-Rivières exploration permits. The reservoir is in the shallow unconsolidated Quaternary sediments and has several potential analogues on Altai's permits, both onshore and under Lac St-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 St-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 structure occurs when faults have been reactivated with components of both extension and rotation. This process creates fractures in the rock, along which hydrothermal fluids may migrate vertically, creating porosity by dolomitising limestone facies resulting in hydrothermal dolomite reservoirs (HTD) that are subsequently filled over time by migrating hydrocarbons. 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 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 regional seismic coverage has 'missed' a few potential targets. In the development of every Shale 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 unseen parts of the TBR immediately below. This will naturally improve the chances of identifying viable TBR targets throughout the basin.

4) **Sept-Iles gas Property, Sept-Iles, Quebec North**

a) 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.

b) 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, outlays and debt owing to it by Altai Philippines, and 40% to Altai Philippines. After recovery of the Company's expenditures, outlays and debt owing to it, proceeds will be shared equally. The Company had written down each of its note receivable from Altai Philippines and its investment in Altai Philippines to $1.

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 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$1.226 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 Company recorded the C$734,144 received, net of all direct expenses incurred by Altai re the receipt, as $546,903 full recovery of the note receivable written down in 2008 and $187,241 partial payment of the note interest owing by Altai Philippines.

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 no instalment payment had been made by the Optionee to date, the option agreement is no longer valid.

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

HIGHLIGHTS FOR 2010

1) Preservation of the capital remained 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 was low due to the persistent low interest rates throughout most parts of the world versus the much higher yield for the much more risky papers. Despite that, the Company preferred and continued 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 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 was liquid and reasonably safe. The income from these investments were higher than that of the secured short term papers. The total fair market values as at December 31, 2010 were $1,456,815 (2009 - $1,440,910) compared to total costs of $1,200,657 (2009 - $1,310,810).

2) 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.

3)a) 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.

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 the fulfillment of certain business and financial milestones. Both special options lapse on September 30, 2013. As at December 31, 2010 and to date, none of the special option shares have vested.

Messrs. Lavoie and Lloyd are based in Montreal, reflecting Altai's desire to increase its level of activities in Quebec if possible and suitable. Altai expects that they will bring enthusiasm, energy and relevant experience to further the development of the Company.

b) Dr. Niyazi Kacira, the outgoing President and CEO, was appointed Chairman of the Altai Board on October 1, 2010.

The Board and the Company wish 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 the Company which will remain in the future.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS FOR 2010

1) In September 2010, the Company received a total of $933,991 cash from the following:

a) Pursuant to the shareholders agreement of Altai Philippines, Altai received $734,144, net of direct expenses incurred by Altai, upon Altai Philippines's closing of the sale of its Sibuyan nickel property. This was applied against the debt of Altai Philippines to Altai, representing full payment of the note principal of $546,903 (written down in accounting by Altai to $1 in 2008) and $187,241 partial payment of the outstanding note interest owing.

b) The Company received $199,772 cash grant from the Quebec Government on Altai's 2009 eligible exploration expenditures of its properties in Quebec.

2) For year 2010, the Company had net earnings of $219,276, being investment income of $109,741 plus $734,144 received as Altai Philippines payment of the loan and interest owing to Altai, net of expenses of $624,609. Administrative expenses increased in the fourth quarter with the appointment of two new officers based in Montreal, 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 over the total cost. All shares have been adjusted to their fair market values as at December 31, 2010. During the year, Altai sold some marketable securities for net proceeds of $105,998 with a net loss of $4,147.

4) SUMMARY OF ANNUAL AND QUARTERLY RESULTS

	December 31, 2010 $	December 31, 2009 $	Restated December 31, 2008 $
Total revenue	109,741	57,455	152,860
Total expenses	624,609	98,611	1,738,517
Loss before recovery of note receivable and accrued interest	(514,868)	(41,156)	(1,585,657)
Recovery of note receivable and accrued interest	734,144	–	–
Net earnings (loss)	219,276	(41,156)	(1,585,657)
Net earnings (loss) per share (Basic and Diluted)	0.00	(0.00)	(0.04)
Weighted average number of shares outstanding			
Basic	49,513,552	49,498,484	39,602,138
Diluted	49,592,838	49,498,484	39,602,138
Total assets	38,824,257	38,080,320	37,988,034
Long term future tax liability	7,486,635	7,448,211	7,448,211
Shareholders equity	31,306,266	30,599,902	30,446,805

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
2010	**December 31 $**	**September 30 $**	**June 30 $**	**March 31 $**
Revenue	33,357	27,007	24,891	24,486
Expenses	269,277	8,997	132,716	213,619
Recovery of note receivable and accrued interest written down	–	734,144	–	–
Net earnings (loss)	(235,920)	752,154	(107,825)	(189,133)
Net earnings (loss) per share (Basic and Diluted*)	(0.01)*	0.02	(0.00)*	(0.01)*

	Three Months Ended			
2009	**December 31 $**	**September 30 $**	**June 30 $**	**March 31 $**
Revenue	29,380	7,440	12,193	8,442
Expenses	46,244	5,297	23,234	23,836
Net earnings (loss)	(16,864)	2,143	(11,041)	(15,394)
Net earnings (loss) per share (Basic and Diluted*)	(0.00)*	0.00	(0.00)*	(0.00)*

* Due to the loss in the first, second and fourth quarters of 2009 and 2010, the diluted weighted average number of shares used to calculate the diluted net loss per share in the respective periods is the same as the basic weighted average number of shares as the inclusion of outstanding share options and warrants would be anti-dilutive.

5) EXPENDITURES FOR MINING PROPERTY AND OIL AND GAS INTERESTS

	2010 $	2009 $
Malartic gold property	605	8,764
Sorel-Trois Rivieres gas property	190,995	572,477
Sept-Iles gas property	70	44,359
	191,670	625,600

6) EXPENSES

	2010 $		2009 $
General and administration expenses			
Professional fees	61,975	(1)	3,245
Shareholder information and investor relations	11,990		6,826

	2010		2009
Audit fees	23,000		8,012
Office rent	24,502		22,205
Other general and administrative expenses	71,515	(1)	34,985
	192,982		75,273
Stock-based compensation cost	400,390	(2)	17,900
Abandonment and write off of natural gas interest	21,002		–

(1) Professional fees and other general and administrative expenses have increased in 2010 over 2009 due to the appointment of two new officers, President and CEO, and Chief Operating Officer and VP Exploration (both based in Montreal) since October 1, 2010.

(2) The high stock-based compensation cost of 2010 is for 1.2 million vested option shares granted at various times of the year and 1.2 million non-vested option shares granted on October 1, 2010, whereas in 2009 only 100,000 option shares had been granted.

OUTLOOK FOR 2011 AND BEYOND

2010 was another volatile year for Quebec Utica Shale companies. Although some successful wells were drilled on permits adjacent to Altai in the St Lawrence Lowlands, the combination of low natural gas prices, the ongoing social acceptability process in Quebec and still uncertain commerciality of the Quebec Utica Shale have continued to weigh on stock performance for the sector as a whole.

As the play nevertheless continues to make progress towards a potential commercial validation, Altai will pursue three main objectives as it looks towards the next 12 months and beyond:

1) As soon as the regulatory framework allows it and favourable market conditions are present, Altai intends to drill, core and potentially test at least 2 wells on the Sorel-Trois Rivieres permit. By completing a reservoir evaluation on its own permits, the Company expects to be in much stronger position to seek an operating partner, if the project moves into the development phase. Given the current regulatory constraints, it is unlikely that Altai will elect to proceed with this drilling project during 2011.

2) Increase the Company's presence with all stakeholders, including government, industry, local and financial. From a relatively passive land holder, we believe Altai has all the ingredients necessary to become a respected and responsible actor in the establishment of a producing natural gas industry in Quebec. Given the political sensitivity of this project, we feel that is a key success factor in ensuring the Company's continued progress.

3) Raise Altai's relative value standing amongst its peers. On a Price-NAV basis, Altai is by far the most heavily discounted of the Quebec Utica companies. We feel strongly that our more active stance going forward will put the Company on a path to enhanced shareholder value.

As mentioned in previous press releases and MD&As, Altai has significantly increased its presence in Quebec, where its main asset is located. The new President and CEO, Marc-Andre Lavoie and VP Exploration COO Geraint Lloyd have now been in place since late 2010 and working from the new Altai Montreal office since February 2011. This is expected to contribute positively to the Company's visibility and ability to execute its business plan going forward.

Social acceptability remains at the forefront of the challenges facing the development of the Utica Shale in Quebec. Following the filing of the BAPE Report in February 2011, the Provincial government has elected to move forward through a Strategic Environmental Assessment (S.E.A.), expected to last up to two years. During that period, some limited exploration work is expected to be allowed to continue. As at April 18, 2011, it is still undetermined how the Company's planned exploration program will be affected by the S.E.A. Also of note is the proposed new royalty regime for the development of shale gas in Quebec, to come into effect once the S.E.A. has been completed. This proposed regime varies according to gas prices and well productivity and lists royalty rates between 5% and 35%.

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

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. It is worth noting that Altai's new management team participated in the financing, increasing its alignment with all shareholders.

Preservation of capital remains central to Altai's strategy as an exploration Company with no operating revenues. As such, G&A expenses are kept as low as possible. Also, the Company carefully manages its cash holdings, with a priority to minimizing risk. Currently the Company invests over 75% of its available cash in secured short term paper such as GICs and the remainder in dividend paying stocks of the more stable Canadian large cap companies.

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 working capital (after January 2011 financing) and no debt. Furthermore, Altai's low cost base allows it to better withstand the inevitable cyclicality inherent in the resource exploration business.

LIQUIDITY

1) With the receipts from Altai Philippines upon its sale of the Sibuyan nickel property and the cash grant from the Quebec Government, Altai's working capital position had increased to about C$6 million by the end of 2010.

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 properties will be raised through equity financing.

CAPITAL RESOURCES

The Company includes the following in its capital as at December 31, 2010:

	$
Shareholders' equity comprised of	
Share capital	35,585,982
Warrants	462,000
Contributed surplus	2,300,600
Deficit	(7,239,822)
Accumulated other comprehensive income	197,506
	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;

(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.

SHARE DATA

1) In 2010, the Company did not issue any common shares. The number of shares issued to December 31, 2010 remained at 49,513,552 as at the beginning of the year.

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 2010, the Company cancelled 200,000 option shares and granted 2,500,000 option shares to directors and officers at option prices ranging from $0.46 per share to $ 0.30 per share. At December 31, 2010, there were 1,820,000 vested option shares with expiry dates ranging from April 2, 2013 to September 30, 2015, and 1,200,000 non-vested option shares expiring on September 30, 2013. At December 31, 2010 and to date, the 1,200,000 non-vested option shares remained non-vested.

3) In 2010, 4,100,000 warrants expired without being exercised at warrant exercise prices ranging from $0.60 to $0.65 per share.

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.

As at December 31, 2010, there were 1,000,000 warrants outstanding.

4) 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. 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 are subject to a hold period expiring on May 11, 2011.

5) The Company's share capital at December 31, 2010 and April 18, 2011 are as following:

	December 31, 2010		**April 18, 2011**	
	Basic	**Weighted average**	**Basic**	**Weighted average**
Issued and outstanding common shares	49,513,552	49,513,552	55,113,552	54.960,127
Stock options	3,020,000	1,518,630	3,020,000	3,020,000
Warrants	1,000,000	1,000,000	3,800,000	3,725,288

Common shares fully diluted	53,533,552	52,032,182	61,933,552	61,705,415

COMMITMENTS

1) The Company's Toronto office has a 5 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 an officer and a staff of Altai respectively when their service to the Company terminates in the future.

3) Subsequent to December 31, 2010, the Company signed a 3 year lease for its Montreal office 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 officers of the Company and companies owned by officers of the Company, and their fees for such services for the year 2010 were as follows:

	2010 **$**	**2009** **$**
Niyazi Kacira – President & CEO to September 30, 2010 Chairman from October 1, 2010	47,000	39,000
Marc-Andre Lavoie – President & CEO from October 1, 2010	25,500	–
Maria Au – Secretary-Treasurer	47,000	39,000
Geraint Lloyd – COO and VP Exploration from October 1, 2010	25,500	–
	145,000	78,000

The fees have been allocated to administrative expenses in the amount of $61,975 (2009 - $3,245) and resource properties in the amount of $83,025 (2009 - $74,755).

OFF-BALANCE SHEET TRANSACTIONS

At December 31, 2010 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 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 other financial liabilities and are also 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.

SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the consolidated financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the presentation of the consolidated financial statements for the year ended December 31, 2010 are as follows:

1) Interests in mining properties
Interests in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis but at least annually and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

2) Natural gas interests
The Company follows the full cost method of accounting whereby all expenditures associated with the acquisition of gas properties and expenditures for carrying and retaining and for exploration of undeveloped properties are capitalized.

If economically profitable gas reserves are developed in a property, the capitalized costs of the property are amortized using units of production for the year, based on probable and proven gas reserves. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated useful life of the property, or if the project is abandoned, the project is written down to its net realizable value. The recovery of amounts recorded as gas properties depends on the discovery of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete development and future profitable production or the proceeds from disposal of such properties. Amounts recorded under gas properties do not necessarily represent the present or future value.

3) Impairment of long-lived assets
CICA Section 3063 "Impairment of long-lived assets" requires the Company to assess the impairment of long-lived assets, which consists primarily of resource properties and plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

4) Use of estimates
The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These 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.

The Company has identified the following areas where significant estimates have been made:
Impairment of the carrying values for long-lived assets
The recoverability of mineral interests and natural gas interests
Useful lives of equipment
Allowance for doubtful accounts

Assumptions used in determining the fair value of stock options and warrants
Valuation allowance for future income taxes

5) Stock-based compensation cost
The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is January 1, 2011, with an effective transition date of January 1, 2010 for financial statements prepared on a comparative basis. The Company is continuing to complete its review and is continually engaged in an assessment and conversion process which includes consultation with external consulting firms.

Altai has initially identified the following significant differences between Canadian GAAP and IFRS that may impact the Company and they are discussed as follows:

(1) Stock Based Compensation Expenses
(2) Exploration and Evaluation Costs of Mineral Resources
(3) Property, Plant and Equipment & Depreciation
(4) Foreign Exchange
(5) Disclosures

1) Elections under IFRS 1
The Company is still evaluating the various elections provided under IFRS 1; however, the expectation is that the Company:
a) Will not elect to apply IFRS 3 to past business combinations
b) Will elect that stock-based payments (Stock-based compensation) vested as at December 31, 2009 will not be retrospectively applied.

2) IFRS 2 – Stock-Based Compensation Expense
The Company issues share-based compensation in the form of stock options which are generally vested immediately upon grant and exercisable up to five years from the date of grant. The Company has identified the following differences that may impact the Company in the future.

a) Graded Vesting
Canadian GAAP - If the stock options are vested over a period of time, the Company recognizes the fair value of such compensation expenses, determined at the time of the grant, on a straight-line basis over the three year vesting period.
IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company did not have any graded vesting stock compensation subsequent to Jan 1, 2010 and therefore there are no differences with the adoption of IFRS.

b) Forfeitures
Canadian GAAP - Forfeitures of awards are recognized as they occur.
IFRS - An estimate is required of the number of awards expected to vest. The estimate will be factored into the calculation of period compensation expenses, and can be revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. An adjustment is then expensed to reflect this difference. Since the total amount of compensation recognized under either method will ultimately reflect the number of options that vested, the difference is a timing difference only.

3) IFRS 6 – Exploration and Evaluation Costs of Mineral Resources
This standard applies to expenditures incurred on properties in the exploration and evaluation (E & E) phase. The E & E phase begins when an entity obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. IFRS 6 requires entities to select and consistently apply an accounting policy specifying which E & E expenditures are capitalized and which are expensed. The Company policy has been under Canadian GAAP to capitalize E & E and it will continue to capitalize E & E under IFRS. Each year the company analyses the projects under evaluation for impairment, and will expense those portions impaired on an annual basis. The Company will not change its accounting policies for exploration and evaluation cost, as its current accounting polices comply with IFRS 6.

4) IAS 16 – Property, Plant and Equipment & Depreciation
The Company expects the carrying value of its property, plant and equipment to remain the same upon conversion to IFRS. The Company will continue to use historical cost for its plant, property and equipment, hence no adjustment between Canadian GAAP and IFRS is expected.

5) IAS 27 – Consolidation
Canadian GAAP - Two step model which first requires consideration as to whether an entity is a variable interest entity.
IFRS - Single step (control model). Approach to consolidation is principles-based whereby consolidation is required for all entities which are controlled. IFRS utilizes the concepts of risks and rewards where the existence of control is not apparent, although not in the same rules-based manner as under current Canada GAAP. The adoption of IAS 27 will not have an impact on the consolidation accounting for the Company.

6) IAS 36 – Impairment of Assets

a) Recoverable Amount
Canadian GAAP - A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset does not recover its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

IFRS - The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the assets fair value less costs to sell and its value-In-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. This change in measurement methodology has not resulted in additional impairments as the carrying amount of assets held for sale was not in excess of their fair value less cost to sell or value-in-use.

b) Reversal of Impairment

Canadian GAAP - Reversal of impairment losses is not permitted.

IFRS - Reversal of impairment losses is required for assets other than goodwill if certain criteria are met. The Company has not identified impairments recognized where the changes in expected cash flows would result in a reversal.

7) Income taxes

a) Intercompany Transactions

Canadian GAAP - Recognition of a deferred tax asset or liability for a temporary difference arising from intercompany transactions is prohibited. Such temporary differences may arise when the tax base of the asset in the buyer's jurisdiction differs from the carrying amount of the asset in the consolidated financial statements. Further, cash tax paid or recovered as a result of a transfer of an asset is recorded as a deferred tax asset or liability in the financial statements and recognized through tax expense when the asset leaves the Company or is otherwise utilized.

IFRS - There are no such exceptions under IFRS. Therefore, deferred tax is recognized for temporary differences arising on intercompany transactions measured at the tax rate of the buyer, and cash tax paid or recovered on intercompany transactions is recognized in the period incurred. The Company did not identify any tax deferrals on intercompany transactions.

b) Deferred Tax Assets of an Acquired Company Not Previously Recognized

Canadian GAAP - Previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition when such assets are more likely than not to be realized as a result of a business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, such benefit is also recognized through goodwill. The acquirer recognizes deferred tax assets that become realizable as a result of the acquisition as part of the cost of the acquisition.

IFRS - Previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition if realization is more likely than not as a result of the business combination, If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, the tax benefit is recognized in the income statement and a corresponding amount of goodwill is recognized as an operating expense. The acquirer recognizes deferred tax assets that become realizable as a result of the acquisition through earnings.

c) Accounting for Uncertainty In Income Tax Positions

Canadian GAAP - Benefits for uncertain tax positions are determined by reference to a two step process. First, the Company determines whether it is more likely than not that an uncertain tax position will be sustained upon examination. Where the position meets that criterion of likelihood, the amount of benefit is measured as the largest amount of benefit that is greater than 50% likely of being realized. Where the criterion of Likelihood is not met, no benefit is recognized for the uncertain tax position. Additionally, under Canadian GAAP, uncertain tax positions were evaluated based solely on the technical merits of the positions. Liabilities were recorded where the technical merits were uncertain and the tax examination was not finalized.

IFRS - The provision for uncertain tax positions is a best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors, including the status of the tax authority examination. Uncertain tax positions were not evaluated solely on the technical merits of the position. The Company did not identify differences in liability for uncertain tax positions under IFRS.

AUDITORS

In late February, 2011, Feldman & Associates, LLP, auditors of the Company, informed Altai that it has merged with DNTW Chartered Accountants, LLP (“DNTW”) in the beginning of the month and that DNTW would perform the audit of the Company’s financial statements for the year ended December 31, 2010.

The audited financial statements of the Company for the year ended December 31, 2010 were audited and signed by DNTW.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND MD&A

Management, including the President and the Secretary-Treasurer, have reviewed the annual financial statements and annual MD&A (the “annual filings”) for the financial year ended December 31, 2010.

Based on the knowledge of the President 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 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, results of operations and cash flows of the Company for the periods presented in the annual filings.