

MEDITERRANEAN RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

CONTAINING INFORMATION UP TO AND INCLUDING May 16, 2011

Mediterranean Resources Ltd. ("Mediterranean" or the "Company") is listed on The Toronto Stock Exchange ("TSX") under the trading symbol "MNR" and on the Frankfurt Stock Exchange under the trading symbol "MHM1". The Company is in the business of exploring mineral properties, including the Yusufeli mineral properties in Turkey.

This management discussion and analysis ("MD&A") of the consolidated operating results and financial condition of the Company for the three months ended March 31, 2011 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles ("Cdn GAAP") to IFRS is set out in note 13 of the condensed interim consolidated financial statements ("Financial Statements"). This MD&A is intended to help the reader understand the condensed consolidated financial statements of the Company.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR (www.SEDAR.com). Additional information relating to the Mediterranean can be found on the company's website www.medresources.ca

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

The date of this MD&A is May 16, 2011.

Forward looking statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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Forward-looking statements included or incorporated by reference in this document include statements with respect to the assumptions and estimates used in the Company’s NI 43-101 compliant resource estimate updated in April 2009; “fatal flaw” analysis which concluded that there are no known impediments to the Environmental Impact Assessment permitting process; and preliminary economic assessment.

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Overall Performance

The Company is in the business of exploring mineral properties and is currently focused on the 100 square kilometre Yusufeli Property in north-eastern Turkey. Within the properties, two deposits: Corak and Tac, host an NI 43-101 compliant resource estimate, upgraded in April 2009, which established an indicated resource of 49.5 million tonnes. There are also substantial base metal credits in the Corak and Tac deposits which are included in these Au equivalent resource estimates. The Company has a 100% interest in the Tac and Çorak deposits.

Yusufeli Property Indicated and Inferred Mineral Resource¹ (Grades Capped)

Category	Deposit	TONNES (millions)	In-Situ Grade							Contained Metal				
			Au (g/t)	Cu (%)	Ag (g/t)	Pb (%)	Zn (%)	NSR ² (\$)	Au Eq ³ (g/t)	AU (M. Oz)	Cu (M. lbs)	Ag (M. Oz)	Pb (M. lbs)	Zn (M. lbs)
Indicated	Corak	25.70	0.76	-	1.57	0.25	0.60	27.19	1.26	0.63	-	1.30	141.00	340.34
	Tac	23.80	1.24	0.12	-	-	-	31.79	1.39	0.95	64.00	-	-	-
	Total	49.50	0.99	0.12	1.57	0.25	0.60	29.40	1.32	1.58	64.00	1.30	141.00	340.34
Inferred	Corak	7.80	0.53	-	1.42	0.20	0.48	20.00	0.93	0.13	-	0.35	34.76	82.00
	Tac	3.20	1.56	0.14	-	-	-	39.39	1.72	0.16	9.81	-	-	-
	Total	11.00	0.83	0.14	1.42	0.20	0.48	25.64	1.16	0.29	9.81	0.35	34.76	82.00

Intensive metallurgical tests for the two deposits had been finalized and the results from these tests are being incorporated into a Preliminary Assessment (PA – formerly known as a Preliminary Economic Assessment) to determine the appropriate process design criteria and processing flow-sheets. Initial Whittle open pit optimization analyses are complete and final optimization; detailed cost estimation and site layout work remain to be completed. The summary results of the PA are expected to now be available in June 2011 and an NI 43-101 compliant technical report outlining the PA is expected to be filed thereafter.

The Company is in the process of converting three of its ten exploration licences into operating licences, bringing the number of operating licences from four to seven. The technical reports supporting the conversion applications had been submitted in December 2010 and approvals for these conversions are expected to be received during 2011.

The Company intends to initiate an Environmental Impact Assessment (EIA) in mid-2011. Earlier in 2010, a “fatal flaw” analysis was prepared by consultants who concluded that there are no known impediments to the EIA permitting process.

Issues relating to management had been resolved in March 2011 and the Company is now in a position to revive its exploration program and has targeted the summer of 2011 for a drilling campaign.

The Company has formulated an expanded drilling campaign for its Celtik deposit over the summer months. The Çeltik Project is located at the Eastern end of MNR's 12 kilometer mineralized trend. This property has been the subject of previous drilling efforts in 2008 (seven holes) and late 2009 (five holes) that have sustained promising results. The new campaign will consist of 13 holes (with the targets shown in blue on the map below). The proposed drill campaign is divided into two stages:

- First stage of drilling includes P1, P2, P3, P4, P5, P6, and P7 drill holes.
- Second stage includes P8, P9, P10, P11, P12 and P13 drill holes.

When the P1, P2, P3 and P4 drill holes are completed, Mediterranean will have a visual observation for the mineralization corridor. The first seven holes of stage 1 are firm and the next six holes are conditional on results of first seven. If warranted by the results of these first 13 holes, a further 12 holes (making a total of 25 holes) will be proposed to complete the initial Çeltik evaluation.

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The Company believes it has sufficient funds to carry out the assessment and drilling work described above during the Company's second and third quarter. In February 2011, the Company closed a private placement of 15,000,000 units at \$0.10 per unit for gross proceeds of \$1,500,000 (see "Capital Resources" section). The Company also expects to raise additional funds later in 2011 to carry out further exploration campaigns on the newly converted operating licences in order to increase the resources potential of the Yusufeli property.

Selected Financial Information

The following table sets out selected consolidated financial information for the last three completed fiscal years:

	As at or for the year ended		
	2010	2009	2008
Revenues	\$ -	\$ -	\$ -
Corporate general and administrative expenses	1,092,135	1,251,016	1,759,363
Restructuring costs	-	-	-
Net loss for the year	1,149,948	1,262,728	1,133,482
Loss per share – basic and diluted	0.01	0.01	0.01
Total assets	17,788,566	17,957,623	19,449,444
Long-term liabilities	-	-	-
Shareholders' equity	17,522,161	17,616,113	18,816,135
Cash dividends declared per-share	-	-	-

Summary of Quarterly Results

The following tables set out selected results of operations for each of the eight most recently completed quarters:

	Mar 31, 2011 (IFRS)	Dec 31, 2010 (GAAP)	Sept 30, 2010 (GAAP)	Jun 30, 2010 (GAAP)
Revenues	\$ -	\$ -	\$ -	\$ -
Loss	(265,115)	(326,596)	(237,311)	(289,344)
Loss per share – basic	(0.00)	(0.00)	(0.00)	(0.00)
Loss per share – diluted *	(0.00)	(0.00)	(0.00)	(0.00)

	Mar 31, 2010 (GAAP)	Dec 31, 2009 (GAAP)	Sept 30, 2009 (GAAP)	Jun 30, 2009 (GAAP)
Revenues	\$ -	\$ -	\$ -	\$ -
Loss	(296,697)	(320,996)	(318,384)	(284,872)
Loss per share – basic	(0.00)	(0.00)	(0.00)	(0.00)
Loss per share – diluted *	(0.00)	(0.00)	(0.00)	(0.00)

* Diluted loss per share equals basic loss per share as options and warrants are anti-dilutive.

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Results of operations

Three months ended March 31, 2011 compared to three months ended March 31, 2010

For the three months ended March 31, 2011, the Company recorded a loss of \$265,115 compared to a loss of \$310,503, in 2010, a decrease of \$45,388. This decrease in loss was mainly the result of: a write-off of accounts payable in 2011 of \$53,855 relating to amounts accrued in previous years that are no longer payable, offset by a net increase in corporate general and admin ("G&A") expenses of \$10,611 (from \$305,958 in 2010 to \$316,569 in 2011).

The \$10,611 net increase in corporate G&A expenses during the three months ended March 31, 2011 was due mainly to an increase in consulting fees of \$19,250 and professional fees of \$48,418 due mainly to consulting and legal services rendered in 2011 to respond to an attempted change in management by a group of concerned shareholders. The increase in corporate G&A expenses was offset mainly by a decrease in communications of \$24,960, travel expenses of \$12,479, and a net decrease in salaries and benefits of \$19,934 due to the termination in March 2011 of the president and CEO of the Company.

Mineral Properties

Turkey - Yusufeli properties

	December 31, 2009	3 months ended March 31	9 months ended December 31	TOTAL Dec 31, 2010	3 months ended March 31	TOTAL March 31, 2011
Acquisition costs	1,378,515	-	-	1,378,515	-	1,378,515
Exploration costs						
Assaying and sampling	1,824,700	4,311	20,187	1,849,198	-	1,849,198
Drilling	5,165,407	153,296	-	5,318,703	-	5,318,703
Environmental baseline studies	312,636	20,658	7,433	340,727	-	340,727
Geological consulting	3,034,028	231,552	251,613	3,517,193	97,840	3,615,033
Metallurgy	206,612	36,455	149,313	392,380	3,750	396,130
Field costs	1,167,926	22,604	37,066	1,227,596	8,702	1,236,298
Geophysics	84,066	-	-	84,066	-	84,066
Road construction	215,180	22,611	-	237,791	-	237,791
	12,010,555	491,487	465,612	12,967,654	110,292	13,077,946
Project supervision, transportation and travel, office and administrative costs						
Office and administrative	1,445,017	58,740	180,907	1,684,664	41,522	1,726,186
Project and supervision	270,206	19,545	58,635	348,386	19,545	367,931
Transport and travel	433,749	40,148	81,192	555,089	-	555,089
	2,148,972	118,433	320,734	2,588,139	61,067	2,649,206
Licences, permits and fees	495,812	17,235	121,069	634,116	84,312	718,428
	14,655,339	627,155	907,415	16,189,909	255,671	16,445,580
	16,033,854	627,155	907,415	17,568,424	255,671	17,824,095
Licences written off	-	-	(39,120)	(39,120)	-	(39,120)
Total expenditures	16,033,854	627,155	868,295	17,529,304	255,671	17,784,975

To March 31, 2011, the Company had invested in mineral properties a total of \$17,784,975 (March 31, 2010 – \$16,661,009) of which \$1,378,515 was paid in the form of shares of the Company issued pursuant to the option agreement relating to the Yusufeli properties. These properties are held by our sole subsidiary, Akdeniz Resources Madencilik A.S., a Turkish company.

During the first three months of 2011, the Company had to deal with issues relating to financing and management, and as a result, did not pursue an active exploration program in 2011 relative to the same period the year before.

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The recent financing now allows the Company to resume its exploration program with the drilling campaign targeted for the summer of 2011.

During the three months ended March 31, 2011, the Company incurred a total of \$255,671 (2010 – \$627,155) in expenditures relating to its Turkish properties, comprising \$110,292 (2010 – \$491,487) on assaying, drilling, geological consulting, metallurgy, environmental baseline studies and related costs; \$84,312 (2010 – \$17,235) on licensing, permits and legal fees and \$61,067 (2010 – \$118,433) in project supervision, transportation and travel, and office and administrative costs.

The result for the period was a decrease in expenditures of \$371,484 in 2011 versus 2010. This decrease in expenditures was mainly a result of less work done in 2011 than in 2010: \$381,195 less in assaying, drilling, geological consulting, metallurgy, environmental baseline studies and related costs in 2011; \$57,366 less in project supervision, transportation and travel, and office and administrative costs in 2011. Both these decreases in expenditures in 2011 were offset by an increase in licensing, permits and legal fees of \$67,077 in 2011.

Liquidity

The Company had working capital of \$854,595 as at March 31, 2011 compared to working capital deficit of \$73,050 as at December 31, 2010, an increase of \$927,645; mainly due to cash raised of \$1,500,000 in a private placement in February 2011 less cash used in operating activities of \$352,049 and investing in mineral properties of \$255,671.

During the three months ended March 31, 2011, total assets increased by \$1,145,289: from \$17,788,566 at December 31, 2010 to \$18,933,855 at March 31, 2011. Exploration expenditures increased by \$255,671: from \$17,529,304 as at December 31, 2010 to \$17,784,975 as at March 31, 2011 (see “Mineral Properties” section). Receivables, prepaid expenses and deposits increased by \$56,094, from \$75,408 as at December 31, 2010 to \$131,502 as at March 31, 2011, due mainly to more deposits given to suppliers.

Commitments and contingencies

(a) Operating lease commitment

The Company leases office premises with a lease term of 5 years. The Company's commitment for future minimum payments in respect of the operating lease contract is as follows:

	March 31, 2011	March 31, 2010
Not later than one year	\$ 47,873	\$ 44,689
Later than one year and no later than five years	153,640	201,513
	<u>\$ 201,513</u>	<u>\$ 246,202</u>

(b) Claim against the Company

On March 28, 2011, the Company's former President and Chief Executive Officer and director, Dr. Peter Guest, filed a notice of civil claim against the Company with respect to the termination of his contract. The financial effect of this event is not determinable at this time.

Capital Resources

The Company's authorized capital consists of an unlimited number of common shares without par value. At December 31, 2010, the Company had 116,696,328 (December 31, 2010 – 101,344,248) issued and outstanding common shares.

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In February 2011, the Company completed a non-brokered private placement for 15,000,000 units at \$0.10 per unit. Each unit consists of one common share and one-half of one warrant of the Company. Each whole warrant is exercisable to February 8, 2012 to purchase one common share of the Company at \$0.14 per share. As the issue price of each unit was less than the market price of the Company's shares on the day of issue, the full issue price of each unit was allocated to share capital. Share issue costs of \$160,329 were incurred, which included \$45,771 attributable to 1,050,000 agent warrants issued. The fair value of these warrants was allocated to the reserve for warrants. A further 7,500,000 warrants were issued from this private placement which is exercisable to February 8, 2012 to purchase one common share of the Company at \$0.14 per share.

At March 31, 2011, the Company had 8,662,500 warrants (December 31, 2010 – 464,580) outstanding with exercise prices between \$0.10 and \$0.14 per warrant expiring in between February and May 2012.

At March 31, 2011, the Company had 4,350,000 options (December 31, 2010 – 6,300,000) outstanding with exercise prices ranging from \$0.11 to \$0.47 per share and expiring between May 2011 and February 2016. In April 2011, 750,000 of these options were cancelled, and in May 2011 30,000 expired.

As at May 16, 2011, the Company had 116,696,328 shares outstanding and 128,928,828 shares outstanding on a fully diluted basis.

Subsequent Events

Subsequent to March 31, 2011, 750,000 stock options were cancelled and 30,000 stock options expired.

Significant Accounting Judgments and Estimates

The preparation of the interim condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statement of financial position;
- the carrying value and recoverable amount of exploration and evaluation assets
- the estimated useful lives of property, plant and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the condensed consolidated interim statements of operations and comprehensive loss for the period ended March 31, 2011; and
- the inputs used in accounting for share-based compensation expense in the condensed consolidated interim statements of operations and comprehensive loss.

Off-balance sheet arrangements

The Company did not enter into any off-balance sheet arrangements during the period.

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Proposed transactions

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the consolidated financial statements for the three months ended March 31, 2011.

Future accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9, *Financial Instruments*: effective for accounting periods commencing on or after January 1, 2013;
- Amendments to IFRS 7 *Financial Instruments: Disclosure for amendments enhancing disclosures about transfers of financial assets* – effective for annual periods beginning on or after July 1, 2011;
- Amendments to IAS 12 *Income Taxes: Limited scope amendment (recovery of underlying assets)* – effective for annual periods beginning on or after January 1, 2012.

Risk Factors

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

(a) Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

(b) Prices for gold and base metals

Metals prices are subject to volatile price fluctuations and may have a direct impact on the future commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future gold sales.

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(c) Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while expenditures related to foreign operations are predominately incurred in US dollars. Fluctuations in the exchange rates between the Canadian dollar, US dollar and Turkish New Lira may impact the Company's financial condition.

(d) Risks Associated with Foreign Operations

The Company's investments in foreign countries such as Turkey carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating gold and base metal properties in Turkey and elsewhere in the Mediterranean region, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

Related Party Transactions

(a) Management transactions

For the three months ended March 31, 2011

	Short-term employee benefits \$	Post-employment benefits \$	Other long-term benefits \$	Termination benefits \$	Share-based payments \$	Total \$
Dr. Peter Guest Former President and CEO	92,813	-	-	-	-	92,813
Pacific Opportunity Capital Ltd. (i)	12,000	-	-	-	-	12,000
Fehr & Associates (ii)	3,290	-	-	-	-	3,290
Ibrahim Guney General manager and director of subsidiary	60,614	-	-	-	-	60,614

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For the three months ended March 31, 2010

	Short-term employee benefits \$	Post-employment benefits \$	Other long-term benefits \$	Termination benefits \$	Share-based payments \$	Total \$
Dr. Peter Guest Former President and CEO	92,033	-	-	-	-	92,033
Pacific Opportunity Capital Ltd. (i)	12,000	-	-	-	-	12,000
Ibrahim Guney General manager and director of subsidiary	33,212	-	-	-	-	33,212

Notes:

(i) Pacific Opportunity Capital Ltd., a company related by the former Chief Financial Officer, Winnie Wong, who is Vice-President, Client Services of Pacific Opportunity Capital Ltd. At March 31, 2011, \$4,480 (2010 - \$4,200) in fees owed to Pacific Opportunity Capital Ltd. was included in accounts payable and accrued liabilities.

(ii) Fehr & Associates, a private company controlled by the current Chief Financial Officer, Ann Fehr. At March 31, 2011, \$3,685 (2010 - \$Nil) in fees owed to Fehr & Associates was included in accounts payable and accrued liabilities.

(b) Directors transactions

During the three months ended March 31, 2011 and 2010, the following expenses related to directors were recognized:

	March 31, 2011	March 31, 2010
Directors fees	\$ 12,665	\$ 6,000
Share-based payments (i)	26,641	-
	<u>\$ 39,306</u>	<u>\$ 6,000</u>

Note:

(i) Share-based payments are comprised of options granted pursuant to the Company's stock option plan.

On January 27, 2011, 400,000 options were granted to Christopher Ecclestone with a fair value of \$0.09 per option, calculated using the Black-Scholes option pricing model. 25% of these options vested immediately on grant date and 25% every four months thereafter until January 2012. Share-based compensation of \$16,836 was recognized during the period.

On February 21, 2011, 200,000 options were granted to Jeffrey Nichols at a fair value of \$0.13 per option, calculated using the Black-Scholes option pricing model. 25% of these options vested immediately on grant date and 25% every four months thereafter until February 2012. Share-based compensation of \$9,805 was recognized during the period.

At March 31, 2011 and 2010, the following loans were receivable from a director and former director, respectively:

	March 31, 2011	March 31, 2010
John Clarke	\$ -	\$ 52,030
Dr. Peter Guest	-	55,175
	<u>\$ -</u>	<u>\$107,205</u>

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These loans were non-interest bearing and repayable within two years. They were repaid in full during the year ended December 31, 2010.

Accounts payable and accrued liabilities at March 31, 2011 included \$11,166 (2010 – \$Nil) directors fees not yet paid, as well as \$6,000 (2010 – \$Nil) consulting fees earned by a former director of the Company's subsidiary during the year ended December 31, 2010, for arranging and participating in business negotiations in Turkey. These consulting fees were capitalized to exploration and evaluation assets.

(c) Other related party transactions

(i) Legisterra Consulting Ltd.

A director of Legisterra Consulting Ltd., Nursel Atar, is a director of the Company's subsidiary. For the three months ended March 31, 2011, \$3,107 (2010 – \$Nil) rental expense from Legisterra Consulting Ltd. was incurred.

(ii) 494361 BC Ltd.

494361 BC Ltd. is owned by a close family member of the Company's former President and CEO. For the three months ended March 31, 2011, \$1,050 (2010 – \$900) rental income (included as a recovery of rental expense) was received from 494361 BC Ltd.

Financial instruments and risk management

The fair values of the Company's accounts receivable and accounts payables approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's property interests in Turkey make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

The Company holds most of its funds in Canadian Dollars and funds the majority of its Turkish Lira exploration expenditure in US Dollars. A 5% change in the Turkish Lira exchange rate relative to the Canadian dollar would change the Company's net income by \$11,380, while a 5% change in the US dollar relative to the Canadian dollar would change the Company's net income by \$2,490.

(b) Credit risk

The Company's cash is held in large Canadian financial institutions. The Company's accounts receivable consist primarily of harmonized sales tax due from the federal government of Canada and value-added tax due from the government of Turkey.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

(d) Interest rate risk

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

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The Company's financial instruments consist of cash and deposits, and accounts payable and accrued liabilities. The Company's exposure to interest rate risk is minimal due to the short term maturity of its investments.

(f) Classification of Financial Instruments

IFRS 7 'Financial Instruments: Disclosures' establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3
Cash	\$ 952,345	-	-
	\$ 952,345	\$ -	\$ -

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2011, as required by Canadian securities law. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2011, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time period specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of March 31, 2011, the Company's internal control over financial reporting was effective.

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Policies & Conversion to International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory change-over date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

As stated in Note 2 of the Financial Statements, these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition in Note 13 in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

After a detailed assessment of its accounting system, the Company reached the following conclusions with regard to the new reporting requirements for IFRS:

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combination* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after January 1, 2010. There is no adjustment required to the December 31, 2009 financial statements on the transition date.

b) Exploration and Evaluation Assets

- The requirements for Exploration and Evaluation assets (previously classified as Mineral Properties) under IFRS 6 are consistent with Canadian GAAP. Therefore no adjustments were required.

c) Plant, Property and Equipment

- The Company has elected to apply IFRS 16's cost model of accounting for Plant, Property and Equipment (previously classified as Leasehold Improvements and Equipment), which is consistent with the Company's previous method of accounting.
- IFRS requires assets comprised of significant components to be depreciated on a component basis. However, as the Company's assets do not have significant components, no adjustment was required.
- IFRS requires that the method of depreciation, useful life and residual value of items of Plant, property and Equipment be assessed at least annually. It was concluded that the estimates currently used by the Company are appropriate.

d) Translation of a foreign operation

- IFRS 21 requires the functional currency of each entity within a group to be assessed individually.
- It was concluded that the functional currency of both the Company and its subsidiary is Canadian Dollars.

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- The translation of the subsidiary's financial records, which are maintained in Turkish Lira, is therefore consistent with the method used under Canadian GAAP, and therefore no adjustment was required.
- e) Share based payments
- The method of accounting for share-based compensation arising from options awarded to employees required by IFRS 2 is different to that adopted by the Company under Canadian GAAP.
 - However, IFRS 1 permits a first-time adopter to apply IFRS 2 only to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005.
 - The Company elected to apply this exemption and therefore, no adjustment was required at transition date.
 - However, an adjustment was required for share-based compensation recognised during the year ended December 31, 2010.
- f) Financial Instruments
- The requirements Financial Instruments under IFRS 6 are consistent with the Company's accounting treatment under Canadian GAAP. Therefore no adjustments were required.
- g) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

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Reconciliation of Assets, Liabilities and Equity

	January 01, 2010			March 31, 2010			December 31, 2010			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Current assets										
Cash		\$ 516,222	\$ -	\$ 516,222	\$ 367,888	\$ -	\$ 367,888	\$ 117,947	\$ -	\$ 117,947
Short-term investments		1,019,624	-	1,019,624	321,075	-	321,075	-	-	-
HST and VAT Receivable		27,576	-	27,576	76,923	-	76,923	27,070	-	27,070
Prepaid expenses and deposits		164,321	-	164,321	140,611	-	140,611	48,338	-	48,338
		1,727,743	-	1,727,743	906,497	-	906,497	193,355	-	193,355
Non-current assets										
Exploration and evaluation assets		16,033,854	-	16,033,854	16,661,009	\$ -	16,661,009	17,529,304	\$ -	17,529,304
Plant, property and equipment		88,821	-	88,821	89,679	-	89,679	65,907	-	65,907
Loans receivable from related parties		107,205	-	107,205	107,205	-	107,205	-	-	-
		16,229,880	-	16,229,880	16,857,893	-	16,857,893	17,595,211	-	17,595,211
TOTAL ASSETS		\$ 17,957,623	\$ -	\$ 17,957,623	\$ 17,764,390	\$ -	\$ 17,764,390	\$ 17,788,566	\$ -	\$ 17,788,566
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities		\$ 297,156	\$ -	\$ 297,156	\$ 431,078	\$ -	\$ 431,078	\$ 211,969	\$ -	\$ 211,969
Due to related parties		44,354	-	44,354	4,200	-	4,200	54,436	-	54,436
		341,510	-	341,510	435,278	-	435,278	266,405	-	266,405
SHAREHOLDERS' EQUITY										
Share capital		18,079,353	-	18,079,353	18,079,353	-	18,079,353	19,058,571	-	19,058,571
Reserves	(a) , (b)	6,298,514	-	6,298,514	6,308,210	13,806	6,322,016	6,375,292	2,411	6,377,703
Deficit	(a)	(6,761,754)	-	(6,761,754)	(7,058,451)	(13,806)	(7,072,257)	(7,911,702)	(2,411)	(7,914,113)
		17,616,113	-	17,616,113	17,329,112	-	17,329,112	17,522,161	-	17,522,161
TOTAL EQUITY AND LIABILITIES		\$ 17,957,623	\$ -	\$ 17,957,623	\$ 17,764,390	\$ -	\$ 17,764,390	\$ 17,788,566	\$ -	\$ 17,788,566

MEDITERRANEAN RESOURCES LTD.**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011**

CONTAINING INFORMATION UP TO AND INCLUDING May 16, 2011

Reconciliation of Operations and Comprehensive Loss

	For the three months ended March 31, 2010			Year ended December 31, 2010			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES							
Communications		\$ 39,233	\$ -	\$ 39,233	\$ 97,663	\$ -	\$ 97,663
Consulting		8,250	-	8,250	33,352	-	33,352
Office, insurance and sundry		33,159	-	33,159	119,203	-	119,203
Professional fees		4,009	-	4,009	99,146	-	99,146
Rent		15,841	-	15,841	76,466	-	76,466
Regulatory and transfer agent fees		20,649	-	20,649	34,527	-	34,527
Salaries and benefits		136,931	-	136,931	553,204	-	553,204
Share-based compensation	(a)	9,696	13,806	23,502	31,379	2,411	33,790
Travel		25,284	-	25,284	50,795	-	50,795
less: recovery of expenses		(900)	-	(900)	(3,600)	-	(3,600)
		\$ 292,152	\$ 13,806	\$ 305,958	\$ 1,092,135	\$ 2,411	\$ 1,094,546
OTHER EXPENSE (INCOME)							
Interest income		(1,571)	-	(1,571)	(3,489)	-	(3,489)
Foreign exchange loss		6,116	-	6,116	16,964	-	16,964
Loss on disposal of leasehold improvements		-	-	-	5,218	-	5,218
Licences written off		-	-	-	39,120	-	39,120
		4,545	-	4,545	57,813	-	57,813
NET LOSS AND COMPREHENSIVE LOSS		\$ 296,697	\$ 13,806	\$ 310,503	\$ 1,149,948	\$ 2,411	\$ 1,152,359

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

CONTAINING INFORMATION UP TO AND INCLUDING May 16, 2011

Reconciliation of Cash Flows

	For the three months ended March, 31 2010			Year ended December 31, 2010			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
CASH PROVIDED BY (USED FOR):							
OPERATING ACTIVITIES							
Net (loss) gain for the period	(a)	\$ (296,697)	\$ (13,806)	\$ (310,503)	\$ (1,149,948)	\$ (2,411)	\$ (1,152,359)
Items not requiring (providing) cash:							
Depreciation		3,718	-	3,718	11,834	-	11,834
Accrued interest income		(913)	-	(913)	-	-	-
Share-based compensation	(a)	9,696	13,806	23,502	31,379	2,411	33,790
Licences written off		-	-	-	39,120	-	39,120
Foreign exchange loss (gain)		6,116	-	6,116	16,964	-	16,964
Loss on disposal of leasehold improvements		-	-	-	5,218	-	5,218
Net changes in non-cash operating working-capital		(45,336)	-	(45,336)	147,131	-	147,131
CASH FROM OPERATING ACTIVITIES		(323,416)	-	(323,416)	(898,302)	-	(898,302)
FINANCING ACTIVITIES							
Proceeds from issuance of shares		-	-	-	1,130,000	-	1,130,000
Share issuance costs		-	-	-	(105,383)	-	(105,383)
CASH USED FOR FINANCING ACTIVITIES		-	-	-	1,024,617	-	1,024,617
INVESTING ACTIVITIES							
Purchase of short-term investments		(1,014,000)	-	(1,014,000)	(1,514,000)	-	(1,514,000)
Proceeds from redemptions of short-term investments		1,713,462	-	1,713,462	2,533,624	-	2,533,624
Investment in exploration and evaluation assets		(513,707)	-	(513,707)	(1,626,249)	-	(1,626,249)
Acquisition of plant, prooperty and equipment		(4,576)	-	(4,576)	(8,342)	-	(8,342)
Loans receivable from related parties		-	-	-	107,205	-	107,205
CASH USED FOR INVESTING ACTIVITIES		181,179	-	181,179	(507,762)	-	(507,762)
Foreign exchange loss on cash held in foreign currency		(6,097)	-	(6,097)	(16,828)	-	(16,828)
DECREASE IN CASH		(148,334)	-	(148,334)	(398,275)	-	(398,275)
CASH, BEGINNING OF PERIOD		516,222	-	516,222	516,222	-	516,222
CASH, END OF THE PERIOD		\$ 367,888	\$ -	\$ 367,888	\$ 117,947	\$ -	\$ 117,947