

ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2004

Dated April 12, 2005

The selected consolidated financial information set out below and certain comments which follow are based on and derived from the consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the year ended December 31, 2004 and should be read in conjunction with them.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

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

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

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

OVERVIEW

The Company is a junior natural resource exploration company with its properties in Canada and the Philippines and at the present time does not have a producing mineral property.

Altai's three properties in Canada, all in the Quebec Province – the 50% owned Malartic gold property, the 53.496% owned (as at December 31, 2004) Lac St. Pierre natural gas property and the 53.496% owned (as at December 31, 2004) Sorel natural gas property, were maintained in good standing in 2004.

In November 2004, Altai Philippines Mining Corporation ("Altai Philippines" of which Altai owns 40% equity interest) has done some exploration work on the properties. Altai Philippines has signed an option agreement with a group of two Australian and a Philippine company headed by Sunshine Mining Pty. Ltd. (the "Optionee") for the sale of Altai Philippines' Sibuyan lateritic nickel-cobalt property, Romblon province, Philippines. The option exercise price of C\$1.3 million is payable within six months of the Philippine Government signing a Mineral Profit Sharing Agreement ("MPSA") with Altai Philippines on the property. The MPSA application involves public hearings with the local governments and organisations which are to be held in the near future. The Optionee will make a non-refundable advance of US\$70,000 to Altai Philippines towards the costs of the hearings. If and when the sale occurs, approximately C\$720,000 of the sale proceeds will accrue to the Company as partial repayment of Altai Philippines' debt to the Company.

The proposed transaction with Bolcar Energy Inc. re the sale of the Lac St. Pierre and Sorel gas permits by the Company and Petro St-Pierre Inc. announced in 2004 did not close. The agreement is null and void effective February 11, 2005.

OUTLOOK FOR 2005 AND BEYOND

The Company has currently adequate cash and marketable securities to fund its administrative expenses and to pay its contractual obligations to the end of 2006. Any future expenditures on the exploration projects will require new financing or closing of the asset sale agreement on the Sibuyan lateritic nickel-cobalt property or Crew Gold Corporation exercising its option to purchase Altai Philippines' net profit interest in the Negros Island sulfur property.

Over the next twelve months, the Company's efforts will be focused on the following:

1. Sale and/or option of the Lac St. Pierre and Sorel gas projects;
2. Sale of Ticao limestone-shale property in the Philippines; and
3. Acquisition of a new property – base metals, gold or uranium

OVERALL PERFORMANCE, RESULTS OF OPERATIONS

In 2004, the Company incurred a net loss of \$218,451 including its share (\$25,661) of the net earnings of equity investment in Altai Philippines. The loss is mainly on corporate and administrative expenses which include a \$175,500 consulting charge payable to an ex-officer (ceased as an officer effective September 1, 2004) in equal instalments over five years starting in 2005. It also includes a \$14,400 stock-based compensation cost (using the fair value based accounting method) on 240,000 option shares granted to directors in 2004.

During the year, the major sources of funding for its exploration work in the Lac St. Pierre and Sorel natural gas properties and other properties and for administrative expenses came from the receipt in January 2004 of its share (US\$30,000) of the anniversary payment by Crew Gold Corporation on the latter's option on the Negros Island sulfur property in the Philippines, exercise of stock options and cash credit received.

The marketable securities held by Altai, the main current asset of the Company and comprising mostly of Canadian major bank shares denominated in Canadian currency, are liquid and have increased in market value in 2004 compared to 2003 year end.

SELECTED ANNUAL INFORMATION

	December 31, 2004	December 31, 2003	December 31, 2002
	\$	\$	\$
Total revenue	4,647	62,736	245,629
Net loss	(218,451)	(80,574)	(116,574)

Loss per share (Basic and Diluted*)	0.009	0.003	0.005
Total assets	3,692,218	3,688,045	3,671,322
Long term debt	140,400	Nil	Nil
Dividend paid	Nil	Nil	Nil
Weighted average number of shares outstanding			
Basic	24,065,275	23,703,444	22,926,650
Diluted (including share options)	25,297,455	25,156,773	24,949,622

SUMMARY OF QUARTERLY RESULTS

2004	Three Months Ended			
	December 31 \$	September 30 \$	June 30 \$	March 31 \$
Revenue	1,217	1,199	1,181	1,050
Net loss	(147,923)	(15,513)	(43,076)	(11,939)
Net loss per share (Basic and Diluted*)	(0.006)	(0.001)	(0.002)	(0.000)
Weighted average number of shares				
Basic	24,065,275	24,065,275	24,065,275	24,014,865
Diluted (including share options)	25,297,455	25,397,455	25,597,455	25,647,865

2003	Three Months Ended			
	December 31 \$	September 30 \$	June 30 \$	March 31 \$
Revenue	6,439	1,084	1,189	54,024
Net loss	(53,925)	(290)	(2,694)	(23,665)
Net loss per share (Basic and Diluted*)	(0.002)	(0.000)	(0.000)	(0.001)
Weighted average number of shares				
Basic	23,703,444	23,703,444	23,650,184	23,610,732
Diluted (including share options)	25,156,773	26,391,773	26,761,513	26,389,622

* Due to the loss in 2002, 2003 and 2004, 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 stock options would be anti-dilutive.

LIQUIDITY AND CAPITAL RESOURCES

There is a three year office rental lease expiring August 31, 2007. The estimated total obligations for 2005 is \$6,000.

RELATED PARTY TRANSACTIONS

- In November 2004, an officer of the Company made to the Company a non-interest bearing loan of \$35,000 repayable on demand by the officer. The loan has been repaid in March 2005.
- Consulting services were provided by the two officers of the Company (one ceased as an officer effective September 1, 2004). Fees for such services amounted to \$184,005 in 2004 compared to \$39,000 in 2003.
- Effective August 1, 2004 remuneration to the president of the Company has been fixed at \$1 per month until further change.
- In October 2004, an agreement was signed with an ex-officer of the Company (who ceased to be an officer of the Company effective September 1, 2004) for \$175,500 consulting charge payable to her in equal instalments over 5 years starting in 2005, such being the reduced accumulative total of the difference between the monthly consulting fee and the voluntarily reduced consulting fees from 1998 to July 31, 2004 and the gratuity due to her on the termination of her consulting agreement at the end of July 2004. The full amount of \$175,500 has been charged to administrative expenses in 2004.
- The Company is contingently liable to an officer of the Company for consulting fees of approximately \$450,000. This liability resulted from voluntary reductions from consulting fees payable in accordance with the terms of the consulting agreement and will become due and payable upon demand by the officer.

OUTSTANDING SHARES

As of April 12, 2005, the Company's share capital is as following:

	Basic	Weighted average
Issued and outstanding common shares	24,933,554	24,802,047
Share options	793,000	793,000
Common shares fully diluted	25,726,554	25,595,047