

**MANAGEMENT'S DISCUSSION AND ANALYSIS (FORM 51-102F1)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

Dated October 31, 2006

The selected consolidated financial information set out below and certain comments which follow are based on and derived from the unaudited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the nine months ended September 30, 2006 and should be read in conjunction with them. Some of the items discussed in the Management's Discussion and Analysis for the year ended December 31, 2005 ("2005 Annual MD&A") dated March 30, 2006 are relevant for the period under review and therefore readers are advised to read this with the 2005 Annual MD&A.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on Altai's website at www.altairesources.com.

FORWARD LOOKING STATEMENTS

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

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

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

OVERVIEW

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

- a) Altai's properties in Canada, both in the Quebec Province – the 50% owned Malartic gold property of 3 claims of 120 hectares (300 acres) and the 54.12% owned (as at December 31, 2005) Sorel-Trois Rivieres natural gas property (formerly known as the Lac St. Pierre and Sorel natural gas properties) of 8 oil and gas permits of 127,542 hectares (315,150 acres) were maintained in good standing as at September 30, 2006 and to date.
- b) Sorel-Trois Rivieres natural gas property, Quebec
- i) The July 2005 Agreement between Talisman Energy Canada ("Talisman") of Calgary, Alberta and the Company and its joint venture partner in its Sorel-Trois Rivieres natural gas property, Petro St-Pierre Inc. ("PSP"), involves four permits aggregating to 73,275 hectares (181,050 acres) ("Farmout Lands") of the Sorel-Trois Rivieres property and encompassing an exploratory trend that extends over 55 kilometers.

Talisman may earn a 100% equity (working) interest in any Farmout permit by drilling one well in that permit. The option extends to April 2010. Altai and PSP will retain an aggregate 15% (fifteen percent) gross royalty of which Altai has 53.5%, on all net receipts from the Farmout Lands.

Following Altai's grant to Talisman (at the latter's request) of a time extension for the test well drilling from the agreement scheduled date of May 15, 2006 due to permitting delay, Talisman has drilled its stratigraphic well at Altai's oil and gas permit No. 2002PG625 in July 2006 to a depth of 1,298 meters. This vertical well encountered good gas shows during drilling. It has been cased and is awaiting availability of a completion rig which will allow flow tests to be conducted on the zones of interest. Altai will make a future announcement of the results as soon as Talisman releases results of the completion tests and flow rates.

- ii) Altai and PSP's remaining four oil and gas permits aggregate to 54,267 hectares (134,100 acres).

To date less than one third of the four permits have been covered by seismic surveys all orientated to shallow gas targets (150 meters or less) in Pleistocene deposits. According to the independent consultant, the 20 outlined shallow gas targets (two have been drilled with gas discoveries) may contain 29 BCF of gas of which 12 BCF may be recoverable. To date, no seismic survey orientated to possible deep targets has been carried out on these permits.

- iii) Development of a gas storage site or sale of storage rights remains an important aim of the Sorel-Trois Rivieres property for Altai.

- c) Altai Philippines Mining Corporation ("Altai Philippines")

- i) As at September 30, 2006 and to date, Crew Gold Corporation, through its wholly owned subsidiary, Crew Minerals Philippines Inc., has not yet put into production the Negros Island sulfur property that it has optioned from Altai Philippines (of which the Company owns 40% equity interest and has a direct 10% Net Smelter Return (NSR) royalty interest in all properties in which Altai Philippines has an interest).

- ii) As at September 30, 2006 and to date, the option agreement that Altai Philippines signed with a consortium headed by Sunshine Gold Pty Ltd. of Australia in late 2004 for the sale of Altai Philippines' lateritic nickel-cobalt property on Sibuyan Island, Philippines, has not yet closed as the Mineral Production Sharing Agreement application for the property has not yet been approved by the Philippine Government.

OVERALL PERFORMANCE, RESULTS OF OPERATIONS

In the nine months ended September 30, 2006, the Company incurred a loss of \$38,053 including its share (\$890) of the net loss of equity investment in Altai Philippines.

During the period, the major sources of funding for its exploration work in the Sorel-Trois Rivieres natural gas property, the administrative expenses and the second instalment payment of a long term consulting charge payable came from the receipt in January 2006 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, and the cash grant of approximately \$39,000 from the Quebec Government in relation to exploration expenditures incurred by Altai in Quebec in 2005.

The marketable securities held by Altai comprising mostly of Canadian major bank shares denominated in Canadian currency, are liquid and are slightly higher in market value in 2006 to date compared to 2005 year end.

OUTSTANDING SHARES

As of October 31, 2006, the Company's share capital is as following:

	<u>Basic</u>	<u>Weighted average</u>
Issued and outstanding common shares	25,056,554	25,055,798
Share options	<u>870,000</u>	<u>870,000</u>
Common shares fully diluted	25,926,554	25,925,798

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