

**ALTAI RESOURCES INC.**  
**CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2005**  
**(PREPARED BY MANAGEMENT)**

	March 31, 2005 (UNAUDITED)	December 31, 2004 (AUDITED)
	\$	\$
<b>ASSETS</b>		
Current		
Cash	124,006	51,173
Marketable securities (Note 2)	16,463	32,018
Accounts receivable	6,984	379
	147,453	83,570
Note receivable (Note 3)	546,903	546,903
Investment in subsidiaries (Note 3)	578,899	615,740
Interests in mining properties (Note 4)	1,011,499	1,011,499
Natural gas interests (Note 5)	1,486,936	1,434,505
Investment in technology project	1	1
<b>Total Assets</b>	<b>3,771,691</b>	<b>3,692,218</b>
<b>LIABILITIES</b>		
Current		
Accounts payable	34,691	12,698
Loan from officer (Note 7)	–	35,000
Current portion of consulting charge payable	35,100	35,100
	69,791	82,798
Consulting charge payable	105,300	140,400
	175,091	223,198
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	9,359,232	9,279,232
Contributed surplus	69,950	69,950
Deficit	(5,832,582)	(5,880,162)
	3,596,600	3,469,020
<b>Total liabilities and shareholders' equity</b>	<b>3,771,691</b>	<b>3,692,218</b>

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 (UNAUDITED)**

	March 31, 2005	March 31, 2004
	\$	\$
<b>CONSOLIDATED OPERATIONS</b>		
<b>Revenue</b>		
Investment and miscellaneous income	1,309	1,050
Gain on sale of marketable securities	56,416	–
	57,725	1,050
<b>Expenses</b>		
Administrative expenses	9,638	12,131

Prospecting and general	227	77
	9,865	12,208
<b>Net Income before share of net earnings (loss) of equity investment</b>	47,860	(11,158)
Share of net earnings (loss) of equity investment	(280)	(781)
<b>Net earnings (loss)</b>	47,580	(11,939)
<b>Net earnings (loss) per share – basic and fully diluted (Note 8)</b>	0.002	(0.000)
<b>CONSOLIDATED DEFICIT</b>		
Balance, beginning of period	(5,880,162)	(5,594,161)
Net earnings (loss)	47,580	(11,939)
Balance, end of period	(5,832,582)	(5,606,100)

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 (UNAUDITED)**

	March 31, 2005	March 31, 2004
	\$	\$
<b>Operating activities</b>		
Net earnings (loss)	47,580	(11,939)
Items not affecting cash		
Share of net earnings (loss) of equity investment	280	781
Gain on sale of marketable securities	(56,416)	–
Decrease (increase) in accounts receivable	(6,607)	581
(Decrease) increase in loan from officer	(35,000)	–
Decrease (increase) in accounts payable	21,996	(3,596)
Increase in consulting charge payable	(35,100)	–
Cash used in operating activities	(63,267)	(14,173)
<b>Investing activities</b>		
Deferred exploration expenditures	–	(369)
Proceeds on sale of marketable securities	71,971	–
Natural gas interests	(52,431)	(12,104)
Investment in subsidiaries	36,560	39,827
Cash provided by (used in) investing activities	56,100	27,354
<b>Financing activities</b>		
Issue of shares	80,000	15,000
Cash provided by financing activities	80,000	15,000
<b>Change in cash</b>	72,833	28,181
Cash, beginning of period	51,173	26,913
<b>Cash, end of period</b>	124,006	55,094

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2005

**1. Basis of presentation**

The interim period consolidated financial statements have been prepared by the Company (without being reviewed by auditors) in

accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements, except where there are changes in accounting policies which have been disclosed in these financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim period consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

## 2. Marketable securities

The marketable securities on hand at March 31, 2005 had a market value of \$87,375 (December 31, 2004—\$161,028).

## 3. Investment in subsidiaries

Note receivable is from Altai Philippines Mining Corporation ("Altai Philippines").

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

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

The properties of Altai Philippines are Sibuyan Island lateritic nickel-cobalt property, Lahuy Island gold property, Negros Island sulfur property, Ticao limestone property and Bulan gold property.

Since September 1998 Crew Gold Corporation ("Crew"), through its subsidiary, Crew Minerals Philippines Inc., has an option agreement to put the Negros Island sulfur property into production for 75% net profit interest (NPI) of the property while Altai Philippines will be carried at 25% NPI. As at March 31, 2005, Crew has not yet put the property into production.

## 4. Interest in mining properties

	Balance, Beginning of Year \$	Expenditure \$	Balance, End of Period \$
<b>Malartic Township, Quebec</b>			
Property	283,711	—	283,711
Expenditure	727,788	—	727,788
	1,011,499	—	1,011,499

## 5. Natural gas interests

	Balance, Beginning of Year \$	Expenditure \$	Balance, End of Period \$
<b>Lac St. Pierre and Sorel, Quebec</b>			
Expenditure	1,434,505	52,431	1,486,936

## 6. Share capital and options

### Share Capital

#### Authorized

An unlimited number of common shares of no par value.

Issued	No. of shares	Amount \$
Issued at December 31, 2004	24,133,554	9,279,232

Issued for cash in 2005		
– flow through shares private placement	800,000	80,000
Issued at March 31, 2005	24,933,554	9,359,232

At March 31, 2005, there were 219,667 escrowed common shares outstanding.

### Options

- a) The 2002 Stock Option Plan which authorizes the Board to grant up to 2,293,000 option shares to directors, officers and employees of the Company or of its subsidiaries is in effect. The options are generally exercisable for up to five years from the date of grant.

The prices of all stock options granted are greater than or equal to the fair market value of each common share on the dates the options were granted.

At March 31, 2005, there were 500,000 option shares available for grant.

The following table summarizes share option activities since December 31, 2004:

	Number of shares	Options outstanding
		Weighted average exercise price \$
Balance at December 31, 2004	1,783,000	0.100
Granted	240,000	0.140
Exercised	(240,000)	0.100
Cancelled	(440,000)	0.105
Balance at March 31, 2005	1,343,000	0.107

The following table summarizes outstanding share options at March 31, 2005:

Number of share options outstanding			Expiry date	Weighted average Exercise price \$
Exercisable	Unexercisable	Total		
583,000	–	583,000	August 18, 2007	0.100
60,000	–	60,000	October 31, 2007	0.100
10,000	–	10,000	March 18, 2008	0.100
–	450,000 <sup>(1)</sup>	450,000	April 10, 2005	0.100
240,000	–	240,000	June 17, 2009	0.140
893,000	450,000	1,343,000		0.107

- <sup>(1)</sup> An option granted to a technical consultant and the vesting of the option is based on the terms of the technical consulting agreement. The option is non-vested as at March 31, 2005.

### b) Accounting for stock-based compensation cost

In 2004, the Company adopted, retroactively without restating prior periods, the recommendations of the CICA Handbook Section 3870, “Stock-based compensation and other stock-based payments”, which now require that the fair value based method be applied to awards granted to employees. Under the recommendations, the Company recognises the stock-based compensation cost related to options granted on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation.

For the three months ended March 31, 2005, no stock-based compensation cost had been incurred.

## 7. Related Party transaction

- a) Consulting services were provided by an officer. Fees for such services amounted to \$6,000. The fees have been allocated to resource properties.
- b) The \$35,000 non-interest bearing loan from an officer of the Company has been repaid in 2005.

## 8. Earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of shares outstanding during the period. Diluted net earnings (loss) per share is calculated by dividing the net earnings (loss) by the sum of the weighted average number of shares outstanding and all additional shares that would have been outstanding if potentially dilutive securities had been issued during the period.

The following table sets forth the computation of basic and diluted loss per share:

	March 31, 2005	March 31, 2004
	\$	\$
Numerator		
Net earnings ( loss) for the period – basic and diluted	47,580	(11,939)
Denominator		
Weighted average number of shares – basic	24,802,047	24,014,865
Effect of dilutive shares		
Stock options	893,000	–
Weighted average number of shares – diluted	25,695,047	24,014,865
Basic and diluted net earnings (loss) per share	0.002	(0.000)

Due to the loss in the three months ended March 31, 2005, no diluted net loss per share is provided as the inclusion of outstanding stock options would be anti-dilutive.