

**ALTAI RESOURCES INC.**  
**CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2004**  
**(PREPARED BY MANAGEMENT)**

	June 30, 2004 (UNAUDITED)	December 31, 2003 (AUDITED)
<b>ASSETS</b>		
Current		
Cash	\$ 23,226	\$ 26,913
Marketable securities (Note 2)	32,018	32,018
Accounts receivable	3,363	1,617
	58,607	60,548
Note receivable	546,903	546,903
Investment in subsidiaries (Note 3)	588,934	629,138
Interests in mining properties (Note 4)	1,012,555	1,007,210
Natural gas interests (Note 5)	1,462,110	1,444,245
Investment in technology projects	1	1
<b>Total Assets</b>	<b>\$ 3,669,110</b>	<b>\$ 3,688,045</b>
<b>LIABILITIES</b>		
Current		
Accounts payable (Note 6)	\$ 48,859	38,974
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	\$ 9,267,232	\$ 9,243,232
Contributed surplus	2,400	-
Deficit	(5,649,381)	(5,594,161)
	3,620,251	3,649,071
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,669,110</b>	<b>\$ 3,688,045</b>

Approved on behalf of the Board

*"Niyazi Kacira"*

Director

*"Didier Pomerleau"*

Director

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)**

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
<b>Revenue</b>				
Investment and miscellaneous income	\$ 1,181	\$ 1,189	\$ 2,231	\$ 2,018
Interest earned on note receivable	-	-	-	53,195
	1,181	1,189	2,231	55,213
<b>Expenses</b>				
Administrative expenses	44,220	3,534	56,352	6,626
Provision for doubtful accounts	-	-	-	53,195
Prospecting and general	37	84	114	154
Amortization	-	54	-	108
	44,257	3,672	56,466	60,083
<b>Net loss before share of net loss of equity investment</b>	(43,076)	(2,483)	(54,235)	(4,870)
Share of net loss of equity investment	(205)	(211)	(985)	(21,489)
<b>Net loss</b>	(43,281)	(2,694)	(55,220)	(26,359)
Accumulated deficit, beginning of period	(5,606,100)	(5,537,252)	(5,594,161)	(5,513,587)
<b>Accumulated deficit, end of period</b>	\$ (5,649,381)	\$ (5,539,946)	\$ (5,649,381)	\$ (5,539,946)
<b>Net loss per share (weighted average)</b>	\$ (0.002)	\$ (0.000)	\$ (0.002)	\$ (0.001)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)**

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
<b>Operating activities</b>				
Net loss	\$ (43,281)	\$ (2,694)	\$ (55,220)	\$ (26,359)
Items not affecting cash				
Share of net loss of equity investment	205	211	985	21,489
Amortization	-	54	-	108
Decrease (increase) accounts receivable	(2,325)	706	(1,745)	(4,261)
Increase (decrease) in accounts payable	13,482	1,897	9,885	(13,647)
Cash used in operating activities	(31,919)	174	(46,095)	(22,670)
<b>Investing activities</b>				
Deferred exploration expenditures	(4,976)	(89)	(5,344)	(89)
Natural gas interest	(5,762)	(34,958)	(17,865)	(79,460)
Investment in subsidiaries	(611)	(292)	39,217	(333)
Cash provided by (used in) investing activities	(11,349)	(35,339)	16,008	(79,882)
<b>Financing activities</b>				
Issue of shares	9,000	6,000	24,000	84,000
Contributed surplus	2,400	-	2,400	-
Cash provided by financing activities	11,400	6,000	26,400	84,000
<b>Change in cash</b>	(31,868)	(29,165)	(3,687)	(18,552)
Cash, beginning of period	55,094	75,294	26,913	64,681
<b>Cash, end of period</b>	\$ 23,226	\$ 46,129	\$ 23,226	\$ 46,129

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2004**

**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 June 30, 2004 had a market value of \$146,760 (December 31, 2003—\$139,785).

**3. Investment in subsidiaries**

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 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, Mabulao copper-gold property, Samar gold 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 June 30, 2004, 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		723,461		4,327		727,788
<b>Other Properties</b>						
Property	\$	—	\$	—	\$	—
Expenditure		38		1,018		1,056
	\$	1,007,210	\$	5,345	\$	1,012,555

**5. Natural gas interests**

		Balance, Beginning of Year		Expenditure		Balance, End of Period
<b>Lac St. Pierre, Quebec</b>						
Expenditure	\$	1,441,604	\$	2,407	\$	1,444,011
<b>Sorel, Quebec</b>						
Expenditure	\$	2,641	\$	15,458	\$	18,099
	\$	1,444,245	\$	17,865	\$	1,462,110

**6. Accounts payable**

Accounts payable includes \$46,010 payable to an officer of the Company.

## 7. Share capital

### Authorized

An unlimited number of common shares of no par value

Issued	No. of shares		Amount
Issued at December 31, 2003	23,893,554	\$	9,243,232
Issued for cash in 2004 - exercise of option	240,000		24,000
Issued at June 30, 2004	24,133,554	\$	9,267,232

- a) At June 30, 2004, there were 1,643,000 option shares outstanding, with 100,000 option shares granted under the former 1987 and 1996 Stock Option Plans and 1,543,000 option shares granted under the existing 2002 Stock Option Plan, at prices ranging from \$0.10 to \$0.14 per share and with expiry dates ranging from October 10, 2004 to June 17, 2009. 240,000 option shares were granted to 3 directors on June 18, 2004, out of which 200,000 option shares (granted to two new directors) will vest only upon the TSX Venture Exchange approval of their directorship with the Company.

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

With the adoption of the fair value based method of accounting for stock options commencing January 1, 2004 as required by CICA Handbook section 3870 "Stock-based Compensation and Other Stock-based Payments", the Company has \$2,400 compensation expense re 40,000 vested option shares granted to a director in the quarter ended June 30, 2004.

- b) At June 30, 2004, there were 219,667 escrowed common shares outstanding.

## 8. Related party transactions

Consulting services were provided by officers. Fees for such services amounted to \$31,000. These fees have been allocated to administrative expenses (\$27,000) and investment in subsidiaries and resource properties (\$4,000).

## 9. Subsequent events

- a) Lac St. Pierre and Sorel Gas Properties

In April 2004 the Company and Petro St-Pierre Inc. ("PSP"), its joint venture partner in the Lac St. Pierre natural gas property ("Lac St. Pierre Property"), Quebec, have signed an agreement (the "Agreement") with Bolcar Énergie Inc. ("Bolcar"), a Montreal based capital pool company listed on the TSX Venture Exchange ("TSX Venture"), to sell the Lac St. Pierre Property to Bolcar for approximately C\$7.9 million in Bolcar common shares at \$0.25 per share.

In August 2004, an Addendum to the Agreement has been signed for the following: -

- 1) The 2 Sorel permits of the Company and Petro St-Pierre Inc. are included as part of the sale transaction. The cash portion for the sale of the Sorel permits will be \$90,000 payable to the vendors on the date of closing of the transaction; and
- 2) The part of the sale price to be paid in Bolcar common shares will remain at approximately C\$7.9 M but the deemed Bolcar share price for the transaction has been revised to \$0.30 per share per TSX Venture decision.

The transaction remains subject to the approvals of all applicable regulators and TSX Venture for Altai and Bolcar, Bolcar being listed on TSX Venture as a Tier 2 issuer on or before the transaction closing which has to occur no later than six months from the signature date of the Addendum (revised from "signature date of the Agreement"), and Bolcar having obtained minimum additional equity financing of \$1.2 million.

- b) Contingency Liabilities

- 1) At the end of July 2004 an officer of the Company has demanded from the Company per the terms of the consulting agreement the payment of the accumulative total of the difference between the monthly consulting fee of \$4,500 and the various volunteered reduced consulting fees from 1998 to July 31, 2004 and the gratuity due to her on the termination of the consulting agreement.

The difference between the total amount demanded less the outstanding accounts payable due to the officer to July 31, 2004, being \$198,000; will become a contingency liability of the Company and is subject to independent audit.

- 2) A contingency liability of approximately \$450,000 is reserved for past consulting fees to the other officer of the Company. This contingent liability arises from the consulting agreements between the officer and voluntary reductions from 1993 to July 2004. It is subject to independent audit.

- c) Officer's compensation

- 1) Effective August 1, 2004 remuneration to the President of the Company has been fixed to one dollar per month until further change.