

# **ALTAI RESOURCES INC.**

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

**FOR THE THREE MONTHS ENDED MARCH 31, 2004**

**Dated April 27, 2004**

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 three months ended March 31, 2004 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, 2003 ("2003 Annual MD&A") dated April 23, 2004 are relevant for the quarter under review and therefore readers are advised to read this with the 2003 Annual MD&A.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FORWARD LOOKING STATEMENTS**

This discussion includes forward-looking statements and assumptions respecting the Corporation'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 53.369% owned (as at December 31, 2003) Lac St. Pierre natural gas property and the 53.369% owned (as at December 31, 2003) Sorel natural gas property, are maintained in good standing in 2004 to date.

### **PROPOSED TRANSACTION**

In April 2004, the Company and its joint venture partner in the property, Petro St-Pierre Inc., have signed an agreement with Bolcar Energie Inc. ("Bolcar"), a Montreal based capital pool company listed on the TSX Venture Exchange ("TSE 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. The transaction is 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 agreement, and Bolcar having obtained minimum additional equity financing of C\$1.2 million.

Please refer to 2003 Annual MD&A for further details.

### **OUTLOOK**

Management still maintains the same outlook expressed in the 2003 Annual MD&A.

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

For the quarter ended March 31, 2004, the Company incurred a net loss of \$11,938 including its 40% share (\$781) of the net loss of its equity investment in Altai Philippines Mining Corporation ("Altai Philippines") as compared to a net loss of \$23,665 for the corresponding period in 2003. The loss is mainly due to general and administrative expenses.

During the quarter under review, the Company received its share (US\$30,000) of the anniversary payment by Crew Gold Corporation on its option on the Negros Island sulfur property in the Philippines. In the first quarter of 2004 equity increased by \$15,000 with an exercise of share option compared to an increase of \$78,000 (\$75,000 from a private placement and \$3,000 from exercise of share option) in the corresponding period in 2003.

As the note receivable from Altai Philippines plus its total interest (all denominated in Canadian currency) has reached its cap of three times of the note principal in March 2003, therefore there is \$0 for both the note interest income and the corresponding provision for doubtful accounts in 2004 compared to \$53,195 for the first quarter of 2003.

During the quarter, the Company incurred \$12,104 exploration expenditures on the two natural gas properties and \$369 on other mineral properties compared to \$44,502 exploration expenditures on the Lac St. Pierre gas property in the first quarter of 2003.

## **LIQUIDITY**

With the receipt of its share (US\$30,000) of the Negros Island sulfur property anniversary payment and the \$15,000 share option exercise, the Company's cash position at March 31, 2004 is slightly better than that at the year end of 2003.

The Company has no long term debt.

## **RELATED PARTY TRANSACTIONS**

Consulting services were provided by the two officers of the Company. Fees for such services amounted to \$7,000 in the first quarter of 2004 compared to \$15,000 for the corresponding period in 2003.

## **CHANGES IN ACCOUNTING POLICIES**

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 no compensation expense as no stock options have been granted in the quarter ended March 31, 2004.

## **OUTSTANDING SHARES**

As at March 31, 2004 and April 27, 2004, Altai's share capital is as following:

	<u>Basic</u>	<u>Weighted average</u>
Issued and outstanding common shares	24,043,554	24,014,865
Share option	<u>1,633,000</u>	<u>1,633,000</u>
Common shares fully diluted	25,676,554	25,647,865