ALTAI RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (FORM51-102F1)

FOR THE SIX MONTHS ENDED JUNE 30, 2004

Dated August 25, 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 six months ended June 30, 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.

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.

In the Annual and Special Shareholders meeting of the Company held on June 30, 2004, two new directors, Rejean Paul of Montreal and William Denning of Toronto, have been elected to replace two outgoing directors, Michael Hitch and Maria Au.

PROPOSED TRANSACTION

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, TSX Venture Exchange has accepted a lower value for the Lac St. Pierre permits to conform to National Instrument 51-101 and has increased the deemed value of each Bolcar shares to 30 cents per share. As a result, 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.

Altai will receive 14.1 million shares of Bolcar for the sale transaction.

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.

OUTLOOK

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

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

For the six months ended June 30, 2004, the Company incurred a net loss of $55,220 including its 40% share ($985) of the net loss of its equity investment in Altai Philippines Mining Corporation ("Altai Philippines") as compared to a net loss of $26,359 for the corresponding period in 2003. The loss is mainly due to general and administrative expenses.

In the six months of 2004 equity increased by $24,000 with exercises of share option compared to an increase of $84,000 ($75,000 from a private placement and $9,000 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 in the corresponding period in 2003.

During the six months the Company incurred $17,865 exploration expenditures on the two natural gas properties and $5,345 on other mineral properties compared to $79,460 exploration expenditures on the Lac St. Pierre gas property in the same period of 2003.

LIQUIDITY

The Company's cash position at June 30, 2004 is very slightly worse off 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 $31,000 in the six months of 2004 compared to $22,400 for the corresponding period in 2003.

Contingency Liabilities

a) 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.

b) 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 and change of officer

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

2) Maria Au will cease to be an officer of the Company effective September 1, 2004. President of the Company will also act as Corporate Secretary as permitted by the by-laws of the Company until a replacement for Ms. Au is elected.

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 $2,400 compensation expense on 40,000 vested option shares granted to a director of the Company in June 2004.

OUTSTANDING SHARES

As at June 30, 2004 and August 25, 2004, Altai's share capital is as following:

	Basic	Weighted average
Issued and outstanding common shares	24,133,554	24,065,275
Share option	1,643,000	1,531,525
Common shares fully diluted	25,776,554	25,596,800