

ALTAI RESOURCES INC.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

Dated October 27, 2005

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, 2005 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, 2004 ("2004 Annual MD&A") dated April 12, 2005 are relevant for the quarter under review and therefore readers are advised to read this with the 2004 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 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. Readers are 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 three properties in Canada, all in the Quebec Province – the 50% owned Malartic gold property, the 53.5% owned (as at December 31, 2004) Lac St. Pierre natural gas property and the 53.5% owned (as at December 31, 2004) Sorel natural gas property, were maintained in good standing in 2005.

b) i) In July 2005, the Company and its joint venture partner in its Lac St. Pierre and Sorel gas properties, Petro St-Pierre Inc., signed an agreement with Talisman Energy Canada ("Talisman") of Calgary, Alberta re a portion of their oil and gas permits in the two properties. The agreement involves four permits and a fraction of a fifth one aggregating to approximately 74,250 hectares (183,500 acres) ("Farmout Lands").

According to the independent consultant, the main target in the Farmout Lands is a NE trending collapse zone 34 kilometers long averaging one kilometer in width. It may extend further SE within the Farmout Lands. The zone appears as a depression at the top of Trenton formation of Ordovician age at a depth of about 750 meters. The depression is interpreted to have been caused by hydrothermal dolomitization of fractured limestones (hydrothermal dolomite reservoir facies). Targets in similar geological setting along former shoreline of Cambro-Ordovician craton have produced large quantities of gas and oil in Ohio, Michigan, New York State, West Virginia and elsewhere in the Appalachians. In addition to Trenton formation the stratigraphically lower Chazy, Beekmantown and Potsdam formations have gas showings elsewhere in the Appalachians.

Talisman may earn a 100% equity (working) interest in any permit by drilling one well in that permit. Talisman has committed to drilling one well, while the other wells are optional. The option extends to April 2010. Altai and Petro St-Pierre Inc. will retain an aggregate 15% (fifteen percent) gross royalty on all net receipts from the Farmout Lands.

Altai is pleased with the involvement of Talisman which has not only the means but more importantly the know-how to bring this project to a successful conclusion if nature cooperates and there is a discovery.

Development of a gas storage site or sale of storage rights remains an important aim of the project for Altai.

ii) In the Lac St. Pierre gas permits, the Company has outlined 23 shallow (less than 150 meters deep) gas targets and to date two of them have been drilled with gas discovery. The Company will be focusing on exploring and developing shallow gas reservoirs.

OVERALL PERFORMANCE, RESULTS OF OPERATIONS

a) In the nine months ended September 30, 2005, the Company incurred a net loss of \$11,604 including its share (\$860) of the net loss of equity investment in Altai Philippines. The small loss is mainly due to the gain of approximately \$56,000 in the sale of some marketable securities offset by the stock-based compensation cost of \$32,000 and administration expenses of \$37,600.

b) During the nine months, the major sources of funding for the Company's exploration work in the Lac St. Pierre and Sorel natural gas properties and administration expenses came from the receipt in January 2005 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, a flow-through private placement of \$80,000 made by an accredited investor, and the exercise of stock options of \$12,000.

c) The contingent liability of the Company to an officer of the Company for consulting fees of approximately \$450,000 resulted from voluntary reductions from consulting fees payable to July 31, 2004 in accordance with the terms of the consulting agreement has been cancelled with the officer's renunciation of the said claim.

d) The marketable securities held by Altai comprising mostly of Canadian major bank shares denominated in Canadian currency, are liquid and have increased in market value in 2005 to date compared to 2004 year end.

OUTSTANDING SHARES

As of October 27, 2005, the Company's share capital is as following:

	<u>Basic</u>	<u>Weighted average</u>
Issued and outstanding common shares	25,053,554	24,850,047
Share options	873,000	747,521
Common shares fully diluted	25,926,554	25,597,568