

ALTAI RESOURCES INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2005

Dated March 30, 2006

The selected consolidated financial information set out below and certain comments which follow are based on and derived from the audited consolidated financial statements of Altai Resources Inc. (the "Company" or "Altai") for the year ended December 31, 2005 and should be read in conjunction with them.

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. 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.

- a) Altai's properties in Canada, all in the Quebec Province – the 50% owned Malartic gold property of 3 claims of 120 hectares (300 acres) and the 54.12% owned (as at December 31, 2005) Sorel-Trois Rivieres natural gas property (formerly known as the Lac St. Pierre and Sorel natural gas properties) of 7 oil and gas permits of 123,155 hectares (304,316 acres) were maintained in good standing in 2005.
- b) Sorel-Trois Rivieres natural gas property, Quebec
- i) (1) In July 2005, the Company and its joint venture partner in its Sorel-Trois Rivieres natural gas property, Petro St-Pierre Inc. ("PSP"), signed an agreement with Talisman Energy Canada ("Talisman") of Calgary, Alberta re a portion of their seven oil and gas permits in the property. The agreement involves four permits and a fraction of a fifth one aggregating to approximately 74,250 hectares (183,500 acres) ("Farmout Lands").

Talisman may earn a 100% equity (working) interest in any Farmout permit by drilling one well in that permit. Talisman has committed to drilling one well by May 2006, while the other wells are optional. The option extends to April 2010. Altai and PSP will retain an aggregate 15% (fifteen percent) gross royalty of which Altai has 53.5%, on all net receipts from the Farmout Lands. As at December 31, 2005 and to date, Talisman has not yet earned equity interest in any of the Farmout permits.

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

- (2) 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.
- (3) The Company is pleased to report on some opinions expressed by others in presentations made at the Quebec Exploration 2005 Conference held in Quebec City in late November 2005 re the Farmout Lands.

Dr. Robert Theriault of the Hydrocarbons Branch, Quebec Ministry of Natural Resources, compared Altai's deep collapse structure (referred to by him as a "sag") at the top of the Trenton Formation to the Albion-Scipio oil and gas field ("Albion-Scipio") in the State of Michigan, USA. Albion-Scipio, also in the Trenton Formation, has produced to date over 130 million barrels of oil (290 million barrels of original oil in place) and 200 BCF (billion cubic feet) of natural gas since the start of its production in the late 1950's. Dr. Theriault pointed out that the sag zone of 34 kilometers outlined in Altai's permits mentioned in the press release of Altai dated June 2, 2003 may extend for approximately another 20 kilometers towards the SW, all in Altai's permits, making its physical size similar to that of Albion-Scipio. He pointed out the similarity of the seismic cross section of Altai's target with that of Albion-Scipio.

Mr. Robert Bonnar, Exploration Manager, Eastern North America of Talisman Energy, also compared Altai's deep target to Albion-Scipio and pointed out that the cap rock (the seal to keep the hydrocarbons, if any, in the trap) appears to be unbroken based on seismic data.

ii) Altai and PSP's remaining three oil and gas permits aggregating to 49,058 hectares (about 121,200 acres) are under Lake St. Pierre and on the Sorel Islands. To date one third of the three permits have been covered by seismic surveys all orientated to shallow gas targets (150 meters or less) in Pleistocene deposits. According to the independent consultant, the 20 outlined shallow gas targets (two have been drilled with gas discoveries) may contain 29 BCF of gas of which 12 BCF may be recoverable. To date, no seismic survey orientated to possible deep targets has been carried out on these permits.

iii) Development of a gas storage site or sale of storage rights remains an important aim of the Sorel-Trois Rivieres property for Altai.

c) Altai Philippines Mining Corporation ("Altai Philippines")

i) As at December 31, 2005 and to date, the option agreement that Altai Philippines (of which the Company owns 40% equity interest and has a direct 10% Net Smelter Return (NSR) royalty interest in all properties in which Altai Philippines has an interest) signed with a consortium headed by Sunshine Gold Pty Ltd. of Australia in late 2004 for the sale of Altai Philippines' lateritic nickel-cobalt property on Sibuyan Island, Philippines, has not yet closed as the Mineral Production Sharing Agreement application for the property has not yet been approved.

ii) As at December 31, 2005 and to date, Crew Gold Corporation, through its wholly owned subsidiary, Crew Minerals Philippines Inc., has not yet put the Negros Island sulfur property that it has optioned from Altai Philippines, into production.

OUTLOOK FOR 2006 AND BEYOND

The Company has currently adequate cash and marketable securities to fund its administrative expenses and to pay its contractual obligations to the end of 2007. Any future major expenditures on the exploration projects will require new financing or closing of the asset sale agreement on the Sibuyan lateritic nickel-cobalt property or Crew Gold Corporation exercising its option to purchase Altai Philippines' net profit interest in the Negros Island sulfur property.

Over the next twelve months, the Company's efforts will be focused on the following:

1. Exploring and developing the shallow gas reservoirs of the Sorel-Trois Rivieres natural gas property;
2. Completion of the sale of the Sibuyan lateritic nickel-cobalt property in the Philippines;
3. Sale of Ticao limestone-shale property in the Philippines; and
4. Acquisition of a new property – base metals, gold or uranium.

OVERALL PERFORMANCE, RESULTS OF OPERATIONS

a) For the year of 2005, the Company had a net income of \$27,591 including its share (\$17,759) of the net income of equity investment in Altai Philippines. The net income was mainly due to the gain of approximately \$56,000 in the sale of some marketable securities and the recognition of \$29,000 future income tax recoverable re flow-through shares offset by the stock-based compensation cost of \$32,000 and the relatively low administration expenses of \$47,000.

b) During the year, the major sources of funding for the Company's exploration work in the Sorel-Trois Rivieres natural gas property, the administration expenses, repayment of a loan from an officer and the first instalment payment of a long term consulting charge payable, came from the receipt in January 2005 of Altai's share 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, the exercise of stock options and option payment by Talisman Energy Canada pursuant to the Farmout Agreement re the four oil and gas permits in Quebec.

c) 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.

SELECTED ANNUAL INFORMATION

	December 31, 2005	December 31, 2004	December 31, 2003
	\$	\$	\$
Total revenue	60,756	4,647	62,736
Net income (loss)	27,591	(218,451)	(80,574)
Income (loss) per share (Basic and Diluted)	0.001	(0.009)*	(0.003)*
Total assets	3,738,133	3,692,218	3,688,045
Long term debt	105,300	140,400	Nil
Dividend paid	Nil	Nil	Nil
Weighted average number of shares outstanding			
Basic	24,850,047	24,065,275	23,703,444
Diluted (including share options)	25,723,047	25,408,275	25,346,444

SUMMARY OF QUARTERLY RESULTS

2005	Three Months Ended			
	December 31 \$	September 30 \$	June 30 \$	March 31 \$
Revenue	1,068	1,025	938	57,725
Net income (loss)	39,195	(43,300)	(15,884)	47,580
Net income (loss) per share (Basic and Diluted)	0.002	(0.002)*	(0.001)*	0.002
Weighted average number of shares				
Basic	24,850,047	24,850,047	24,802,047	24,802,047
Diluted (including share options)	25,723,047	25,723,047	25,595,047	26,145,047

2004	Three Months Ended			
	December 31 \$	September 30 \$	June 30 \$	March 31 \$
Revenue	1,217	1,199	1,181	1,050
Net loss	(147,923)	(15,513)	(43,076)	(11,939)
Net loss per share (Basic and Diluted*)	(0.006)	(0.001)	(0.002)	(0.000)
Weighted average number of shares				
Basic	24,065,275	24,065,275	24,065,275	24,014,865
Diluted (including share options)	25,408,275	25,408,275	25,608,275	25,507,865

* Due to the loss in 2003, 2004 and the second and third quarters of 2005, the diluted weighted average number of shares used to calculate the diluted net loss per share in the respective periods is the same as the basic weighted average number of shares as the inclusion of outstanding stock options would be anti-dilutive.

LIQUIDITY AND CAPITAL RESOURCES

There is a three year office rental lease expiring August 31, 2007. The total obligation for 2006 is \$18,000.

RELATED PARTY TRANSACTIONS

1. The non-interest bearing loan of \$35,000 made by an officer in late 2004 and repayable on demand by the officer had been repaid in March 2005.
2. Consulting services were provided by the two officers of the Company (one effective June 16, 2005). Fees for such services amounted to \$23,613 in 2005 compared to \$184,005 in 2004.
3. The first instalment (\$35,100) of the \$175,500 consulting charge payable in equal instalments over 5 years to an ex-officer of the Company (who had been reappointed an officer of the Company on June 16, 2005) per agreement signed in 2004, had been paid in 2005.
4. 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 had been cancelled in 2005 with the officer's renunciation of the said claim.

OUTSTANDING SHARES

As of March 30, 2006, the Company's share capital is as following:

	<u>Basic</u>	<u>Weighted average</u>
Issued and outstanding common shares	25,053,554	25,053,554
Share options	873,000	873,000
Common shares fully diluted	25,926,554	25,926,554