ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS AS AT SEPTEMBER 30, 2009
(PREPARED BY MANAGEMENT)

	September 30, 2009 (UNAUDITED) $	December 31, 2008 (AUDITED) $
ASSETS		
Current		
Cash	4,321,953	5,635,283
Marketable securities (Notes 5 and 11)	1,371,230	114,290
Accounts receivable	27,762	9,144
Prepaid expenses	2,847	5,695
	5,723,792	5,764,412
Note receivable (Note 6)	1	1
Investment in subsidiaries (Note 6)	2	2
Interests in mining properties (Note 7)	857,788	851,715
Natural gas interests (Note 8)	24,006,640	23,903,965
Investment in technology project	1	1
Capital assets	15,874	19,727
Total Assets	30,604,098	30,539,823
LIABILITIES		
Current		
Accounts payable	57,298	57,918
Current portion of consulting charge payable	–	35,100
	57,298	93,018
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	35,678,910	35,768,839
Share purchase warrants (Note 9)	1,407,000	1,287,000
Contributed surplus (Note 10)	863,210	861,310
Deficit	(7,466,384)	(7,442,092)
Accumulated other comprehensive loss (Note 11)	64,064	(28,252)
	30,546,800	30,446,805
Total liabilities and shareholders' equity	30,604,098	30,539,823

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Revenue				
Investment and miscellaneous income	7,441	36,512	28,075	65,782
	7,441	36,512	28,075	65,782
Expenses				
Administrative expenses	(6,665)	11,467	59,657	35,042
Abandonment and write-offs	–	–	–	400
Prospecting and general	–	–	211	71
Stock-based compensation cost	–	106,800	17,900	1,084,800
Amortization	1,368	610	4,069	796
	(5,297)	118,877	81,837	1,121,109
Net income (loss) before share of net loss of equity investment	12,738	(82,365)	(53,762)	(1,055,327)
Share of net loss of equity investment	–	(1,895)	–	(5,845)
Future Income Taxes	20,654	(12,745)	29,471	(22,024)
Net income (loss)	33,392	(97,005)	(24,291)	(1,083,196)
Net income (loss) per share – basic and fully diluted (Note 10)	0.001	(0.003)	0.000	(0.029)
CONSOLIDATED DEFICIT				
Balance, beginning of period	(7,499,776)	(6,818,477)	(7,442,093)	(5,853,063)
Restatement of income tax impact on adoption of accounting standards (Note 9)	–	–	–	20,777
Net income (loss)	33,392	(97,005)	(24,291)	(1,083,196)
Balance, end of period	(7,466,384)	(6,915,482)	(7,466,384)	(6,915,482)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2009 $	2008 $	2009 $	2008 $
Operating activities				
Net income (loss)	33,392	(97,005)	(24,291)	(1,083,196)
Items not affecting cash				
Share of net loss of equity investment	–	1,895	–	5,845
Stock-based compensation cost	–	106,800	17,900	1,084,800
Future income taxes	(20,654)	12,745	(29,471)	22,024
Abandonment and write-offs	–	–	–	400
Amortization	1,368	610	4,069	796
Decrease (increase) in accounts receivable	(22,273)	15,048	(18,618)	(6,232)
Decrease (increase) in prepaid expenses	(142)	–	2,847	(5,695)
Increase (decrease) in accounts payable	38,999	9,128	(620)	(16,268)
Increase (decrease) in current portion of consulting charge payable	–	–	(35,100)	–
Increase (decrease) in consulting charge payable	–	–	–	(35,100)
Cash provided by (used in) operating activities	30,690	49,221	(83,284)	(32,626)
Investing activities				
Interests in mining properties	–	(2,500)	–	22,100
Deferred exploration expenditures	(4,440)	365	(6,073)	44
Purchase of marketable securities	(1,135,153)	–	(1,135,153)	–
Natural gas interest	(6,420)	3,440	(102,675)	(197,029)
Purchase of capital assets	(216)	(1,350)	(216)	(2,914)
Leasehold improvement	–	(9,602)	–	(9,602)
Investment in subsidiaries	–	(33)	–	(2,595)
Cash provided by (used in) investing activities	(1,146,229)	(9,680)	(1,244,117)	(189,996)
Financing activities				
Issue of shares	–	–	15,000	(43,800)
Share purchase warrants	–	–	–	6,100,000
Contributed surplus	–	–	–	(114,820)
Shares issue costs	–	–	(929)	(73,727)
Cash provided by financing activities	–	–	14,071	5,867,653
Change in cash	(1,115,539)	39,541	(1,313,330)	5,645,031
Cash, beginning of period	5,437,492	6,172,583	5,635,283	567,093
Cash, end of period	4,321,953	6,212,124	4,321,953	6,212,124

1. Nature of operations

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. 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. Adoption of new accounting standards

a) CICA Section 3064 "Goodwill and intangible assets"

This standard replaces Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". It provides more specific guidance on the recognition of intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The standard increases harmonization of Canadian standards with international financial reporting standards and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard had no impact on the Company's financial statements for the nine months ended September 30, 2009.

b) Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard by the Company had no impact on its financial statements for the nine months ended September 30, 2009.

c) Mining exploration costs

On March 27, 2009, the Emerging Issues Committee of the CICA issued an abstract EIC-174, "Mining Exploration Costs", which provides further guidance on the interpretation of capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract by the Company had no impact on its financial statements for the nine months ended September 30, 2009.

3. Changes in accounting standards not yet adopted

a) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standard Board confirmed the changeover from Canadian GAAP to IFRS to be applied to publicly accountable enterprises effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.

The Company is assessing the adoption of IFRS and the reporting impact has not been determined.

b) Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601), and Non-controlling interests (Section 1602)

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replace CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"), and will be applicable to business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements, and will be applicable to the Company's interim and annual consolidated financial statements for the fiscal year beginning January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these sections on its consolidated financial statements.

4. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its oil and gas and mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents and marketable securities.

To maintain or adjust its capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, such as banker's acceptances, selected with regards to the expected timing of expenditures from continuing operations and marketable securities which are liquid and regularly pay dividends.

The Company reviews its investment policy from time to time as and when the financial market conditions change.

5. Marketable securities

The available-for-sale marketable securities consist of dividend paying Canadian financial and utilities shares and shares of junior resource companies the Company received pursuant to option agreements. Their total fair market values as at September 30, 2009 of $1,371,230 is slightly higher than their total costs of $1,281,616. The unrealized gain or loss is included in the comprehensive income or loss.

6. Investment in subsidiaries

The Company has 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines") and some other contractual benefits.

The properties of Altai Philippines are Sibuyan Island lateritic nickel-cobalt property, Negros Island sulfur property and Lahuy Island gold property.

i) Since late 2004, Altai Philippines has entered into an option agreement with a consortium headed by Sunshine Gold Pty Ltd ("Sunshine") of Australia on Altai Philippines' nickel laterite property on Sibuyan Island ("Sibuyan property"). Under the option agreement, Sunshine, after satisfactory due diligence on the property, would have ninety days from the date of Altai Philippines obtaining approval of the Mineral Production Sharing Agreement (MPSA) application for the property to exercise the option to purchase the Sibuyan property. Sunshine was to fund the expenses for the MPSA application. As at September 30, 2009 and to date, the MPSA application has not yet been approved.

ii) In June 2008, Altai Philippines entered into an agreement to grant an option to buy its Negros Island sulphur property to a private Philippine company (the "Optionee") for US$1,500,000 payable in three instalments over a maximum of 6 years (US$500,000 every two years or less) subject to certain approvals of the Philippine Government. As at September 30, 2009 and to date, no instalment payment has been made by the Optionee.

Though there are outstanding sale option agreements on two of the three properties of Altai Philippines, there is uncertainty in the timing of the MPSA and other approvals for the properties by the Philippine Government. The Company has therefore written down at end of 2008 its investment and its note receivable from Altai Philippines to $1 each.

7. Interests in mining properties

	Balance, Beginning of year	**Expenditure**	**Grant**	**Balance, End of Period**
	$	$	$	$
Malartic Township, Quebec				
Property	123,711	–	–	123,711
Expenditure	728,004	6,438	365 (1)	734,077
	851,715	6,438	365	857,788

(1) Grant from the Quebec Government

Malartic Township gold property, Quebec

The Company owns 50% working interest in the Malartic Township gold property of three mining claims totalling 120 hectares (300 acres) in Quebec. The other 50% working interest is owned by the property joint-venture partner, Globex Mining Enterprises Inc. ("Globex"), which names the project "Blackcliff gold property".

The option agreement on the property with C2C Gold Corporation Inc. ("C2C") which took effect in September 2007 had been terminated in October 2009 by the Company and Globex with C2C not having earned any interest in the property (see Note 15a). To December 31, 2008, C2C had paid the Company and Globex $175,000 cash and 600,000 C2C shares.

8. Natural gas interests

	Balance, Beginning of year $	Expenditure $	Option and Grant $	Balance, End of Period $
a) Sorel-Trois Rivieres property, St. Lawrence Lowlands, Quebec	23,900,217	165,634	93,652 (1)	23,972,199
b) Sept-Iles property, Quebec North	3,748	43,184	12,491 (2)	34,441
Total	23,903,965	208,818	106,143	24,006,640

(1) Grant from the Quebec Government.

(2) Includes $470 grant from the Quebec Government.

a) **Sorel-Trois Rivieres natural gas property, Quebec**

At September 30, 2009, the Company had 100% interest in fourteen oil and gas and reservoir permits in the Sorel-Trois Rivieres area, St. Lawrence Lowlands region of Quebec, covering 114, 344 hectares (282,544 acres).

In October 2008, the Company completed its acquisition of 100% of Petro St-Pierre Inc. (“PSP”), its former property joint venture partner. For the purchase of all issued and outstanding shares of PSP, the Company issued to the PSP former shareholders 8,199,998 common shares at a deemed value of $2.60 per share and paid $600,000 cash. The purchase price of PSP has been allocated to the expenditure of the property. After the acquisition of PSP, the Company owns 100% interest in the property.

The Company also has 15% gross royalty on all net receipts from the permit (#2002PG625) of 13,290 hectares (32,840 acres) that Talisman Energy Canada has 100% working interest.

b) **Sept-Iles gas property, Sept-Iles, Quebec North**

Altai has a gas permit of 24,042 hectares (59,408 acres) (“Property”) in the Sept-Iles area, Quebec North Region, which is about 750 km north east of the Sorel-Trois Rivieres oil and gas property.

The November 2008 Farmin Option Agreement (“Agreement”) with RJK Explorations Ltd. (“RJK”) for RJK to earn 100% interest in the Property from Altai was terminated in May 2009 by RJK which had not earned any interest in the Property. In 2008, RJK had issued 500,000 RJK shares to Altai per Agreement.

9. Share capital, share purchase warrants and options

a) Share Capital

Authorized
An unlimited number of common shares of no par value.

Shares Issued

	No. of shares	Amount $
Balance at December 31, 2007	**28,856,554**	**9,538,244**
Issued for cash in 2008		
– Private placements common shares	10,200,000	5,180,000
– exercise of warrants	1,800,000	630,000
– exercise of stock options	357,000	131,380
Issued for acquisition of a private company	8,199,998	21,319,995
Fair value of warrants exercised in 2009		306,000
Share purchase warrants valuation		(1,287,000)
Share issue costs – cash		(73,727)
Fair value of options exercised in 2008		78,820
Tax benefits renounced – flow-through shares		(54,873)
Balance at December 31, 2008	**49,413,552**	**35,768,839**

Issued for cash in 2009		
– exercise of stock option	100,000	15,000
Fair value of option exercised in 2009		16,000
Share purchase warrants valuation (1)		(120,000)
Costs for warrant term extension – cash (1)		(929)
Balance at September 30, 2009	**49,513,552**	**35,678,910**

(1) In March 2009, the Company extended the warrant term by one year to May 4, 2010 for the 1,000,000 common share purchase warrants issued pursuant to the private placement of 2,000,000 common share units at $0.95 per unit closed on May 5, 2008 with warrant exercise price of $1.25 per common share and original one year warrant expiry date of May 4, 2009. All other terms and conditions of the warrants remain the same.

At September 30, 2009, there were 219,667 escrowed common shares outstanding. All escrowed shares were released in October 2009 (see Note 15b)

b) Share purchase warrants

	Expiry Date	**Number of share purchase warrants**	**Black–Scholes Value** $	**Exercise price** $
Balance at December 31, 2007	**April 29, 2008**	**1,800,000**	**306,000**	**0.35**
Share purchase warrants exercised in 2008	April 29, 2008	(1,800,000)	(306,000)	0.35
Share purchase warrants issued for common share units private placement	April 10, 2010	600,000	162,000	0.60
Share purchase warrants issued for common share units private placement	April 10, 2010	3,500,000	875,000	0.65
Share purchase warrants issued for common share units private placement (1)	May 4, 2009 (1)	1,000,000	250,000	1.25
Balance at December 31, 2008		**5,100,000**	**1,287,000**	
Share purchase warrants issued for common share units private placement made in 2008 (1)	May 4, 2010 (1)	–	120,000	–
Balance as at September 30, 2009		**5,100,000**	**1,407,000**	

(1) In March 2009, the term of 1,000,000 common share purchase warrants was extended from 1 year to 2 years and the fair value is revalued using the Black-Scholes warrant/option pricing model with the following assumptions: Expected life of 2 years, a risk-free interest rate of 2.43%, a volatility of 69% and a dividend yield of 0%. Additional fair value of $120,000 has been recognized in the Company accounts in 2009. Also refer to Note 9a) (1).

c) Options

(1) The 2002 Stock Option Plan which authorizes the Board to grant up to 2,293,000 option shares to directors, officers and employees of the Company or of its subsidiaries is in effect. The options are generally exercisable for up to five years from the date of grant.

The prices of all stock options granted are greater than or equal to the closing fair market value of each common share on the days prior to the options being granted.

At September 30, 2009, there were 653,000 option shares available for future grants.

The following table summarizes share option activities since December 31, 2007:

	Options outstanding	
	Number of shares	**Weighted average exercise price**
Balance at December 31, 2007	**407,000**	**0.144**
Cancelled	(50,000)	1.204
Exercised	(357,000)	0.368
Granted	820,000	1.343

Balance at December 31, 2008	**820,000**	**1.181**
Exercised	(100,000)	0.150
Granted	100,000	0.225
Balance at September 30, 2009	**820,000**	**1.190**

The following table summarizes outstanding share options at September 30, 2009:

	Number of share options outstanding		**Expiry date**	**Weighted average exercise price**
Exercisable	**Unexercisable**	**Total**		$
300,000	–	300,000	April 2, 2013	0.700
100,000	–	100,000	April 14, 2013	1.480
200,000	–	200,000	June 23, 2013	2.420
120,000	–	120,000	September 4, 2013	0.930
100,000	–	100,000	March 4, 2014	0.225
820,000	–	820,000		1.190

(2) **Accounting for stock-based compensation cost**

In 2009, the Company recognized $17,900 stock-based compensation costs related to 100,000 vested option shares granted to an officer with a fair value of $0.179 estimated using the Black Scholes option pricing model with the following assumptions: Expected life of 5 years, a risk-free interest rate of 2.08%, a volatility of 128% and a dividend yield of 0%.

10. Contributed surplus

	2009	**2008**
	$	$
Balance, beginning of year	**861,310**	**299,730**
Stock-based compensation cost	17,900	1,084,800
Stock-based compensation value of options exercised	(16,000)	(114,820)
Balance, end of period	**863,210**	**1,269,710**

11. Accumulated other comprehensive income

	2009	**2008**
	$	$
Balance, beginning of year	**(28,252)**	**91,778**
Other comprehensive gain (loss) during the period – unrealized gain (loss) on available-for-sale marketable securities, net of taxes of $29,471	92,316	(73,406)
Balance, end of period	**64,064**	**18,372**

12. Earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of shares outstanding during the period. Diluted net earnings (loss) per share is calculated by dividing the net earnings (loss) by the sum of the weighted average number of shares outstanding and all additional shares that would have been outstanding if potentially dilutive securities had been issued during the period.

The following table sets forth the computation of basic and diluted loss per share:

	2009	**2008**
	$	$
Numerator		
Net loss for the year – basic and diluted	(24,291)	(1,083,196)
Denominator		
Weighted average number of shares – basic	49,498,484	37,697,767
Effect of dilutive shares		
Stock options	802,740	538,142
Warrants	5,100,000	3,627,049
Weighted average number of shares – diluted	55,401,224	41,862,958
Basic and diluted net loss per share (1)	0.000	(0.029)

(1) Due to the loss in the periods, the diluted weighted average number of shares used to calculate the diluted net loss per share is the same as the basic weighted average number of shares as the inclusion of outstanding share options and warrants would be anti-dilutive.

13. Related party transactions

a) Consulting services were provided by two officers. Fees for such services amounted to $57,000 (2008 – $36,000). These fees have been allocated to administrative expenses ($2,300) and resource properties ($54,700).

b) The fifth (last) instalment ($35,100) of the $175,500 consulting charge payable in equal instalments over 5 years to an officer of the Company per agreement signed in 2004, had been paid in the first quarter of 2009.

14. Office rental lease

The Company has a 5 year office lease starting from July 1, 2008. The basic rent per month is $1,218 and the additional rent per month for 2009 is approximately $1,621 to April 30, 2009 and $1,487 effective May 1, 2009. The lease includes a 12 months Rent Free Period spread over the first three years of the lease.

15. Subsequent events

a) In late October 2009 the agreement (the "Agreement") on the Malartic Township gold property, Quebec (the "Property") with C2C Gold Corporation Inc. ("C2C") was terminated by the Company and Globex Mining Enterprises Inc., the joint owner of the Property, due to C2C's failure to fulfill its obligations per the Agreement. C2C has not earned any interest in the Property.

b) In October 2009, all 219,667 escrowed common shares of the Company were released to their holders.