ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2010 AND DECEMBER 31, 2009
(PREPARED BY MANAGEMENT)

	March 31, 2010 (UNAUDITED) $	December 31, 2009 (AUDITED) $
ASSETS		
Current		
Cash and cash equivalents	3,760,865	3,822,375
Marketable securities (Note 3)	1,469,020	1,440,910
Amounts receivable	85,865	76,696
Prepaid expenses	2,847	2,847
	5,318,597	5,342,828
Note receivable	1	1
Investment in subsidiaries (Note 4)	2	2
Interests in mining properties (Note 5)	860,219	860,114
Natural gas interests (Note 6)	31,961,237	31,862,869
Technology project	1	1
Capital assets	13,137	14,505
	38,153,194	38,080,320
LIABILITIES		
Current		
Accounts payable and accrued liabilities	79,104	32,207
	79,104	32,207
Future tax liability	7,448,211	7,448,211
	7,527,315	7,480,418
Related party transactions (Note 11)		
Commitments (Note 12)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7a)	35,678,910	35,678,910
Share purchase warrants (Note 7b)	1,407,000	1,407,000
Contributed surplus (Note 8)	1,050,210	863,210
Deficit	(7,648,231)	(7,459,098)
Accumulated other comprehensive income (loss) (Note 9)	137,990	109,880
	30,625,879	30,599,902
	38,153,194	$38,080,320

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED)

	March 31, 2010 $	March 31, 2009 $
CONSOLIDATED OPERATIONS		
Revenue		
Investment and miscellaneous income	24,486	8,442
	24,486	8,442
Expenses		
Administrative expenses	25,251	20,128
Prospecting and general	–	162
Stock-based compensation cost	187,000	17,900
Amortization	1,368	1,350
	213,619	39,540
Net loss before income taxes	(189,133)	(31,098)
Income taxes	–	1,888
Net loss	(189,133)	(29,210)
Other comprehensive loss (net of taxes)		
Increase (decrease) in fair value of available for sale investments (net of taxes (recovery) - $4,216; 2009 – ($1,888))	28,110	11,445
Comprehensive loss	(161,023)	(17,765)
Net loss per share – basic and fully diluted (Note 10)	(0.00)	(0.00)

CONSOLIDATED DEFICIT		
Balance, beginning of period	(7,459,098)	(7,417,942)
Net loss	(189,133)	(29,210)
Balance, end of period	(7,648,231)	(7,447,152)

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED)

	March 31, 2010 $	March 31, 2009 $
Operating activities		
Net loss	(189,133)	(29,210)
Items not affecting cash		
Stock-based compensation	187,000	17,900
Amortization	1,368	1,350
Future income tax recoverable	–	(1,888)
	(765)	(11,848)
Changes in non-cash working capital balances:		
Amounts receivable	(9,169)	7,186
Prepaid expenses	–	2,990
Accounts payable and accrued liabilities	46,897	(48,348)
Consulting payable	–	(35,100)
	36,963	(85,120)
Investing activities		
Deferred exploration expenditures	(105)	(300)
Natural gas interests	(98,368)	(38,708)
	(98,473)	(39,008)
Financing activities		
Issue of shares	–	15,000
Shares issue costs	–	(929)
	–	(14,071)
Increase (decrease) in cash and cash equivalents	(61,510)	(110,057)
Cash and cash equivalents, beginning of period	3,822,375	5,635,283
Cash and cash equivalents, end of period	3,760,865	5,525,226

1. Nature of operations

Altai Resources Inc. (the "Company") is a resource company with a portfolio of oil and gas (in Quebec), gold, nickel and sulphur properties in Canada and the Philippines.

2. Summary of significant accounting policies

(a) Basis of presentation and consolidation

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.

The unaudited interim period consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated upon consolidation.

(b) Adoption of new accounting standards

The Company has not adopted any new accounting standards during the current period.

(c) Future accounting changes

i) **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 continuing to assess the impact on its consolidated financial statements and is developing an implementation plan.

ii) **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 future acquisitions.

3. Marketable securities

The available-for-sale marketable securities consist of highly liquid and dividend / interest paying Canadian financial and utilities shares and shares of junior resource companies the Company received pursuant to option agreements. They are all categorized under Level 1 (quoted market price of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook). Their total fair market values as at March 31, 2010 of $1,469,020 are higher than their total costs of $1,310,801. The unrealized gain or loss is included in the comprehensive income or loss.

4. 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.

a) In November 2004, Altai Philippines 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 March 31, 2010, the transaction had not yet been closed.

b) In June 2008, Altai Philippines entered into an agreement to sell 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 March 31, 2010, no instalment payment had 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 its investment in Altai Philippines to $1 in 2008.

5. Interests in mining properties

	Balance, Beginning of Period $	**Expenditure $**	**Balance, End of Period $**
Malartic Township, Quebec			
Property	123,711	–	123,711
Expenditure	736,403	105	736,508
	860,114	105	860,219

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".

6. Natural gas interests

	Balance, Beginning of period $	**Expenditure $**	**Balance, End of Period $**
a) Sorel-Trois Rivieres property, St. Lawrence Lowlands, Quebec	31,827,253	98,298	31,925,551
b) Sept-Iles property, Quebec North	35,616	70	35,686
Total	31,862,869	98,368	31,961,237

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

At March 31, 2010 the Company had 100% interest in seven 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).

The Company also has 15% gross royalty on all net receipts from the permit (#2002PG625 or successor permit) 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.

7. Share capital

a) Share capital

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

Issued and outstanding common shares

	No. of shares	Amount $
Balance at December 31, 2008	**49,413,552**	**35,768,839**
Issued pursuant to exercise of stock option (i)	100,000	31,000
Share purchase warrants (ii)		(120,000)
Share issuance costs relating to warrant term extension		(929)
Balance at December 31, 2009 and March 31, 2010	**49,513,552**	**35,678,910**

b) Warrants

Warrants	No. of Warrants	Weighted average exercise price $
Outstanding at December 31, 2008 and 2009, and March 31, 2010	**5,100,000**	**0.76**

The following table summarizes the warrants outstanding as at March 31, 2010:

Number of warrants	Exercise Price $	Expiry date	Warrant Value $
600,000	0.60	April 10, 2010	162,000
3,500,000	0.65	April 10, 2010	875,000
1,000,000	1.25	May 4, 2010	370,000
5,100,000			1,407,000

c) Stock options

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 March 31, 2010, there were 253,000 options available for future grants.

In the three months ended March 31, 2010, the Company granted 100,000 vested options to each of the five directors of the Company at $0.46 per share with an expiry date of February 21, 2015.

The fair value of the options granted during the period ended March 31, 2010 was estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	116%
Expected dividend yield	0.0%
Risk-free interest rate	1.88%
Expected option life in years	5
Fair value per stock option granted	$0.374
Fair value of stock options granted	$187,000

A Summary of the status of the Company's stock options as at March, 2010 and December 31, 2009, and changes during the periods then ended is presented below:

Stock options	March 31, 2010 No. of Options	March 31, 2010 Weighted average exercise price $	Year 2009 No. of options	Year 2009 Weighted average exercise price $
Outstanding at beginning of year	720,000	1.227	820,000	1.181
Granted	500,000	0.46	100,000	0.225
Exercised	–	–	(100,000)	0.15
Cancelled/terminated	–	–	(100,000)	0.93
Outstanding at end of period	**1,220,000**	**0.913**	**720,000**	**1,227**
Exercisable at end of period	**1,220,000**	**0.913**	**720,000**	**1.227**

8. Contributed surplus

Contributed surplus transactions for the three months ended March 31 are as follows:

	2010 $	2009 $
Balance beginning of year	**863,210**	**861,310**
Stock-based compensation (note 10c)	187,000	17,900
Exercise of stock options (note 10a)	–	(16,000)
Balance end of period	**1,050,210**	**863,210**

9. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) for the three months ended March 31 are as follows:

	2010 $	2009 $
Balance beginning of year	**109,880**	**(52,402)**
Unrealized gain (loss) of marketable securities	28,110	33,707
Balance end of period	**137,990**	**(18,695)**

10. 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 for the three months ended March 31:

	2010 $	**2009** $
Numerator		
Net loss for the period – basic and diluted	(189,133)	(29,210)
Denominator		
Weighted average number of shares – basic	49,513,552	49,498,484
Effect of dilutive shares		
Stock options	1,148,765	802,740
Warrants	5,100,000	5,100,000
Weighted average number of shares – diluted	55,762,317	55,401,224
Basic and diluted net loss per share (1)	(0.00)	(0.00)

(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.

11. Related party transactions

The following related parties transactions arose in the normal course of business and have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arms length equivalent value.

a) Consulting services were provided by two officers. Fees for such services amounted to $22,000 (2009 – $18,000). These fees have been allocated to administrative expenses in the amount of $1,775 and resource properties in the amount of $20,225.

12. Office lease commitments

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 2010 is approximately $1,514.

13. Management of capital

The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its exploration programs and current operating expenditures;
(b) to allow the Company to respond to changes in economic and/or marketplace conditions;
(c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
(d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the disposition of its investments; and
(b) raising capital through equity financings.

The Company is not subject to any capital requirements imposed by a regulator.

The Company expects that its current capital resources will be sufficient to discharge its liabilities as at March 31, 2010.

14. Subsequent events

(a) On April 10, 2010, 600,000 warrants with an exercise price of $0.60 and 3,500,000 warrants with an exercise price of $0.65 expired unexercised.
(b) In April 2010, the Company extended the warrant term by one year to May 4, 2011 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 which was subsequently extended to May 4, 2010. All other terms and conditions of the warrants remain the same.
(c) On May 3, 2010 the 2002 Stock Option Plan was discontinued, terminated, and replaced by the 2010 Stock Option Plan which authorizes the Board to grant up to 4,950,000 option shares to directors, officers, employees and consultants of the Company or of its subsidiaries. The 1,220,000 stock options outstanding as at May 3, 2010 granted under the 2002 Stock Option Plan remain in full force until they are exercised, expired or cancelled.