

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current				
Cash and cash equivalents		\$ 5,887,647	\$ 4,633,924	\$ 3,822,375
Marketable securities	5	1,547,645	1,456,815	1,440,910
Accounts receivable		35,128	22,038	76,696
Prepaid expenses		9,399	2,847	2,847
		7,479,819	6,115,624	5,342,828
Note receivable		-	-	1
Investment in subsidiary	6	1	1	2
Interests in mining properties	7	857,651	857,651	860,114
Natural gas interests	8	31,884,142	31,836,228	31,862,869
Technology project		-	-	1
Property and equipment	9	25,490	14,753	14,505
		\$40,247,103	\$38,824,257	\$38,080,320
LIABILITIES				
Current				
Accounts payable and accrued liabilities		\$ 38,022	\$ 31,356	\$ 32,207
Deferred tax liabilities	17	7,497,657	7,486,635	7,448,211
		7,535,679	7,517,991	7,480,418
SHAREHOLDERS' EQUITY				
Share capital	10a	36,622,479	35,585,982	35,678,910
Share purchase warrants	10b	806,400	462,000	1,407,000
Contributed surplus	11	2,310,590	2,300,600	863,210
Deficit		(7,305,359)	(7,239,822)	(7,459,098)
Accumulated other comprehensive income	12	277,314	197,506	109,880
		32,711,424	31,306,266	30,599,902
		\$40,247,103	\$38,824,257	\$38,080,320
Commitments	16			

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	Note	2011	2010
REVENUE			
Investment income		\$ 35,835	\$ 24,486
EXPENSES			
Professional fees		29,250	1,600
Office rent		13,412	8,208
Travel		1,717	–
Other general and administrative expenses		15,471	3,622
Investor relations		8,757	–
Transfer agency fees		2,101	2,105
Stock exchange and filing fees		6,200	6,000
Audit fees		11,500	–
Legal fees		–	3,716
Stock-based compensation cost		9,990	187,000
Amortization		2,974	1,368
		101,372	213,619
NET LOSS		(65,537)	(189,133)
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale marketable securities, net of taxes		79,808	28,110
COMPREHENSIVE INCOME (LOSS)		\$ 14,271	\$ (161,023)
NET LOSS PER SHARE			
Basic and diluted loss per share	13	\$ 0.00	\$ 0.00
Weighted Average Number of Common Shares Outstanding – basic and diluted		54,491,330	49,513,552

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	Share capital		Share purchase warrants \$	Contributed surplus \$	Accumulated other comprehensive income (net of tax) \$	Deficit \$	Total equity \$
	Number of shares	Amount \$					
Balance, January 1, 2010	49,513,552	35,678,910	1,407,000	863,210	109,880	(7,459,098)	30,599,902
Net loss for the period						(189,133)	(189,133)
Increase in fair value of available-for-sale marketable securities					28,110		28,110
Stock-based compensation				187,000			187,000
Balance, March 31, 2010	49,513,552	35,678,910	1,407,000	1,050,210	137,990	(7,648,231)	30,625,879
Total net earnings						408,409	408,409
Increase in fair value of available-for-sale market securities					59,516		59,516
Stock-based compensation				213,390			213,390
Expired share purchase warrants			(1,037,000)	1,037,000			0
Extension of share purchase warrants		(92,000)	92,000				0
Share purchase warrants extension costs		(928)					(928)
Balance, December 31, 2010	49,513,552	35,585,982	462,000	2,300,600	197,506	(7,239,822)	31,306,266
Net loss for the period						(65,537)	(65,537)
Increase in fair value of available-for-sale marketable securities					79,808		79,808
Stock-based compensation				9,990			9,990
Proceeds of share issuance in private placement, net of issuance costs	5,600,000	1,380,897					1,380,897
Share purchase warrants issued for private placement		(344,400)	344,400				0
Balance, March 31, 2011	55,113,552	36,622,479	806,400	2,310,590	277,314	(7,305,359)	32,711,424

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (65,537)	\$ (189,133)
Items not affecting cash		
Stock-based compensation	9,990	187,000
Amortization	2,974	1,368
	(52,573)	(765)
Changes in non-cash working capital balances:		
Accounts receivable	(13,091)	(9,169)
Prepaid expenses	(6,552)	–
Accounts payable and accrued liabilities	6,666	46,897
Cash (used in) provided by operating activities	(65,550)	36,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred exploration expenditures	–	(105)
Natural gas interests expenditures	(47,914)	(98,368)
Purchase of equipment	(13,710)	–
Cash used in investing activities	(61,624)	(98,473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	1,400,000	–
Shares issuance costs	(19,103)	–
Cash provided by financing activities	1,380,897	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,253,723	(61,510)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,633,924	3,822,375
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,887,647	\$ 3,760,865

ALTAI RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010
AND FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

1. Nature of operations

Altai Resources Inc. ("Altai" or the "Company"), incorporated under the laws of the province of Ontario, is a resource company with a portfolio of oil and gas, gold and sulphur properties in Canada and the Philippines.

Altai's common shares are listed on the TSX Venture Exchange under the symbol ATI.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements are unaudited and have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied to all periods presented in these financial statements.

These are the Company's first condensed interim consolidated financial statements prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, have been omitted or condensed. Accordingly, these condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") until December 31, 2010. Canadian GAAP differs from IFRS in some areas. IFRS 1 exemptions and the significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out in Notes 3 and 4. The effects of the transition to IFRS on equity, and income and comprehensive income are presented in Note 21.

The condensed interim consolidated financial statements were approved by the Board of Directors on June 27, 2011.

Basis of presentation

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. These financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

3. First time adoption of International Financial Reporting Standards

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS 1 provides guidance for the initial adoption of IFRS. Under IFRS 1, the IFRS are applied retrospectively at the transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections made and the IFRS that the Company considers significant to Altai are as follows:

1) Estimates

IFRS 1 prohibits the use of updated information to create or revise estimates. The estimates in accordance with IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

2) IFRS 2 – Stock-Based Compensation Expenses

The Company issues share-based compensation in the form of stock options which are generally vested immediately upon grant and exercisable up to five years from the date of grant. The Company has elected per IFRS 1 not to retrospectively

applied IFRS 2 to stock-based payment vested as at December 31, 2009.

a) **Graded Vesting**

Under Canadian GAAP, the Company used the straight-line method of calculating vested options. The fair value of stock-based awards with graded vesting was calculated as one grant options at the time of the grant, and the resulting fair value was recognized on a straight-line basis over the vesting period.

Upon the adoption of IFRS, the Company changed from straight-line method to the graded-vesting method. Under IFRS, each tranche of an award with graded vesting period is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. At the end of each reporting period, the Company re-assesses its estimate of the number of awards that are expected to vest and recognizes the impact of the revisions within stock-based compensation expenses through profit or loss.

b) **Forfeitures**

Under Canadian GAAP, forfeitures of awards were recognized as they occur.

Under IFRS, an estimate is required of the number of awards expected to vest. The estimate will be factored into the calculation of period compensation expenses, and can be revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. An adjustment is then expensed to reflect this difference. Since the total amount of compensation recognized under either Canadian GAAP or IFRS will ultimately reflect the number of options that vested, the difference is a timing difference only.

The differences in the application of these IFRS had no impact on the statements for all periods presented.

3) IFRS 3 – Business Combinations

The Company has elected under IFRS 1 not to apply IFRS 3 retrospectively to business combinations that occurred prior to January 1, 2010. Accordingly, the Company has continued with the same accounting treatment of the business combinations under Canadian GAAP.

4) IFRS 6 – Exploration and Evaluation Costs of Mineral Resources

This standard applies to expenditures incurred on properties in the exploration and evaluation (E & E) phase. The E & E begins when an entity obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. IFRS 6 requires entities to select and consistently apply an accounting policy specifying which E & E expenditures are capitalized and which are expensed. The Company policy has been under Canadian GAAP to capitalize E & E and it continues to capitalize E & E under IFRS. Each year the Company analyses the projects under evaluation for impairment, and will expense those portions impaired on an annual basis. The Company has not changed its accounting policies for exploration and evaluation cost, as its previous accounting policies under Canadian GAAP comply with IFRS 6.

5) IAS 16 – Property, Plant and Equipment

The Company has elected under IFRS 1 to measure property, plant and equipment at the transition date by applying the historical cost convention. Therefore the carrying value of the Company's property, plant and equipment remains the same on its conversion to IFRS.

6) IAS 27 – Consolidated and Separate Financial Statements

Under IFRS, the approach to consolidation is single step (control model) and principles-based whereby consolidation is required for all entities which are controlled. IFRS utilizes the concepts of risks and rewards where the existence of control is not apparent, although not in the same rules-based manner as under Canada GAAP (which was two step model first requiring consideration as to whether an entity is a variable interest entity). The adoption of IAS 27 has no impact on the consolidation accounting for the Company.

7) IAS 36 – Impairment of Non-Financial Assets

a) **Indications of Impairment**

Under Canadian GAAP, a long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Canadian GAAP doesn't specifically require looking for indications of impairment.

Under IFRS, assets should be tested for indications of impairment at the end of each reporting period with specific criteria

provided. If there are indications of impairment, then an impairment test is performed.

b) Recoverable Amount and Impairment

Under Canadian GAAP, there is a two step process in computing the impairment loss. First the recoverable amount is calculated by calculating the total cash flows to be generated from both using the asset and then disposing of it without discounting. If the recoverable amount is below the carrying amount, the carrying value would be written down to fair value, not the recoverable amount.

Under IFRS, the recoverable amount is defined as the higher of the assets fair value less costs to sell and its value-in-use. The value-in-use is based upon the present value of the cash flows that will be generated from the continued use of the asset and the ultimate disposal of asset, after deducting disposal costs. The discount rate used to calculate the present value should be pre-tax rate that reflects current assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the recoverable amount is below the carrying value, the carrying value would be written down to the recoverable amount. In the grouping of assets, recoverable amount is calculated for a cash generating unit ("CGU"). The CGU would be the smallest identifiable group of assets that generates independent cash inflows.

This change in measurement methodology from the Canadian GAAP has not resulted in additional impairments for the Company as the carrying amount of non financial assets (interest in mining properties, natural gas interests, property and equipment) was not in excess of their fair value less cost to sell or value-in-use.

c) Reversal of Impairment

Under Canadian GAAP, reversal of impairment losses is not permitted.

Under IFRS, the original indicators of impairment are re-assessed at each reporting date to determine whether a previously recognized impairment still exists. If based upon new estimates the recoverable amount has changed, an impairment loss can be reversed.

The Company has not identified impairments recognized where the changes of recoverable amount would result in a reversal.

8) IAS 12 – Income taxes

a) Intercompany Transactions

Under Canadian GAAP, recognition of a deferred tax asset or liability for a temporary difference arising from intercompany transactions is prohibited. Such temporary differences may arise when the tax base of the asset in the buyer's jurisdiction differs from the carrying amount of the asset in the consolidated financial statements. Further, cash tax paid or recovered as a result of a transfer of an asset is recorded as a deferred tax asset or liability in the financial statements and recognized through tax expense when the asset leaves the Company or is otherwise utilized.

Under IFRS, deferred tax is recognized for temporary differences arising on intercompany transactions measured at the tax rate of the buyer, and cash tax paid or recovered on intercompany transactions is recognized in the period incurred. The Company did not identify any tax deferrals on intercompany transactions.

b) Deferred Tax Assets of an Acquired Company Not Previously Recognized

Under Canadian GAAP, previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition when such assets are more likely than not to be realized as a result of a business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, such benefit is also recognized through goodwill. The acquirer recognizes deferred tax assets that become realizable as a result of the acquisition as part of the cost of the acquisition.

Under IFRS, previously unrecognized deferred tax assets of an acquired company are recognized as part of the cost of the acquisition if realization is more likely than not as a result of the business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, the tax benefit is recognized in the income statement and a corresponding amount of goodwill is recognized as an operating expense. The acquirer recognizes deferred tax assets that become realizable as a result of the acquisition through earnings. The Company did not identify any deferred tax assets of an acquired company not previously recognized.

c) Accounting for Uncertainty In Income Tax Positions

Under IFRS, the provision for uncertain tax positions is a best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors, including the status of the tax authority examination. Uncertain tax positions were not evaluated solely on the technical merits of the position. The Company has no differences in liability for uncertain tax positions under IFRS.

4. Summary of significant accounting policies

The significant accounting policies used in the presentation of these condensed interim consolidated financial statements are described below:

1) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary: Petro St-Pierre Inc. All inter-company accounts and transactions have been eliminated upon consolidation. The Company has a 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines"). The Company records this investment on the equity basis and reflects in its earnings its proportionate share of the earnings (losses) of the subsidiary.

2) Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation (reporting) currency.

3) Cash and cash equivalents

Cash and cash equivalents include short term deposits with terms to maturity of ninety days or less when acquired.

4) Marketable securities

Marketable securities are recorded at fair value and are classified as available-for-sale assets. Unrealized gains and losses are recorded in other comprehensive income until the shares are sold or impaired at which time the amounts would be recorded in net earnings (losses).

5) Interests in mining properties

Interests in mineral properties and deferred exploration expenditures, on a project-by-project basis, are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net realizable value. Exploration expenditures include costs associated with the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining exploration targets, and exploration drilling costs. Other general exploration expenses, not directly attributable to specific properties, are charged to the statement of profit and loss as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to the statement of profit and loss in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis but at least annually and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

6) Natural gas interests

The Company follows the full cost method of accounting whereby all expenditures associated with the acquisition

of gas properties and expenditures for carrying and retaining and for exploration of undeveloped properties are capitalized.

If economically profitable gas reserves are developed in a property, the capitalized costs of the property are amortized using units of production for the year, based on probable and proven gas reserves. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated useful life of the property, or if the project is abandoned, the project is written down to its net realizable value. The recovery of amounts recorded as gas properties depends on the discovery of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete development and future profitable production or the proceeds from disposal of such properties. Amounts recorded under gas properties do not necessarily represent the present or future value.

7) Flow-through financings

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate) and share capital is reduced. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

Currently, there are no specific IFRS standards regarding the accounting of flow-through shares. Since 2007 the Company has not done any flow-through financings, there is no impact on the IFRS financial statements for the all periods presented.

8) Impairment of non-financial assets

Assets should be tested for indications of impairment at the end of each reporting period with specific criteria provided. If there are indications of impairment, then perform impairment test. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for interests in mining properties and natural gas interests are carried out on a project by project basis, with each project representing a potential single cash generating unit.

Reversals of impairment losses are recognized in respect of exploration and evaluation expenditures where this is justified by a change of circumstances.

9) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

10) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization of capital assets has been provided in the accounts on the straight line basis at the following rates:

- 1) Computer equipment – over 3 years
- 2) Website development – over 3 years
- 3) Furniture and fixtures – over 5 years
- 4) Leasehold improvement – over lease term of 5 years

11) Revenue recognition

The Company recognizes revenue when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

12) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates.

The Company has identified the following areas where significant estimates have been made:

- Impairment of the carrying values for non-financial assets
- The recoverability of mineral interests and natural gas interests
- Useful lives of equipment
- Allowance for doubtful accounts
- Assumptions used in determining the fair value of stock options and warrants
- Valuation allowance for future income taxes

13) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

14) Stock-based compensation cost

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

15) Earnings (loss) per common share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding. Diluted earnings per share is calculated using the treasury stock method. In order to determine diluted earnings per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation to the extent that it is dilutive.

16) Financial instruments

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for those financial assets and liabilities classified as fair value through profit or loss, which are initially measured at fair value.

(1) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- a) Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and

assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement income (loss) for the period.

b) Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's accounts receivables are of short term nature and approximate their carrying values and are included in current assets. Loan and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at amortized cost using the effective interest method less a provision for impairment.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

c) Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the entity's original effective interest rate. The impairment losses are recognized in the statement of income (loss).

d) Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVPTL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of income (loss).

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

(2) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a) Fair value through profit or loss – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement income (loss) for the period.

b) Financial liabilities measured at amortized cost – Financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

The Company's accounts payables and accrued liabilities and other current liabilities, due to their short term nature and approximation to their carrying values, are classified as current liabilities.

The Company's financial instruments consist of the following:

Instrument	Classification	Measurement basis
Cash and cash equivalents	Fair value through profit or loss	Fair value
Marketable securities	Available-for-sale	Fair value
Accounts receivables	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost

(3) Classification of financial instruments

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's cash and cash equivalents and marketable securities are designated as Level 1.

The fair value of cash and cash equivalents, accounts receivable, accounts payables, accrued liabilities and other current liabilities approximate their carrying values due to their short term nature.

17) Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are related to the economic recoverability of the resource properties and the assumption that the Company will continue as a going concern.

18) New accounting standards and interpretations

The following are IFRS changes that have been issued by the International Accounting Standards Board, which may affect the Company, but are not yet effective:

IAS 12, Income taxes, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

IAS 27, Separate Financial Statements, replaced the existing IAS 27 "Consolidated and Separate Financial Statements". IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 27 on its financial results and financial position.

IAS 28, Investments in Associates and Joint Ventures, was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

IFRS 7, Financial Instruments: Disclosures, was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective as of July 1, 2011. The Company is assessing the effect of the changes to IFRS 7 on its financial statement disclosures.

IFRS 9, Financial Instruments, was issued in November 2009 and is the first step to replace current IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 9 on its financial results and financial position; however any changes are not expected to be material.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its financial statement disclosures.

IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

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 March 31, 2011 of \$1,547,645 (2010 – \$1,469,020) is higher than their total costs of \$1,200,657 (2010 – \$1,310,810). The unrealized gain is included in other comprehensive income.

6. Investment in subsidiary

The Company has a 40% equity interest in Altai Philippines Mining Corporation (“Altai Philippines”). In addition the Company had a loan and interest receivable from Altai Philippines in the amount of \$1,640,709. In 2008 the Company performed a valuation of the investment and loan and determined that it was impaired. Accordingly the investment and loan were each written down to \$1.

In September 2010, Altai Philippines closed the sale of its Sibuyan Island lateritic nickel-cobalt property to a consortium headed by Sunshine Gold Pty Ltd., a subsidiary of Pelican Resources Ltd. of Australia, for net proceeds of C\$1,226,316. Pursuant to the agreement of Altai Philippines’ shareholders and the sale option agreement, 60% of the net proceeds were remitted to Altai and the Company cancelled its net smelter return royalty interest in the property. The \$734,114 received has been recorded as recovery of note receivable and accrued interest. The remaining \$906,565 in accrued interest on the note remains outstanding, but the Company continues to provide an allowance for that amount.

7. Interests in mining properties

	Balance, Beginning of period	Expenditure	Balance, End of period
Malartic Township, Quebec			
Property	\$123,711	\$ –	\$123,711
Expenditure	733,940	–	733,940
	\$857,651	\$ –	\$857,651

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”.

8. Natural gas interests

	Balance, Beginning of period	Expenditure	Balance, End of period
Sorel-Trois Rivieres property, St. Lawrence Lowlands, Quebec	\$31,836,228	\$ 47,914	\$31,884,142

Sorel-Trois Rivieres natural gas property, Quebec

At March 31, 2011 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 an adjacent permit (and its successor permit) of 13,290 hectares (32,840 acres) that Talisman Energy Canada has 100% working interest.

9. Property and equipment

	2011			2010		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Computer equipment	\$20,867	\$ 3,791	\$17,076	\$ 1,780	\$1,009	\$ 771
Website development	6,750	5,250	1,500	6,750	3,000	3,750
Furniture and fixtures	2,308	705	1,603	1,350	405	945
Leasehold improvement	11,802	6,491	5,311	11,802	4,131	7,671
	\$41,727	\$16,237	\$25,490	\$21,682	\$8,547	\$13,137

10. 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 January 1, 2010	49,513,552	\$35,678,910
Share purchase warrants		(92,000)
Share issuance costs relating to warrant term extension		(928)
Balance at December 31, 2010	49,513,552	\$35,585,982
Issued for cash - common shares issued for private placement (1(a))	5,600,000	1,400,000
Share purchase warrants valuation - 2,800,000 warrants issued for private placement (1(b))		(344,400)

Share issuance costs relating to private placement		(19,103)
Balance at March 31, 2011	55,113,552	36,622,479

1(a) On January 11, 2011, the Company closed a non-brokered private placement of 5,600,000 common share units at a price of \$0.25 per unit for gross proceeds of \$1.4 million. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.45 per share within a period of 24 months from the closing date. The shares and the underlying warrants issued for the private placement are subject to a hold period expiring on May 11, 2011.

1(b) The fair value of the share purchase warrants was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: expected volatility of 113%; expected dividend yield 0.0%; risk free interest rate 1.25%; expected life – 2 years. The fair value of the warrants was \$344,400.

b) Share purchase warrants

Warrants	No. of warrants	Warrant value	Weighted average exercise price
Outstanding at January 1, 2010	5,100,000	\$1,407,000	\$0.76
Expired without being exercised	(4,100,000)	(1,037,000)	\$0.65
Extension of warrant		92,000	0.092
Outstanding at December 31, 2010	1,000,000	\$ 462,000	\$1.25
Issued for common share units private placement (1(b))	2,800,000	344,400	0.45
Outstanding at March 31, 2011	3,800,000	\$ 806,400	\$0.66

The following table summarizes the warrants outstanding as at March 31, 2011:

Number of warrants	Exercise Price	Expiry date	Warrant Value
1,000,000	\$1.25	May 4, 2011	\$462,000
2,800,000	\$0.45	January 10, 2013	344,400
3,800,000			\$806,400

c) Stock options

The 2002 Stock Option Plan was discontinued and terminated on May 3, 2010 and replaced by the 2010 Stock Option Plan to grant up to 4,950,000 option shares to directors, officers and employees of the Company or of its subsidiaries. The outstanding 1,020,000 stock options granted under the 2002 Stock Option Plan remain in full force until they are exercised, expired or cancelled. 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, 2011, there were 1,930,000 option shares available for future grants.

For the three months ended March 31, 2011, the Company had not granted any stock options.

The 1,000,000 and 200,000 special options to Marc-Andre Lavoie, President and CEO and Geraint Lloyd, COO and VP Exploration, granted on October 1, 2010 at \$0.30 per share, remained non-vested at March 31, 2011.

The vesting conditions for 50% of these special stock options are performance conditions and therefore the recognition of the compensation expense will not be recorded until such time as the conditions have been met. The remaining 50% will be recorded over the assumed service period of three years, consistent with the vesting period.

At the end of each reporting period, the Company re-assesses its estimate of the number of awards that are expected to vest and recognizes the impact of the revisions within stock-based compensation expenses through profit or loss.

The Company has recorded stock-based compensation expense of \$9,990 for the three months ended March 31, 2011.

A summary of the status of the Company's stock options as at March 31, 2011 and 2010, and changes during the three months periods then ended is presented below:

	2011		2010	
Stock options	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of period	3,020,000	\$0.480	720,000	\$1.227
Granted	–	–	500,000	0.46
Outstanding at end of period	3,020,000	\$0.480	1,220,000	\$0.913
Exercisable at end of period	1,820,000	\$0.599	1,220,000	\$0.913

The following table summarizes information on outstanding and exercisable stock options as at March 31, 2011:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining contractual life (years)	Expiry date
300,000	300,000	\$0.700	2.00	April 2, 2013
100,000	100,000	1.480	2.05	April 14, 2013
100,000	100,000	2.420	2.23	June 23, 2013
20,000	20,000	0.930	2.43	September 4, 2013
100,000	100,000	0.225	2.93	March 4, 2014
400,000	400,000	0.460	3.90	February 21, 2015
200,000	200,000	0.420	4.24	June 28, 2015
600,000	600,000	0.300	4.50	September 30, 2015
1,200,000	–	0.300	2.50	September 30, 2013
3,020,000	1,820,000	\$0.480	3.14	

11. Contributed surplus

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

	2011	2010
Balance, beginning of period	\$2,300,600	\$ 863,210
Stock-based compensation	9,990	187,000
Balance, end of period	\$2,310,590	\$1,050,210

12. Accumulated other comprehensive income

Accumulated other comprehensive income for the three months ended March 31, are as follows:

	2011	2010
Balance, beginning of period	\$197,506	\$109,880
Unrealized gain of marketable securities	79,808	28,110
Balance, end of period	\$277,314	\$137,990

13. 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:

	2011	2010
Net loss for the period	\$(65,537)	\$(189,133)
Weighted average number of shares – basic	54,491,330	49,513,552
Effect of dilutive shares		
Stock options	–	–
Share purchase warrants	–	–
Weighted average number of shares – diluted (1)	54,491,330	49,513,552
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 dilutive shares would be anti-dilutive.

14. Related party transactions

Consulting services were provided by management personnel who are officers of the Company and companies owned by officers of the Company.

The directors of the Company did not receive any cash compensation in their capacity as directors during the three months ended March 31, 2011 and 2010.

The remuneration of directors and officers of the Company for the three months ended March 31 are as following:

	2011			2010		
	Cash compensation	Fair value of stock-based compensation	Total compensation	Cash compensation	Fair value of stock based compensation	Total compensation
Directors	\$ 0	\$ 0	\$ 0	\$ 0	\$187,000	\$187,000
Officers						
Niyazi Kacira – President & CEO to September 30, 2010; Chairman from October 1, 2010	9,000	0	9,000	11,000	0	11,000
Marc-Andre Lavoie – President & CEO from October 1, 2010	25,500	8,325 (1)	33,825	0	0	0
Maria Au – Secretary-Treasurer	12,000	0	12,000	11,000	0	11,000
Geraint Lloyd – COO and VP Exploration from October 1, 2010	25,500	1,665 (1)	27,165	0	0	0
	\$72,000 (2)	\$9,990	\$81,990	\$22,000 (2)	\$ 0	\$ 22,000
Total – Directors and Officers	\$72,000	\$9,990	\$81,990	\$22,000	\$187,000	\$209,000

(1) For the three months ended March 31, 2011, the Company recorded stock-based compensation expense of \$9,990 for the 1,000,000 and 200,000 special options to Marc-Andre Lavoie and Geraint Lloyd respectively granted on October 1, 2010 vesting conditional to the fulfilment of certain business and financial milestones, which remained non-vested at March 31, 2011.

(2) These fees have been allocated to administrative expenses in the amount of \$29,250 (2010 - \$1,775) and resource properties in the amount of \$42,750 (2010 - \$20,225).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the three months ended March 31, 2011 and 2010.

15. Key management personnel compensation

The following are the expenses that the Company recognized for its key management personnel:

	2011	2010
Professional fees	\$72,000	\$22,000
Stock-based compensation	9,990	187,000
	<u>\$81,990</u>	<u>\$209,000</u>

16. Commitments

- a) The Company's Toronto office has a five year office lease expiring July 2013. The basic rent is \$1,218 per month.
- b) In October 2010 the Company signed agreements to pay \$50,000 and \$16,000 as termination fees to Maria Au, an officer of the Company, and a staff of Altai, respectively, when their service to the Company terminates in the future.
- c) The Company's Montreal office has signed a three year lease expiring February 2014. The basic rent is \$2,592 per month.

The minimum annual payments for the premises rental are approximately as follows:

2011	\$ 35,352
2012	45,720
2013	38,412
2014	2,592
	<u>\$122,076</u>

17. Income taxes

Future income tax liabilities for the three months ended March 31, as follows:

	2011	2010
Carrying value of natural gas interests in excess of tax basis	\$7,448,211	\$7,448,211
Marketable securities –unrealized gains	49,446	–
Net future income tax liabilities	<u>\$7,497,657</u>	<u>\$7,448,211</u>

18. Financial instruments hierarchy

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at March 31, 2011 categorized into levels of the fair value hierarchy in accordance with IFRS 7:

	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique -non-observable market inputs	Total
Financial assets				
Fair value through profit or loss				
Cash and cash equivalents	\$5,887,647	–	–	\$5,887,647
Available-for-sale				
Marketable securities	1,547,645	–	–	1,547,645
Total	<u>\$7,435,392</u>			<u>\$7,435,392</u>

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the three months ended March 2011.

19. Management of capital

The Company includes the following in its capital as at March 31, 2011 and 2010:

	2011	2010
Shareholders' equity comprised of		
Share capital	\$36,622,479	\$35,678,910
Share purchase warrants	806,400	1,407,000
Contributed surplus	2,310,590	1,050,210
Deficit	(7,305,359)	(7,648,231)
Accumulated other comprehensive income	277,314	137,990
	<hr/> \$32,711,424	<hr/> \$30,625,879

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 payment of cash dividends does not form part of Altai's current capital management program and, to date, the Company has not declared any cash dividends on its shares. The Company's management is responsible for the management of capital. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2011.

20. Financial instruments

The Company has designated its cash and cash equivalents as fair value through profit or loss and marketable securities as available-for-sale, both of which are measured at fair value. Accounts receivable is classified as loans and receivable, which is measured at amortized cost. Accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Board approves and monitors the risk management process.

The types of risk exposure and the way in which such exposures are managed as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk includes cash and cash equivalents and marketable securities. The risk exposure is limited to their carrying amounts at the date of the financial position statement.

Cash and cash equivalents are maintained with a financial institution. The risk is mitigated because the financial institution is a major institution with high credit ratings. The marketable securities are mainly very liquid securities that are reflected at market value.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by actively forecasting, planning, reviewing and monitoring expenditures and commitments and anticipated financial requirements.

Cash and cash equivalents on hand at March 31, 2011 are sufficient to fund the Company's ongoing operational needs for the next 12 months.

(c) Market risk

Market risk is the risk that changes in market prices, such as natural gas and mineral prices, foreign exchange rates and interest rates will affect the Company's income. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

1) Commodity risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals and oil and gas prices. The Company does not use derivative financial instruments to reduce its exposure to commodity price risk.

2) Currency risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates mainly in Canada and all of its expenses are incurred in Canadian dollars.

3) Interest rate risk

The Company is not exposed to significant interest rate risks since all of its financial instruments can be quickly turned into cash, thus avoiding additional risks.

21. Transition to IFRS and Reconciliation of Canadian GAAP financial statements to IFRS

The transition to IFRS did not have an impact on the statements of financial position, income and comprehensive income and cash flows of the Company.

(1) The Canadian GAAP statement of financial position at January 1, 2010 has been reconciled to IFRS as follows:

As at January 1, 2010			
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 3,822,375	–	\$ 3,822,375
Marketable securities	1,440,910	–	1,440,910
Accounts receivable	76,696	–	76,696
Prepaid expenses	2,847	–	2,847
	5,342,828	–	5,342,828
Note receivable	1	–	1
Investment in subsidiary	2	–	2
Interests in mining properties	860,114	–	860,114
Natural gas interests	31,862,869	–	31,862,869
Technology project	1	–	1
Property and equipment	14,505	–	14,505
	\$38,080,320	–	\$38,080,320
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 32,207	–	\$ 32,207
Deferred tax liabilities	7,448,211	–	7,448,211
	7,480,418	–	7,480,418
SHAREHOLDERS' EQUITY			
Share capital	35,678,910	–	35,678,910
Share purchase warrants	1,407,000	–	1,407,000
Contributed surplus	863,210	–	863,210
Deficit	(7,459,098)	–	(7,459,098)
Accumulated other comprehensive income	109,880	–	109,880
	30,599,902	–	30,599,902
	\$38,080,320	–	\$38,080,320

(2) The Canadian GAAP statement of financial position at March 31, 2010 has been reconciled to IFRS as follows:

	As at March 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 3,760,865	–	\$ 3,760,865
Marketable securities	1,469,020	–	1,469,020
Accounts receivable	85,865	–	85,865
Prepaid expenses	2,847	–	2,847
	5,318,597	–	5,318,597
Note receivable	1	–	1
Investment in subsidiary	2	–	2
Interests in mining properties	860,219	–	860,219
Natural gas interests	31,961,237	–	31,961,237
Technology project	1	–	1
Property and equipment	13,137	–	13,137
	\$38,153,194	–	\$38,153,194
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 79,104	–	\$ 79,104
Deferred tax liabilities	7,448,211	–	7,448,211
	7,527,315	–	7,527,315
SHAREHOLDERS' EQUITY			
Share capital	35,678,910	–	35,678,910
Share purchase warrants	1,407,000	–	1,407,000
Contributed surplus	1,050,210	–	1,050,210
Deficit	(7,648,231)	–	(7,648,231)
Accumulated other comprehensive income	137,990	–	137,990
	30,625,879	–	30,625,879
	\$38,153,194	–	\$38,153,194

- (3) The Canadian GAAP statement of income and comprehensive income for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

Three months ended March 31, 2010			
	Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE			
Investment income	\$ 24,486	–	\$ 24,486
	24,486	–	24,486
EXPENSES			
Professional fees	1,600	–	1,600
Office rent	8,208	–	8,208
Other general and administration expenses	3,622	–	3,622
Transfer agency fees	2,105	–	2,105
Stock exchange and filing fees	6,000	–	6,000
Legal fees	3,716	–	3,716
Stock-based compensation cost	187,000	–	187,000
Amortization	1,368	–	1,368
	213,619	–	213,619
NET LOSS	(189,133)	–	(189,133)
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale marketable securities, net of taxes	28,110	–	28,110
COMPREHENSIVE LOSS	\$ (161,023)	–	\$ (161,023)

(4) The Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

As at December 31, 2010			
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 4,633,924	–	\$ 4,633,924
Marketable securities	1,456,815	–	1,456,815
Accounts receivable	22,038	–	22,038
Prepaid expenses	2,847	–	2,847
	6,115,624	–	6,115,624
Investment in subsidiary	1	–	1
Interests in mining properties	857,651	–	857,651
Natural gas interests	31,836,228	–	31,836,228
Property and equipment	14,753	–	14,753
	\$38,824,257	–	\$38,824,257
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 31,356	–	\$ 31,356
Deferred tax liabilities	7,486,635	–	7,486,635
	7,517,991	–	7,517,991
SHAREHOLDERS' EQUITY			
Share capital	35,585,982	–	35,585,982
Share purchase warrants	462,000	–	462,000
Contributed surplus	2,300,600	–	2,300,600
Deficit	(7,239,822)	–	(7,239,822)
Accumulated other comprehensive income	197,506	–	197,506
	31,306,266	–	31,306,266
	\$38,824,257	–	\$38,824,257

(5) The Canadian GAAP statement of income and comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

Year ended December 31, 2010			
	Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE			
Investment income	\$ 109,741	–	\$ 109,741
EXPENSES			
Professional fees	61,975	–	61,975
Office rent	24,502	–	24,502
Travel	899	–	899
Other general and administration expenses	37,923	–	37,923
Abandonment and write off of natural gas interest	21,002	–	21,002
Write off investment in subsidiaries	1	–	1
Loss on sale of market securities	4,147	–	4,147
Shareholders meeting and information expenses	8,345	–	8,345
Investor relations expenses	3,645	–	3,645
Transfer agency fees	8,441	–	8,441
Stock exchange and filing fees	18,793	–	18,793
Audit fees	23,000	–	23,000
Legal fees	5,459	–	5,459
Stock-based compensation cost	400,390	–	400,390
Amortization	6,087	–	6,087
	624,609	–	624,609
NET LOSS BEFORE THE UNDERNOTED	(514,868)	–	(514,868)
Recovery of note receivable and accrued interest	734,144	–	734,144
NET EARNINGS	219,276	–	219,276
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale marketable securities, net of taxes	87,626	–	87,626
COMPREHENSIVE INCOME	\$ 306,902	–	\$ 306,902

Financial statement presentation and disclosure changes

The transition to IFRS has resulted in many financial statement presentation changes in the Company's financial statements, most significantly in the descriptions and level of detail provided in the supporting notes.

22. Subsequent event

On May 4, 2011, 1,000,000 share purchase warrants with exercise price of \$1.25 per share expired unexercised.