ALTAI RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Table of Contents
For the years ended December 31, 2012 and 2011

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income (Loss)	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 22

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Altai Resources Inc. (the "Company") were prepared by management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the Company's Audit Committee and the Board of Directors. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 4 of the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Niyazi Kacira"
Niyazi Kacira
President

"Maria Au"
Maria Au
Secretary-Treasurer

Toronto, Canada
April 24, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Altai Resources Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Altai Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Altai Resources Inc. as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast doubt about Altai Resources Inc.’s ability to continue as a going concern.

DNTW Toronto LLP
Licensed Public Accountants
April 24, 2013
Markham, Canada

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2011
(EXPRESSED IN CANADIAN DOLLARS)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Current			
Cash and cash equivalents		$ 4,808,926	$ 5.606,797
Marketable securities	4	1,503,775	1,465,460
Accounts receivable		153,511	83,998
Prepaid expenses		8,877	8,877
		6,475,089	7,165,132
Investment in subsidiary	5	–	1
Exploration and evaluation assets	6	15,605,045	15,569,430
Property and equipment	7	829,028	19,816
		$22,909,162	$22,754,379
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 88,072	$ 25,808
Decommissioning liabilities	8	65,631	-
Deferred tax liabilities	9	47,608	41,068
		201,311	66,876
SHAREHOLDERS' EQUITY			
Share capital	10a	36,627,178	36,627,178
Share purchase warrants	10b	339,701	339,701
Contributed surplus		2,813,810	2,802,560
Deficit		(17,371,214)	(17,313,981)
Accumulated other comprehensive income		298,376	232,045
		22,707,851	22,687,503
		$22,909,162	$22,754,379
Commitments	14		

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the board on April 24, 2013

"Niyazi Kacira"
Director

"Didier Pomerleau"
Director

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN CANADIAN DOLLARS)

	Note	2012	2011
REVENUE			
Oil sales		$ 106,343	$ -
Royalties		(6,354)	-
Interest and dividend income		139,070	147,286
		239,059	147,286
EXPENSES			
Production		46,379	-
Professional fees		72,514	146,343
Office rent		93,334	81,739
Legal and audit fees		78,614	31,893
Shareholder meeting and information		59,805	6,923
Other administrative and general expenses		90,850	56,900
Write off investment in subsidiaries		1	–
(Gain) loss on sale of marketable securities		84	(287)
Stock-based compensation		11,250	39,960
Write down of exploration and evaluation assets		–	9,845,601
Amortization		34,622	12,373
		487,453	10,221,445
LOSS BEFORE THE UNDERNOTED		(248,394)	(10,074,159)
Recovery of note receivable and accrued interest		191,161	–
NET LOSS		$ (57,233)	$ (10,074,159)
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale marketable securities, net of taxes		66,331	34,539
COMPREHENSIVE INCOME (LOSS)		$ 9,098	$ (10,039,620)
Basic and diluted loss per share	11	$ (0.00)	$ (0.18)
Weighted Average Number of Common Shares Outstanding			
– basic		55,113,552	54,960,127
– diluted		55,113,552	54,960,127

The accompanying notes are an integral part of the consolidated financial statements

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN CANADIAN DOLLARS)

	Share capital						
	Number of shares	Amount $	Share purchase warrants $	Contributed surplus $	Accumulated other comprehensive income (net of tax) $	Deficit $	Total equity $
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 year	-	-	-	-		(10,074,159)	(10,074,159)
Increase in fair value of available-for-sale marketable securities	-	-	-	-	34,539	-	34,539
Stock-based compensation	-	-	-	39,960	-	-	39,960
Proceeds of share issuance in private placement, net of issuance costs	5,600,000	1,400,000	-	-	-	-	1,400,000
Share purchase warrants issued for private placement	-	(344,400)	344,400	-	-	-	-
Share issuance cost	-	(14,404)	(4,699)	-	-	-	(19,103)
Expired share purchase warrants	-	-	(462,000)	462,000	-	-	-
Balance, December 31, 2011	**55,113,552**	**36,627,178**	**339,701**	**2,802,560**	**232,045**	**(17,313,981)**	**22,687,503**
Net loss for the year	-	-	-	-	–	(57,233)	(57,233)
Increase in fair value of available-for-sale marketable securities	-	-	-	-	66,331	-	66,331
Stock-based compensation	-	-	-	11,250	-	-	11,250
Balance, December 31, 2012	**55,113,552**	**36,627,178**	**339,701**	**2,813,810**	**298,376**	**(17,371,214)**	**22,707,851**

The accompanying notes are an integral part of the consolidated financial statements

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN CANADIAN DOLLARS)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (57,233)	$ (10,074,159)
Items not affecting cash		
Stock-based compensation	11,250	39,960
Write off investment in subsidiaries and note receivable	1	–
Write down of exploration and evaluation assets	–	9,845,601
Amortization	34,622	12,373
Finance expense	696	–
(Gain) loss on sale of marketable securities	84	(287)
	(10,580)	(176,512)
Changes in non-cash working capital balances:		
Accounts receivable	(69,513)	(61,960)
Prepaid expenses	–	(6,030)
Accounts payable and accrued liabilities	62,264	(5,548)
Cash used in operating activities	(17,829)	(250,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral exploration expenditures, net of tax credits received	3,473	(9,712)
Natural gas interests expenditures, net of tax credits received and receivable	(39,088)	(159,651)
Proceeds on sale of marketable securities	34,472	28,825
Purchase of property and equipment	(778,899)	(17,436)
Cash used in investing activities	(780,042)	(157,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	–	1,400,000
Share issuance costs	–	(19,103)
Cash provided by financing activities	–	1,380,897
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(797,871)	972,873
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,606,797	4,633,924
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,808,926	$ 5,606,797

The accompanying notes are an integral part of the consolidated financial statements

1. Nature of Operations and Going Concern

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 revenue producing property and other gas and gold properties which it is in the process of exploring and has not yet determined whether those properties contain reserves that are economically recoverable. All properties are in Canada.

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

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Apart from an oil revenue producing property, the other properties are at an early stage of development. The Company has incurred losses in the past and currently has an accumulated deficit of $17,371,214.

The Company's ability to continue as a going concern is dependent upon the existence of economically recoverable resource reserves, the ability of the Company to obtain necessary financing to complete the exploration and the development of those properties, and upon future profitable production or proceeds from the disposition thereof.

The Company has cash and cash equivalents of $4,808,926 and believes this amount is sufficient to meet its planned exploration expenditures on its properties and to meet its corporate administrative expenses for the next 12 months. Long term, the Company may pursue opportunities to raise additional funds, and while the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future.

2. Basis of Presentation

Statement of compliance

These consolidated financial statements are audited 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 consolidated financial statements.

The consolidated financial statements for the years ended December 31, 2012 and 2011 were approved by the Board of Directors on April 24, 2013.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. These consolidated 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.

Functional and presentational currency

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

Accounting judgments and estimation uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates and underlying assumptions are reviewed annually and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these consolidated financial statements, the Company makes judgments regarding the application of its accounting policies.

The financial statement areas that require significant estimates and assumptions are included in the following notes:

Asset impairments

For impairment testing of property, plant and equipment and exploration and evaluation assets, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. One of the more significant policies

adopted by the Company has been deciding the level at which assets are to be aggregated for assessing impairment. These groupings are referred to as Cash Generating Units ("CGU"). CGU is defined as the lowest levels for which there are separately identifiable independent cash inflows. Based on numerous factors, including the independence of cash inflows and production infrastructure, management considers the Company to have three CGUs, namely Malartic Gold properties, the Quebec natural gas properties and Cessford oil properties. The testing of assets or CGU's for impairment, as well as the assessment of potential impairment reversals, requires estimates of an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including quantities of reserves, expected production volumes, future commodity prices, discount rates as well as future development and operating costs. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions, such as a downward revision in reserves, a decrease in commodity prices or an increase in costs, could result in an impairment of an asset's or CGU's carrying value.

At December 31, 2012, management assessed whether there were indicators that the CGUs may be impaired. Management determined no such indicators are present and therefore no impairment exists.

Decommissioning liabilities

Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free interest rate.

Depletion, depreciation and amortization

The Company's property, plant and equipment and exploration and evaluation assets are measured at cost less accumulated depletion, depreciation and amortization (DD&A) and accumulated impairment losses. The amount subject to DD&A is determined as the cost of the asset less its residual value and should be allocated on a systematic basis over the useful life of the assets. The estimate of useful life and residual value are determined annually by qualified independent oil properties specialists. If changed significantly, the changes will be accounted for in the consolidated statements of compressive loss prospectively as a change in an accounting estimate in accordance with International Accounting Standards ("IAS") 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Valuation allowance for deferred income taxes

Each period, the Company evaluates the likelihood of whether some portion of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

Fair value measurements

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of accounts receivables, accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

The fair value of share-based compensation is estimated using the Black-Scholes Option Pricing valuation model. The inputs are based on factors including the share price on measurement date and the exercise price of the instrument, and based on assumptions for the risk-free interest rate (based on government bonds), the forfeiture rate and expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the volatility of the share price (based on historic movements in the Company's share price.

3. Summary of Significant Accounting Policies

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

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.

Revenue recognition

Revenues from the sale of crude oil are recognized when the title and the risks and rewards of ownership pass to the buyer. Revenue is presented net of production expenses and royalties.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

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

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 the consolidated statement of comprehensive income (loss).

Exploration and evaluation assets
The exploration and evaluation expenditures include the costs of acquiring licences and claims, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights, directly attributable expenses and technical studies. Exploration and evaluation expenditures are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting mineral and natural gas reserves have yet to be determined. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

When a project is deemed to no longer have commercial viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss. The Company assesses exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Property, plant and equipment
Property, plant and equipment include oil properties, computer equipment, furniture and fixtures and leasehold improvements.

The cost of oil properties include all costs directly associated with the acquisition of crude oil wells and adherent land. These expenditures include its purchase price, legal fees related to the acquisition, and the initial estimate of decommissioning liabilities. The oil properties include four wells and three pieces of adherent land. Since all four wells located within a single geographic unit and have same useful lives and depreciation methods, the four well components have been grouped together as one component. The Company does not currently have a reserve study to allow for depletion based on unit-of-production and therefore depletes the oil property over an estimated useful life using the straight line method.

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

Computer equipment – over 3 years
Furniture and fixtures – over 5 years
Leasehold improvement – over lease term of 5 years
Oil properties – over 15 years

Impairment
The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset or asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Any previously recognized loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reverse is recognized in the consolidated statement of operations. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

When an exploration and evaluation asset is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. Exploration and evaluation asset and property, plant and equipment are accumulated on an area-by-area basis then grouped into CGU's on the basis of geographical area having regard to the operational infrastructure (such as facilities and sales points) of the area, and are the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets.

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.

Decommissioning liabilities

The Company provides for the costs of decommissioning associated with oil properties, including the abandonment of crude oil wells, related facilities, compressors, removal of equipment from leased acreage and returning such land in a condition as it is contractually obligated. The expected value of each asset's decommissioning liabilities is recorded in the period a well or related asset is drilled and evaluated, constructed or acquired. The decommissioning liabilities are measured in the statement of financial position at the expected value of the expenditures expected to be required to settle the obligation and discounted using a risk free rate. A corresponding amount is capitalized in the relevant asset category. Any further adjustment arising from a reassessment of estimated cost of the decommissioning liabilities or a change in the discount rate also has a corresponding amount capitalized, whilst the charge arising from the accretion of the discount applied to the decommissioning liabilities is treated as a component of finance costs in the consolidated statement of comprehensive income (loss).

Fair value of stock options

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's profit and loss and contributed surplus.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of comprehensive income (loss).

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company creates a

valuation allowance to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits, and unused tax losses cannot be utilized.

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.

Loss per common share

Basic loss per common share is determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfilment of the arrangement is dependent on the use of a specific tangible asset or the arrangement conveys a right to use the tangible asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income (loss) on a straight-line basis over the lease term.

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.

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.

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

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Future changes in accounting polices

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

IAS 1, Presentation of Items of Other Comprehensive Income was amended to introduce changes to the presentation of items of other comprehensive income that may be reclassified to profit or loss in the future and will be presented separately from items that will not be reclassified. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The Company is assessing the effect of the changes to IAS 1 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 or after January 1, 2013. Early adoption 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. Early adoption is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

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.

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. The Company is assessing the effect of IFRS 10 on its financial results and financial position.

IFRS 11, Joint Arrangements establishes the principles for financial reporting by entitles when they have an interest in arrangements that are jointly controlled. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 11 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. The Company is assessing the effect of IFRS 12 on it financial statement disclosures.

IFRS 10, 11 and 12 are one suite of standards forming a new consolidation model. Early adoption for the 3 standards is permitted, but they all need to be early adopted at the same time.

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 effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is assessing the effect of IFRS 13 on its financial results and financial position.

4. Marketable Securities

The available-for-sale marketable securities consist of dividend/interest paying Canadian financial and utilities shares and shares of junior resource companies the Company received pursuant to option agreements. They are reported in their fair market values at the end of the reporting periods. The unrealized gain (the total fair market values less the total costs) is included in other comprehensive income.

Total fair market values and costs of the available-for-sale marketable securities at December 31, 2012 and 2011 are as follows:

	2012	2011
Total fair market values	$1,503,775	$1,465,460
Total costs	$1,137,563	$1,172,119

5. Investment in Subsidiary

On January 1, 2012 the Company had a 40% equity interest in Altai Philippines Mining Corporation ("APMC") and a balance of $906,565 accrued interest on a note owing by APMC for which a 100% allowance had been maintained. The investment and loan were each written down to $1 in 2008.

In September 2012 Altai and APMC agreed for the latter to make a partial repayment of the outstanding note interest owing to Altai based on 50% of APMC's cash reported in its audited financial statements for the year ended December 31, 2011. Subsequent to such payment, Altai would sell its 40% equity holding in APMC for a nominal sum and forgive APMC the remaining outstanding note interest.

The transaction was completed in November 2012 and Altai received $191,161 from APMC, forgave the remaining outstanding note interest of $715,404 owed by APMC, and disposed of the 40% equity interest in APMC.

6. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the interest in mining properties and natural gas interests.

	Interests in mining properties (i)	Natural gas interests (ii)	Total
Balance at December 31, 2010	$857,651	$24,388,017	$25,245,668
Expenditures, net of tax credits	9,712	159,651	169,363
Write down of exploration and evaluation assets	–	(9,845,601)	(9,845,601)
Balance at December 31, 2011	$867,363	$14,702,067	$15,569,430
Expenditures, net of tax credits	(3,473)	39,088	35,615
Balance at December 31, 2012	$863,890	$14,741,155	$15,605,045

i) Interests in mining properties

Malartic Township gold property, Quebec	Acquisition cost	Expenditure	Total
Balance at December 31, 2010	$123,711	$733,940	$857,651
Expenditures, net of tax credits	–	9,712	9,712
Balance at December 31, 2011	$123,711	$743,652	$867,363
Expenditures, net of tax credits	–	(3,473)	(3,473)
Balance at December 31, 2012	$123,711	$740,179	$863,890

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 and operator, Globex Mining Enterprises Inc. ("Globex"), which names the project "Blackcliff gold property".

ii) Natural gas interests

Sorel-Trois Rivieres natural gas property, Quebec

As at June 12, 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).

Bill 18 (2011, chapter 13) of the Quebec Parliament (an Act to limit oil and gas activities) came into effect on June 13, 2011 (the “Bill”). It unilaterally revokes without compensation the part of the oil and gas exploration permits situated in the St. Lawrence River, West of Anticosti Island, including the islands situated in that part of the river.

In September 2011 the Quebec Ministry of Natural Resources confirmed the exact area of Altai’s direct holding in the region being expropriated by the Bill to be 45,861 hectares (113,323 acres), effectively expropriating 40.11% of its oil and gas exploration rights. Two permits were entirely expropriated, with the area of a third one reduced.

As a result of the expropriation, effective June 13, 2011, Altai holds 100% interest in the remaining five oil and gas and reservoir permits in the Sorel-Trois Rivieres area, St. Lawrence Lowlands covering 68,483 hectares (169,221 acres).

Due to the expropriation, the Company wrote down the natural gas interests by $9,845,601 for the year ended December 31, 2011.

The Bill also contains provisions to exempt holders of exploration permits “from performing the work required under the Mining Act until the date determined by the Minister, which date may not be later than 13 June 2014”. The duration of the permits is also extended by the same period of time as the exemption. This provision affects the 68,483 hectares (169,211 acres) of the oil and gas and reservoir exploration permits that the Company continues to directly hold in the St. Lawrence Lowlands.

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. That permit has been reduced to 12,334 hectares (30,477 acres) due to Bill 18.

7. Property and Equipment

		December 31, 2012			December 31, 2011		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Computer equipment		$23,284	$ 13,906	$ 9,378	$22,598	$ 9,275	$13,323
Website development		-	-	-	6,750	6,750	0
Furniture and fixtures		4,303	3,274	1,029	4,303	1,350	2,953
Leasehold improvement		11,802	10,622	1,180	11,802	8,262	3,540
Oil properties	(1)	840,796	23,355	817,441	-	-	-
		$880,185	$51,157	$829,028	$45,453	$25,637	$19,816

(1) On July 24, 2012, the Company closed a transaction with Arkoma PUC (“Arkoma”) for the Company to acquire a gross 50% (net 45%) working interest in 240 acres of Alberta Crown leases in the Cessford area of central Alberta and production of light oil in four long-life oil producing wells. The cost of oil properties include all costs directly associated with the acquisition of crude oil and adherent land. These expenditures include its purchase price, legal fee related to acquisition, and the initial estimate of decommissioning liabilities. 692012 Alberta Ltd. and another Calgary party provided technical support to Altai during the acquisition process and was paid a fee in kind by Altai, that is, each of the two parties held a 2.5% working interest in the property on the transaction closing. ConocoPhillips Canada Energy Partnership of ConocoPhillips Canada Resources Corp., a fully owned subsidiary of ConocoPhillips, US, is the partner and operator of the property.

The four wells are subject to various royalty payments, some of which are 1.25-3% of gross revenue on certain wells and another which is based on barrels of oil produced. Reserve life of the four wells is estimated at 15 years. There have been no reserve studies performed to accurately estimate the reserves of these properties. There are future infill locations for two additional wells and there are undrilled lands to be explored in the future. None of the cost of the acquisition was allocated to the unproven exploration property.

8. Decommissioning Liabilities

Balance at January 1, 2012	$ -
Obligation incurred on acquisitions	64,935
Unwinding of discount	696
Balance at December 31, 2012	$ 65,631

The decommissioning liability was estimated based on the Company’s net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods.

The Company makes a provision for the future cost of decommissioning oil properties on a discounted basis. These costs are expected to

be settled over a period of up to 15 years into the future. The provision has been estimated using existing technology at current prices. The economic life and the timing of the decommissioning liability are dependent on Government legislation, commodity prices and the future oil production profiles. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures in the cost of third party services. The Company has estimated the net present value of the decommissioning liability to be $65,631at December 31, 2012 (2011 - Nil) based on an undiscounted future liability of $90,000 (2011 – Nil). The discount factor, used to present value the decommissioning liability is the risk free rate of 2.2%.

9. Income Taxes

(a) The provision for income taxes attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26% (2011 – 28%) of pre-tax loss as a result of the following:

	2012	2011
Loss before income taxes	$ (57,233)	$ (10,074,159)
Computed expected income tax recovery	(14,881)	(2,820,765)
Non-deductible expenses	6,327	13,981
Abandonment and write down of natural gas interests	–	2,756,768
Share issuance costs claimed	(4,924)	(5,303)
Capital loss	22	–
Capital gain	–	(81)
Temporary differences not recognized in the year	9,183	3,464
Valuation allowance	4,273	51,936
Provision for income taxes	$ –	$ –

(b) The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	2012	2011
Deferred income tax assets:		
Non-capital losses	$ 113,026	$ 104,571
Capital losses	399,949	225,572
Tax basis of development, exploration and oil and gas expenditures in excess of carrying value	589,758	990,365
Share issue costs	3,125	7,739
Tax basis of property and equipment in excess of carrying value		14,115
Total deferred income tax assets	1,105,858	1,342,362
Less: Valuation allowance	1,105,858	1,342,362
Net deferred income tax assets	$ –	$ –
Deferred income tax liabilities:		
Marketable securities –unrealized gains	$ 47,608	$ 41,068
Carrying value of property and equipment in excess of tax basis	160,345	-
Total deferred income tax liabilities	207,953	41,068
Less: Valuation allowance	160,345	
Net deferred income tax liabilities	$ 47,608	$ 41,068

At December 31, 2012, the Company has non-capital loss carry forwards of $434,715 (2011 – $418,282) and resource deduction tax pools

of $4,696,301 (2011 – $3,960,000) available to reduce future years' income for tax purposes.

Income tax losses by year of expiry:

2014	$137,160
2015	14,845
2026	47,050
2029	33,749
2031	185,478
2032	16,433
	$434,715

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 December 31, 2010	49,513,552	$35,585,982
Issued for cash - common shares issued for private placement – 2011	5,600,000	1,400,000
Share purchase warrants valuation - 2,800,000 warrants issued for private placement – 2011		(344,400)
Share issuance costs relating to private placement – 2011		(14,404)
Balance at December 31, 2011 and 2012	55,113,552	$36,627,178

b) Share purchase warrants

Warrants	No. of warrants	Warrant value	Weighted average exercise price
Outstanding at December 31, 2010	1,000,000	$ 462,000	$1.25
Issued for common share units private placement	2,800,000	344,400	$0.45
Expired without being exercised	(1,000,000)	(462,000)	$1.25
Issuance costs	–	(4,699)	–
Outstanding at December 31, 2011 and 2012	2,800,000	$ 339,701	$0.45

The following table summarizes the warrants outstanding as at December 31, 2011 and 2012:

Number of warrants	Exercise price	Expiry date	Warrant value
2,800,000	$0.45	January 10, 2013	$339,701

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 December 31, 2012, there were 2,730,000 option shares available for future grants.

During the year ended December 31, 2012, the Company granted a total of 1,200,000 share options, being 200,000 share options to each of the five directors (elected at the June 22, 2012 annual general meeting of the shareholders) and an officer of the Company, at $0.10 per share with an expiry date of June 21, 2017 and vested immediately.

The fair values of the options granted during the year ended December 31, 2012 were estimated at the date of the grants using the Black-Scholes Option Pricing model with the following assumptions: expected volatility of 58%; expected dividend yield of 0.0%; risk free interest rate of 1.63%, and expected life of five years. The total fair value of the stock options granted was $61,200.

The 1,000,000 and 200,000 special options to Marc-Andre Lavoie and Geraint Lloyd granted on October 1, 2010 at $0.30 per share, non-vested as at May 23, 2012, the date of their resignation as officers of the Company, were cancelled after their resignation. The stock-based compensation expenses for the said cancelled non-vested option shares recorded for the period from October 1, 2010 to December 31, 2011 totalling $49,950 were reversed in the second quarter of 2012 because these shares did not meet the vesting condition.

The Company has recorded a net stock-based compensation expense of $11,250 for the year ended December 31, 2012 (2011 - $39,960).

A summary of the status of the Company's stock options as at December 31, 2012 and 2011 and changes during the periods then ended is presented below:

	2012		2011	
Stock options	**No. of options**	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding at beginning of year	3,020,000	$0.480	3,020,000	$0.480
Granted	1,200,000	0.100	–	–
Cancelled	2,000,000	0.379	–	–
Outstanding at end of year	2,220,000	$0.365	3,020,000	$0.480
Exercisable at end of year	2,220,000	$0.365	1,820,000	$0.599

The following table summarizes information on outstanding and exercisable stock options as at December 31, 2012:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining contractual life (years)	Expiry date
300,000	300,000	$0.700	0.25	April 2, 2013
100,000	100,000	2.420	0.48	June 23, 2013
20,000	20,000	0.930	0.68	September 4, 2013
100,000	100,000	0.225	1.18	March 4, 2014
300,000	300,000	0.460	2.15	February 21, 2015
200,000	200,000	0.300	2.75	September 30, 2015
1,200,000	1,200,000	0.100	4.48	June 21, 2017
2,220,000	2,220,000	$0.365	3.07	

11. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2012 and 2011:

	2012		2011	
Net loss for the year	$(57,233)		$(10,074,159)	
Weighted average number of shares – basic	55,113,552		54,960,127	
Effect of dilutive shares				
Stock options	–		–	
Share purchase warrants	–		–	
Weighted average number of shares – diluted	55,113,552		54,960,127	
Basic and diluted net loss per share	$(0.00)	(1)	$(0.18)	(1)

(1) Due to the loss in the years of 2012 and 2011, 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.

12. 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 years ended December 31, 2012 and 2011. The remuneration of directors and officers of the Company for the years ended December 31, 2012 and 2011 are as follows:

	2012			2011		
	Cash compensation	**Fair value of stock-based compensation**	**Total compensation**	**Cash compensation**	**Fair value of stock based compensation**	**Total compensation**
Directors	$ 0	$51,000	$ 51,000	$ 0	$ 0	$ 0
Officers						
Niyazi Kacira – Chairman, and President (effective May 23, 2012)	36,000	0	36,000	36,000	0	36,000
Marc-Andre Lavoie – President & CEO (to May 23, 2012)	37,027 (1)	(41,625) (3)	(4,598)	96,900	33,300 (3)	130,200
Maria Au – Secretary-Treasurer	48,000	10,200	58,200	48,000	0	48,000
Geraint Lloyd – COO and VP Exploration (to May 23, 2012)	40,427 (1)	(8,325) (3)	32,102	102,000	6,660 (3)	108,660
	$161,454 (2)	$(39,750)	$121,704	$282,900	$39,960	$322,860
Total – Directors and Officers	$161,454	$11,250	$172,704	$282,900	$39,960	$322,860

(1) The consulting fees to M-A Lavoie and G. Lloyd were paid up to and including May 23, 2012, the date of their resignation as officers of the Company.

(2) These fees have been allocated to administrative expenses in the amount of $72,514 (2011 - $114,450) and resource properties in the amount of $88,940 (2011 - $168,450).

(3) The total stock based compensation expenses of $49,950 for the 1,000,000 and 200,000 non-vested special options to M-A Lavoie and G. Lloyd respectively recorded for the period from October 1, 2010 to December 31, 2011 were reversed after the 2 officers' resignation on May 23, 2012 and those share options were cancelled because they did not meet the vesting condition.

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the years ended December 31, 2012 and 2011.

13. Key Management Personnel Compensation

The following are the expenses that the Company recognized for its key management personnel for the years ended December 31, 2012 and 2011:

	2012		2011
Professional fees	$161,454		$282,900
Stock-based compensation	(39,750)	(1)	39,960
	$121,704		$322,860

(1) See note 12 (3).

14. 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 a three year lease expiring February 2014. The basic rent is $2,592 per month. That office has been closed since May 24, 2012. Due to the terms of the head lease, the Company may incur additional expenses if the Montreal office space is subleased. Altai has decided not to sublease that office for the remaining lease term.

d) The Company's Montreal office has a three year copier lease contract expiring February 2014. The lease payment is $786 per quarter.

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

	Office rent	Equipment lease	Total
2013	38,412	3,144	41,556
2014	2,592	524	3,116
	$ 41,004	$ 3,668	$ 44,672

e) The Company is committed to certain royalty payments on its oil production assets, the cost of which cannot be reasonably estimated.

15. 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 December 31, 2012 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	$4,808,926	–	–	$4,808,926
Available-for-sale				
Marketable securities	1,503,775	–	–	1,503,775
Total	$6,312,701			$6,312,701

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the years ended December 31, 2012 and 2011.

16. Management of Capital

The Company includes the following in its capital as at December 31, 2012 and 2011:

	2012	**2011**
Shareholders' equity comprised of		
Share capital	$36,627,178	$36,627,178
Share purchase warrants	339,701	339,701
Contributed surplus	2,813,810	2,802,560
Deficit	(17,371,214)	(17,313,981)
Accumulated other comprehensive income	298,376	232,045
	$22,707,851	$22,687,503

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, 2012.

17. 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 counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk includes cash and cash equivalents, accounts receivable 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 December 31, 2012 are sufficient to fund the Company's on-going 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.

18. Subsequent Events

On January 10, 2013, the 2,800,000 share purchase warrants at an exercise price of $0.45 per share expired without being exercised.

On April 9, 2013, the Board of Directors approved two proposed concurrent private placements, one for subscription of up to 5 million common shares by an officer of the Company and another by an arm's length investor for up to 4 million common shares. The price for both private placements is $0.06 per common share. The transactions are subject to approval by the TSX Venture Exchange.