ALTAI RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Altai Resources Inc. for the nine months ended September 30, 2014 and 2013 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Board of Directors. Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements.

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	Note	September 30, 2014	December 31, 2013
ASSETS			
Current			
Cash and cash equivalents		$ 4,302,107	$ 4,573,255
Marketable securities	4	2,028,040	1,616,820
Accounts receivable		54,212	78,917
Prepaid expenses		2,847	8,606
		6,387,206	6,277,598
Exploration and evaluation assets	5	15.621,338	15,614,113
Property and equipment	6	753,043	797,253
		$22,761,587	$22,688,964
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 268,432	$ 304,873
Decommissioning liabilities	7	108,918	105,851
Deferred tax liabilities	8	83,100	63,502
		460,450	474,226
SHAREHOLDERS' EQUITY			
Share capital	9a	36,627,178	36,627,178
Contributed surplus		3,159,111	3,159,111
Deficit		(18,008,995)	(17,967,078)
Accumulated other comprehensive income		523,843	395,527
		22,301,137	22,214,738
		$22,761,587	$22,688,964
Commitments	13		

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	Note	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
REVENUE					
Oil sales		$ 55,089	$ 59,046	$ 182,754	$ 172,390
Royalties		(3,040)	(3,478)	(10,279)	(8,385)
Interest and dividend income		32,937	31,169	94,583	96,805
Gain on sale of marketable securities		12,668	-	12,668	-
		97,654	86,737	279,726	$ 260,810
EXPENSES					
Production		32,990	38,323	102,045	110,789
Professional fees		25,500	13,500	76,500	39,000
Other administrative and general expenses		29,633	205,549	97,933	382,918
Stock-based compensation		-	5,600	-	5,600
Amortization		15,055	16,052	45,165	49,339
		103,178	279,024	321,643	587,646
NET LOSS		(5,524)	(192,287)	(41,917)	(326,836)
OTHER COMPREHENSIVE INCOME					
(Decrease) increase in fair value of available-for-sale marketable securities, net of taxes		35,266	36,580	128,316	28,826
COMPREHENSIVE (LOSS) INCOME		$ 29,742	$ (155,707)	86,399	$ (298,010)

NET LOSS PER SHARE					
Basic and diluted loss per share	**10**	**$ (0.00)**	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**
Weighted Average Number of Common Shares Outstanding					
– basic		55,113,552	55,113,552	55,113,552	55,113,552
– diluted		55,113,552	55,113,552	55,113,552	55,113,552

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(UNAUDITED)
(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, 2012	**55,113,552**	**36,627,178**	**339,701**	**2,813,810**	**298,376**	**(17,371,214)**	**22,707,851**
Net loss for the period	-	-	-	-		(326,836)	(326,836)
Increase in fair value of available-for-sale marketable securities	-	-	-	-	28,826	-	28,826
Stock-based compensation	-	-	-	5,600	-	-	5,600
Expired share purchase warrants	-	-	(339,701)	339,701	-	-	-
Balance, September 30, 2013	**55,113,552**	**36,627,178**	**–**	**3,159,111**	**327,202**	**(17,698,050)**	**22,415,441**
Net loss for the period	-	-	-	-	-	(269,028)	(269,028)
Increase in fair value of available-for-sale marketable securities	-	-	-	-	68,325	-	68,325
Balance, December 31, 2013	**55,113,552**	**36,627,178**	**-**	**3,159,111**	**395,527**	**(17,967,078)**	**22,214,738**
Net loss for the period	-	-	-	-	-	(41,917)	(41,917)
Increase in fair value of available-for-sale marketable securities	-	-	-	-	128,316	-	128,316
Balance, September 30, 2014	**55,113,552**	**36,627,178**	**-**	**3,159,111**	**523,843**	**(18,008,995)**	**22,301,137**

ALTAI RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (41,917)	$ (326,836)
Items not affecting cash		
Stock-based compensation	–	5,600
Amortization	45,165	49,339
Finance expense	3,067	1,253
	6,315	(270,644)
Changes in non-cash working capital balances:		
Accounts receivable	24,706	99,250
Accounts payable and accrued liabilities	(36,442)	60,477
Prepaid expenses	5,759	(2,500)
Cash provided by (used in) operating activities	338	(113,417)
CASH FLOWS FROM INVESTING ACTIVITIES		
Natural gas interests expenditures	(7,225)	(41,597)
Property and equipment	(955)	521
Purchase of marketable securities	(263,306)	–
Cash used in investing activities	(271,486)	(41,026)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(271,148)	(154,443)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,573,255	4,808,926
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,302,107	$ 4,654,483

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 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 condensed interim consolidated financial statements are unaudited and have been prepared by management 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 $18,008,995.

2. Basis of Presentation

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 consolidated financial statements.

These condensed interim consolidated financial statements were 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 condensed interim consolidated financial statements for the nine months ended September 30, 2014 and 2013 were approved by the Board of Directors on November 7, 2014.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. These condensed interim 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 the 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 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 September 30, 2014, 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
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.

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 FVTPL. 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
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Decommissioning 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, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short term nature. Decommissioning liabilities have been recorded at its present value.

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.

Accounting policy implemented on January 1, 2014

The Company has implemented as at January 1, 2014 IAS 32 (Amendment), Financial Instruments: Presentation which clarifies the requirements for offsetting financial assets and financial liabilities. The accounting policy does not have any impact on the Company's financial results and financial position.

Future changes in accounting policies

IFRS 9, Financial Instruments (replaced IAS 39) for classification and measurement of financial assets, is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the effect of IFRS 9 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 September 30, 2014 and 2013 are as follows:

	2014	**2013**
Total fair market values	$2,028,040	$1,538,060
Total costs	$1,400,868	$1,137,563

5. 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, 2012	863,890	14,741,155	15,605,045
Expenditure for the period	–	41,597	41,497
Balance at September 30, 2013	863,890	14,782,752	15,646,642
Expenditures, net of tax credits received and receivable	–	(32,529)	(20,484)

Balance at December 31, 2013	863,890	14,750,223	15,614,113
Expenditure for the period	–	7,225	-
Balance at September 30, 2014	863,890	14,757,448	15,621,338

i) Interests in mining properties

Malartic Township gold property, Quebec	Acquisition cost	Expenditure	Total
Balance at December 31, 2012, September 30, 2013, December 31, 2013 and September 30, 2014	$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 September 30, 2014, Altai holds 100% interest in five oil and gas and reservoir permits in the Sorel-Trois Rivieres area, St. Lawrence Lowlands covering 68,483 hectares (169,221 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. That permit has been reduced to 12,334 hectares (30,477 acres) due to Bill 18 in Quebec.

6. Property and Equipment

	September 30, 2014			September 30, 2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Computer equipment	$ 24,240	$ 22,540	$ 1,700	$ 23,284	$ 19,632	$ 3,652
Furniture and fixtures	4,303	3,921	382	4,303	3,667	636
Leasehold improvement	–	-	–	11,802	11,802	–
Oil properties (1)	876,926	125,965	750,961	840,224	65,394	774,830
	$905,469	$152,426	$753,043	$879,613	$100,495	$779,118

(1) On July 24, 2012, the Company conditionally 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, the estimate of decommissioning liabilities and miscellaneous expenses. 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 50% 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.

7. Decommissioning Liabilities

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. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statement could be significant. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is approximately $121,000 (September 30, 2013 – $90,000) which will be incurred in 14 years. A nominal risk free rate of 3.24% (September 30, 2013 – 2.2%), and an inflation rate of 2% (September 30, 2013 – nil), was used to calculate the fair value of the asset retirement obligation. Changes to the liability were as follows:

Balance at December 31, 2012	$65,631
Unwinding of discount	1,254

Balance at September 30, 2013	$66,885
Change in estimate future cash outflows	44,900
Change in discount rate	(8,770)
Unwinding of discount	2,836
Balance at December 31, 2013	$105,851
Unwinding of discount	3,067
Balance at September 30, 2014	$108.918

8. Income Taxes

Future income tax liabilities as at September 30, 2014 and 2013 are:-

	2014	**2013**
Marketable securities –unrealized gains	$83,100	$53,066

9. 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, 2012, September 30, 2013, December 31, 2013 and September 30, 2014	55,113,552	$36,627,178

b) Share purchase warrants

Warrants	**No. of warrants**	**Warrant value**	**Weighted average exercise price**
Outstanding at December 31, 2012	2,800,000	$ 339,701	$0.45
Expired without being exercised	(2,800,000)	(339,701)	$0.45
Outstanding at September 30, 2013, December 31, 2013 and September 30, 2014	–	–	–

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 200,000 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 September 30, 2014, there were 3,350,000 option shares available for future grants.

During the period ended September 30, 2014, the Company did not grant any stock options.

A summary of the status of the Company's stock options as at September 30, 2014 and 2013 and changes during the periods then ended is presented below:

	2014		**2013**	
Stock options	**No. of options**	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding at beginning of period	1,700,000	$0.173	2,220,000	$0.365

Granted	-	-	400,000	0.100
Expired/cancelled without being exercised	(100,000)	0.225	(920,000)	0.605
Outstanding and exercisable at end of period	1,600,000	0.170	1,700,000	$0.173

The following table summarizes information on outstanding and exercisable stock options as at September 30, 2014:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining contractual life (years)	Expiry date
200,000	200,000	0.460	0.40	February 21, 2015
200,000	200,000	0.300	1.00	September 30, 2015
800,000	800,000	0.100	2.73	June 21, 2017
400,000	400,000	0.100	3.77	July 9, 2018
1,600,000	1,600,000	$0.170	2.48	

10. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the periods ended September 30, 2014 and 2013:

	2014		2013	
Net loss for the period	$(41,917)		$(326,836)	
Weighted average number of shares – basic	55,113,552		55,113,552	
Effect of dilutive shares				
Stock options	–		–	
Share purchase warrants	–		–	
Weighted average number of shares – diluted	55,113,552		55,113,552	
Basic and diluted net loss per share	$(0.00)	(1)	$(0.01)	(1)

(1) Due to the loss in the periods of 2014 and 2013, 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.

11. 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 nine months ended September 30, 2014 and 2013. The remuneration of directors and officers of the Company for the nine months ended September 30, 2014 and 2013 are as follows:

	2014			2013		
	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	$5,600	$5,600
Officers						
Niyazi Kacira – Chairman and President	36,000	0	36,000	33,000	0	33,000
Maria Au – Secretary-Treasurer	40,500	0	40,500	39,000	0	39,000
	$76,500 (1)	$ 0	$76,500	$72,000	$ 0	$72,000
Total – Directors and Officers	$76,500	$ 0	$76,500	$72,000	$5,600	$77,600

(1) These fees have been allocated all to administrative expenses (2013 - $39,000) and nil to resource properties (2013 - $33,000).

The Company did not pay any other benefits, apart from the compensation reported above, to the directors and officers during the nine months ended September 30, 2014 and 2013.

12. Key Management Personnel Compensation

The following are the expenses that the Company recognized for its key management personnel for the nine months ended September 30, 2014 and 2013:

	2014	2013
Professional fees	$76,500	$72,000
Stock-based compensation	0	0
	$76,500	$72,000

13. Commitments

a) The Company's Toronto lease expires on June 30, 2015. 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 any manner in the future.

c) The lease of the Company's Montreal office expired on January 31, 2014 and the premises have been officially vacated by the Company on that date. The security deposit balance held by the landlord was applied to pay the January 2014 gross rent. The basic rent was $2,592 per month.

d) The copier leased by the Montreal office has been returned to the leasing company upon the expiry of the lease contract at the end of February 2014.

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

	Office rent	Equipment lease	Total
2014	$14,616	$524	$15,140
2015	7,308	–	7,308
	$21,924	$524	$22,448

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

14. 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 September 30, 2014 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	$4,302,107	–	–	$4,302,107
Available-for-sale				
Marketable securities	2,028,040	–	–	2,028,040
Total	$6,330,147			$6,330,147

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the nine months ended September 30, 2014 and 2013.

15. Management of Capital

The Company includes the following in its capital as at September 30, 2014 and 2013:

	2014	2013
Shareholders' equity comprised of		
Share capital	$36,627,178	$36,627,178
Contributed surplus	3,159,111	3,159,111
Deficit	(18,008,995)	(17,698,050)

Accumulated other comprehensive income	523,843	327,202
	$22,301,137	$22,415,441

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, 2014.

16. 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 involvment 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 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 financial institutions. The risk is mitigated because the financial institutions are major institutions 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 September 30, 2014 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.