ALTAI RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007

ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2007

	2007 **$**	**2006** **$**
ASSETS		
Current		
Cash	567,093	802,859
Marketable securities (Note 3)	193,470	16,463
Accounts receivable	4,900	3,978
Prepaid expenses	–	1,500
	765,463	824,800
Note receivable (Note 4)	546,903	546,903
Investment in subsidiaries (Note 5)	553,877	561,556
Interests in mining properties (Note 6)	933,959	1,009,954
Natural gas interests (Note 7)	1,705,637	1,503,414
Investment in technology project (Note 8)	1	1
Capital assets (Note 9)	142	711
Total Assets	4,505,982	4,447,339
LIABILITIES		
Current		
Accounts payable	32,315	13,903
Current portion of consulting charge payable (Note 14)	35,100	35,100
	67,415	49,003
Consulting charge payable (Note 14)	35,100	70,200
	102,515	119,203
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	9,538,244	9,623,560
Share purchase warrants (Note 10)	306,000	466,000
Contributed surplus (Note 11)	299,730	139,730
Deficit	(5,832,285)	(5,901,154)
Accumulated other comprehensive income (Note 12)	91,778	–
	4,403,467	4,328,136
Total liabilities and shareholders' equity	4,505,982	4,447,339

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

Approved on behalf of the board:

"Niyazi Kacira"
Director

"William Denning"
Director

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 $	2006 $
CONSOLIDATED OPERATIONS		
Revenue		
Investment and miscellaneous income	25,642	7,177
	25,642	7,177
Expenses		
Administrative expenses	53,852	53,795
Prospecting and general	183	432
Amortization	569	569
	54,604	54,796
Net loss before share of net earnings of equity investment	(28,962)	(47,619)
Share of net loss of equity investment	(7,712)	(964)
Net loss before income taxes	(36,674)	(48,583)
Future income tax recoverable	84,766	–
Net income (loss)	48,092	(48,583)
Net income (loss) per share – basic and fully diluted (Note 13)	0.002	(0.002)
CONSOLIDATED DEFICIT		
Balance, beginning of year	(5,901,154)	(5,852,571)
Restatement of income tax impact on adoption of accounting standards (Note 2(o)2)b))	20,777	–
Balance, beginning of year, as restated	(5,880,377)	(5,852,571)
Net income (loss)	48,092	(48,583)
Balance, end of year	(5,832,285)	(5,901,154)

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

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 $	2006 $
Operating activities		
Net income (loss)	48,092	(48,583)
Items not affecting cash		
Share of net loss of equity investment	7,712	964
Amortization	569	569
Future income tax recoverable	(84,766)	–
Increase in accounts receivable	(922)	(2,811)
Decrease in prepaid expenses	1,500	–
Increase in accounts payable	18,412	7,885
Decrease in consulting charge payable	(35,100)	(35,100)
Cash used in operating activities	(44,503)	(77,076)
Investing activities		
Interests in mining properties	12,500	–
Deferred exploration expenditures	(1,505)	(8)
Natural gas interests	(202,223)	(18,885)
Investment in subsidiaries	(35)	34,566
Cash (used in) provided by investing activities	(191,263)	15,673
Financing activities		
Issue of shares	–	850,420
Shares issue costs	–	(65,416)
Cash provided by financing activities	–	785,004
Change in cash	(235,766)	723,601
Cash, beginning of year	802,859	79,258
Cash, end of year	567,093	802,859

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

1. Nature of operations

The Company has interests in mining properties which it is in the process of exploring and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and the development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

(b) Credit risk

The Company does not believe it is subject to any significant concentration of credit risk. Cash and short-term investments are in place with major financial institutions and corporations.

(c) Interests in mining properties

Interests in mining properties and claims are stated at cost. Exploration expenditures relating to mining properties in which an interest is retained are deferred and are carried as an asset until the results of the projects are known. If a project is successful, the acquisition cost and related deferred exploration expenditures would be amortized by charges against income from future mining operations. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

Exploration expenditures, which are general in nature and cannot be associated with a specific group of mining claims, and general administrative expenses are written off in the year in which they are incurred.

(d) Natural gas interests

Natural gas interests are stated at cost and include expenditures for carrying and retaining undeveloped properties.

(e) Flow-through shares

In March 2004, the Emerging Issues Committee (“EIC”) of the CICA issued EIC-146 “Flow-through shares” which is effective for all flow-through share issues subsequent to March 19, 2004. The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The future income tax liability must be recognized, and the shareholder’s equity reduced, on the date that the Company renounces the tax credits associated with the expenditures.

(f) Impairment of long-lived assets

CICA Section 3063 "Impairment of long-lived assets" requires the Company to assess the impairment of long-lived assets, which consists primarily of resource properties and plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

For the Company, the adoption of CICA Section 3063 has no impact on results of operations previously and currently presented.

(g) Asset retirement obligations

CICA Section 3110 “Asset retirement obligations” requires that the fair value of a liability or an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The estimate excludes the residual value of the related assets. The associated retirement costs are capitalized as part of the carrying amount of the long lived assets and amortized over the life of the asset. The amount of liability is subject to re-measurement at each reporting period. This differs from prior practice which involved accruing for the estimated retirement obligation through annual charges to earnings over the estimated life of the property. At the present time, the Company has concluded that there are no asset retirement obligations associated with any of its properties.

(h) Capital assets

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

Computer equipment – over 3 years

(i) Foreign currency translation

Balances denominated in foreign currencies are translated into Canadian dollars as follows:

i) monetary assets and liabilities at year end rates;
ii) all other assets and liabilities at historical rates; and
iii) revenue and expense transactions at the average rate of exchange prevailing during the year.

Exchange gains or losses arising on these transactions are reflected in income in the year incurred.

(j) Earnings (loss) per share

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

(k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(l) Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to be recovered or settled. Tax benefits have not been recorded due to uncertainty regarding their utilization.

(m) Stock-based compensation cost

CICA Section 3870 “Stock-based compensation and other stock-based payments” requires that the fair value based method be applied to awards granted to employees. The Company recognizes the stock-based compensation cost related to options granted on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation.

(n) Consolidation of variables interest entities

The CICA issued AcG-15 “Consolidation of variables interest entities” provides guidance for applying the principles of CICA Section 1590 “Subsidiaries” to certain special purpose entities. This pronouncement did not have any impact on the Company’s consolidated financial statements.

(o) Adoption of new accounting standards

1) CICA Section 1506 “Accounting changes”

Effective January 1, 2007 the Company adopted the revised CICA Section 1506 which requires that: (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

2) CICA Section 3855 “Financial instruments – recognition and measurement” and Section 1530 “Comprehensive income”

a) Effective January 1, 2007 the Company adopted the CICA Sections 3855 and 1530.

CICA Section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. This new standard increases harmonization with US GAAP and requires that available-for-sale financial assets be reported at fair market value. Gains and losses arising from changes in the fair market values of the available-for-sale financial assets are reported on the balance sheet as “Accumulated other comprehensive income (loss)” (CICA Section 1530). The standard is required for publicly traded companies with fiscal year-ends after October 31, 2006. The Company has adopted CICA Section 3855 on a prospective basis effective January 1, 2007 and has classified all of its investments in marketable securities as available-for-sale.

b) Impact upon adoption of CICA Sections 3855 and 1530

The Company has recorded the following adjustments in its financial statements as at January 1, 2007 resulting from the adoption of CICA Sections 3855 and 1530:

(i) an increase of $115,047, representing a fair value adjustment to the value of marketable securities;
(ii) an increase in accumulated other comprehensive income of $94,269 (net of taxes of $20,777), representing the fair value adjustment to the value of marketable securities; and
(iii) a reduction of $20,777 to opening deficit, representing the Canadian tax impact of the fair value adjustment made to the value of marketable securities.

3) CICA Section 3865 “Hedges“

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG–13 “Hedging relationships” and CICA Section 1650 “Foreign currency translation” by specifying how hedge accounting is applied and the disclosures required when it is applied. The Company had no hedging relationships as at January 1, 2007 and to date. There was no impact on the Company’s financial statements upon adoption of this standard.

(p) New accounting standards for adoption in fiscal year 2008

1) CICA Section 3862 “Financial instruments – disclosures”

This standard relates to the disclosure of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA Section 3863 “Financial instruments – presentation” must be adopted at the same time, replacing CICA Section 3861 “Financial instruments – disclosure and presentation”. The Company will adopt the standard for its interim and annual financial statements for the fiscal year beginning January 1, 2008.

2) CICA Section 3863 “Financial instruments – presentation”

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA Section 3862 “Financial instruments – presentation” must be adopted at the same time, replacing CICA Section 3861 “Financial instruments – disclosure and presentation”.

The Company will adopt the standard for its interim and annual financial statements for the fiscal year beginning January 1, 2008.

3) CICA Section 1535 "Capital disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. The Company will adopt the standard for its interim and annual financial statements for the fiscal year beginning January 1, 2008.

4) CICA Section 3031 "Inventories"

This standard relates to the measurement and disclosure of inventories. It applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company will adopt the standard for its interim and annual financial statements for the fiscal year beginning January 1, 2008. The adoption of this standard is expected to have no impact on the Company's financial statements.

3. Marketable securities

The marketable securities are reported at their fair market values as at December 31, 2007 (total cost – $81,463).

4. Note receivable

The note receivable represents a promissory note due from Altai Philippines Mining Corporation ("Altai Philippines"). This note bears interest at the rate of 18% per annum compounded annually. The note plus total interest is capped at three times the note principal, and that was reached in 2003. Although this note has no fixed terms of repayment, Altai Philippines is required under the terms of its shareholders' agreement to use at least 60% of its operating income to first pay any and all loans and accrued interest due to the Company. The monies advanced under this promissory note were for the purposes of exploration and acquisition of properties by Altai Philippines.

5. Investment in subsidiaries

The Company has a 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines") and has a direct 10% Net Smelter Return (NSR) royalty interest in all properties in which Altai Philippines has an interest. Alternatively, the Company may elect to give up its 10% NSR interest in return for building and owning 80% of the ore processing facilities; in such event, the Company will buy the ore from Altai Philippines by paying a royalty equal to 10% of the direct mining costs of the ore delivered to the processing facilities. Altai Philippines will subsequently have 20% ownership of the processing plant.

In the event that properties are joint-ventured, leased or sold to a third party interest(s), 60% of residual proceeds will accrue to the Company until it recovers its expenditures and 40% to Altai Philippines. After recovery of the Company's expenditures, proceeds will be shared equally.

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

In 2007, Crew Gold Corporation ("Crew"), through its subsidiary, Crew Minerals (Philippines) Inc., has terminated the option agreement with Altai Philippines re Altai Philippines' Negros Island sulfur property.

In November 2004, Altai Philippines entered into an option agreement with a consortium headed by Sunshine Gold Pty Ltd ("Sunshine") of Australia on Altai Philippines' nickel laterite property on Sibuyan Island ("Sibuyan property"). Under the option agreement, Sunshine, after satisfactory due diligence on the property, would have ninety days from the date of Altai Philippines obtaining approval of the Mineral Production Sharing Agreement (MPSA) application for the property to exercise the option to purchase the Sibuyan property. Sunshine was to fund the expenses for the MPSA application. As at December 31, 2007 and to date, the MPSA application has not yet been approved.

The Company records its investment in Altai Philippines on the equity basis. Under this method, the Company reflects in its earnings its proportionate share of the earnings (losses) of the subsidiary. The investment in the subsidiary is recorded at cost minus undistributed earnings (losses) since inception.

	2007	2006
	$	$
40% equity shares and investment expenses	853,107	853,074
Share of net (losses) earnings to date	(299,230)	(291,519)
	553,877	561,555

6. Interests in mining properties

	Balance, Beginning of year	Expenditure	Option	Balance, End of Year
	$	$	$	$
Property generative				
Property	–	–	–	–
Expenditure	–	400	–	400
Malartic Township, Quebec				
Property	283,711	–	77,500	206,211
Expenditure	726,243	1,105	–	727,348
Total				
Property	283,711	–	77,500	206,211
Expenditure	726,243	1,505	–	727,748
	1,009,954	1,505	77,500	933,959

Malartic Township gold property, Quebec

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

Effective September 2007, the Company and Globex (jointly the “Optionors”) have optioned 100% interest in the Malartic Township gold property to C2C Inc. and Animiki Mining Corporation (jointly the “Optionees”). All cash, shares and royalties to be received under the terms of the option agreement are to be shared equally by the Optionors. C2C paid the Optionors $25,000 cash and 400,000 C2C shares in December 2007, and a further $50,000 cash in February 2008. $100,000 cash and 200,000 shares payments are due from the Optionees upon the first agreement anniversary, and $200,000 cash and 200,000 shares upon each of the second and third anniversaries. $5,000,000 of work must be completed by the end of the fourth year of the option. The Optionors will retain a 3% (three percent) gross metal royalty on any mineral production from the property and a 10% (ten percent) net profits royalty. Upon the sixth anniversary, the Optionees must commence an annual advance royalty payment of $50,000.

7. Natural gas interests

	Balance, Beginning of year	Expenditure	Grant	Balance, End of Year
	$	$	$	$
Sorel-Trois Rivieres property, Quebec	1,503,414	221,738	19,515[1]	1,705,637

[1] The amount is a grant from the Quebec Government.

Sorel-Trois Rivieres natural gas property, Quebec

In 2007 the Company and its joint venture partner in the Sorel-Trois Rivieres natural gas property, Quebec, Petro St-Pierre Inc., ("PSP"), have thirteen oil and gas and reservoir permits in the Sorel area, St. Lawrence Lowlands Region, of Quebec, covering 114,252 hectares (282,317 acres).

At the beginning of 2007 the Company owned a 54.88% working interest in the property. As at December 31, 2007 this working interest was 59.40%. PSP had 40.60% working interest at December 31, 2007. Mengold Resources Inc. ("Mengold") holds a 10% net profit interest participation in the Company's future share of net profits of the permit existing at October 27, 1990 after payback from that permit. Mengold's participation is limited to the recovery of its investment carrying value of $259,010.

Talisman Energy Canada ("Talisman") of Calgary, Alberta, having earned a 100% equity interest in one of the four optioned permits in 2006 from the Company and PSP per the July 2005 agreement, returned the other three optioned permits to the Company and PSP in late August 2007. Altai and PSP will retain an aggregate 15% (fifteen percent) gross royalty of which Altai has 53.5%, on all net receipts from the permit that Talisman has earned the 100% equity interest.

8. Investment in technology project

The Company, through its wholly-owned subsidiary, Altai Technologies Inc. ("Altai Technologies"), has one high technology project, the Mapcheck Inc. project which has been written down to a nominal value of $1.

The Company has a loan agreement with Altai Technologies that the total amount of all expenses, including any investment payments for the projects of Altai Technologies, which have been and will be paid by the Company on behalf of Altai Technologies in excess of $400,000 will be treated as a non-interest bearing loan and will be repayable to the Company immediately upon the earlier of the completion of any financing of Altai Technologies or the day before Altai Technologies becomes a publicly traded company. The Company has taken a provision against the collectibility of the loan.

9. Capital assets

			2007	2006
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Computer equipment	1,707	1,565	142	711

10. Share capital, share purchase warrants and options

a) Share Capital

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

Shares Issued

	No. of shares	Amount $
Balance at December 31, 2005	**25,053,554**	**9,348,336**
Issued for cash in 2006		
– private placement common shares	1,800,000	450,000
– private placement flow-through shares	2,000,000	400,000
– exercise of stock options	3,000	420
Share purchase warrant valuation (b)		(466,000)
Valuation of compensation options of common share units re private placements		(43,960)
Share issue costs – cash		(65,416)
Stock-based compensation value of options exercised in 2006		180
Balance at December 31, 2006	**28,856,554**	**9,623,560**
Tax benefits renounced – flow-through (1)		(85,316)
Balance at December 31, 2007	**28,856,554**	**9,538,244**

(1) In 2007, the Company renounced $236,200 qualifying exploration expenditures to holders of 2,000,000 flow-through shares.

(2) At December 31, 2007, there were 219,667 escrowed common shares outstanding.

b) Share purchase warrants

	Expiry date	Number of share purchase warrants	Black–Scholes Value $	Exercise price $
Balance at December 31, 2005		**0**	**0**	
Share Purchase Warrants issued for common share units private placement	April 29, 2008	1,800,000	306,000	0.35
Share Purchase Warrants issued for flow-through share units private placement	October 30, 2007	1,000,000	160,000	0.25
Balance at December 31, 2006		**2,800,000**	**466,000**	

Share Purchase Warrants expired	October 30, 2007	(1,000,000)	(160,000)	0.25
Balance at December 31, 2007		**1,800,000**	**306,000**	

c) Options

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

The prices of all stock options granted are greater than or equal to the fair market value of each common share on the dates the options were granted.

At December 31, 2007, there were 1,313,000 option shares available for future grants.

The following table summarizes share option activities since December 31, 2005:

	Options outstanding	
	Number of shares	**Weighted average exercise price**
		$
Balance at December 31, 2005	**873,000**	**0.121**
Exercised	(3,000)	0.140
Balance at December 31, 2006	**870,000**	**0.120**
Cancelled	(463,000)	0.100
Balance at December 31, 2007	**407,000**	**0.144**

The following table summarizes outstanding share options at December 31, 2007:

Number of share options outstanding			Expiry date	Weighted average exercise price
Exercisable	**Unexercisable**	**Total**		$
10,000	–	10,000	March 18, 2008	0.100
197,000	–	197,000	June 17, 2009	0.140
200,000	–	200,000	August 17, 2010	0.150
407,000	–	407,000		0.144

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

In 2007, there was no option granted and therefore no stock-based compensation cost.

11. Contributed surplus

	2007 $	2006 $
Balance, beginning of year	**139,730**	**95,950**
Stock-based compensation cost	–	–
Stock-based compensation value of options exercised	–	(180)
Fair value of compensation options of common share units re private placements	–	43,960
Fair value of expired share purchase warrants	160,000	–
Balance, end of year	**299,730**	**139,730**

12. Accumulated other comprehensive income

	2007 $	2006 $
Balance, beginning of year	**–**	**–**
Restatement of increase in unrealized gain on available-for-sale marketable securities, net of taxes of $20,777[1]	94,269	–
Balance, beginning of year – as restated	94,269	–
Other comprehensive loss during the year – unrealized loss on available-for-sale marketable securities, net of taxes recovered of $549	(2,491)	–
Balance, end of year	**91,778**	**–**

[1] Refer to Note 2.

13. Earnings (loss) per share

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

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

	2007 $	2006 $
Numerator		
Net income (loss) for the year – basic and diluted	48,092	(48,583)
Denominator		
Weighted average number of shares – basic	28,856,554	26,115,524
Effect of dilutive shares		
Stock options	407,000	870,000
Warrants	1,800,000	475,616
Compensation options	–	45,184
Weighted average number of shares – diluted	31,063,554	27,506,324
Basic and diluted net income (loss) per share	0.002	(0.002)

14. Related party transactions

a) Consulting services were provided by two officers. Fees for such services amounted to $45,000 (2006 –

$36,000). These fees have been allocated to administrative expenses ($1,983) and resource properties ($43,017).

b) The third instalment ($35,100) of the $175,500 consulting charge payable in equal instalments over 5 years to an officer of the Company per agreement signed in 2004, had been paid in 2007.

15. Income taxes

Future income taxes reflect the net effects on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.

There is 1 future income tax liability and 2 future income tax assets as follows:

	2007	**2006**
	$	$
Future income tax liability		
Renounced expenditures on flow-through shares	85,316	–
Future income tax assets		
Non-capital losses carried forward	167,597	193,964
Canadian development, exploration and oil and gas expenditures	389,012	412,129
	556,609	606,093
Valuation allowance for future income tax assets	471,293	606,093
Future income tax assets	85,316	–
Net future income tax liability and assets	–	–

The Company provided a valuation allowance equal to the future tax assets (except for the amount of the non-capital losses equal to offset the future income tax liability in accordance with CICA Handbook EIC-146) because it is not presently more likely than not that they will be realized. The Company's actual income (loss) for income tax purposes for each of the years ended is made up as follows:

	2007	**2006**
	$	$
Statutory rate	36.12%	36.12%
Net loss before income taxes	(36,674)	(48,583)
Add: Amortization	569	569
Equity loss – Altai Philippines Mining Corporation	7,712	964
Option payment – Malartic Township Gold Property	77,500	–
Income (loss) for tax purposes	49,107	(47,050)
Application of loss carry forward	(49,107)	–
Taxable income (loss)	–	(47,050)

The Company had applied the $49,107 income for tax purposes of year 2007 to reduce the income tax loss of

$72,828 of year 2000. The Company has non-capital loss carry forwards of approximately $464,000 (2006 – $537,000) and tax pools of approximately $1,097,000 (2006 – $1,141,000) available to reduce future years' income for tax purposes.

Income tax losses by year of expiry:

	$
2008	67,000
2009	37,000
2010	69,000
2014	229,000
2015	15,000
2016	47,000
2017	–
	464,000

16. Subsequent events

In the beginning of April 2008, the Company has announced the following two private placements, both of which are subject to the approval of the Company Board of Directors, TSX Venture Exchange and all applicable regulatory authorities and are intended to be closed within the month:

a) a private placement of up to one million and two hundred thousand share units at $0.40 per unit to be made by two investors. Each unit comprises of one common share of the Company and one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at the price of $0.60 per share within 24 months from the date of the closing of the private placement.

b) a private placement of seven million share units at $0.40 per unit by two institutional investors. Each unit comprises of one common share of the Company and one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at the price of $0.65 per share within 24 months from the date of the closing of the private placement.

Bolton & Bolton
Chartered Accountants
25 Oakcrest Avenue, Unionville, Ontario L3R 2B9

AUDITORS' REPORT

To the Shareholders of Altai Resources Inc.

We have audited the consolidated balance sheets of Altai Resources Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Bolton & Bolton"
Chartered Accountants
Licensed Public Accountants

Unionville, Ontario
March 13, 2008
except as to note 16
which is as of April 2, 2008

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA - UNITED STATES REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the expression of a qualified opinion when the financial statements are affected by significant uncertainties such as those referred to in notes 1 and 2 to the financial statements. The opinion in our report to the shareholders dated March 13, 2008 is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

"Bolton & Bolton"
Chartered Accountants
Licensed Public Accountants

Unionville, Ontario
March 13, 2008
except as to note 16
which is as of April 2, 2008