

ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2007
(PREPARED BY MANAGEMENT)

	March 31, 2007 (UNAUDITED)	December 31, 2006 (AUDITED)
	\$	\$
ASSETS		
Current		
Cash	676,085	802,859
Marketable securities (Note 3)	129,495	16,463
Accounts receivable	27,505	3,978
Prepaid expenses	1,500	1,500
	834,585	824,800
Note receivable (Note 4)	546,903	546,903
Investment in subsidiaries (Note 4)	561,084	561,556
Interests in mining properties (Note 5)	1,009,954	1,009,954
Natural gas interests (Note 6)	1,669,516	1,503,414
Investment in technology project	1	1
Capital assets	569	711
Total Assets	4,622,612	4,447,339
LIABILITIES		
Current		
Accounts payable	119,407	13,903
Current portion of consulting charge payable	35,100	35,100
	154,507	49,003
Consulting charge payable	35,100	70,200
	189,607	119,203
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	9,623,560	9,623,560
Share purchase warrants (Note 7)	466,000	466,000
Contributed surplus (Note 8)	139,730	139,730
Deficit	(5,888,903)	(5,901,154)
Accumulated other comprehensive income (Note 9)	92,618	-
	4,433,005	4,328,136
Total liabilities and shareholders' equity	4,622,612	4,447,339

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

	March 31, 2007	March 31, 2006
	\$	\$
CONSOLIDATED OPERATIONS		
Revenue		
Investment and miscellaneous income	4,516	1,177
	4,516	1,177

Expenses		
Administrative expenses	12,018	12,599
Prospecting and general	37	53
Amortization	142	142
	12,197	12,794
Net income (loss) before share of net earnings (loss) of equity investment and income taxes	(7,681)	(11,617)
Share of net earnings (loss) of equity investment	(481)	(300)
Future income taxes (Note 9)	(364)	–
Net earnings (loss)	(8,526)	(11,917)
Net earnings (loss) per share – basic and fully diluted (Note 10)	(0.000)	(0.000)
CONSOLIDATED DEFICIT		
Balance, beginning of period	(5,901,154)	(5,852,571)
Restatement of income tax impact on adoption of accounting standards (Note 9)	20,777	–
Net earnings (loss)	(8,526)	(11,917)
Balance, end of period	(5,888,903)	(5,864,488)

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)**

	March 31, 2007	March 31, 2006
	\$	\$
Operating activities		
Net earnings (loss)	(8,526)	(11,917)
Items not affecting cash		
Share of net earnings of equity investment	481	300
Amortization	142	142
Future income taxes	364	–
Decrease (increase) in accounts receivable	(23,527)	(528)
Increase (decrease) in accounts payable	105,504	6,050
Decrease in consulting charge payable	(35,100)	(35,100)
Cash used in operating activities	39,338	(41,053)
Investing activities		
Natural gas interests	(166,102)	(14,650)
Investment in subsidiaries	(10)	34,708
Cash provided by (used in) investing activities	(166,112)	20,058
Financing activities		
Cash provided by financing activities	–	–
Change in cash	(126,774)	(20,995)
Cash, beginning of period	802,859	79,258
Cash, end of period	676,085	58,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

1. Basis of presentation

The interim period consolidated financial statements have been prepared by the Company (without being reviewed by auditors) in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements, except where there are changes in accounting policies which have been disclosed in these financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes. In the opinion of the Company, its unaudited interim period consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. Accounting policy changes

a) *Financial instruments and comprehensive income*

In January 2006, the Canadian Institute of Chartered Accountants "CICA" issued Section 3855, "Financial Instruments – Recognition and Measurement". 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 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 Sections 3855 and 1530*

The Company has recorded the following adjustments in its consolidated financial statements as at January 1, 2007 resulting from the adoption of 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. Marketable securities

The marketable securities are reported in their fair market values as at March 31, 2007 (total cost – \$16,463).

4. Investment in subsidiaries

Note receivable is from Altai Philippines Mining Corporation ("Altai Philippines").

The Company has a 40% equity interest in 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 outlays and 40% to Altai Philippines. After recovery of the Company's expenditures, proceeds will be shared equally.

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

In late January 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 March 31, 2007 and to date, the MPSA application has not yet been

approved.

5. Interest in mining properties

	Balance, Beginning of Year \$	Expenditure \$	Balance, End of Period \$
Malartic Township, Quebec			
Property	283,711	–	283,711
Expenditure	726,243	–	726,243
	1,009,954	–	1,009,954

The Company has 50% working interest in the Malartic Township Gold property of 3 claims of 120 hectares (300 acres).

6. Natural gas interests

	Balance, Beginning of Year \$	Expenditure \$	Balance, End of Period \$
Sorel-Trois Rivieres property, Quebec			
Expenditure	1,503,414	166,102	1,669,516

a) The Company has 54.88% working interest (as at December 31, 2006) in the Sorel-Trois Rivieres natural gas property of eleven oil and gas and reservoir permits of 127,542 hectares (315,156 acres). Talisman Energy Canada has earned a 100% equity interest in one of those permits since the second half of 2006 (see Note 6b).

b) The July 2005 Agreement between Talisman Energy Canada ("Talisman") of Calgary, Alberta and the Company and its joint venture partner in the Sorel-Trois Rivieres property, Petro St-Pierre Inc. ("PSP"), involves four oil and gas permits aggregating to approximately 73,275 hectares (181,063 acres) ("Farmout Lands") of the Sorel-Trois Rivieres property.

Talisman may earn a 100% equity (working) interest in any Farmout permit by drilling one well in that permit. Talisman committed to drilling one well by May 2006, while the other wells are optional. Altai and PSP will retain an aggregate 15% (fifteen percent) gross royalty of which Altai has 53.5%, on all net receipts from the Farmout Lands. The drilling and testing of the first well had been completed in the second half of 2006.

7. Share capital and options

a) Share capital

Authorized

An unlimited number of common shares of no par value.

Issued	No. of shares	Amount \$
Issued at December 31, 2006 and March 31, 2007	28,856,554	9,623,560

At March 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 \$
Share Purchase Warrants issued	April 29, 2008	1,800,000	306,000	0.35
Share Purchase Warrants issued	October 30, 2007	1,000,000	160,000	0.25
Balance at December 31, 2006 and March 31, 2007		2,800,000	466,000	

c) Options

- i) 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 March 31, 2007, there were 850,000 option shares available for future grants.

	Options outstanding	
	Number of shares	Weighted average exercise price \$
Balance at December 31, 2006 and March 31, 2007	870,000	0.120

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

	Number of share options outstanding			Expiry date	Weighted average Exercise price
	Exercisable	Unexercisable	Total		\$
	463,000	–	463,000	August 18, 2007	0.100
	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
	870,000	–	870,000		0.120

ii) **Accounting for stock-based compensation cost**

Since 2004, the Company has adopted retroactively without restating prior periods, the recommendations of the CICA Handbook Section 3870 "Stock-based compensation and other stock-based payments" which 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. For the three months ended March 31, 2007, no stock-based compensation cost had been incurred.

8. Contributed surplus

	2007	2006
	\$	\$
Balance, beginning of year and end of period	139,730	95,950

9. 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 – as restated	94,269	–
Other comprehensive loss during period – unrealized loss on available-for-sale marketable securities, net of taxes recovered of \$364	(1,651)	–
Balance, end of period	92,618	–

⁽¹⁾ Refer to Note 2.

10. Earnings (loss) per share

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

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

	2007	2006
	\$	\$
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Numerator		
Net (loss) income for the year – basic and diluted	(8,526)	(11,917)
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Denominator		
Weighted average number of shares – basic	28,856,554	25,053,554
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Effect of dilutive shares		
Stock options	870,000	873,000
Warrants	2,800,000	–
Compensation options	266,000	–
Weighted average number of shares – diluted	32,792,554	25,926,554
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Basic and diluted net (loss) income per share	(0.000) ⁽¹⁾	(0.000) ⁽¹⁾

⁽¹⁾ Due to the losses in the three months ended March 31, 2006 and March 31, 2007, no diluted net loss per share is provided as the inclusion of outstanding options and warrants would be anti-dilutive.

11. Related Party transactions

- a) Consulting services were provided by two officers. Fees for such services amounted to \$3,000. These fees have been allocated to administrative expenses (\$250) and resource properties (\$2,750).
- b) The third instalment (\$35,100) of the consulting charge payable in 5 equal instalments over 5 years to an officer of the Company per agreement signed in 2004, had been paid in the first quarter of 2007.