ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2009
(PREPARED BY MANAGEMENT)

	June 30, 2009 (UNAUDITED) $	December 31, 2008 (AUDITED) $
ASSETS		
Current		
Cash	5,437,492	5,635,283
Marketable securities (Notes 5 and 11)	167,725	114,290
Accounts receivable	5,489	9,144
Prepaid expenses	2,705	5,695
	5,613,411	5,764,412
Note receivable (Note 6)	1	1
Investment in subsidiaries (Note 6)	2	2
Interests in mining properties (Note 7)	853,348	851,715
Natural gas interests (Note 8)	24,000,220	23,903,965
Investment in technology project	1	1
Capital assets	17,026	19,727
Total Assets	30,484,009	30,539,823
LIABILITIES		
Current		
Accounts payable	18,298	57,918
Current portion of consulting charge payable	–	35,100
	18,298	93,018
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	35,678,910	35,768,839
Share purchase warrants (Note 9)	1,407,000	1,287,000
Contributed surplus (Note 10)	863,210	861,310
Deficit	(7,499,776)	(7,442,092)
Accumulated other comprehensive loss (Note 11)	16,367	(28,252)
	30,465,711	30,446,805
Total liabilities and shareholders' equity	30,484,009	30,539,823

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2009 (UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Revenue				
Investment and miscellaneous income	12,193	24,711	20,635	29,271
	12,193	24,711	20,635	29.271
Expenses				
Administrative expenses	46,195	15,191	66,324	23,575
Abandonment and write-offs	–	–	–	400
Prospecting and general	49	–	211	72
Stock-based compensation cost	–	978,000	17,900	978,000
Amortization	1,350	43	2,701	186
	47,594	993,234	87,136	1,002,233
Net income (loss) before share of net loss of equity investment	(35,401)	(968,523)	(66,501)	(972,962)
Share of net loss of equity investment	–	(1,950)	–	(3,950)
Future Income Taxes	6,928	(4,414)	8,817	(9,279)
Net loss	(28,473)	(974,887)	(57,684)	(986,191)
Net loss per share – basic and fully diluted (Note 12)	(0.000)	(0.026)	(0.001)	(0.026)
CONSOLIDATED DEFICIT				
Balance, beginning of period	(7,471,303)	(5,843,589)	(7,442,092)	(5,832,285)
Restatement of income tax impact on adoption of accounting standards (Note 9)	–	–	–	–
Net loss	(28,473)	(974,887)	(57,684)	(986,191)
Balance, end of period	(7,499,776)	(6,818,476)	(7,499,776)	(6,818,476)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 (UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Operating activities				
Net income (loss)	(28,473)	(974,887)	(57,684)	(986,191)
Items not affecting cash				
Share of net loss of equity investment	–	1,950	–	3,950
Stock-based compensation cost	–	978,000	17,900	978,000
Future income taxes	(6,928)	4,414	(8,817)	9,279
Abandonment and write-offs	–	–	–	400
Amortization	1,350	43	2,701	186
Decrease (increase) in accounts receivable	(3,531)	1,503	3,655	(21,280)
Decrease (increase) in prepaid expenses	–	(5,695)	2,990	(5,695)
Increase (decrease) in accounts payable	8,728	(169,907)	(39,619)	(25,396)
Increase (decrease) in consulting charge payable	–	–	(35,100)	(35,100)
Cash used in operating activities	(28,854)	(164,579)	(113,974)	(81,847)
Investing activities				
Interests in mining properties	–	1,021	–	25,621
Deferred exploration expenditures	(1,333)	(1,021)	(1,633)	(1,342)
Natural gas interest	(57,547)	(33,661)	(96,255)	(200,469)
Sale (purchase) of capital assets	–	(1,563)	–	(1,563)
Investment in subsidiaries	–	(1)	–	(2,563)
Cash provided by (used in) investing activities	(58,880)	(35,225)	(97,888)	(180,316)
Financing activities				
Issue of shares	–	5,941,380	15,000	5,941,380
Shares issue costs	–	(73,727)	(929)	(73,727)
Cash provided by financing activities	–	5,867,653	14,071	5,867,653
Change in cash	(87,734)	5,667,849	(197,791)	5,605,490
Cash, beginning of period	5,525,226	504,734	5,635,283	567,093
Cash, end of period	5,437,492	6,172,583	5,437,492	6,172,583

1. Nature of operations

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. Adoption of new accounting standards

a) CICA Section 3064 "Goodwill and intangible assets"

This standard replaces Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". It provides more specific guidance on the recognition of intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The standard increases harmonization of Canadian standards with international financial reporting standards and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard had no impact on the Company's financial statements for the six months ended June 30, 2009.

b) Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard by the Company had no impact on its financial statements for the six months ended June 30, 2009.

c) Mining exploration costs

On March 27, 2009, the Emerging Issues Committee of the CICA issued an abstract EIC-174, "Mining Exploration Costs", which provides further guidance on the interpretation of capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract by the Company had no impact on its financial statements for the six months ended June 30, 2009.

3. Changes in accounting standards not yet adopted

a) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standard Board confirmed the changeover from Canadian GAAP to IFRS to be applied to publicly accountable enterprises effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.

The Company is assessing the adoption of IFRS and the reporting impact has not been determined.

b) Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601), and Non-controlling interests (Section 1602)

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replace CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"), and will be applicable to business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements, and will be applicable to the Company's interim and annual consolidated financial statements for the fiscal year beginning January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is evaluating the impact of the adoption of these sections on its consolidated financial statements.

4. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its oil and gas and mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents and marketable securities.

To maintain or adjust its capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, such as banker's acceptances, with initial maturity terms of 60 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations and marketable securities which are liquid and regularly pay dividends.

The Company reviews its investment policy from time to time as and when the financial market conditions change.

5. Marketable securities

The available-for-sale marketable securities consist of Canadian bank shares and shares of junior resource companies the Company received pursuant to option agreements. Their total fair market values as at June 30, 2009 of $167,725 is higher than their total costs of $146,463. The unrealized gain or loss is included in the comprehensive income or loss.

6. Investment in subsidiaries

The Company has 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines") and some other contractual benefits.

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

i) 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 June 30, 2009 and to date, the MPSA application has not yet been approved.

ii) In June 2008, Altai Philippines entered into an agreement to grant an option to buy its Negros Island sulphur property to a private Philippine company (the "Optionee") for US$1,500,000 payable in three instalments over a maximum of 6 years (US$500,000 every two years or less) subject to certain approvals of the Philippine Government. As at June 30, 2009 and to date, no instalment payment has been made by the Optionee.

Though there are outstanding sale option agreements on two of the three properties of Altai Philippines, there is uncertainty in the timing of the MPSA and other approvals for the properties by the Philippine Government. The Company has therefore written down at end of 2008 its investment and its note receivable from Altai Philippines to $1 each.

7. Interests in mining properties

	Balance, Beginning of year	Expenditure	Option, Grant and Write off	Balance, End of Period
	$	$	$	$
Malartic Township, Quebec				
Property	123,711	–	–	123,711
Expenditure	728,004	1,633	–	729,637
	851,715	1,633	–	853,348

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 Gold Corporation 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. To June 30, 2009 and to date, C2C paid the Optionors $175,000 cash and 600,000 C2C shares. $200,000 cash and 220,000 shares are due from the Optionees 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% gross metal royalty on any mineral production from the property and a 10% net profits royalty. Upon the sixth anniversary, the Optionees must commence an annual advance royalty payment of $50,000.

8. Natural gas interests

	Balance, Beginning of year $	Expenditure $	Option and Grant	Balance, End of Period $
a) Sorel-Trois Rivieres property, St. Lawrence Lowlands, Quebec	23,900,217	105,292	–	24,005,509
b) Sept-Iles property, Quebec North	3,748	2,984	12,021	(5,289)
Total	23,903,965	108,276	12,021	24,000,220

a) **Sorel-Trois Rivieres natural gas property, Quebec**

At June 30, 2009, the Company had 100% interest in seven oil and gas and reservoir permits in the Sorel area, St. Lawrence Lowlands region of Quebec, covering 114, 252 hectares (282,317 acres).

In October 2008, the Company completed its acquisition of 100% of Petro St-Pierre Inc. ("PSP"), its former property joint venture partner. For the purchase of all issued and outstanding shares of PSP, the Company issued 8,199,998 common shares at a deemed value of $2.60 per share and paid $327,018 cash to the PSP's former shareholders, and assumed a PSP debt of $272,982 which was paid at transaction closing. The purchase price of PSP has been allocated to the expenditure of the property. After the acquisition of PSP, the Company owns 100% interest in the property.

The Company also has 15% gross royalty on all net receipts from the permit (#2002PG625) of 13,290 hectares (32,840 acres) that Talisman Energy Canada has 100% working interest.

b) **Sept-Iles gas property, Sept-Iles, Quebec North**

Altai has a gas permit of 24,042 hectares (59,408 acres) ("Property") in the Sept-Iles area, Quebec North Region, which is about 750 km north east of the Sorel-Trois Rivieres oil and gas property.

In November 2008, Altai signed a Farmin Option Agreement ("Agreement") with RJK Explorations Ltd. ("RJK") for RJK to earn 100% interest in the Property from Altai. RJK issued 500,000 RJK shares to Altai at end of August 2008 pursuant to the July 2008 signed Letter of Intent re the Farmin. In May 2009 RJK terminated the Agreement without earning any interest in the Property.

9. 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, 2007	**28,856,554**	**9,538,244**
Issued for cash in 2008		
– Private placements common shares	10,200,000	5,180,000
– exercise of warrants	1,800,000	630,000
– exercise of stock options	357,000	131,380
Issued for acquisition of a private company	8,199,998	21,319,995
Fair value of warrants exercised in 2009		306,000
Share purchase warrants valuation		(1,287,000)
Share issue costs – cash		(73,727)
Fair value of options exercised in 2008		78,820
Tax benefits renounced – flow-through shares		(54,873)
Balance at December 31, 2008	**49,413,552**	**35,768,839**

Issued for cash in 2009		
– exercise of stock option	100,000	15,000
Fair value of option exercised in 2009		16,000
Share purchase warrants valuation (1)		(120,000)
Costs for warrant term extension – cash (1)		(929)
Balance at June 30, 2009	**49,513,552**	**35,678,910**

(1) In March 2009, the Company extended the warrant term by one year to May 4, 2010 for the 1,000,000 common share purchase warrants issued pursuant to the private placement of 2,000,000 common share units at $0.95 per unit closed on May 5, 2008 with warrant exercise price of $1.25 per common share and original one year warrant expiry date of May 4, 2009. All other terms and conditions of the warrants remain the same.

At June 30, 2009, 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, 2007	**April 29, 2008**	**1,800,000**	**306,000**	**0.35**
Share purchase warrants exercised in 2008	April 29, 2008	(1,800,000)	(306,000)	0.35
Share purchase warrants issued for common share units private placement	April 10, 2010	600,000	162,000	0.60
Share purchase warrants issued for common share units private placement	April 10, 2010	3,500,000	875,000	0.65
Share purchase warrants issued for common share units private placement (1)	May 4, 2009 (1)	1,000,000	250,000	1.25
Balance at December 31, 2008		**5,100,000**	**1,287,000**	
Share purchase warrants issued for common share units private placement made in 2008 (1)	May 4, 2010 (1)	–	120,000	–
Balance as at June 30, 2009		**5,100,000**	**1,407,000**	

(1) In March 2009, the term of 1,000,000 common share purchase warrants was extended from 1 year to 2 years and the fair value is revalued using the Black-Scholes warrant/option pricing model with the following assumptions: Expected life of 2 years, a risk-free interest rate of 2.43%, a volatility of 69% and a dividend yield of 0%. Additional fair value of $120,000 has been recognized in the Company accounts in 2009. Also refer to Note 9a) (1).

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 closing fair market value of each common share on the days prior to the options being granted.

At June 30, 2009, there were 653,000 option shares available for future grants.

The following table summarizes share option activities since December 31, 2007:

	Options outstanding	
	Number of shares	**Weighted average exercise price**
Balance at December 31, 2007	**407,000**	**0.144**
Cancelled	(50,000)	1.204
Exercised	(357,000)	0.368
Granted	820,000	1.343

Balance at December 31, 2008	**820,000**	**1.181**
Exercised	(100,000)	0.150
Granted	100,000	0.225
Balance at June 30, 2009	**820,000**	**1.190**

The following table summarizes outstanding share options at June 30, 2009:

	Number of share options outstanding		**Expiry date**	**Weighted average exercise price**
Exercisable	**Unexercisable**	**Total**		$
300,000	–	300,000	April 2, 2013	0.700
100,000	–	100,000	April 14, 2013	1.480
200,000	–	200,000	June 23, 2013	2.420
120,000	–	120,000	September 4, 2013	0.930
100,000	–	100,000	March 4, 2014	0.225
820,000	–	820,000		1.190

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

In 2009, the Company recognized $17,900 stock-based compensation costs related to 100,000 vested option shares granted to an officer with a fair value of $0.179 estimated using the Black Scholes option pricing model with the following assumptions: Expected life of 5 years, a risk-free interest rate of 2.08%, a volatility of 128% and a dividend yield of 0%.

10. Contributed surplus

	2009 $	**2008** $
Balance, beginning of year	**861,310**	**299,730**
Stock-based compensation cost	17,900	978,000
Stock-based compensation value of options exercised	(16,000)	(114,820)
Balance, end of period	**863,210**	**1,162,910**

11. Accumulated other comprehensive income

	2009 $	**2008** $
Balance, beginning of year	**(28,252)**	**91,778**
Other comprehensive gain (loss) during the period – unrealized gain (loss) on available-for-sale marketable securities, net of taxes of $8,817	44,619	(38,061)
Balance, end of period	**16,367**	**53,717**

12. 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:

	2009 $	**2008** $
Numerator		
Net loss for the year – basic and diluted	(57,684)	(974,887)
Denominator		
Weighted average number of shares – basic	49,498,484	37,697,767
Effect of dilutive shares		
Stock options	802,740	527,978
Warrants	5,100,000	3,627,049
Weighted average number of shares – diluted	55,401,224	41,852,794
Basic and diluted net loss per share (1)	(0.001)	(0.026)

(1) Due to the loss in the periods, the diluted weighted average number of shares used to calculate the diluted net loss per share is the same as the basic weighted average number of shares as the inclusion of outstanding share options and warrants would be anti-dilutive.

13. Related party transactions

a) Consulting services were provided by two officers. Fees for such services amounted to $36,000 (2008 – $24,000). These fees have been allocated to administrative expenses ($1,950) and resource properties ($34,050).

b) The fifth (last) 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 the first quarter of 2009.

14. Office rental lease

The Company has a 5 year office lease starting from July 1, 2008. The basic rent per month is $1,218 and the additional rent per month for 2009 is approximately $1,621 to April 30, 2009 and $1,487 effective May 1, 2009. The lease includes a 12 months Rent Free Period spread over the first three years of the lease.