ALTAI RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2010 AND DECEMBER 31, 2009
(PREPARED BY MANAGEMENT)

	September 30, 2010 (UNAUDITED) $	**December 31, 2009 (AUDITED) $**
ASSETS		
Current		
Cash and cash equivalents	4,693,528	3,822,375
Marketable securities (Note 3)	1,419,085	1,440,910
Accounts receivable	23,355	76,696
Prepaid expenses	2,847	2,847
	6,138,815	5,342,828
Note receivable (Note 4)	0	1
Investment in subsidiaries (Note 4)	2	2
Interests in mining properties (Note 5)	857,151	860,114
Natural gas interests (Note 6)	31,825,875	31,862,869
Technology project	1	1
Capital assets	10,876	14,505
	38,832,720	38,080,320
LIABILITIES		
Current		
Accounts payable	2,394	32,207
	2,394	32,207
Future tax liability	7,448,211	7,448,211
	7,450,605	7,480,418
Related party transactions (Note 11)		
Commitments (Note 12)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7a)	35,585,982	35,678,910
Share purchase warrants (Note 7b)	462,000	1,407,000
Contributed surplus (Note 8)	2,152,010	863,210
Deficit	(7,003,827)	(7,459,098)
Accumulated other comprehensive income (loss) (Note 9)	185,950	109,880
	31,382,115	30,599,902
	38,832,720	$38,080,320

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2010 $	2009 $	2010 $	2009 $
CONSOLIDATED OPERATIONS				
Revenue				
Investment income	27,007	7,441	76,384	28,075
Miscellaneous income	734,219	–	734,219	–
	761,226	7,441	810,603	28,075
Expenses				
Administrative expenses	7,581	(6,665)	66,554	59,657
Abandonment and write-offs	–	–	21,002	–
Prospecting and general	–	–	–	211
Stock-based compensation cost	–	–	251,800	17,900
Amortization	1,416	1,368	4,201	4,069
Loss on sale of marketable securities	–	–	11,775	–
	8,997	(5,297)	355,332	81,837
Net income (loss) before income taxes	752,229	12,738	455,271	(53,762)
Income Taxes	–	20,654	–	29,471
Net income (loss)	752,229	33,392	455,271	(24,291)
Other comprehensive income (loss) (net of taxes)				
Increase (decrease) in fair value of available for sale investments (net of taxes (recovery) – ($18,417); 2009 – ($20,654)	122,780	68,352	76,070	121,787
Comprehensive income (loss)	875,009	101,744	531,341	97,496
Net income per share – basic and fully diluted (Note 10)	0.01	0.00	0.01	0.00
CONSOLIDATED DEFICIT				
Balance, beginning of period	(7,756,056)	(7,499,776)	(7,459,098)	(7,442,093)
Net income (loss)	752,229	33,392	455,271	(24,291)
Balance, end of period	(7,003,827)	(7,466,384)	(7,003,827)	(7,466,384)

ALTAI RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Operating activities				
Net income (loss)	752,229	33,392	455,271	(24,291)
Items not affecting cash				
Stock-based compensation cost	–	–	251,800	17,900
Future income taxes	–	(20,654)	–	(29,471)
Abandonment and write-offs	21,002	–	21,002	–
Loss on sale of marketable securities	–	–	11,775	–
Amortization	1,416	1,368	4,201	4,069
Changes in non-cash working capital balances:				
Accounts receivable	203,610	(22,273)	53,341	(18,618)
Prepaid expenses	–	(142)	–	2,847
Accounts payable	(28,923)	38,999	(29,813)	(620)
Consulting payable	–	–	–	(35,100)
Cash provided by (used in) operating activities	949,334	30,690	767,577	(83,284)
Investing activities				
Deferred exploration expenditures	–	(4,440)	2,963	(6,073)
Natural gas interest	(53,835)	(6,420)	15,992	(102,675)
Purchase of marketable securities	–	(1,135,153)	–	(1,135,153)
Proceeds on sale of marketable securities	–	–	86,120	–
Purchase of capital assets	–	(216)	(572)	(216)
Investment in subsidiaries	–	–	–	–
Decrease in note receivable	1	–	1	–
Cash provided by (used in) investing activities	(53,834)	(1,146,229)	104,504	(1,244,117)
Financing activities				
Issue of shares	–	–	–	15,000
Shares issue costs	–	–	(928)	(929)
	–	–	(928)	14,071
Increase (decrease) in cash and cash equivalents	895,500	(1,115,539)	871,153	(1,313,330)
Cash and cash equivalents, beginning of period	3,798,028	5,437,492	3,822,375	5,635,283
Cash and cash equivalents, end of period	4,693,528	4,321,953	4,693,528	4,321,953

ALTAI RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

1. Nature of operations

Altai Resources Inc. (the "Company") is a resource company with a portfolio of oil and gas (in Quebec), gold, and sulphur properties in Canada and the Philippines.

2. Summary of significant accounting policies

(a) Basis of presentation and consolidation

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.

The unaudited interim period consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated upon consolidation.

(b) Adoption of new accounting standards

The Company has not adopted any new accounting standards during the current period.

(c) Future accounting changes

i) **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 continuing to assess the impact on its consolidated financial statements and is developing an implementation plan.

ii) **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 future acquisitions.

3. Marketable securities

The available-for-sale marketable securities consist of highly liquid and dividend / interest paying Canadian financial and utilities shares and shares of junior resource companies the Company received pursuant to option agreements. They are all categorized under Level 1 (quoted market price of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook). Their total fair market values as at September 30, 2010 of $1,419,085 are higher than their total costs of $1,212,907. The unrealized gain or loss is included in the comprehensive income or loss.

4. Note receivable and Investment in subsidiaries

The Company has 40% equity interest in Altai Philippines Mining Corporation ("Altai Philippines") and some other contractual benefits including a direct 10% Net Smelter Return royal interest in all properties in which Altai Philippines has an interest.

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.

In September 2010 Altai Philippines completed the sale of the Sibuyan Island lateritic nickel-cobalt property. The remaining properties of Altai Philippines are Negros Island sulfur property and Lahuy Island gold property.

a) In November 2004, Altai Philippines entered into an option agreement with a consortium headed by Sunshine Gold Pty Ltd (“Sunshine”) of Australia, a subsidiary of Pelican Resources Ltd., an Australian company, 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. The MPSA permit was granted at the end of 2009 and in September 2010 the optionee bought the asset for a net C$1.215 million. The optionee paid most of the expenses related to the MPSA application. Pursuant to the agreement, 60% of the net proceeds (C$735,789) was remitted to Altai and 40% (C$480,000) to Altai Philippines on the transaction closing, and Altai cancelled its Net Smelter Return royalty interest in the property. The money received, less all direct expenses incurred by Altai in relation to the transaction, was recorded as miscellaneous income in the statement of operations.

b) In June 2008, Altai Philippines entered into an agreement to sell 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 September 30, 2010 and to date, no instalment payment had been made by the Optionee.

5. Interests in mining properties

	Balance, Beginning of Period $	Expenditure $	Tax Credit $	Balance, End of Period $
Malartic Township, Quebec				
Property	123,711	–	–	123,711
Expenditure	736,403	105	(3,068) (1)	733,440
	860,114	105	(3,068)	857,151

(1) Refundable resource tax credit receivable from Quebec Government.

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”.

6. Natural gas interests

	Balance, Beginning of period $	Expenditure $	Tax Credit and write off $	Balance, End of Period $
a) Sorel-Trois Rivieres property, St. Lawrence Lowlands, Quebec	31,827,253	180,642	(182,020) (1)	31,825,875
b) Sept-Iles property, Quebec North	35,616	70	(35,686) (2)	0
Total	31,862,869	180,712	(217,706)	31,825,875

(1) Refundable resource tax credit receivable from Quebec Government.

(2) Includes refundable resource tax credit receivable from Quebec Government of $14,684 and expenditure write off of 21,002

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

At September 30, 2010 the Company had 100% interest in seven oil and gas and reservoir permits in the Sorel-Trois Rivieres area, St. Lawrence Lowlands region of Quebec, covering 114,344 hectares (282,544 acres).

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

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

In June 2010, the Company abandoned the gas permit of 24,042 hectares (59,408 acres) in the Sept-Iles area, Quebec North Region, which is about 750 km north east of the Sorel-Trois Rivieres oil and gas property. The project expenditure has been written off at the end of June, 2010.

7. 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, 2008	**49,413,552**	**35,768,839**
Issued pursuant to exercise of stock option	100,000	31,000
Share purchase warrants		(120,000)
Share issuance costs relating to warrant term extension		(929)
Balance at December 31, 2009	**49,513,552**	**35,678,910**
Share purchase warrants (1)		(92,000)
Share issuance costs relating to warrant term extension		(928)
Balance at September 30, 2010	**49,513,552**	**35,585,982**

(1) In April 2010, the Company extended the warrant term of 1,000,000 common share purchase warrants by one year to May 4, 2011 which were issued under a private placement of 2 million units at $0.95 per unit on May 5, 2008. These warrants are exercisable at $1.25 per common share purchase warrant with original one year warrant expiry date of May 5, 2009 which was subsequently extended to May 4, 2010. The fair value of the warrants was estimated at the date of the extension being granted using the Black-Scholes option pricing model with the following assumptions: expected volatility of 69%; expected dividend yield 0.0%; risk free interest rate 2.43%; expected life – 3 years. The fair value of the warrants was $92,000.

b) Warrants

Warrants	**No. of Warrants**	**Weighted average exercise price $**
Outstanding at December 31, 2008 and 2009	**5,100,000**	**0.76**
Expired without being exercised	**(600,000)**	**0.60**
	(3,500,100)	**0.65**
Outstanding at September 30, 2010	**1,000,000**	**1.25**

The following table summarizes the warrants outstanding as at September 30, 2010:

Number of warrants	**Exercise Price $**	**Expiry date**	**Warrant Value $**
1,000,000	1.25	May 4, 2011	462,000

c) Stock options

The 2002 Stock Option Plan was discontinued and terminated on May 3, 2010 and replaced by the 2010 Stock Option Plan to grant up to 4,950,000 option shares to directors, officers and employees of the Company or of its subsidiaries. The outstanding 1,020,000 stock options granted under the 2002 Stock Option Plan remain in full force until they are exercised, expired or cancelled. The options are generally exercisable for up to five years from the date of grant.

The prices of all stock options granted are greater than or equal to the closing fair market value of each common share on the days prior to the options being granted.

At September 30, 2010, there were 3,730,000 option shares available for future grants.

In the nine months ended September 30, 2010, the Company granted the following options: (1) 100,000 vested option shares to each of the five directors of the Company at $0.46 per share with an expiry date of February 21, 2015, and (2) 200,000 vested options to a new director at $0.42 per share expiring June 28, 2015.

The fair values of the options granted during the period ended September 30, 2010 were estimated at the dates of the grants using the Black-Scholes option pricing model with the following assumptions:

	(1)	(2)	Total

Stock options granted	500,000	200,000	700,000
Black-Scholes assumptions used			
Expected volatility	116%	116%	
Expected dividend yield	0.0%	0.0%	
Risk-free interest rate	1.88%	1.98%	
Expected option life in years	5	5	
Fair value per stock option granted	$0.374	$0.324	
Fair value of stock options granted	$187,000	$64,800	$251,800

A summary of the status of the Company's stock options as at September 30, 2010 and December 31, 2009, and changes during the periods then ended is presented below:

	September 30, 2010		**Year 2009**	
Stock options	**No. of Options**	**Weighted average exercise price $**	**No. of options**	**Weighted average exercise price $**
Outstanding at beginning of year	720,000	1.227	820,000	1.181
Granted	700,000	0.449	100,000	0.225
Exercised	–	–	(100,000)	0.15
Cancelled	200,000	1.440	(100,000)	0.93
Outstanding at end of period	**1,220,000**	**0.745**	**720,000**	**1,227**
Exercisable at end of period	**1,220,000**	**0.745**	**720,000**	**1.227**

8. Contributed surplus

Contributed surplus transactions for the nine months ended September 30 are as follows:

	2010 $	**2009 $**
Balance beginning of year	**863,210**	**861,310**
Stock-based compensation	251,800	17,900
Exercise of stock options	–	(16,000)
Expired warrants	1,037,000	–
Balance end of period	**2,152,010**	**863,210**

9. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) for the nine months ended September 30 are as follows:

	2010 $	**2009 $**
Balance beginning of year	**109,880**	**(52,402)**
Unrealized gain (loss) of marketable securities	76,070	116,466
Balance end of period	**185,950**	**64,064**

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 income (loss) per share for the nine months ended September 30:

	2010 $	**2009** $
Numerator		
Net income (loss) for the period – basic and diluted	455,271	(24,291)
Denominator		
Weighted average number of shares – basic	49,513,552	49,498,484
Effect of dilutive shares		
Stock options	1,064,932	802,740
Warrants	1,000,000	5,100,000
Weighted average number of shares – diluted	51,578,484	55,401,224
Basic and diluted net income (loss) per share	0.01	(0.00) (1)

(1) Due to the loss for the period ended September 30, 2009, 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.

11. Related party transactions

The following related parties transactions arose in the normal course of business and have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arms length equivalent value.

a) Consulting services were provided by two officers. Fees for such services amounted to $70,000 (2009 – $57,000). These fees have been allocated to administrative expenses in the amount of $5,800 and resource properties in the amount of $64,200.

12. Office lease commitments

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 2010 is approximately $1,514.

13. Management of capital

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 Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2010.

14. Subsequent event

On October 1, 2010, the Company granted the following stock options in accordance with the 2010 Stock Option Plan:-

(a) (1) 200,000 vested option shares to each of Marc-Andre Lavoie, the new President and CEO, and Geraint Lloyd, the new Chief Operating Officer and VP Exploration.
(2) 100,000 vested option shares to each of Niyazi Kacira, new Chairman of the Company and Maria Au, Secretary-Treasurer.

All options are exercisable at $0.30 per share with expiry date of September 30, 2015.

(b) As additional incentive to the two new officers, Marc-Andre Lavoie and Geraint Lloyd have been granted special options of 1,000,000 shares and 200,000 shares respectively at the price of $0.30 per share vesting and exercisable within 3 years (option earning period) conditional to their fulfilment of certain business and financial milestones. Both special options expire on September 30, 2013 if not earned and/or exercised.