**ALTAI RESOURCES INC.**
**CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2006**
**(PREPARED BY MANAGEMENT)**

| | **March 31, 2006 (UNAUDITED)** | **December 31, 2005 (AUDITED)** |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| Current | | |
| Cash | 58,263 | 79,258 |
| Marketable securities (Note 2) | 16,463 | 16,463 |
| Accounts receivable | 1,695 | 1,167 |
| Prepaid expenses | 1,500 | 1,500 |
| | 77,921 | 98,388 |
| Note receivable (Note 3) | 546,903 | 546,903 |
| Investment in subsidiaries (Note 3) | 562,078 | 597,086 |
| Interests in mining properties (Note 4) | 1,009,946 | 1,009,946 |
| Natural gas interests (Note 5) | 1,499,179 | 1,484,529 |
| Investment in technology project | 1 | 1 |
| Capital assets | 1,138 | 1,280 |
| **Total Assets** | 3,697,166 | 3,738,133 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable | 12,068 | 6,018 |
| Current portion of consulting charge payable | 35,100 | 35,100 |
| | 47,168 | 41,118 |
| Consulting charge payable | 70,200 | 105,300 |
| | 117,368 | 146,418 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 6) | 9,348,336 | 9,348,336 |
| Contributed surplus | 95,950 | 95,950 |
| Deficit | (5,864,488) | (5,852,571) |
| | 3,579,798 | 3,591,715 |
| **Total liabilities and shareholders' equity** | 3,697,166 | 3,738,133 |

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
## FOR THE THREE MONTHS ENDED MARCH 31, 2006 (UNAUDITED)

| | March 31, 2006<br>$ | March 31, 2005<br>$ |
|---|---|---|
| **CONSOLIDATED OPERATIONS** | | |
| **Revenue** | | |
| Investment and miscellaneous income | 1,177 | 1,309 |
| Gain on sale of marketable securities | – | 56,416 |
| | 1,177 | 57,725 |
| **Expenses** | | |
| Administrative expenses | 12,599 | 9,638 |
| Prospecting and general | 53 | 227 |
| Amortization | 142 | – |
| | 12,794 | 9,865 |
| **Net income (loss) before share of net earnings (loss) of equity investment** | (11,617) | 47,860 |
| Share of net earnings (loss) of equity investment | (300) | (280) |
| **Net earnings (loss)** | (11,917) | 47,580 |
| **Net earnings (loss) per share – basic and fully diluted (Note 7)** | (0.000) | 0.002 |
| **CONSOLIDATED DEFICIT** | | |
| Balance, beginning of period | (5,852,571) | (5,880,162) |
| Net earnings (loss) | (11,917) | 47,580 |
| Balance, end of period | (5,864,488) | (5,832,582) |

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE THREE MONTHS ENDED MARCH 31, 2006 (UNAUDITED)

| | March 31, 2006 $ | March 31, 2005 $ |
|---|---|---|
| **Operating activities** | | |
| Net earnings (loss) | (11,917) | 47,580 |
| Items not affecting cash | | |
| Share of net earnings of equity investment | 300 | 280 |
| Amortization | 142 | – |
| Gain on sale of marketable securities | – | (56,416) |
| Decrease (increase) in accounts receivable | (528) | (6,607) |
| (Decrease) increase in loan from officer | – | (35,000) |
| Decrease (increase) in accounts payable | 6,050 | 21,996 |
| Increase in consulting charge payable | (35,100) | (35,100) |
| Cash used in operating activities | (41,053) | (63,267) |
| **Investing activities** | | |
| Proceeds on sale of marketable securities | – | 71,971 |
| Natural gas interests | (14,650) | (52,431) |
| Investment in subsidiaries | 34,708 | 36,560 |
| Cash provided by (used in) investing activities | 20,058 | 56,100 |
| **Financing activities** | | |
| Issue of shares | – | 80,000 |
| Cash provided by financing activities | – | 80,000 |
| **Change in cash** | (20,995) | 72,833 |
| Cash, beginning of period | 79,258 | 51,173 |
| **Cash, end of period** | 58,263 | 124,006 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**March 31, 2006**

### 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. Marketable securities

The marketable securities on hand at March 31, 2006 had a market value of $106,765 (December 31, 2005–$101,825).

### 3. 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.

Since September 1998 Crew Gold Corporation ("Crew"), through its subsidiary, Crew Minerals Philippines Inc., has an option agreement to put the Negros Island sulfur property into production for 75% net profit interest (NPI) of the property while Altai Philippines will be carried at 25% NPI. As at March 31, 2006 and to date, Crew has not yet put the property into production.

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, 2006 and to date, the MPSA application has not yet been approved.

### 4. Interest in mining properties

| | Balance, Beginning of Year $ | Expenditure $ | Balance, End of Period $ |
|---|---|---|---|
| **Malartic Township, Quebec** | | | |
| Property | 283,711 | – | 283,711 |
| Expenditure | 726,235 | – | 726,235 |
| | 1,009,946 | – | 1,009,946 |

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

## 5. Natural gas interests

| | Balance, Beginning of Year $ | Expenditure $ | Balance, End of Period $ |
|---|---|---|---|
| **Sorel-Trois Rivieres property, Quebec (formerly known as Lac St. Pierre and Sorel properties)** | | | |
| Expenditure | 1,484,529 | 14,650 | 1,499,179 |

The Company has 54.12% working interest (as at December 31, 2005) in the Sorel-Trois Rivieres natural gas property of seven oil and gas permits of 123,155 hectares (304,316 acres).

The July 2005 Agreement between Talisman Energy Canada ("Talisman") of Calgary, Alberta and the Company and its joint venture partner in its Sorel-Trois Rivieres property, Petro St-Pierre Inc. ("PSP"), involves four oil and gas permits aggregating to approximately 74,250 hectares (183,500 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 has 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. As at March 31, 2006 and to date, Talisman has not yet earned equity interest in any of the Farmout permits.

## 6. Share capital and options

### Share Capital

**Authorized**

An unlimited number of common shares of no par value.

| **Issued** | **No. of shares** | **Amount** $ |
|---|---|---|
| Issued at December 31, 2005 and March 31, 2006 | 25,053,554 | 9,348,336 |

At March 31, 2006, there were 219,667 escrowed common shares outstanding.

### Options

a) 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, 2006, there were 850,000 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 and March 31, 2006 | 873,000 | 0.121 |

The following table summarizes outstanding share options at March 31, 2006:

| **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 |
| 200,000 | – | 200,000 | June 17, 2009 | 0.140 |

| | | | | |
|---|---|---|---|---|
| 200,000 | – | 200,000 | August 17, 2010 | 0.150 |
| 873,000 | – | 873,000 | | 0.121 |

b) **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, 2005, no stock-based compensation cost had been incurred.

**7. 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 net earnings (loss) per share:

| | **March 31, 2006** | **March 31, 2005** |
|---|---|---|
| | $ | $ |
| Numerator | | |
| Net earnings ( loss) for the period – basic and diluted | (11,917) | 47,580 |
| Denominator | | |
| Weighted average number of shares – basic | 25,053,554 | 24,802,047 |
| Effect of dilutive shares | | |
| Stock options | 873,000 | 1,343,000 |
| Weighted average number of shares – diluted | 25,926,554 | 26,145,047 |
| Basic and diluted net earnings (loss) per share | (0.000) | 0.002 |

Due to the loss in the three months ended March 31, 2006, no diluted net loss per share is provided as the inclusion of outstanding stock options would be anti-dilutive.

**8. Related Party transactions**

a) Consulting services were provided by two officers. Fees for such services amounted to $9,000. These fees have been allocated to administrative expenses ($550) and resource properties ($8,450).

b) The second 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 2006.