

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Financial Statements
Three Months Ended February 29, 2012

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC

May 29, 2012

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars – unaudited)

Notes	February 29, 2012	November 30, 2011 (Note 16)	December 1, 2010 (Note 16)
ASSETS			
Current assets			
Cash	\$ 658,440	\$ 202,705	\$ 125,915
Receivables	238,326	199,374	65,732
Deposit	-	-	43,790
	896,766	402,079	235,437
Long-term assets			
Restricted cash	4 190,053	189,575	187,592
Exploration and evaluation assets	5 21,723,852	20,801,631	21,591,746
Property, plant and equipment	6 1,341,534	1,358,534	-
TOTAL ASSETS	\$ 24,152,205	\$ 22,751,819	\$22,014,775
LIABILITIES			
Current liabilities			
Loans payable	7 \$ 1,686,386	\$ 938,246	\$ 3,246,779
Notes payable	7 1,050,000	-	-
Accounts payable and accrued liabilities	1,204,552	1,330,723	1,455,107
Amounts payable to related parties	11 878,887	822,757	598,220
Income taxes payable	11,130	11,168	150,000
	4,830,955	3,102,894	5,450,106
Long-term liabilities			
Loans payable	7 2,848,044	2,675,750	-
Notes payable	7 -	1,050,000	-
Decommissioning provision	8 110,835	109,985	101,742
TOTAL LIABILITIES	7,789,834	6,938,629	5,551,848
SHAREHOLDERS' EQUITY			
Share capital	9 20,881,786	20,886,640	18,911,981
Share subscriptions	9 886,500	45,000	1,008,120
Shares issuable	9 -	-	613,500
Contributed surplus	10 1,294,293	1,149,293	1,139,813
Deficit	(6,700,208)	(6,267,743)	(5,210,487)
TOTAL EQUITY	16,362,371	15,813,190	16,462,927
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 24,152,205	\$ 22,751,819	\$ 22,014,775

Nature of operations	1
Commitments	15
Subsequent events	17

Approved on behalf of the Board:

"Jurgen Wolf" Director

"Joe DeVries" Director

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars – unaudited)

	Notes	Three months ended	
		February 29, 2012	February 28, 2011 (Note 16)
REVENUE			
Petroleum and natural gas sales		\$ 37,932	\$ -
DIRECT COSTS			
Accretion		850	500
Operating costs		10,024	-
Depletion		17,000	-
		27,874	500
NET OIL AND GAS INCOME (LOSS)		10,058	(500)
EXPENSES			
Consulting		\$ 24,957	\$ -
Finance fees		35,000	-
Foreign exchange (gain) loss		(34,047)	(78,481)
Interest		129,430	75,471
Investor communications		2,439	905
Management fees		44,250	45,000
Office facilities and miscellaneous		48,738	68,920
Professional fees		11,840	12,959
Transfer agent filing fees		20,411	8,887
Share based payment	9, 10	145,000	-
Travel and promotion		14,505	6,693
		442,521	140,354
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (432,465)	\$ (140,854)
Loss per share - basic and diluted		\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding		195,055,186	167,584,191

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
Three months ended February 29, 2012
(Expressed in Canadian dollars – unaudited)

	Note	Share capital		Share subscriptions	Shares issuable	Contributed Surplus	Deficit	Total
		Number of shares	Amount					
Balance at December 1, 2010	16	150,610,200	\$18,911,981	\$1,008,120	\$ 613,500	\$ 1,139,813	\$(5,210,487)	\$ 16,462,927
Shares issued for cash (net)	9	24,862,394	1,181,301	-	-	-	-	1,181,301
Subscriptions received (net)	9	-	-	(888,120)	-	-	-	(888,120)
Share based payment	9	598,592	23,930	-	-	-	-	23,930
Net loss for the period		-	-	-	-	-	(140,854)	(140,854)
Balance at February, 28 2011		176,071,186	\$20,117,212	\$ 120,000	\$ 613,500	\$ 1,139,813	\$(5,351,341)	\$ 16,639,184
Balance at December 1, 2011	16	195,055,186	\$20,886,640	\$45,000	-	\$1,149,293	\$(6,267,743)	\$ 15,813,190
Subscriptions received (net)	9	-	-	841,500	-	-	-	841,500
Share issue costs	9	-	(4,854)	-	-	-	-	(4,854)
Share based payment – warrant extension	9, 10	-	-	-	-	145,000	-	145,000
Net loss for the period		-	-	-	-	-	(432,465)	(432,465)
Balance at February 29, 2012		195,055,186	\$20,881,786	\$886,500	-	\$1,294,293	\$(6,700,208)	\$16,362,371

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars – unaudited)

	Three months ended	
	February 29, 2012	February 28, 2011
Operating activities		
Net loss	\$ (432,465)	\$ (140,854)
Depletion	17,000	-
Decommissioning provision	850	500
Stock based payment	9 145,000	-
Changes in non-cash working capital items:		
Accounts receivable	(38,952)	(38,149)
Accounts payable and accrued liabilities	(126,210)	(214,990)
Net cash flows used in operating activities	(434,777)	(393,493)
Investing activities		
Expenditures on exploration and evaluation assets	5 (922,221)	(139,609)
Change in restricted cash	(477)	(353)
Expenditures on property, plant and equipment	-	-
Net cash flows used in investing activities	(922,698)	(139,962)
Financing activities		
Due to related parties, net	56,130	36,663
Loans and notes payable	7 920,434	120,856
Share subscriptions received	9 841,500	(888,120)
Shares issued (net)	9 (4,854)	1,205,231
Net cash flows from financing activities	1,813,210	474,630
Increase in cash	455,735	(58,825)
Cash, beginning	202,705	125,915
Cash, ending	\$ 658,440	\$ 67,090

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

1. NATURE OF OPERATIONS

Altima Resources Ltd. (the "Company") is engaged in the exploration for and the development of petroleum and natural gas in Canada. The Company was incorporated under the laws of British Columbia on November 14, 2003. The Company commenced trading on the TSX Venture Exchange on May 9, 2006.

The head office, the principal address, and the registered and records office of the Company are all located at 303-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

As at February 29, 2012, the Company had an accumulated deficit of \$6,700,208 and a working capital deficiency of \$3,934,189. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. Specifically, the recovery of the Company's investment in petroleum and natural gas properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements were authorized for issue on May 29, 2012 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended November 30, 2011. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 16.

Basis of preparation

These interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Details of these entities are as follows:

	Country of incorporation	Percentage owned*	
		February 29, 2012	February 28, 2011
Altima Resources Ltd.	Canada	100%	100%
Unbridled Energy Corp.	Canada	100%	100%
Unbridled Energy USA Inc.	United States	100%	100%
Unbridled Energy New York LLC	United States	100%	100%
Unbridled Energy PA LLC	United States	100%	100%
Unbridled Energy Ohio LLC	United States	100%	100%

*Percentage of voting power is in proportion to ownership.

ALTIMA RESOURCES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended February 29, 2012, and February 28, 2011

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiaries that have operations in the United States is the United States dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Farms outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ALTIMA RESOURCES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended February 29, 2012, and February 28, 2011

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

ALTIMA RESOURCES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended February 29, 2012, and February 28, 2011

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2012, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 "Joint Arrangements"

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

New standard IFRS 12 "Disclosure of Interests in Other Entities"

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

Amendments to IAS 1 "Financial Statement Presentation"

The amendments to IAS 1 require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as re-measurements resulting from the amendments to IAS 19, will be presented separately from items that may be recycled in the future, such as deferred gains on cash flow hedges. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IFRS 7 *Financial Instruments: Disclosure*, IAS 27 *Separate Financial Statements*, IAS 28, *Investments in Associates and Joint Ventures*, and IAS 32, *Financial Instruments: Presentation*. IFRS 7 amendments require disclosure about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13. IAS 32 addresses inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

4. RESTRICTED CASH

The Company has cash on deposit with the Energy Resources Conservation Board ("ERCB") under the ERCB's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the ERCB is determined based on a monthly licensee management rating assessment. The security deposit represents the difference between deemed liabilities and deemed assets of the Company's interest in petroleum and natural gas properties in Alberta.

5. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets are as follows:

	Canada
	- \$ -
Balance at December 1, 2010	21,591,746
Capitalized exploration expenditures	554,531
Ferrier West area costs reclassified to Property, Plant and Equipment	(1,378,134)
Capitalized exploration expenditures Rainbow area	742,966
Impairment of Rainbow well costs	(709,478)
Balance at November 30, 2011	20,801,631
Capitalized exploration expenditures Chambers 14-15-41-11 W5M	869,681
Capitalized exploration expenditures Chambers area	52,540
Balance at February 29, 2012	21,723,852

Chambers Area Gas Prospect, Alberta: As at May 29, 2012, the Company's mostly contiguous land base at Chambers-Ferrier totals twenty four (23) sections (14,720 gross acres) with an approximate average working interest of 80% in 18 of the 23 sections (100% in 11 sections) and varying interests in eight (8) wells.

On December 16, 2009, the Company entered into a participation arrangement with Crimson Energy Ltd. in the Ferrier West area in Alberta. Upon fulfilling their obligation under the participation agreement, the Company was assigned working interests of 19.875% in two sections of joint lands and two wells, subject to their proportionate share of a 1.00% overriding royalty. In October 2011, production commenced on the Ferrier West well, and the Company reclassified the costs to Plant, Property and Equipment.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

5. EXPLORATION AND EVALUATION ASSETS (continued)

During 2011 the Company entered into a Farm-in and Participation Agreement in Rainbow Lake Alberta, to participate in the drilling of a test well on Rainbow Lake, Alberta lands. The Company agreed to pay 33.75% of the costs of drilling through completion to earn a 24.80625% interest in the well and farm-in lands covering an area of 576 hectares, subject to its proportionate share of a 4.7% gross overriding royalty. As at November 30, 2011 the costs relating to the test well were considered impaired and expensed.

On February 1, 2012, the Company entered into an agreement to pool four sections of joint lands at Chambers-Ferrier. Pursuant to the agreement, the Company holds a 30% working interest in the well and pooled lands and an interest in a total of 24 sections in the Chambers-Ferrier area. The agreement includes drilling a horizontal test well. In the current period, the Company expended \$886,681 on the initial vertical portion of this well. Subsequent to the period end, the horizontal portion was drilled.

6. PROPERTY, PLANT AND EQUIPMENT

The Company's petroleum and natural gas properties are as follows:

	Canada
	-\$-
Balance at December 1, 2010	-
Additions for Ferrier West, Alberta petroleum and natural gas property	1,378,134
Depletion and depreciation	(19,600)
Balance at November 30, 2011	1,358,534
Additions for Ferrier West, Alberta petroleum and natural gas property	-
Depletion and depreciation	(17,000)
Balance at February 29, 2012	1,341,534

Ferrier West Area Gas Prospect, Alberta:

On December 16, 2009, the Company entered into a participation arrangement with Crimson Energy Ltd. in the Ferrier West area in Alberta. Upon fulfilling their obligation under the participation agreement, the Company was assigned working interests of 19.875% in two sections of joint lands and two wells, subject to their proportionate share of a 1.00% overriding royalty. In October 2011, production commenced on the Ferrier West well, and the Company reclassified the costs to Plant, Property and Equipment from Exploration and Evaluation assets.

During the period ended February 29, 2012, the Company recorded \$37,932 in revenues from the Ferrier West well.

7. LOANS PAYABLE

Details of the Company's loans outstanding for the period ended February 29, 2012 and year ended November 30, 2011:

	Feb. 29, 2012	Nov. 30, 2011	Dec. 1, 2010
	-\$-	-\$-	-\$-
Current liabilities:			
(a) Current portion of secured credit facility	300,000	300,000	2,578,706
(b) Secured loan	601,386	638,246	668,073
(c) Current portion of secured notes payable	1,050,000	-	-
(d) Short term loan	785,000	-	-
Total	2,736,386	938,246	3,246,779
Long term liabilities:			
(a) Secured credit facility	2,848,044	2,675,750	-
(c) Secured notes payable	-	1,050,000	-
Total	2,848,044	3,725,750	3,725,750

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

7. LOANS PAYABLE (continued)

- (a) The principal balance of the Company's secured credit facility is \$3,148,044 as of February 29, 2012 which bears interest at 12% per annum, compounded and payable monthly and in full on or before December 31, 2013. The Company may prepay the loan at any time prior to the maturity, without penalty, provided that a minimum three months interest have been paid and such repayment is made on the last business day of a calendar month and the Company has provided not less than ten business days' prior notice of its intention to prepay the Loan. The Company plans to repay \$300,000 of principal during 2012 which is presented as a current liability (paid subsequent to period end Note 17 (a)). During November 2011 the Company renegotiated the secured credit facility and incurred additional financing fees of \$80,000 as an expense and the original \$70,000 amount of finance fees payable from 2010 were added to the principal balance outstanding. The April 2010 original agreement also called for the Company to pay a fee equal to 15% of the original principal amount in common shares of the Company which were recorded as shares issuable and under the renegotiated agreement this fee and the common shares are no longer to be paid and issued, therefore the Company recorded a recovery of financing fees of \$613,500 during the year ended November 30, 2011.

The security for the loan includes a promissory note in the principal amount of the loan, first charge debenture over the Company's domestic assets, first security interest in favour of the Company's personal property and the signing of a share pledge agreement, in which the Company will pledge and grant a security interest in favour of the lender over all the common shares in the capital of all the subsidiaries owned by the Company.

- (b) As a result of the acquisition of Unbridled Energy Corp. in 2010, the Company is indebted for a secured loan which bears interest at LIBOR plus 2.5% and is secured by cross guarantees of the Unbridled companies, a floating charge on shares of Unbridled Canada, and the U.S. petroleum and natural gas leases. In October of 2011, the lender agreed to extend the due date of the loan to June 30, 2012, with monthly principal payments of US\$5,000 to be made until March 1, 2012, and subsequent principal payments of US\$10,000 per month until maturity.
- (c) In November 2011, the Company issued notes payable with certain parties to complete the drilling of an oil development well in the Rainbow, Alberta area. The notes bear interest at 12% per annum and mature on December 31, 2012. Interest payments are due quarterly, and on a quarterly basis, principal payments are due (but only to the extent of) 60% of the Company's portion of net operating income, with any remaining balance payable on December 31, 2012. In connection with the notes payable, the note holders were issued a bonus of shares equal to 20% of the principal amount divided by \$0.05. The notes are secured by a second charge against the Company's petroleum and natural gas properties.
- (d) On February 14, 2012, the Company entered into a 30 day loan agreement to borrow \$750,000, for a fee of \$35,000. If the loan is not paid in full at the maturity date, the Company agreed to pay a penalty of 5% on the outstanding balance plus interest on the outstanding amount of 18% per annum from the maturity date until paid in full. The loan was repaid in full subsequent to the period end. (Note 17 (a)).

8. DECOMMISSIONING PROVISION

The Company has previously recorded decommissioning provision (formerly called asset retirement obligation under Canadian GAAP) in connection with estimated reclamation costs on the Chambers Area Gas Prospect site. The obligation is recognized based on the estimated future reclamation costs using a discount rate of 6%. The Company estimates its obligations to be settled in approximately ten years.

ALTIMA RESOURCES LTD.**Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended February 29, 2012, and February 28, 2011**

9. SHARE CAPITAL

Authorized: Unlimited number of voting common shares without par value

Common shares issued:

	# shares	- \$ -
Balance, December 1, 2010	150,610,200	18,911,981
Flow through shares issued at \$0.05 per share	8,660,000	433,000
Non-flow-through shares issued at \$0.05 per share	30,986,394	1,549,320
Shares issued to agents	598,592	29,930
Non-flow-through shares issued in connection with notes payable (Note 7 (c))	4,200,000	126,000
Future income tax benefits on expenditures renounced to shareholders	-	(18,550)
Share issue costs	-	(145,041)
Balance November 30, 2011	195,055,186	20,886,640
Share issue costs	-	(4,854)
Balance February 29, 2012	195,055,186	20,881,786

Period ended February 29, 2012:

During the period, the Company received share subscriptions for future issuances of common shares totaling \$886,500. These shares were issued subsequent to the period end on April 4, 2012 (Note 17 (b)).

Year ended November 30, 2011:

On December 30, 2010, the Company closed a private placement financing for gross proceeds of \$1,243,120. The Company issued 1,400,000 flow-through units at \$0.05 per unit, with each unit consisting of one flow-through common share and one-half share purchase warrant, each whole warrant entitling the holder to purchase one non flow-through ("NFT") common share at \$0.10 per share on or before December 29, 2011; 23,462,394 NFT units at \$0.05 per NFT unit, each NFT unit consisting of one common share and one share purchase warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before December 29, 2011.

The Company also issued a total of 598,592 NFT common shares at a price of \$0.05 per share for finders' fees in connection with the NFT unit private placement.

On July 15, 2011, the Company closed the first tranche of a private placement financing for gross proceeds of \$481,200. The Company issued 2,300,000 flow-through units at \$0.05 per unit, with each unit consisting of one flow-through common share and one share purchase warrant, each whole warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before July 14, 2012; 7,324,000 NFT units at \$0.05 per NFT unit, each NFT unit consisting of one NFT common share and one share purchase warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before July 14, 2013.

The Company also issued a total of 452,000 Finder's Warrants, each Finder's Warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before July 14, 2012, as finders' fee in connection with this financing.

On September 6, 2011 the Company closed the second tranche of private placement financing for gross proceeds of \$258,000. The Company issued 4,960,000 flow-through units at \$0.05 per unit, with each unit consisting of one flow-through common share and one share purchase warrant, each whole warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before September 5, 2012; 200,000 NFT units at \$0.05 per NFT unit, each NFT unit consisting of one NFT common share and one share purchase warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before September 5, 2013.

The Company issued 496,000 Agent's warrants, each warrant entitling the holder to purchase one NFT common share at \$0.10 per share on or before September 5, 2012, and paid a finder's fee in connection with the flow-through unit private placement.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

9. SHARE CAPITAL (continued)

On November 30, 2011 the Company issued 4,200,000 NFT shares in connection with a loan financing, for notes payable of \$1,050,000. The note holders were issued a bonus of shares equal to 20% of the principal amount divided by \$0.05 (Note 7 (c)).

For the year ended November 30, 2011, the Company renounced expenditures of \$70,000 to flow-through shareholders, with a resulting future income tax recovery of \$18,550.

During fiscal 2011, the Company received share subscriptions for future issuances of common shares totalling \$45,000.

Stock Options

The Company has established a stock-option plan for directors, officers, consultants and administrative personnel. Under the plan, the number of options granted is limited to 10% of the Company's issued shares at the time the options are granted. The number of options granted to any individual director or officer is limited to 5% of the issued shares of the Company and the options granted to all consultants and administrative personnel is limited to 2% of the issued shares. Options granted in respect of investor relations activities vest over one year at a rate of 25% every three months.

Current period ended February 29, 2012: In the current period, no stock options were granted.

Year ended November 30, 2011: In 2011 no stock options were granted.

Details of the Company's stock options outstanding and exercisable are as follows:

	Options outstanding			Options exercisable	
	Options outstanding	Weighted average exercise price - \$ -	Weighted average remaining life	Options outstanding	Weighted average exercise price - \$ -
Balance, December 1, 2010	1,820,000	0.60	0.97 years	1,820,000	0.60
Expired	(1,075,000)	(0.64)		(1,075,000)	(0.64)
Balance, November 30, 2011	745,000	0.54	1.16 years	745,000	0.54
Balance, February 29, 2012	745,000	0.54	0.91 years	745,000	0.54

Warrants

On January 5, 2012, 24,162,394 warrants originally issued December 30, 2010 allowing the purchase of shares at \$0.10 per share were extended by one year until December 28, 2012. The Company recorded a share based payment of \$145,000 for this extension.

The Company had the following share purchase warrant transactions and had warrants outstanding as follows:

	Number of warrants	Weighted average exercise price - \$ -	Weighted average remaining life
Balance, December 1, 2010	10,033,149	0.30	1.08 years
Granted	39,894,394	0.10	
Balance, November 30, 2011	49,927,543	0.14	0.42 years
Expired	(10,033,149)	0.30	
Balance, February 29, 2012	39,894,394	0.10	0.86 years

ALTIMA RESOURCES LTD.**Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended February 29, 2012, and February 28, 2011**

10. CONTRIBUTED SURPLUS

	- \$ -
Balance, December 1, 2010	1,139,813
Fair value of Agent's warrants issued for finder's fees	9,480
Balance, November 30, 2011	1,149,293
Share based payment – warrant extension	145,000
Balance, February 29, 2012	1,294,293

11. RELATED PARTY TRANSACTIONS AND BALANCES

During the period ended February 29, 2012 and February 28, 2011, the Company had the following transactions with related parties:

	Feb. 29, 2012	Feb. 28, 2011
	- \$ -	- \$ -
Management fees paid or accrued to directors or companies controlled by directors	44,250	45,000
Fees paid or accrued to directors or companies controlled by directors for development costs of its petroleum and natural gas properties	47,250	47,250
Capitalized exploration expenses paid or accrued to a company related to a director	7,610	69,121
Administrative services and occupancy charges paid or accrued to officers of the Company and company controlled by a director	46,288	33,410
Interest accrued on notes payable	14,528	-

These transactions were recorded at their exchange amounts which are the amounts agreed upon by the transacting parties on terms and conditions similar to non-related entities. Except where previously indicated, the amounts due to related parties bear no interest and are due on demand.

Amounts payable to related parties consists of:

	Feb. 29, 2012	Nov. 30, 2011
	- \$ -	- \$ -
Management, consulting, interest, exploration and administrative fees payable	878,887	822,757
Notes payable	736,500	736,500

12. NON-CASH TRANSACTIONS

Non-cash activities for the period ended February 29, 2012 and year ended November 30, 2011:

	Feb. 29, 2012	Nov. 30, 2011
	- \$ -	- \$ -
Shares issued for finder's fees (Note 9)	-	29,930
Shares issued as financing fees (Note 7)	-	126,000
Share based payment recorded for warrant extension	145,000	-

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

13. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Foreign exchange risk

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in US dollars. The assets, liabilities and expenses that are denominated in US Dollars will be affected by changes in the exchange rate between the Canadian dollar and the US Dollar. If the Canadian dollar changes by one percent against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a change in net loss for the period of approximately \$8,000.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to significant interest rate risk as it does not hold any interest bearing instruments.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements. There have been no changes to the Company's capital management structure during the period ended February 29, 2012, and the year ended November 30, 2011.

Classification of financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments for the periods then ended:

	Feb. 29, 2012	Nov. 30, 2011	Dec. 1, 2010
	- \$ -	- \$ -	- \$ -
Held for trading	658,440	202,705	125,915
Loans and receivables	238,326	199,374	65,732
Other financial liabilities	7,519,857	6,737,476	5,300,106

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation. Such re-classification is for presentation purposes only and has no effect on previously reported results.

15. COMMITMENTS

- (a) The Company is committed to making lease payments as follows:

Year	Payment
2012	\$158,112
2013	\$158,112
2014	\$ 13,176

16. FIRST TIME ADOPTION OF IFRS

- (a) Transition to IFRS

The Company has adopted IFRS effective December 1, 2011 with a transition date of December 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these first condensed consolidated interim financial statements for the three months ended February 28, 2011, year ended November 30, 2011 and the opening financial position as at December 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

- (b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

- (i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- (ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.
- (iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.
- (iv) Deemed cost exemption – Under Canadian GAAP, the Company accounted for exploration and development costs of oil and gas properties in a single full cost accounting pool. Under IFRS, exploration expenditures are reclassified as exploration and evaluation assets. IFRS 1 contains an exemption the Company has elected allowing the Corporation to measure oil and gas assets at the date of transition as follows:
 - i. exploration and evaluation assets are reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP; and
 - ii. the remaining full cost pool is allocated to the development and production assets and components pro rata using reserve values or reserve volumes.

The reclassification of exploration and evaluation assets resulted in a \$nil increase in exploration and evaluation assets with a corresponding decrease in property and equipment at December 1, 2010. The Corporation is also required to assess the property and equipment assets for impairment on transition to IFRS. Under Canadian GAAP, impairment of property and equipment is assessed at a country by country full cost pool level. Under IFRS, impairment of property and equipment is assessed at a cash generating unit ("CGU") level using the greater of fair value less costs to sell or the value in use.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

16. FIRST TIME ADOPTION OF IFRS (continued)

(c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

(d) Reconciliation between Canadian GAAP and IFRS

In preparing the Company's IFRS Transition Date statement of financial position management noted that adjustments related to assets and depletion were necessary to be made by the Company previously in its financial statements prepared in accordance with Canadian GAAP.

The adjustments were the result of an impairment of exploration and evaluation assets required under IFRS which were not allowed under full cost accounting under Canadian GAAP. Under IFRS, each cash generating unit must be evaluated separately for impairment. The Company's Rainbow well was determined to be impaired as at November 30, 2011 under IFRS, and the Company recorded an impairment charge of \$709,478. This was slightly offset by the reversal of \$10,100 in depletion that had been recorded under GAAP.

There were no adjustments necessary in either of the December 1, 2010 or February 28, 2011 statements of financial position.

The December 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	December 1, 2010 Canadian GAAP	Effect of IFRS Transition	December 1, 2010 IFRS
Total Assets	\$ 22,014,775	\$ -	\$ 22,014,775
Total Liabilities	\$ 5,551,848	\$ -	\$ 5,551,848
Total Shareholders' Equity	16,462,927	-	16,462,927
Total Liabilities and Shareholders' Equity	\$ 22,014,775	\$ -	\$ 22,014,775

The February 28, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	February 28, 2011 Canadian GAAP	Effect of IFRS Transition	February 28, 2011 IFRS
Total Assets	\$ 22,134,059	\$ -	\$ 22,134,059
Total Liabilities	\$ 5,494,875	\$ -	\$ 5,494,875
Total Shareholders' Equity	16,639,184	-	16,639,184
Total Liabilities and Shareholders' Equity	\$ 22,134,059	\$ -	\$ 22,134,059

The November 30, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	November 30, 2011 Canadian GAAP	Effect of IFRS Transition	November 30, 2011 IFRS
Total Assets	\$ 23,451,197	\$ (699,378)	\$ 22,751,819
Total Liabilities	\$ 6,938,629	\$ -	\$ 6,938,629
Total Shareholders' Equity	16,512,568	(699,378)	15,813,190
Total Liabilities and Shareholders' Equity	\$ 23,451,197	\$ (699,378)	\$ 22,751,819

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended November 30, 2011 and three months ended February 28, 2011. Management noted that adjustments related to the reduction of depletion, and the impairment of the Rainbow well described previously were necessary to be made, in addition, the statements of Operations and Comprehensive Loss are also adjusted for the removal of royalties under IFRS, which were included in revenues, and costs in the financial statements prepared in accordance with Canadian GAAP. This resulted in a total increase in net loss of \$699,378 in the fourth quarter of 2011.

ALTIMA RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended February 29, 2012, and February 28, 2011

16. FIRST TIME ADOPTION OF IFRS (continued)

The November 30, 2011 Canadian GAAP statements of operation and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	Year Ended Nov. 30, 2011 Canadian GAAP	Effect of IFRS Transition	Year Ended Nov. 30, 2011 IFRS
Revenue	\$ 41,341	\$ (2,322)	\$ 39,019
Less royalties	(2,322)	2,322	-
	39,019	-	39,019
Expenses			
Depletion	(29,700)	10,100	(19,600)
Other expenses	(1,117,580)	-	(1,117,580)
Loss before other items and income taxes	(1,108,261)	10,100	(1,098,161)
Recovery of financing fees	613,500	-	613,500
Impairment of Rainbow well	-	(709,478)	(709,478)
Income tax recoveries	136,883	-	136,883
Net loss and comprehensive loss	\$ (357,878)	\$ (699,378)	\$ (1,057,256)

The February 28, 2011 Canadian GAAP statements of operation and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	3 months ended February 28, 2011 Canadian GAAP	Effect of IFRS Transition	3 months ended February 28, 2011 IFRS
Revenue	\$ -	\$ -	\$ -
Total expenses	(140,854)	-	(140,854)
Net loss and comprehensive loss	\$ (140,854)	\$ -	\$ (140,854)

17. SUBSEQUENT EVENTS

- (a) Subsequent to the period end, the Company made payments totaling \$809,250 to extinguish the short term loan and related accrued fees, and paid \$300,000 of the current portion of the secured credit facility.
- (b) On April 4, 2012 the Company closed a private placement for gross proceeds of \$3,501,880 by issuing a total of 6,300,000 flow-through ("FT") units and a total of a total of 63,737,600 non flow-through ("NFT") units at \$0.05 per unit. Each FT unit consists of one flow through common share and one NFT warrant allowing the purchase of one additional common share at \$0.10 per share on or before April 3, 2014. Each NFT unit consists of one common share and one share purchase warrant allowing the purchase one common share at \$0.10 per share on or before April 3, 2013. In connection with the private placement, the Company paid a total of \$6,000 dollars and issued a total of 3,508,760 common shares at a deemed price of \$0.05 per share as finders' fees.
- (c) On April 16, 2012 the Company retained VSA Capital Ltd ("VSA") as its European Corporate Broker. VSA will provide provides corporate finance and corporate brokering services to the Company including: brokering, research, sales and capital raising capabilities in its specialist sectors. The Company has committed to pay £24,000 per year in connection with these services.
- (d) As at May 29, 2012, the vertical and horizontal portions of the COPOL ET AL HZ CHAMBERS 14-15-41-11 W5M well have been drilled, cased, and had a multi-stage frac operation successfully completed. As well, the Operator completed a test over the period May 23 through May 27, 2012 with the well flowing varying rates of natural gas, associated oil and liquids and frac fluid. The well has now been secured and will remain shut-in approximately one month until seasonal road bans are lifted and completion can once again commence.

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED FEBRUARY 29, 2012

Date prepared: May 29, 2012

GENERAL

This management discussion and analysis (“MDA”) covers the operations of Altima Resources Ltd. (“Company”) for the period ended February 29, 2012 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended November 30, 2011 and the condensed consolidated interim financial statements for the three months ended February 29, 2012. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com, or by requesting further information from the Company’s head office in Vancouver.

FORWARD LOOKING STATEMENTS

This MDA may contain certain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company’s actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward looking statements.

NATURE OF BUSINESS

The Company was incorporated under the Company Act of British Columbia and is engaged in the acquisition, exploration and development of petroleum and natural gas properties in Canada and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for petroleum and natural gas properties is dependent upon the discovery of economically recoverable reserves of the Company’s interest in the petroleum and natural gas properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The Company is a public company listed on the TSX Venture Exchange under the symbol ARH.

OVERVIEW

Corporate development

During the current period, the Company continued with the expansion, exploration and development of its Chambers Area Project in west central Alberta, Canada and the Rainbow Lake Area of northwestern Alberta, Canada. To this end, management put effort into raising additional funds for expansion efforts, exploration costs, development costs and working capital.

Petroleum and natural gas properties

The Company’s exploration program is focused on both conventional and resource based deeper multi-zone gas and gas condensate targets in the Chambers-Ferrier Area of the west central Alberta Deep Basin and light gravity oil play in the Rainbow Lake area of northwestern Alberta. The Chambers-Ferrier Area lies immediately west of the multiple producing pools in the Ferrier Field which continues to see significant industry drilling activity.

The Company’s initial earning Well GEEL ET AL CHAMB 3-17-41-11 W5M (“3-17”) was spud on March 14, 2006, and reached a depth of 3,349 meters and production casing was set. Upon completion of the 3-17 well, the Company purchased an interest in the 7-18-41-11 W5M well which tested water free gas and associated condensate.

During fiscal 2007, the Company drilled and completed an option well on lands located at 16-21-41-11 W5M. The 16-21 well spud on August 26, 2007 and drilled to its total depth of 3289 meters. In fiscal 2008, the Company completed and tested the well at commercial rates. During the first quarter of fiscal 2009, the Operator conducted a large volume frac in the Elkton formation. The frac operation was successful with a final gas rate of 2.3MMSCF/D at a flowing tubing pressure of 1,335psia and a final shut in pressure of 4,014psia. The well is currently suspended waiting on a lateral gas gathering line.

On August 31, 2009, in an effort to maximize the potential of the project and to move the development forward on the Chambers properties, the Company entered into an agreement with Unbridled Energy Corp. whereby the Company would acquire Unbridled’s interests in the Chambers and west Ferrier areas. On February 11, 2010, the Company acquired all of the common shares of Unbridled by issuing 69,933,618 shares of the Company for the entire outstanding shares of Unbridled.

ALTIMA RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED FEBRUARY 29, 2012

In December 2009, the Company and Unbridled entered into a participation agreement with Crimson Energy Ltd. ("Crimson") in the West Ferrier area of west central Alberta. The arrangement provides for the fracture stimulation, completion and testing of multiple zones in Crimson's well in 41-10 W5M that are indicated to be gas bearing based upon log and initial test information. The fracture stimulations were completed and tested. Altima and Unbridled were assigned a working interest to the base of the Mannville formation of 12.375% and 6.9795% respectively, and also assigned a working interest of 7.5% and 4.23% respectively below the base of the Mannville in three sections of joint lands and two wells.

In March 2011 the 14-6-41-10 W5M well production and metering systems have been commissioned into the newly constructed regional gathering system. Construction was completed on the new 4.35 mile 4.5 inch diameter line in late February. The new gathering line runs through Altima lands in both sections 5 and 6 of Twp 41 Range 10 W5M. Start-up for the 14-6 was waiting on the facility operator to provide line and compression capacity to the operator.

By May 31, 2011, the pipeline and facilities operator tied in two of their own nearby recently completed wells which have been producing approximately 4.8 million cubic feet per day plus associated liquids. This resulted in no available capacity in their pipeline or facility to add in Altima's production, causing Altima to tie into the ConocoPhillips pipeline facility, which was completed in October 2011.

In August 2011, the Company entered into a Farm-in and Participation Agreement in Rainbow Lake Alberta, whereby Altima agreed to participate in the drilling of a 1665 meter (5460 ft.) well on the operators' lands in Northern Alberta. Altima paid 33.75% of the costs of drilling through completion to earn a 24.80625% interest in the well and farm-in lands covering an area of 576 hectares, subject to its proportionate share of a 4.7% Gross Overriding Royalty. The well was drilled to a total depth of 1,732 meters and in December of 2011 abandoned, as testing indicated the hydrocarbons encountered were not commercial at the subject location.

On October 12, 2011, the 14-6-41-10W5M Ferrier well commenced production through the ConocoPhillips Chambers gas gathering system to the Keyera deep cut plant for liquids removal and sales. It is anticipated that up to 35bbls of condensate and/or light oil liquids will be recovered per million cubic feet of natural gas produced. Altima holds a 19.3545% interest in the subject well in addition to sections 5 and 6 Twp. 41 Range 10 W5M and the 6-5-41-10W5M well approximately one mile to the east.

On February 1, 2012, the Company entered into an agreement to pool four sections of joint lands at Chambers-Ferrier and drill a horizontal test into the Upper Mannville formation. The well, COPOL ET AL HZ CHAMBERS 14-15-41-11 W5M, spud on February 12, 2012. Altima holds a 30% working interest in the well and pooled lands. On February 28, 2012, the drilling and evaluation of the vertical pilot hole to a depth of 3,147 meters into the Upper Mannville formation was completed. On March 13, 2012, the Operator completed the drilling of the horizontal portion of the hole to 4280 meters MD (measured depth) extending the well bore approximately 180 meters over the original targeted length. Casing was run to 4,275m MD (14,025 feet) on March 16th and the rig released on March 17, 2012.

The COPOL ET AL HZ CHAMBERS 14-15-41-11 W5M well is the first horizontal well drilled in the Chambers, Alberta area and drilling results are encouraging at this time. The multistage frac completion was completed over a 2 day period from March 28 through March 29, 2012. After which time, the well recovered approximately 48% of the frac fluid until seasonal break-up road conditions resulted in the curtailment of flow-back fluid transport. The well was secured on April 10, 2012 and will remain shut-in until road bans are lifted and completion can once again commence.

The COPOL ET AL HZ CHAMBERS 14-15-41-11 W5M well completed a four day test over the period May 23 through May 27, 2012. The well flowed varying rates of natural gas, associated oil and liquids and frac fluid. Downhole pressure recorders were run and it is anticipated the well will remain shut-in for approximately one month while lease road conditions continue to improve and further flow testing can again resume. To date approximately 50% of the injected frac fluid has been recovered.

As at May 29, 2012, the Company's mostly contiguous land base at Chambers-Ferrier totals twenty four (23) sections (14,720 gross acres) with an approximate average working interest of 80% in 18 of the 23 sections (100% in 11 sections) and varying interests in eight (8) wells.

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SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the prior three fiscal years as prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). For more detailed information, refer to the Company's financial statements for the years then ended.

	Years ended November 30		
	2011	2010	2009
	-	-	-
Revenue	41,341	-	-
Net loss	(357,878)	(1,004,627)	(1,074,740)
Loss per share	(0.00)	(0.01)	(0.02)
Total assets	23,451,197	22,014,775	12,950,691

Year ended November 30, 2011:

The Company's primary investing activity during the year consisted of expenditures of \$1,297,497 for exploration and development on various properties.

Financing activities consisted of loan payments of \$367,217, \$1,050,000 from the issuance of notes, loans from related parties of \$224,537, \$45,000 in share subscriptions received, and \$868,569 from share issuances. In the year, the Company had a net loss of \$357,878 compared to a net loss of \$1,004,627 in 2010.

In order to manage the Company's working capital deficiency, continue operations, fund its expenditure commitments, and provide adequate working capital for ongoing activities, the Company will continue to depend on equity financing through existing and new shareholders, third party financing, continued support from its trade creditors, and cost sharing arrangements to fund its work programs and operations.

Year ended November 30, 2010:

The Company's investing activities during the year consisted of \$1,095,045 for exploration and development in the Chambers area and sales of acquired Unbridled properties for \$3,033,132.

Financing activities consisted of loan payments of \$3,128,100 on the Unbridled loan, \$1,008,120 in share subscriptions for private placements, loans from related parties of \$281,670 and share issuances of \$771,945. The Company had a net loss of \$1,004,627 compared to a net loss of \$1,074,740 in 2009.

Significant variances between the two years included:

1. consulting fees of \$226,873 (2009 - \$77,875) due to increased usage of consultants for financing, exploration, and development activities,
2. office and administrative of \$233,805 (2009 - \$144,020) due to the office rental and administrative obligations assumed with the acquisition of Unbridled,
3. professional fees of \$92,143 (2009 - \$189,750) due to prior year legal disputes and audit of the Operator's books, which were not repeated in the current year,
4. gains of sales of properties of \$183,845 (2009 - \$Nil) due to the disposal of certain non-core assets of Unbridled,
5. gains of debt settlements of \$581,933 (2009 - \$Nil) due to considerable reductions to billing amounts allowed as a result of a third party audit of Unbridled,
6. current income tax of \$122,000 (2009 - \$Nil) due to the gain on sale of properties, and
7. future income tax recovery of \$87,052 (2009 - \$553,200) due to the result of selling flow-through shares.

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SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information compiled from the quarterly unaudited financial statements for eight quarters ending February 29, 2012.

	Feb 29/12	Nov 30/11	Aug 31/11	May 31/11
Revenue	37,932	39,019	-	-
Net income (loss)	(432,465)	(415,330)	(268,570)	(232,502)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
	Feb 28/11	Nov 30/10	Aug 31/10	May 31/10
Revenue	-	-	-	-
Net income (loss)	(140,854)	(64,783)	(426,130)	(194,987)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

⁽¹⁾ Note: The quarters ended including and prior to Nov 30/10 are prepared and presented under Canadian GAAP, whereas all subsequent numbers are prepared and presented in compliance with IFRS, as the Company's transition date from Canadian GAAP to IFRS was December 1, 2010.

Comparison of operating results

In the period ended February 29, 2012, the Company had a net loss of \$432,465 compared to \$140,854 in 2011. The most significant variances in the results for the two periods are outlined in the following table:

<i>Period ended</i>	Feb 29, 2012	Feb 28, 2011
	-	-
Revenue	37,932	-
The variance between period's results from the commencement of production on the Company's well in the Ferrier West area in October 2011. Revenues presented are for production from December 1, 2011 to February 29, 2012.		
Direct costs including: Accretion, operating costs, and depletion	27,874	500
As the Company commenced production in October 2011, the costs in the prior period relate to accretion costs only, whereas in the current period direct costs include \$10,024 in operating costs and \$17,000 in depletion costs resulting in the increase between periods.		
Finance fees	35,000	-
Finance fees in the current period were incurred to obtain a 30 day loan agreement to borrow \$750,000. The loan was paid in full subsequent to period end.		
Consulting	24,957	-
Costs in the current period relate to financial consulting for business development and financing where there were no corresponding costs in the previous period.		
Interest	129,430	75,471
Interest expenses increased in the current period commensurate with the increase in interest bearing loans including notes payable (prior period \$nil), and the interest on the increased balance of the secured credit facility (increased on Nov. 30/11 by financing costs of \$150,000, and interest from the current period).		
Share based payment – warrant extension	145,000	-
The increase in share based payments is a non-cash transaction, recorded in the current period to capture the value of extension of the expiration date of 24,162,394 warrants originally issued on December 30, 2010, from December 30, 2011 to December 30, 2012.		
Net loss	(432,465)	(140,854)

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LIQUIDITY AND CAPITAL RESOURCES

At February 29, 2012 the Company had \$896,766 (November 30, 2011 - \$402,079) in cash, receivables, and deposits, a working capital deficiency of \$3,934,189 (November 30, 2011 - \$2,700,815) and had recorded a cumulative deficit of \$6,700,208.

In the three months ended February 29, 2012 significant cash flows were as follows:

Operating activities required cash flows of \$434,777 (2011 - \$393,493). Included in this amount are non cash transactions totaling \$162,850, payments decreasing accounts payable to \$126,210 primarily for office and administrative, capitalized geological consulting and for professional fees, and an increase in accounts receivable of \$38,952 primarily for the accrual for the receivable from the Company's producing well.

During the period, the Company invested \$922,698 including the investment of \$885,840 on the COPOL ET AL HZ CHAMBERS 14-15-41-11 W5M well.

Financing activities for the period provided cash flows of \$1,813,210 mainly comprised of cash inflows from subscriptions for private placements of \$841,500, loans from related parties of \$56,130, the increase of the Company's drawings on the secured credit facility of approximately \$173,000, and negotiation of the short term loan of \$785,000.

To date, the Company's ongoing operations have been financed predominantly by private placements, the exercise of warrants and stock options, and loans. Production commenced on the Company's well in the Ferrier West area in Alberta in October 2011, and in the current period, the Company has recorded revenues of \$37,932.

On April 4, 2012 the Company closed a private placement for gross proceeds of \$3,501,880 by issuing a total of 6,300,000 flow-through ("FT") units and a total of a total of 63,737,600 non flow-through ("NFT") units at \$0.05 per unit. Each FT unit consists of one flow through common share and one NFT warrant allowing the purchase of one additional common share at \$0.10 per share on or before April 3, 2014. Each NFT unit consists of one common share and one share purchase warrant allowing the purchase one common share at \$0.10 per share on or before April 3, 2013. In connection with the private placement, the Company paid a total of \$6,000 dollars and issued a total of 3,508,760 common shares at a deemed price of \$0.05 per share as finders' fees.

TRANSACTIONS WITH RELATED PARTIES

During the periods ended February 29, 2012 and February 28, 2011, the Company had the following transactions with related parties:

	Feb. 29, 2012	Feb. 28, 2011
	- \$ -	- \$ -
Management fees paid or accrued to directors or companies controlled by directors ^{1,2,3,4}	44,250	45,000
Fees paid or accrued to directors or companies controlled by directors for development costs of its petroleum and natural gas properties ^{1,2}	47,250	47,250
Capitalized exploration expenses paid or accrued to a company related to a director ²	7,610	69,121
Administrative services and occupancy charges paid or accrued to officers of the Company and company controlled by a director ^{4,5}	46,288	33,410
Interest accrued on notes payable ^{3,4}	14,528	-

¹ Richard Switzer, President, Director and CEO

² Jim O'Byrne, Director and Chairman of the Board

³ Jurgen Wolf, Director

⁴ Joe DeVries, Director

⁵ Richard Barnett, CFO and Secretary

These transactions were recorded at their exchange amounts which are the amounts agreed upon by the transacting parties on terms and conditions similar to non-related entities. Except where indicated, the amounts due to related parties bear no interest and are due on demand.

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Amounts payable to related parties consists of:

	Feb. 29, 2012	Nov. 30, 2011
	-	-
Management, consulting, exploration and administrative fees payable	878,887	822,757
Notes payable	736,500	736,500

ADDITIONAL INFORMATION

Legal proceedings: Management is not aware of any legal proceedings involving the Company.

Contingent liabilities: Management was not aware of any outstanding contingent liabilities relating to the Company's activities.

Outstanding Share Data: As of May 29, 2012, the Company had 268,601,546 common shares outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of February 29, 2012, that our disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, is made known to them by others within those entities. It should be noted that disclosure controls and procedures cannot prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

Management and the Board of Directors mitigate the risk of material misstatement in financial reporting by performing a detailed review of operational and financial reports. It is not possible to provide absolute assurance that this risk can be eliminated.

FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution, as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing

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activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Foreign exchange risk

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in US dollars. The assets, liabilities and expenses that are denominated in US Dollars will be affected by changes in the exchange rate between the Canadian dollar and the US Dollar. If the Canadian dollar changes by one percent against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a change in net loss for the period of approximately \$8,000.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to significant interest rate risk as it does not hold significant variable interest bearing instruments.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements. There have been no changes to the Company's capital management structure during the period ended February 29, 2012 and year ended November 30, 2011.

Classification of financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments for the periods then ended:

	Feb. 29, 2012	Nov. 30, 2011	Dec. 1, 2010
	- \$ -	- \$ -	- \$ -
Held for trading	658,440	202,705	125,915
Loans and receivables	238,326	199,374	65,732
Other financial liabilities	7,519,857	6,737,476	5,300,106

FIRST TIME ADOPTION OF IFRS

(a) Transition to IFRS

The Company has adopted IFRS effective December 1, 2011 with a transition date of December 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these first condensed consolidated interim financial statements for the three months ended February 28, 2011, year ended November 30, 2011 and the opening financial position as at December 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

(b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

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- (i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- (ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.
- (iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.
- (iv) Deemed cost exemption – Under Canadian GAAP, the Company accounted for exploration and development costs of oil and gas properties in a single full cost accounting pool. Under IFRS, exploration expenditures are reclassified as exploration and evaluation assets. IFRS 1 contains an exemption the Company has elected allowing the Corporation to measure oil and gas assets at the date of transition as follows:
 - i. exploration and evaluation assets are reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP; and
 - ii. the remaining full cost pool is allocated to the development and production assets and components pro rata using reserve values or reserve volumes.

The reclassification of exploration and evaluation assets resulted in a \$nil increase in exploration and evaluation assets with a corresponding decrease in property and equipment at December 1, 2010. The Corporation is also required to assess the property and equipment assets for impairment on transition to IFRS. Under Canadian GAAP, impairment of property and equipment is assessed at a country by country full cost pool level. Under IFRS, impairment of property and equipment is assessed at a cash generating unit (“CGU”) level using the greater of fair value less costs to sell or the value in use.

(c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

(d) Reconciliation between Canadian GAAP and IFRS

In preparing the Company’s IFRS Transition Date statement of financial position management noted that adjustments related to assets and depletion were necessary to be made by the Company previously in its financial statements prepared in accordance with Canadian GAAP.

The adjustments were the result of an impairment of exploration and evaluation assets required under IFRS which were not allowed under full cost accounting under Canadian GAAP. Under IFRS, each cash generating unit must be evaluated separately for impairment. The Company’s Rainbow well was determined to be impaired as at November 30, 2011 under IFRS, and the Company recorded an impairment charge of \$709,478. This was slightly offset by the reversal of \$10,100 in depletion that had been recorded under GAAP.

There were no adjustments necessary in either of the December 1, 2010 or February 28, 2011 statements of financial position.

The December 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	December 1, 2010 Canadian GAAP	Effect of IFRS Transition	December 1, 2010 IFRS
Total Assets	\$ 22,014,775	\$ –	\$ 22,014,775
Total Liabilities	\$ 5,551,848	\$ –	\$ 5,551,848
Total Shareholders’ Equity	16,462,927	–	16,462,927
Total Liabilities and Shareholders’ Equity	\$ 22,014,775	\$ –	\$ 22,014,775

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The February 28, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	February 28, 2011 Canadian GAAP	Effect of IFRS Transition	February 28, 2011 IFRS
Total Assets	\$ 22,134,059	\$ -	\$ 22,134,059
Total Liabilities	\$ 5,494,875	\$ -	\$ 5,494,875
Total Shareholders' Equity	16,639,184	-	16,639,184
Total Liabilities and Shareholders' Equity	\$ 22,134,059	\$ -	\$ 22,134,059

The November 30, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	November 20, 2011 Canadian GAAP	Effect of IFRS Transition	November 30, 2011 IFRS
Total Assets	\$ 23,451,197	\$ (699,378)	\$ 22,751,819
Total Liabilities	\$ 6,938,629	\$ -	\$ 6,938,629
Total Shareholders' Equity	16,512,568	(699,378)	15,813,190
Total Liabilities and Shareholders' Equity	\$ 23,451,197	\$ (699,378)	\$ 22,751,819

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended November 30, 2011 and three months ended February 28, 2011. Management noted that adjustments related to the removal of royalties, the reduction of depletion, and the impairment of the Rainbow well described previously were necessary to be made in the financial statements prepared in accordance with Canadian GAAP. This resulted in a total increase in net loss of \$699,378 in the fourth quarter of 2011.

The November 30, 2011 Canadian GAAP statements of operation and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	Year Ended Nov. 30, 2011 Canadian GAAP	Effect of IFRS Transition	Year Ended Nov. 30, 2011 IFRS
Revenue	\$ 41,341	\$ (2,322)	\$ 39,019
Less royalties	(2,322)	2,322	-
	39,019	-	39,019
Expenses			
Depletion	(29,700)	10,100	(19,600)
Other expenses	(1,117,580)	-	(1,117,580)
Loss before other items and income taxes	(1,108,261)	(10,100)	(1,098,161)
Recovery of financing fees	613,500	-	613,500
Impairment of Rainbow well	-	(709,478)	(709,478)
Income tax recoveries	136,883	-	136,883
Net loss and comprehensive loss	\$ (357,878)	\$ (699,378)	\$ (1,057,256)

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The February 28, 2011 Canadian GAAP statements of operation and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	3 months ended February 28, 2011 Canadian GAAP	Effect of IFRS Transition	3 months ended February 28, 2011 IFRS
Revenue	\$ -	-	\$ -
Total expenses	(140,854)	-	(140,854)
Net loss and comprehensive loss	\$ (140,854)	-	\$ (140,854)

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring oil and gas properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.