

**ALTIMA RESOURCES LTD.**

**Q3**

**INTERIM FINANCIAL STATEMENTS**

**Nine Months Ended August 31, 2007**

**(Unaudited – Prepared by Management)**

**These financial statements have not been reviewed by the Company's auditor**

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**ALTIMA RESOURCES LTD.****Balance Sheets**

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	<b>August 31, 2007</b>	<b>November 30, 2006</b>
	<b>- \$ -</b>	<b>- \$ -</b>
	<i>Unaudited – prepared by Management</i>	<i>Audited</i>
<b>ASSETS</b>		
Current assets		
Cash	3,061,472	914,278
Amounts receivable	68,558	13,100
Prepaid expenses	40,530	7,974
	<hr/> 3,170,560	<hr/> 935,352
Petroleum and Natural Gas Properties and Equipment (Note 3)	8,213,650	4,250,104
	<hr/> 11,384,210	<hr/> 5,185,456
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Loans (Note 4)	3,450,000	-
Accounts payable	2,599,978	1,358,942
	<hr/> 6,049,978	<hr/> 1,358,942
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	6,931,750	4,335,296
Contributed surplus (Note 5)	1,073,750	870,250
Deficit	(2,671,268)	(1,379,032)
	<hr/> 5,334,232	<hr/> 3,826,514
	<hr/> 11,384,210	<hr/> 5,185,456

Director

Director

*Signed "Richard Switzer"**Signed "Joe DeVries"*

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**- See accompanying notes -**

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**ALTIMA RESOURCES LTD.**  
**Interim Statements of Loss and Deficit**  
(Unaudited – Prepared by Management)

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	Nine months ended August 31		Three months ended August 31	
	2007	2006	2007	2006
	- \$ -	- \$ -	- \$ -	- \$ -
<b>EXPENSES</b>				
Consulting	92,177	15,000	39,677	-
Financing fees	635,500	-	635,500	-
Interest	19,052	-	19,052	-
Management fees	134,000	50,000	57,500	26,000
Office and miscellaneous	144,846	61,530	64,815	20,411
Professional fees	20,247	31,647	13,173	350
Stock-based compensation	203,500	1,328,000	-	1,328,000
Transfer agent and filing fees	27,125	33,182	956	2,080
Travel	49,889	32,420	31,143	13,564
	1,326,336	1,551,779	861,816	1,390,405
<b>LOSS BEFORE INCOME TAXES</b>	(1,326,336)	(1,551,779)	(861,816)	(1,390,405)
<b>FUTURE INCOME TAX RECOVERY</b>	34,100	-	-	-
<b>NET LOSS FOR THE PERIOD</b>	(1,292,236)	(1,551,779)	(861,816)	(1,390,405)
<b>Deficit, beginning of period</b>	(1,379,032)	(121,343)	(1,809,452)	(282,717)
<b>Deficit, end of period</b>	(2,671,268)	(1,673,122)	(2,671,268)	(1,673,122)
<b>Basic and diluted loss per share</b>	(0.04)	(0.14)	(0.03)	(0.08)
<b>Weighted average number of shares outstanding</b>	29,725,168	11,144,017	31,134,732	17,445,510

- See Accompanying Notes -

**ALTIMA RESOURCES LTD.**  
**Interim Statements of Cash Flows**  
(Unaudited – Prepared by Management)

	Nine months ended August 31		Three months ended August 31	
	2007	2006	2007	2006

	- \$ -	- \$ -	- \$ -	- \$ -
<b>OPERATING ACTIVITIES</b>				
Net loss for period	(1,292,236)	(1,551,779)	(861,816)	(1,390,405)
Items not affecting cash:				
Future income tax recovery	(34,100)	-	-	-
Stock-based compensation	203,500	1,328,000	-	1,328,000
Stock issued for loan financing	518,500	-	518,500	-
	(604,336)	(223,779)	(343,316)	(62,405)
Changes in non-cash working capital accounts	1,153,020	(5,114)	2,441,851	(43,655)
Cash provided by (used for) operating activities	548,684	(228,893)	2,098,535	(106,060)
<b>INVESTING ACTIVITIES</b>				
Oil and gas properties and equipment	(3,963,545)	(1,688,498)	(3,365,429)	(782,213)
Cash used for investing activities	(3,963,545)	(1,688,498)	(3,365,429)	(782,213)
<b>FINANCING ACTIVITIES</b>				
Loans	3,450,000	-	3,050,000	-
Issuance of shares, net of acquisition costs	2,630,555	2,979,835	1,187,967	1,465,565
Share bonus on loan financing	(518,500)	-	(518,500)	-
Cash provided by financing activities	5,562,055	2,979,835	3,719,467	1,465,565
Increase in cash	2,147,194	1,062,444	2,452,573	577,292
<b>Cash, beginning of period</b>	914,278	342,076	608,899	827,228
<b>Cash, end of period</b>	3,061,472	1,404,520	3,061,472	1,404,520
<b>Supplemental cash flow information:</b>				
Cash paid for:				
- Interest	19,052	-	19,052	-
- Income taxes	-	-	-	-

- See Accompanying Notes -

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Nine Months Ended August 31, 2007**  
**(Unaudited – Prepared by Management)**

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**1. NATURE OF OPERATIONS**

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The Company was incorporated under the Company Act of British Columbia on November 14, 2003 as a Capital Pool Company established under the policies of the TSX Venture Exchange. As a Capital Pool Company, the Company's principal business was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a Qualifying Transaction.

On April 13, 2004, the Company's shares were listed for trading on the TSX Venture Exchange.

Pursuant to a Farm-out and Participation Agreement dated March 8, 2006 the Company acquired certain interests in the Chambers Area Gas Prospect, Alberta. This acquisition constituted the Company's "Qualifying Transaction" under Policy 2.4 of the TSX Venture Exchange (Note 3).

On May 9, 2006 the TSX Venture Exchange accepted for filing the Company's Qualifying Transaction and related transactions. Accordingly, the Company is no longer considered to be a Capital Pool Company, was reinstated as a Tier 2 Issuer, and the common shares of the Company commenced trading on the TSX Venture Exchange.

**2. BASIS OF PRESENTATION**

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These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are necessary for a fair presentation of results for the interim periods. Operating results for the nine month period ended August 31, 2007 are not necessarily indicative of the results that may be expected for the year ending November 30, 2007. Unless otherwise noted, these interim financial statements follow the same accounting policies as, and should be read in conjunction with, the Company's 2006 annual audited financial statements and notes thereto.

**3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT**

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At August 31, 2007, the Company's petroleum and natural gas properties are as follows:

	August 31, 2007	November 30, 2006
	- \$ -	- \$ -
Petroleum and natural gas properties	8,206,036	4,250,104
Equipment	7,614	-
Total	8,213,650	4,250,104

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**Chambers Area Gas Prospect, Alberta**

Pursuant to a Farm-out and Participation Agreement, dated March 8, 2006 the Company acquired the following interests in the Chambers Area Gas Prospect located in Sections 17 and 18, Township 41, Range 11W5M, Alberta:

- a) The right to earn a 20% working interest in a test well;
- b) The right to earn a 20% working interest in Section 17 of the farm-out lands;
- c) The right to earn an 18.75% working interest in the equipping and tie-in of the POCO Chambers 7-18-41-11W5M Elkton well; and
- d) The right to earn an 18.75% working interest in Section 18 of the farm-out lands.

**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Nine Months Ended August 31, 2007**  
**(Unaudited – Prepared by Management)**

**3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT (Continued)**

Pursuant to a purchase, sale and royalty agreement dated August 1, 2007 the Company acquired an additional interest, option, rights and wells in Townships 41 and 42, Ranges 10, 11, and 12 W5M located in the Chambers area of west central Alberta. Consideration for this acquisition was \$3,000,000.

This addition increases the Company's overall interest in the Chambers area to approximately 63%. Land holdings include interest in 17 sections of Crown Land, 6 sections of farmin and farmin option lands, and interest in 5 wells.

**4. LOANS**

At August 31, 2007, loans outstanding were as follows:

	August 31, 2007	November 30, 2006
	-\$ -	-\$ -
Unsecured loan payable to a company with a director in common. The loan was granted pursuant to a letter agreement whereby the Company proposes to acquire the outstanding shares of the company in exchange for shares and warrants in the Company. If the acquisition is not completed, the loan is repayable on or before December 31, 2007 and bears interest at commercial rates.	400,000	-
In August 2007, the Company negotiated a term loan to finance the acquisition of an interest, option, rights and wells in townships 41 and 42, ranges 10, 11 and 12 W5M located in the Chambers Area west central Alberta. The loan is secured by a promissory note, a fixed and floating charge debenture and a general security agreement. The loan is repayable by July 31, 2008, together with interest at the rate of 12% per annum, compounded monthly, payable monthly. In addition, the Company issued to the loan grantor 2,074,000 shares in its capital stock at a deemed price of \$0.25 per share being a non-refundable bonus payable on draw down. These shares are subject to a hold period expiring December 2, 2007 under applicable Canadian securities laws.	3,050,000	-
<b>Total</b>	<b>3,450,000</b>	<b>-</b>

**5. SHARE CAPITAL**

Authorized: unlimited number of common shares without par value

Issued and outstanding:

	# shares	-\$ -
Balance, November 30, 2006	25,441,552	4,335,296
Common shares issued at \$0.25 and \$0.30 per share	4,637,333	1,169,500
Flow-through common shares issued at \$0.25 and \$0.30 per share	6,869,400	1,734,020
Subscriptions received	-	30,000
Future tax effect of flow-through shares	-	(34,100)
Share issue costs	-	(302,966)
<b>Balance, August 31, 2007</b>	<b>36,948,285</b>	<b>6,931,750</b>

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Nine Months Ended August 31, 2007**  
**(Unaudited – Prepared by Management)**

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**5. SHARE CAPITAL (Continued)**

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In the quarter ending February 28, 2007 the Company closed a private placement for the issuance of 333,400 flow-through shares at a price of \$0.30 per share for proceeds of \$100,020 and negotiated a private placement for the issuance of 203,333 units at a price of \$0.30 per unit for proceeds of \$61,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of \$0.50 per share.

In the quarter ending May 31, 2007, the Company issued 3,536,000 flow-through shares at a price of \$0.25 per share and 2,360,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.35 per share, exercisable for a period of one year from the date of issuance.

In the quarter ending August 31, 2007, the Company issued 3,000,000 flow-through shares at a price of \$0.25 per share. Further, the Company issued 2,074,000 shares at a deemed price of \$0.25 per share as a non-refundable bonus related to the \$3,050,000 loan from Quest Capital Corp.

In accordance with EIC-146 relating to accounting for flow-through shares, the Company has reduced the flow-through share proceeds and recognized a future tax liability by an amount approximating the future tax effect resulting from renouncing exploration expenditures using currently enacted tax rates.

Proceeds raised from the sale of the flow-through shares will be used for exploration and development of the company's oil and gas properties located in Alberta. The balance of the private placement proceeds will be used for general working capital purposes.

In connection with the private placements during the period, the Company paid commissions and other expenses totaling \$302,965, together with an agent's option equal to 10 per cent of the number of the flow-through shares and common shares issued under the offering, each agent's option entitling the agent to acquire one unit at \$0.25 cents per unit, each unit consisting of one share and one-half warrant, each whole warrant being exercisable at \$0.35 cents per share for a period of 12 months.

**Stock Options**

The Company granted 995,000 stock options to certain eligible participants entitling them to purchase common shares of the Company at a price of \$0.30 per share. These options expire on March 20, 2009.

The Company reduced the exercise price of the 1,600,000 options granted on June 6, 2006 from \$1.00 to \$0.30 per share, subject to approval by the TSX Venture Exchange.

Using the Black-Scholes stock option pricing model, the fair value of the stock options granted has been calculated at \$49,750. The assumptions used in the model are as follows: risk free interest rate – 3.97%; expected stock price volatility - 68%; expected dividend yield - 0%; expected life - 2 years.

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	- \$ -
Balance – November 30, 2006	870,250
Vesting of options granted during the period	73,750
Fair value of options re-priced during the period	80,000
Fair value of options granted during the period	49,750
Balance – August 31, 2007	1,073,750

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Nine Months Ended August 31, 2007**  
**(Unaudited – Prepared by Management)**

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**5. SHARE CAPITAL (Continued)**

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**Contributed surplus**

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate of stock options granted, therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**6. RELATED PARTY TRANSACTIONS**

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During the current period, the Company had the following transactions with related parties:

	<b>August 31</b>	
	<b>2007</b>	<b>2006</b>
	<b>- \$ -</b>	<b>- \$ -</b>
Management fees paid or accrued to directors	134,000	35,000
Legal fee paid to a law firm of which a former director is a member	-	18,547
Finder's fee of 335,488 common shares issued to a person appointed a director related to the Qualifying Transaction	-	68,775
Administrative services and occupancy charges paid to an officer and a company controlled by a director	99,172	22,950

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Management service agreements or compensation plans have not been established to date.

**7. INCOME TAXES**

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At August 31, 2007 the Company has net operating losses carried forward of approximately \$1,810,000 for income tax purposes which may be available to reduce future taxable income. To November 30, 2006 the Company had not recorded in these financial statements the future income tax benefits of non-capital losses and other future tax assets which may be applied to reduce income taxes in future years as the criteria for recognition had not been met. During the current period, the Company recognized a future income tax recovery from current period tax assets which offset the future tax liability from exploration expenses renounced on the Company's flow-through shares. (See Note 5).

**8. SUBSEQUENT EVENTS**

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In September the Company closed a private placement for 800,000 flow-through shares at \$0.25 per share for gross proceeds of \$200,000. A cash finder's fee of 8%, together with 80,000 agents' warrants allowing the holder to acquire one common share at \$0.25 per share for a period of one year will be issued.

The Company extended the term of previously issued Warrants originally expiring on November 9, 2007 by six months, subject to approval by the TSX Venture Exchange. Each warrant entitles the holder to purchase one common share at a price of \$0.50 per share.

**9. COMPARATIVE FIGURES**

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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.



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**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED AUGUST 31, 2007**

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**GENERAL**

The following management discussion and analysis (“MDA”) of the financial position of Altima Resources Ltd. (“Company”) and interim financial statements for the nine months ended August 31, 2007 should be read in conjunction with the audited financial statements and accompanying notes for the year ended November 30, 2006. The interim 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](http://www.sedar.com), or by requesting further information from the Company’s head office in Vancouver.

**FORWARD LOOKING STATEMENTS**

This MDA contains certain forward looking statements, except for historical information. 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 on November 14, 2003 as a Capital Pool Company established under the policies of the TSX Venture Exchange.

As a Capital Pool Company (“CPC”), the Company’s principal business was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a Qualifying Transaction.

On April 13, 2004, the Company’s shares were listed for trading on the TSX Venture Exchange.

Pursuant to a Farm-out and Participation Agreement dated March 8, 2006 the Company acquired certain oil and gas interests and the right to participate in the drilling of a Mississippian Elkton test well being the Chambers Area Gas Prospect located in the West Ferrier area of west central Alberta. This acquisition constituted the Company’s Qualifying Transaction (“QT”) under Policy 2.4 of the TSX Venture Exchange.

On May 9, 2006 the TSX Venture Exchange accepted for filing the Company’s QT and related transactions. Accordingly, the Company is no longer considered to be a CPC, was reinstated as a Tier 2 Issuer, and the common shares of the Company commenced trading on the TSX Venture Exchange.

The Company is an exploration stage public company listed on the TSX Venture Exchange and is exploring its petroleum and natural gas properties 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 and confirmation 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.

**OVERVIEW**

**1. Corporate development**

During the current period, the Company and its management continued with the exploration and development of its Chambers Area Gas Prospect in addition to raising funds for exploration and development costs, and working capital.

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**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED AUGUST 31, 2007**

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## **2. Petroleum and natural gas properties**

Pursuant to the Farmout and Participation Agreement dated March 6, 2006 the Company's petroleum and natural gas properties are in the Chambers Area Gas Prospect in the West Ferrier area of west central Alberta.

The Test Well GEEL ET AL CHAMB 3-17-41-11 W5M ("3-17") was spudded on March 14, 2006, and reached a depth of 3,349 metres and production casing was set. By the fiscal year end, the Test Well was completed (multi-zone completion) testing commercial rates of natural gas from two zones at 1,750mcsf/d and 235bbls/d of associated condensate. The Company and its partners anticipate first production in November 2007. It is anticipated multiple zones will be co-mingled similar to completion and production techniques used in many of the Ferrier Pools to the immediate east.

The Company and its partners elected to the tying-in and equipping of the 7-18 well which is anticipated to commence production in December 2007. Plans are to reenter the existing "7-18" well and reconfigure the production string to provide a higher flow rate from the liquids rich Elkton formation and the running of a flow line to the 3-17 well. The 7-18 well tested water free gas at 300mcsf/d and 20bbls/d condensate.

Up to the date of this MDA, the Company and its partners have acquired the right to evaluate a total of approximately 140 square miles of 3D seismic and have concluded two independent petrophysical studies over several Townships in the Chambers/Ferrier area.

The Company and its partners have also elected to drill on optioned lands from Conoco Phillips. The test well, located at Chambers, is the new pool wildcat at 16-21-41-11 W5M ("16-21"). This location was high-graded with the use of 3D seismic data in conjunction with the results of the 3-17 well. The 16-21 well spud August 26, 2007, drilled to a total depth of 3289 meters, and the rig was released on September 27, 2007. Drilling costs were 19% under budget which is attributed to a well designed and executed drilling program. The well cost also included building a 6Km road, which is a one-time expense that will provide access to additional future wells and gathering line infrastructure. The Company estimates that between 8 and 10 additional well locations exist across the acreage using conventional spacing.

Pursuant to a purchase, sale and royalty agreement dated August 1, 2007 the Company acquired an additional interest, option, rights and wells in Townships 41 and 42, Ranges 10, 11, and 12 W5M located in the Chambers area of west central Alberta. Consideration for this acquisition was \$3,000,000.

With the purchase of the assets of Golden Eagle Energy Inc. at Chambers, the Company now holds an interest in 10,880 gross acres and an option on another 3,840 gross acres in the Chambers/Ferrier area. This addition increases the Company's overall interest in the Chambers area to approximately 61%. Land holdings include interest in 17 sections of Crown Land, 6 sections of farmin and farmin option lands, and interest in 5 wells.

Additions to the Company's petroleum and natural gas properties and equipment in the period totaled \$3,963,545. Cumulative costs to August 31, 2007 totaled \$8,213,650.

## **3. Operational results**

During the current period, the Company recorded a net loss of \$1,292,236 compared to a net loss of \$1,551,779 for the comparative period in the prior year reflecting a decrease in expenses of approximately \$260,000.

The primary reason for the decrease in the net loss for the period was a major decrease in stock compensation expense to \$203,500 in 2007 from \$1,328,000 in 2006. This decrease was partially offset by increases in the following expenses: financing fees of \$635,500 (2006 - \$Nil), consulting fees of \$92,177 (2006 - \$15,000), management fees of \$134,000 (2006 - \$50,000), and office and miscellaneous of \$144,846 (2006 - \$61,530). These increases are commensurate with the increased activities relating to the Company's involvement in the Chambers Area Gas Prospect in the current period.

In addition, during the current period, the Company recognized a future income tax recovery of \$34,100 (2006 - \$Nil) from the utilization of available tax assets of the current period to offset the future tax liability recognized in connection with exploration expenses renounced to investors on flow-through shares.

**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED AUGUST 31, 2007**

In general, total general expenses reflect the normal corporate business cycle. Any significant increase/decrease in expenses relate to the Company's efforts to provide efficient and cost-effective administrative support to management's ongoing efforts to seek new properties, monitor exploration expenditures, and increase shareholder value.

During the period, the Company had no continuing source of operating revenues.

Cash used in additions to the Company's petroleum and natural gas properties and equipment totalled \$3,963,545 in the current period, which includes the August 1, 2007 \$3,000,000 acquisition for the increase in the Chambers area interests.

**SELECTED ANNUAL INFORMATION**

	Years ended November 30		
	2006 - \$ -	2005 - \$ -	2004 - \$ -
Revenue	-	-	-
Net loss	(1,257,687)	(38,812)	(77,681)
Loss per share	(0.09)	(0.01)	(0.01)
Total assets	5,185,456	347,226	357,496

**SUMMARY OF QUARTERLY RESULTS**

	Aug 31/07	May 31/07	Feb 28/07	Nov 30/06
Revenue	-	-	-	-
Net loss	(861,816)	(328,123)	(102,297)	(163,661)
Loss per share	(0.03)	(0.01)	(0.01)	(0.01)
	Aug 31/06	May 31/06	Feb 28/06	Nov 30/05
Revenue	-	-	-	-
Net loss	(932,655)	(138,677)	(22,694)	(6,587)
Loss per share	(0.05)	(0.02)	(0.01)	(0.00)

**LIQUIDITY AND CAPITAL RESOURCES**

At August 31, 2007 the Company had \$3,061,472 in cash, a working capital deficiency of \$2,879,418 and a cumulative deficit of \$2,671,268.

To date, the Company's ongoing operations have been financed predominantly by private placements, the exercise of warrants and stock options, and loans. Additional financing will be required to conduct further development work on the Company's projects and to place any project, if feasible, into production. While the Company has been successful in raising the necessary funds in the past, there can be no assurance it can continue to do so.

In the quarter ending February 28, 2007 the Company closed a private placement for the issuance of 333,400 flow-through shares at a price of \$0.30 per share for proceeds of \$100,020 and negotiated a private placement for the issuance of 203,333 units at a price of \$0.30 per unit for proceeds of \$61,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of \$0.50 per share. Proceed from share capital transactions in the first quarter totalled \$161,020.

In the quarter ending May 31, 2007, the Company issued 3,536,000 flow-through shares at a price of \$0.25 per unit and 2,360,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.35 per share, exercisable for a period of one year from the date of issuance. Proceeds from share capital transactions in the second quarter totalled \$1,281,568.

In the quarter ending August 31, 2007, the Company issued 3,000,000 flow-through shares at a price of \$0.25 per share. In addition, the Company issued 2,074,000 shares at a deemed price of \$0.25 per share as a non-refundable bonus related to the \$3,050,000 loan from Quest Capital Corp. The loan was used to

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**ALTIMA RESOURCES LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED AUGUST 31, 2007**

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acquire certain interests, rights and options from Golden Eagle Energy Inc. in the Chambers Area of west central Alberta.

Proceeds raised from the sale of the flow-through shares will be used for exploration and development of the company's oil and gas properties located in Alberta. The balance of the private placement proceeds will be used for general working capital purposes.

In connection with the private placements during the period, the Company paid a commission equal to 8 per cent of the gross proceeds and other expenses totaling \$302,966, together with an agent's option equal to 10 per cent of the number of the flow-through shares and common shares issued under the offering, each agent's option entitling the agent to acquire one unit at \$0.25 cents per unit, each unit consisting of one share and one-half warrant, each whole warrant being exercisable at \$0.35 cents per share for a period of 12 months.

#### **Stock options**

The Company granted 995,000 stock options to certain eligible participants entitling them to purchase common shares of the Company at a price of \$0.30 per share. These options expire on March 20, 2009. The Company reduced the exercise price of the 1,600,000 options granted on June 6, 2006 from \$1.00 to \$0.30 per share, subject to approval by the TSX Venture Exchange.

Using the Black-Scholes stock option pricing model, the fair value of the stock options granted has been calculated at \$49,750. The assumptions used in the model are as follows: risk free interest rate - 3.97%; expected stock price volatility - 68%; expected dividend yield - 0%; expected life - 2 years.

#### **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties in the period consisted of the following:

- a) Management fees of \$134,000 were paid or accrued to directors and officers;
- b) In December 2006, the Company received \$400,000 as a loan from a company related by a director pursuant to a letter agreement whereby the Company proposes to acquire the outstanding shares of the company in exchange for shares and warrants in the Company. If the acquisition is not completed, the loan is repayable on or before December 31, 2007 and bears interest at commercial rates.
- c) Administrative services and occupancy charges totaling \$99,172 were paid or accrued to an officer and a company controlled by a director.

#### **SUBSEQUENT EVENTS**

- a) The company announced a private placement, subject to approval by the TSX Venture Exchange, for up to 800,000 flow-through shares at \$0.25 per share for gross proceeds of \$200,000. A cash finder's fee of 8%, together with 80,000 agent's warrants allowing the holder to acquire one common share at \$0.25 per share for a period of one year will be issued.
- b) The Company extended the term of previously issued warrants originally expiring on November 9, 2007 by six months. This extension has been approved by the TSX Venture Exchange. Each warrant entitles the holder to purchase one common share at a price of \$0.50 per share.

#### **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 November 30, 2006, 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 while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will 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.

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**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED AUGUST 31, 2007**

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**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 detail review of monthly operational and financial reports. It is not possible to provide absolute assurance that this risk can be eliminated.

**RISKS**

The Company is engaged in the exploration for and development of petroleum and natural gas properties. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any petroleum and natural gas properties depends on many factors not all of which are within the control of management. Operationally the Company faces risks that are associated with and affect the financial viability of a given petroleum and natural gas property. These include risks associated with finding, developing and producing these petroleum and natural gas reserves. In addition, Government regulations, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a petroleum and natural gas property.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's ability to continue its operations and to realize 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. The accompanying 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 accompanying audited financial statements.

Any forward-looking information in the MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

Date prepared: October 25, 2007.