

**ALTIMA RESOURCES LTD.**

**Q2**

**INTERIM FINANCIAL STATEMENTS**

**Six Months Ended May 31, 2008**

**(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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	May 31, 2008 - \$ -	November 30, 2007 - \$ -
	<i>Unaudited – prepared by Management</i>	<i>Audited</i>
<b>ASSETS</b>		
Current assets		
Cash	465	3,707
Amounts receivable	239,690	303,425
Prepaid expenses	10,000	41,983
	250,155	349,115
Petroleum and Natural Gas Properties and Equipment (Note 3)	10,522,207	10,829,903
	10,772,362	11,179,018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Loan (Note 4)	3,050,000	3,450,000
Accounts payable	2,234,889	2,500,320
	5,284,889	5,950,320
Asset retirement obligation (Note 5)	66,400	66,400
	5,351,289	6,016,720
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	7,238,233	6,958,463
Share subscriptions (Note 6)	24,000	35,000
Contributed surplus (Note 6)	1,044,424	1,035,674
Deficit	(2,885,584)	(2,866,839)
	5,421,073	5,162,298
	10,772,362	11,179,018

Director

Director

*Signed "Richard Switzer"**Signed "Joe DeVries"***- See accompanying notes -**

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

	Six months ended May 31		Three months ended May 31	
	2008	2007	2008	2007
	- \$ -	- \$ -	- \$ -	- \$ -
<b>EXPENSES</b>				
Amortization	2,665	-	1,333	-
Consulting	66,000	52,500	33,000	17,500
Investor communications	4,939	-	4,939	-
Interest expense	199,824	-	105,725	-
Management fees	156,000	76,500	78,000	49,500
Office and miscellaneous	55,456	83,450	22,170	51,732
Professional fees	20,000	7,074	10,000	7,074
Stock-based compensation	-	203,500	-	203,500
Transfer agent and filing fees	9,943	26,169	9,943	20,171
Travel	7,350	18,746	7,350	14,255
Interest income	(32)	(3,419)	(32)	(1,509)
	522,145	464,520	272,428	362,223
<b>LOSS BEFORE INCOME TAXES</b>	(522,145)	(464,520)	(272,428)	(362,223)
<b>FUTURE INCOME TAX RECOVERY</b>	503,400	34,100	-	34,100
<b>NET LOSS FOR THE PERIOD</b>	(18,745)	(430,420)	(272,428)	(328,123)
<b>Deficit, beginning of period</b>	(2,866,839)	(1,379,032)	(2,613,156)	(1,481,329)
<b>Deficit, end of period</b>	(2,885,584)	(1,809,452)	(2,885,584)	(1,809,452)
<b>Basic and diluted loss per share</b>	(0.00)	(0.02)	(0.01)	(0.01)
<b>Weighted average number of shares outstanding</b>	41,024,933	25,819,768	41,923,285	25,978,285

- See Accompanying Notes -

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

	Six months ended May 31		Three months ended May 31	
	2008	2007	2008	2007
	- \$ -	- \$ -	- \$ -	- \$ -
<b>OPERATING ACTIVITIES</b>				
Net loss for period	(18,745)	(430,420)	(272,428)	(328,123)
Items not affecting cash:				
Amortization	2,665	-	1,333	-
Future income tax recovery	(503,400)	(34,100)	-	(34,100)
Stock-based compensation	-	203,500	-	203,500
	(519,480)	(261,020)	(271,095)	(158,723)
Changes in non-cash working capital accounts	(129,165)	(1,288,832)	210,299	(399,277)
Cash provided by (used for) operating activities	(648,645)	(1,549,852)	(60,796)	(558,000)
<b>INVESTING ACTIVITIES</b>				
Oil and gas properties and equipment (net)	305,031	(598,117)	37,491	(354,015)
Cash provided by (used for) investing activities	305,031	(598,117)	37,491	(354,015)
<b>FINANCING ACTIVITIES</b>				
Loan	-	400,000	-	-
Issuance of shares, net of acquisition costs	316,372	1,442,588	(500)	1,281,568
Share subscriptions received	24,000	-	24,000	-
Cash provided by financing activities	340,372	1,842,588	23,500	1,281,568
Increase (decrease) in cash	(3,242)	(305,379)	195	369,553
<b>Cash, beginning of period</b>	3,707	914,278	270	239,346
<b>Cash, end of period</b>	465	608,899	465	608,899
<b>Supplemental cash flow information:</b>				
Cash paid for:				
- Interest	199,824	-	105,725	-
- Income taxes	-	-	-	-

- See Accompanying Notes -

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(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 and is primarily engaged in the acquisition, exploration and development of petroleum and natural gas properties in Canada. The Company is a public company listed on the TSX venture Exchange.

During the period, the Company incurred a net loss before future income tax recovery of \$522,145 and had a deficit of \$2,885,584 at May 31, 2008. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These interim financial statements have been prepared on a going concern basis. Its 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. These interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Management is of the opinion sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is risk additional financing will not be available on a timely basis, or on terms acceptable to the Company.

**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 notes 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, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the six month period ended May 31, 2008 are not necessarily indicative of the results that may be expected for the year ending November 30, 2008. Unless otherwise noted, these interim financial statements follow the same accounting policies as, and should be read in conjunction with, the audited financial statements of the Company for the year ended November 30, 2007.

Effective January 1, 2007 the Company adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

**Financial instruments** - (CICA Handbook Section 3855) - In accordance with this standard the Company now classifies all financial assets as either held-to-maturity, available-for-sale, held for trading or loans and receivables, and classifies all financial liabilities as held for trading or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss and deficit.

The Company's financial instruments consist of cash, marketable securities, amounts due from related parties, accounts payable, amounts due to related parties, debentures and long term debt. Management has determined the fair value of cash, accounts receivable, amounts due from related parties, accounts payable, amounts due to related parties approximates their fair carrying value due to their immediate or short-term maturity. The fair value of long term approximates its carrying value as these debts bear interest at market rates. Marketable securities are recorded at their fair value and classified as available for sale with any increase or decrease in fair value being recorded as a component of Other Comprehensive loss until realized. At December 31, 2007, \$42,678 was recorded as Other Comprehensive loss resulting from a decrease in the fair value of marketable securities. Unless otherwise noted, it is management's opinion the Company is not exposed to significant interest or credit risks arising from these financial instruments.

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

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**Comprehensive income** (CICA Handbook Section 1530) – Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard includes guidance for reporting a statement of comprehensive loss and accumulated other comprehensive income in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale, foreign exchange gains and losses on self-sustaining foreign operations and the effective portion of cash flow hedges, if any.

**Hedges** (CICA Handbook Section 3865) – The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not yet designated any hedging relationships.

#### **Recent Accounting Pronouncements**

The CICA has issued the following new accounting standards: 1535 Capital Disclosures, 3031 Inventories, 3064 Goodwill and Intangible Assets, 3862 Financial Instruments – Disclosures and 3863 Financial Instruments - Presentation, which are applicable to the Company's 2008 and 2009 fiscal years.

CICA Handbook Section 1400 General Standards of Financial Statement Presentation: The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

CICA Handbook Section 1535 Capital Disclosures: The new standard is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

CICA Handbook Section 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation: This new standard replaces accounting standard 3861 Financial Instruments - Disclosure and Presentation and is effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial results of the Company.

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and International Financial Reporting Standards.

**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

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

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

	May 31, 2008 - \$ -	Nov. 30, 2007 - \$ -
Balance – beginning	10,824,573	4,250,104
Acquisition of Golden Eagle Energy Inc. assets	-	3,000,000
Capitalized exploration and development expenditures	32,509	3,508,069
Pre-production revenue	(337,540)	-
Estimated asset retirement costs	-	66,400
	10,519,542	10,824,573
Equipment	7,614	7,614
Less: Accumulated amortization	(4,949)	(2,284)
	2,665	5,330
Balance, ending	10,522,207	10,829,903

**Chambers Area Gas Prospect, Alberta**

During the year ended November 30, 2007 the Company concluded the purchase of Golden Eagle Energy Inc.'s assets in the Chambers area, Alberta for cash consideration of \$3,000,000 subject to a 50% Net Overriding Royalty ("NORR") on 33.334% of the 100% interest purchased by the Company after deduction of Crown royalties and any other overriding royalties or like payments. In addition, the Company has the right and option up to and including December 31, 2008 to purchase and terminate the said NORR from GEEI for \$1,500,000.

As a result, at May 31, 2008 the Company's overall interest in the Chambers area was approximately 58% in 18 sections and 1.4% in 3 sections. The Company's land base totaled 21 sections (13,440 acres).

During the six months ended May 31, 2008 the Company earned \$337,540 in gas and liquid sales from the Chambers Prospect and deducted this amount from capitalized costs as the Company is still in a pre-production stage.

**4. LOAN**

(i) 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 proposed to acquire the outstanding shares of the company in exchange for shares and warrants in the Company. The loan was repayable on or before December 31, 2007 and bears interest at commercial rates. During the period, this loan was settled pursuant to a shares-for-debt settlement.

(ii) In August 2007, the Company negotiated a bridge loan of \$3,050,000 used to acquire the Golden Eagle Energy Inc. assets described in Note 3. The loan is repayable on or before July 30, 2008 bearing interest at 12% per annum, compounded and payable monthly. In connection with the loan, the Company issued 2,074,000 common shares at a price of \$0.22 per share for a total of \$456,280 as a non-refundable bonus to the lender. Security for the loan includes a promissory note, a fixed and floating first charge debenture over the Company's present and after-acquired real property, a first priority general security agreement over all its present and after-acquired personal property, and an environmental indemnity agreement in respect of its properties. The loan is subject to a repayment requirement such that if the Company sells or disposes of any assets outside of the ordinary course of business, or closes one or more equity or debt financings, the Company will pay the lender all proceeds from such sale, disposition or financing, net of selling or financing costs, up to the full amount of the outstanding balance of the loan.

**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

**5. ASSET RETIREMENT OBLIGATION**

During 2007, the Company recorded an asset retirement obligation in connection with estimated abandonment costs on the Chambers Area Gas Prospect. The costs were estimated at the current fair value of \$66,400. Fair value is estimated based on prices for similar liabilities. The Company will evaluate these estimates on an ongoing basis and record related revisions accordingly. As at May 31, 2008, it is not determinable as to when these costs will be incurred.

**6. SHARE CAPITAL**

	Share capital # shares	- \$ -	Contributed surplus - \$ -
Balance, November 30, 2007	37,748,285	6,958,463	1,035,674
Issued in the period for:			
Cash			
Flow through private placements at \$0.20 per share	1,925,000	385,000	-
Shares-for-debt	2,250,000	440,548	-
Agents warrants	-	(8,750)	8,750
Flow-through shares renunciation	-	(503,400)	-
Share issue costs	-	(33,628)	-
Balance, May 31, 2008	41,923,285	7,238,233	1,044,424

(i) In December 2007, the Company issued 1,925,000 flow-through shares pursuant to a private placement at a price of \$0.20 per share for gross proceeds of \$385,000. The Company issued a Finder's Warrant as a finder's fee in connection with this private placement entitling the holder to acquire 175,000 common shares at a price of \$0.25 per share on or before January 2, 2009.

(ii) In January 2008, the Company settled a \$400,000 loan (Note 4) plus accrued interest of \$40,548 by the issuance of 2,250,000 common shares.

(iii) During the period, share subscriptions of \$24,000 were received pursuant to a private placement (Note 10).

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.



**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<b>2008</b>	<b>2007</b>
<i>Six months ended May 31</i>	<b>- \$ -</b>	<b>- \$ -</b>
Management and consulting fees paid or accrued to directors or companies controlled by directors	222,000	76,500
Loan from a related company	-	400,000
Administrative services and occupancy charges paid to an officer and a company controlled by a director	49,592	37,058

In 2007, the Company entered into an agreement with a company controlled by a director to provide administrative services to fulfill corporate, secretarial, administrative, occupancy and all such other day-to-day duties and responsibilities as maybe imposed on the Company. As compensation, the Company agreed to pay an administrative handling fee of 10% on all transactions relating to the duties and responsibilities undertaken.

Included in accounts payable at May 31, 2008 there were balances due to related parties as follows:

	<b>May 31</b>	<b>November 30</b>
	<b>2008</b>	<b>2007</b>
	<b>- \$ -</b>	<b>- \$ -</b>
Accrued management and consulting fees, administrative services and advances from directors and companies controlled by directors	560,072	-

**8. CONTINGENCY**

Included in accounts payable is an accrual for expenditures incurred by the operator of the Company's petroleum and natural gas properties, the amount of which is disputed by the Company. In accordance with industry practice, the Company abides by the CAPL – 1990 Operating Procedures which assigns certain rights to the operator including the provision for a lien against the properties to secure payment of the costs and expenses incurred by the operator during the term of the agreement. The operator is claiming such a lien in respect of costs and expenses incurred. This claim is disputed by the Company and is in litigation.

The Company contends that the Operator has failed to abide by certain provisions of the CAPL governing agreement and has failed to provide Joint Interest Billing statements in conformity to CAPL requirements. The Company maintains its rights under the entirety of the CAPL agreement. Management is not able to assess at this time the outcome of the legal proceedings in process or further quantify what, if any, additional financial impact may result from final resolution of the dispute. The resulting adjustment, if any, will be recorded in the period in which the dispute is resolved.

**9. 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.

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**ALTIMA RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**Six Months Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

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**10. SUBSEQUENT EVENTS**

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(i) The Company signed a Term Sheet to borrow up to \$4,090,000, with interest of 12% per annum, compounded and payable monthly. The proceeds will be used to repay the previous \$3,050,000 bridge loan and to provide additional working capital. In consideration for the lender to enter into the agreement, the Company will make a non-refundable bonus payment equal to 15% of the principal amount drawn down, payable in common shares at \$0.16 per share. The loan is subject to TSX Venture Exchange approval, due diligence by the lender, and the Company raising not less than \$4,000,000 in equity financing.

(ii) The Company announced that it has negotiated a flow-through private placement of up to 15,000,000 units, for gross proceeds of up to \$2,700,000, at a price of \$0.18 per unit, each unit consisting of one flow-through share and one-half warrant, each full warrant entitling the holder to acquire one non-flow-through share for 24 months at \$0.275 for the first year and \$0.40 for the second year.

(iii) The Company announced that it has negotiated a private placement for gross proceeds of up to \$3,200,000, at a price of \$0.16 per unit, each unit consisting of one common share and one-half warrant, each full warrant entitling the holder to acquire one common share for 24 months at \$0.275 for the first year and \$0.40 for the second year.

(iv) The Company entered into an Investor Relations contract with PaRadox Public Relations Inc. for a 12 month period starting June 1, 2008 at \$4,000 per month, plus 400,000 options with an exercise price of \$0.20 per share, subject to vesting of 100,000 shares every 3 months from June 1, 2008.

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**ALTIMA RESOURCES LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
SIX MONTHS ENDED MAY 31, 2008**

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Date prepared: July 29, 2008

**GENERAL**

The following management discussion and analysis ("MDA") of the financial position of Altima Resources Ltd. ("Company") should be read in conjunction with the interim financial statements for the six months ended May 31, 2008 and the audited financial statements and accompanying notes for the year ended November 30, 2007. 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](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 and is primarily 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.

**OVERVIEW**

**Corporate development**

During the current period, the Company 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.

**Petroleum and natural gas properties**

Pursuant to various agreements entered into between March 2006 and August 2007 the Company's overall interest in the Chambers Area Gas Prospect totaled approximately 58% in 18 sections and 1.4% in 3 sections. The Company's land base at period end totaled 21 sections (13,440 acres).

The Company's exploration program is focused on deeper multi-zone gas and gas-condensate targets. The Chambers Area lies immediately west of the multiple producing pools in the Ferrier Field which continues to see significant industry drilling activity. During the past three years, over 100 wells have been drilled in Townships within the Company's land holdings or in Townships adjacent to the Company's land holdings.

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**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTHS ENDED MAY 31, 2008**

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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. By the fiscal year end 2006, the Test Well was completed (multi-zone completion) testing commercial rates of natural gas from multiple zones. Upon completion of the 3-17 well, The Company elected to the purchase of an interest in the 7-18-41-11 W5M well which tested water free gas and associated condensate.

In 2007 the Company's activities were directed to building the Company's exploration program through acquisition of additional working interests, including interests in five wells, increasing the land base, constructing permanent access roads, production pipelining, and the drilling of a new earning exploratory well.

On August 30, 2007 the Company signed a Letter Agreement with Golden Eagle Energy Inc ("GEEI") whereby it acquired the GEEI assets in the Chambers Area, Alberta for cash consideration of \$3,000,000 (paid) subject to a 50% Net Overriding Royalty ("NORR") on 33.334% of the 100% interest purchased by the Company after deduction of Crown royalties and any other overriding royalties or like payments. In addition, the Company has the right and option up to and including December 31, 2008 to purchase and terminate the said NORR from GEEI for \$1,500,000.

Exploration expenditures in fiscal 2007 included construction of all-weather access roads completed to the 3-17-41-11W5M and 16-21-41-11 W5M wells. These access routes will serve future drilling locations and pipeline right of ways for the Company. Pipelining was completed in late October from the 3-17 well into the Conoco gas gathering system at 5-8-41-11 W5M. In November Altima reached a milestone in its Chambers operations by initiating natural gas and gas condensate sales from the 3-17 well. The well was brought on-line at a restricted rate of approximately 1.0 million cubic feet per day of gas and 50 barrels per day of condensate.

During the third and fourth quarter of fiscal 2007, the Company drilled and completed an option well on Conoco Phillips lands located at 16-21-41-11 W5M. The 16-21 well spud on August 26, 2007, drilled to its total depth of 3289 meters, and the rig was released on September 27, 2007. Well costs were 19 % under budget which is attributed to a well designed and executed drilling program. Open-hole logging was performed, and production liner run and cemented to total depth. The 16-21 encountered numerous gas shows and formations to test. Subsequent to year end, the Company completed and tested the well at commercial rates.

Up to the date of this MD&A, the Company and its partners have also elected to drill a second option well on lands from ConocoPhillips. The test well, located at Chambers is the new pool wildcat 5-15-41-11 W5M. This location was high-graded with the use of 3D seismic in conjunction with the results of the 16-21 and 3-17 wells. The 5-15 will spud in the last quarter of 2008. Plans to lay an approximate four-mile pipeline to the 16-21 well are under design with anticipated installation by the year end of 2008. This pipeline will be available for use by the 5-15 and additional projected future wells in this part of the Company's acreage.

## **OPERATIONAL RESULTS**

**Six months ended May 31, 2008:** During the current period, the Company recorded a net loss before future income tax recovery of \$522,145 (2007 - \$272,428) and net loss for the period of \$18,745 after future income tax recovery.

The primary reasons for these changes included a major increase in interest expense of \$199,824 (2007 - Nil) and management fees of \$156,000 (2007 - \$76,500). The interest increased due to the \$3.05M loan which was used to acquire the Chambers Area assets from Golden Eagle Energy Inc. Management fees increased due to the significant growth experienced

**ALTIMA RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTHS ENDED MAY 31, 2008**

by the Company in the year, particularly in relation to its petroleum and natural gas activities in the Chambers Area Gas Prospect in Alberta.

In addition, during the current period, the Company recognized a future income tax recovery of \$503,400 (2007 - \$34,100) from the utilization of available tax assets of the current period to reduce the future tax liability recognized in connection with exploration expenses renounced to investors on flow-through shares.

Stock-based compensation decreased from \$203,500 in 2007 to \$Nil in 2008, as no options were granted in the current period. In general, total general expenses reflect the normal corporate business cycle. Any other 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 six months ended May 31, 2008 the Company earned pre-production revenues of \$337,540 in gas and liquid sales from the Chambers Prospect which have been recorded as a reduction of capitalized costs.

**SELECTED ANNUAL INFORMATION**

	Years ended November 30		
	2007	2006	2005
	- \$ -	- \$ -	- \$ -
Revenue	-	-	-
Net loss	(1,487,807)	(1,257,687)	(38,812)
Loss per share	(0.05)	(0.09)	(0.01)
Total assets	11,179,018	5,185,456	347,226

**Year ended November 30, 2007:** In 2007, the Company acquired the Golden Eagle Energy Inc ("GEEI") assets in the Chambers Area, Alberta for cash consideration of \$3,000,000 subject to a 50% Net Overriding Royalty ("NORR") on 33.334% of the 100% interest purchased by the Company after deduction of Crown royalties and any other overriding royalties or like payments. In addition, the Company has the right and option up to and including December 31, 2008 to purchase and terminate the said NORR from GEEI for \$1,500,000. As a result, the Company's overall interest in the Chambers area is approximately 58% in 18 sections and 1.4% in 3 sections. The Company earned \$90,721 in pre-production gas and liquid sales from the Chambers Prospect and deducted this amount from capitalized costs.

To finance this purchase, the Company negotiated a bridge loan of \$3,050,000 with interest at 12% per annum, compounded and payable monthly, and issued 2,074,000 shares valued at \$456,280. A finder's fee of \$117,000 was also paid.

Significant variations in operational costs included finance fees of \$605,306 (2006 - \$Nil), interest expense of \$148,000 (2006 - \$Nil), management fees of \$221,500 (2006 - \$83,500), and office services of \$174,476 (2006 - \$88,952). These increases were offset by a decrease in stock-based compensation of \$87,606 (2006 - \$870,250) and a future income tax recovery of \$34,100 (2006 - \$Nil).

In order to resolve the Company's working capital deficiency of \$5,601,205, continue operations, fund its gas and 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 gas work programs and operations.

**Year ended November 30, 2006:** During the year the Company recorded \$4,181,329 in expenditures to acquire and explore the following interests in the Chambers Area Gas Prospect located in Sections 17 and 18, Township 41, Range 11W5M, Alberta:

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- 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.

As the Company had been a Capital Pool company in the prior year, with minimum expenditures, a comparison to the prior year's expenses is not meaningful. To resolve the Company's working capital deficiency of \$423,590, continue operations, fund its gas and 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, and cost sharing arrangements to fund its gas work programs and operations.

**SUMMARY OF QUARTERLY RESULTS**

	May 31/08	Feb 29/08	Nov 30/07	Aug 31/07
Revenue	-	-	-	-
Net income (loss)	(272,428)	253,683	(195,571)	(861,816)
Loss per share	(0.01)	0.01	(0.01)	(0.03)
	May 31/07	Feb 28/07	Nov 30/06	Aug 31/06
Revenue	-	-	-	-
Net loss	(328,123)	(102,297)	(163,661)	(932,655)
Loss per share	(0.01)	(0.01)	(0.01)	(0.05)

**Comparison of operating results for the six months ending May 31, 2008 and 2007:** the Company had a net loss of \$18,745 (2007 - \$430,420). The decrease in net loss was due primarily to variances as outlined in the following table:

	2008	2007	Variance
<i>Six months ended May 31</i>	-	-	-
Interest expenses The increase is due entirely to the interest on the loan used to acquire the Alberta properties.	199,824	-	(199,824)
Management fees The increase is due to additional management personnel required for overseeing the expanded operations of the Company.	156,000	76,500	(79,500)
Stock-based compensation In the current period the Company did not grant any options.	-	203,500	203,500
Future income tax recovery The Company renounced certain exploration expenses in the current period which allows a recognition of future income tax savings	(503,400)	(34,100)	469,300
<b>Net loss</b>	<b>18,745</b>	<b>430,420</b>	<b>411,675</b>

**Comparison of operating results for the three months ending May 31, 2008 and 2007:** the net loss decreased to \$272,428 (2007 - \$328,123). Significant variations included an increase in interest expense to \$105,725 (2006 - \$Nil), a decrease in stock-based compensation to \$Nil (2007 - \$203,500), and a reduction in future income tax recovery to \$Nil (2007 - \$34,100).

In general, total head office administrative expenses reflect the normal corporate business cycle. Any significant increase/decrease in costs relate to the Company's efforts to provide adequate

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administrative support to management's ongoing efforts to seek new properties, monitor exploration and development expenditures, and increase shareholder value.

**LIQUIDITY AND CAPITAL RESOURCES**

At May 31, 2008 the Company had \$465 in cash, \$239,690 in GST receivable, a working capital deficiency of \$5,034,734 and had recorded a cumulative deficit of \$2,885,584.

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 six months ending May 31, 2008, the Company issued 1,925,000 flow-through shares at a price of \$0.20 per unit for proceeds of \$385,000. Finder's warrants were issued as a finder's fee entitling the holder to acquire 175,000 common shares at \$0.25 per share on or before January 2, 2009.

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 proposed to acquire the outstanding shares of the company in exchange for shares and warrants in the Company. The loan plus accrued interest was settled in 2008 for a total of \$440,548 by the issuance of 2,250,000 common shares pursuant to a shares-for-debt settlement.

In August 2007, the Company negotiated a bridge loan of \$3,050,000 to acquire the assets of Golden Eagle Energy Inc. The loan is repayable on or before July 30, 2008 bearing interest at 12% per annum, compounded and payable monthly. In connection with the loan, the Company issued 2,074,000 common shares at a price of \$0.22 per share for a total of \$456,280 as a non-refundable bonus to the lender. Security for the loan includes a promissory note, a fixed and floating first charge debenture over the Company's present and after-acquired real property, a first priority general security agreement over all its present and after-acquired personal property, and an environmental indemnity agreement in respect of its properties.

If the Company sells or disposes of any assets outside of the ordinary course of business, the Company will pay or cause to be paid to the lender all proceeds from such sale or disposition, net of selling costs, up to the full amount of the outstanding balance of the loan.

In July 2008 the Company entered into new financings as follows:

(i) Signed a term sheet to borrow up to \$4,090,000, with interest of 12% per annum, compounded and payable monthly. The proceeds will be used to repay the previous \$3,050,000 bridge loan and to provide additional working capital. In consideration for the lender to enter into the agreement, the Company will make a non-refundable bonus payment equal to 15% of the principal amount drawn down, payable in common shares at \$0.16 per share. The loan is subject to TSX Venture Exchange approval, due diligence by the lender and the Company raising not less than \$4,000,000 in equity financing.

(ii) Announced a flow-through private placement of up to 15,000,000 units, for gross proceeds of up to \$2,700,000 at a price of \$0.18 per unit, each unit consisting of one flow-through share and one-half warrant, each full warrant entitling the holder to acquire one non-flow-through share for 24 months at \$0.275 for the first year and \$0.40 for the second year.

(iii) Announced a non-flow-through private placement for gross proceeds of up to \$3,200,000, at a price of \$0.16 per unit, each unit consisting of one common share and one-half warrant, each full warrant entitling the holder to acquire one common share for 24 months at \$0.275 for the first year and \$0.40 for the second year.

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Proceeds from these financings will be used in the Alberta exploration program and for working capital.

**TRANSACTIONS WITH RELATED PARTIES**

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

- a) Management fees of \$156,000 paid to directors or accrued to companies controlled by directors;
- b) Consulting fees of \$66,000 paid or accrued to directors or companies controlled by directors;
- c) Administrative services, finance fees, share issuance and negotiation fees, and occupancy charges totaling \$49,592 were paid or accrued to an officer and a company controlled by a director.

**ADDITIONAL INFORMATION**

At July 29, 2008:

**Legal proceedings:** Included in accounts payable is an accrual for expenditures incurred by the operator of the Company's petroleum and natural gas properties, the amount of which is disputed by the Company. In accordance with industry practice, the Company abides by the CAPL – 1990 Operating Procedures which assigns certain rights to the operator including the provision for a lien against the properties to secure payment of the costs and expenses incurred by the operator during the term of the agreement. The operator is claiming such a lien in respect of costs and expenses incurred. This claim is disputed by the Company and is in litigation.

The Company contends that the Operator has failed to abide by certain provisions of the CAPL governing agreement and has failed to provide Joint Interest Billing statements in conformity to CAPL requirements. The Company maintains its rights under the entirety of the CAPL agreement. Management is not able to assess at this time the outcome of the legal proceedings in process or further quantify what, if any, additional financial impact may result from final resolution of the dispute. The resulting adjustment, if any, will be recorded in the period in which the dispute is resolved.

**Deleted:** As such, the Company has refused certain payments until Joint accounting comes into line with CAPL requirements.

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

**Outstanding Share Data:** The Company had the following securities outstanding: 41,923,285 common shares.

**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 May 31, 2008, 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.

**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



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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 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 of 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 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.

#### **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.