Interim Unaudited Consolidated Financial Statements of

ALHAMBRA RESOURCES LTD.

Three Months Ended March 31, 2009

ALHAMBRA RESOURCES LTD.

Interim Consolidated Balance Sheets
(Unaudited)
(Expressed in U.S. Dollars)

	March 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 44,596	$ 25,818
Accounts receivable	27,058	11,275
Deposits and prepaid expenses	22,917	27,267
	94,571	64,360
Equipment	36,425	39,102
Investment in DOT Resources Ltd.	546,601	586,068
	$ 677,597	$ 689,530
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,100,126	$ 806,114
Secured debentures (note 3)	793,525	816,593
Advances on notes (note 12)	297,572	–
	2,191,223	1,622,707
Shareholders' equity (deficiency):		
Share capital (note 4(b))	34,585,094	34,585,094
Contributed surplus (note 4(d))	4,480,786	4,417,966
Accumulated other comprehensive income (note 5)	(288,894)	(322,360)
Deficit	(40,290,612)	(39,613,877)
	(1,513,626)	(933,177)
Going concern and nature of operations (note 1)		
Commitment and contingency (note 11)		
Subsequent event (note 12)		
Legal disputes (note 14)		
	$ 677,597	$ 689,530

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Loss and Deficit
Three months ended March 31, 2009 and 2008
(Unaudited)
(Expressed in U.S. Dollars)

	2009	2008
Revenue:		
Sales	$ –	$ 2,899,944
Less net smelter royalty	–	87,000
	–	2,812,994
Interest and other	–	11,610
	–	2,824,604
Expenses:		
Operations	–	1,768,986
General and administrative	556,954	832,716
Interest	31,541	25,499
Stock-based compensation (note 4(d))	62,820	675,208
Depreciation, depletion and accretion	1,950	261,227
Foreign exchange loss (gain)	291	(112,198)
	653,556	3,451,438
Loss before the undernoted	(653,556)	(626,834)
Income tax expense		
Current	–	412,243
Future	–	(274,422)
	–	137,821
Loss before equity loss	(653,556)	(764,655)
Equity loss	23,179	51,065
Net loss	(676,735)	(815,720)
Deficit, beginning of period	(39,613,877)	(5,939,754)
Deficit, end of period	(40,290,612)	(6,755,474)
Per share (note 8):		
Net loss per share:		
Basic and diluted	$ (0.01)	$ (0.01)

Interim Consolidated Statements of Comprehensive Income (Loss)
Three months ended March 31, 2009 and 2008
(Unaudited)
(Expressed in U.S. Dollars)

	2009	2008
Net loss	$ (676,735)	$ (815,720)
Translation gains (losses) on self-sustaining operations	33,466	354,906
Total comprehensive loss	$ (643,269)	$ (406,814)

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2009 and 2008
(Unaudited)
(Expressed in U.S. Dollars)

	2009	2008
Cash provided by (used in):		
Operating:		
Net loss	$ (676,735)	$ (815,720)
Items not involving cash:		
Stock-based compensation	62,820	675,208
Depreciation, depletion and accretion	1,950	261,227
Future income taxes	–	(274,422)
Unrealized foreign exchange gain	(24,673)	–
Equity loss	23,179	51,065
	(613,459)	(102,642)
Change in non-cash working capital (note 7)	282,579	(221,805)
	(330,880)	(324,447)
Financing:		
Advances on notes	299,177	–
	299,177	–
Investing:		
Expenditures on mineral assets	–	(1,360,363)
Acquisition of equipment	(360)	(533)
Change in non-cash working capital (note 7)	–	(502,091)
	(360)	(1,862,987)
Effect of exchange rate changes on cash and cash equivalents	50,841	(65,018)
Change in cash and cash equivalents	18,778	(2,252,452)
Cash and cash equivalents, beginning of period	25,818	3,056,812
Cash and cash equivalents, end of period	$ 44,596	804,360
Supplemental disclosure of cash flow information:		
Interest paid	$ –	$ 25,499
Taxes paid	–	81,951

See accompanying notes to consolidated financial statements.

1. Going concern and nature of operations:

(a) Going concern:

Due to the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), Alhambra Resources Ltd. (“Alhambra” or the “Corporation”) no longer has any assets that generate cash flow. In addition, the Corporation has a significant working capital deficiency. As a result, Alhambra’s ability to continue operating as a going concern and successfully defend the Kazakhstan Lawsuit is in significant doubt and is dependent upon its ability to raise additional capital. To date the Corporation has raised some funds through the issue of secured indebtedness (notes 3 and 12) however these funds are only adequate to fund a portion of its current and future obligations. Additional financing must be obtained in order to continue as a going concern. The Corporation is currently attempting to raise additional funds, however, there is no assurance that it will be able to do so.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

If the going concern assumption was not appropriate for these consolidated financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications used.

(b) Nature of operations:

The business of Alhambra consists of the exploration for and development of mineral properties. As a result of the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), Alhambra’s interest in mineral licenses held by its former subsidiaries Saga Creek Gold Company LLP ("Saga Creek") and Goodwin Golems LLP (“Goodwin”) (together the “Kazakhstan Subsidiaries”) has been invalidated and the ownership was re-registered in the name of the former owners on January 27, 2009.

With the loss of Kazakhstan Subsidiaries, Alhambra no longer has any operations in Kazakhstan. The consolidated statement of loss and deficit for the three months ended March 31, 2009 has been prepared on the basis that individual income and expense items related to the Kazakhstan mineral operations were for the account of Alhambra up until December 26, 2008. Assets and liabilities related to the Kazakhstan mineral operations were written off as of December 26, 2008.

2. Significant accounting policies:

These interim consolidated financial statements have been prepared by management following the same accounting policies and methods that were used and disclosed in the audited consolidated financial statements for the year ended December 31, 2008, except as disclosed below. The consolidated financial statements include all adjustments necessary to present fairly the result for the interim period ended March 31, 2009. These interim consolidated financial statements should be read in conjunction with the most recent audited consolidated financial statement and notes filed on SEDAR for the year ended December 31, 2008.

(a) Adoption of new accounting standards

(i) Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities including derivative instruments.

This standard is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statement periods ending on or after January 20, 2009. The Corporation adopted EIC-173 effective January 1, 2009. The adoption of EIC-173 did not have a material impact the Corporation’s financial statements.

(ii) Goodwill and intangible assets, CICA section 3064

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets. Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior-period financial statements will be required. The adoption of Section 3064 did not have a material impact on the Corporation’s consolidated financial statements.

(iii) International financial reporting standards (“IFRS”):

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board (“IASB”) has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations.

During 2009, the Corporation plans to complete a high-level IFRS changeover plan and establish a preliminary timeline for the execution and completion of the conversion project. The changeover plan will include a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment will provide insight into what are anticipated to be the most significant areas of difference applicable to the Corporation.

Following the completion of the high-level IFRS changeover plan, the Corporation will perform an in-depth review of the significant areas of difference, identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities. External advisors will be retained to assist management with the project on an as needed basis. The Corporation will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

3. Secured debentures:

The Corporation has outstanding a series of twelve (12%) percent secured debentures due August 11, 2009 in the principle amount of CDN$1,000,000 (the "Debentures"). The Debentures bear interest at a simple rate of twelve (12%) percent per annual calculated annually, not in advance. The Debentures are secured by way of a first floating charge against all of the assets, property and undertakings of the Corporation. The entire amount of the Debentures was subscribed by officers and directors of the Corporation. The Debentures require that interest be paid starting on December 31, 2008 and every three months thereafter. The Corporation is in default of that provision however the Debenture holders have agreed not to exercise the default remedies provided to them under the Debenture agreement prior to June 30, 2009.

(Expressed in U.S. Dollars, unless otherwise stated)

4. Share capital:

(a) Authorized:

Unlimited voting common shares

Unlimited non-voting preferred shares, of which none have been issued

(b) Issued and outstanding:

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number	Amount	Number	Amount
Balance, beginning of period	75,774,147	$ 34,585,094	75,578,147	$ 34,432,307
Exercise of stock options	–	–	196,000	108,009
Transfer from contributed surplus	–	–	–	44,778
Balance, end of period	75,774,147	$ 34,585,094	75,774,147	$34,585,094

(c) Warrants:

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number	Amount	Number	Amount
Balance, beginning of period	–	$ –	2,333,333	$ 675,595
Expired unexercised	–	–	(2,333,333)	(675,595)
Balance, end of period	–	$ –	–	$ –

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number of warrants	Weighted average exercise price CDN$	Number of warrants	Weighted average exercise price CDN$
Outstanding, beginning of period	–	$ –	2,333,333	$ 2.00
Expired	–		(2,333,333)	2.00
Outstanding, end of period	–	$ –	–	$ –
Exercisable, end of period	–	$ –	–	$ –

(d) Options:

The Corporation has a stock option plan under which directors, officers, employees and consultants of the Corporation are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued common shares of the Corporation at the time of granting of the options. Options granted under the plan generally have a term of three years but may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchanges on which the Corporation's common shares are then listed.

(Expressed in U.S. Dollars, unless otherwise stated)

A summary of the status of the Corporation's stock options is as follows:

	Three months ended March 31, 2009			Year ended December 31, 2008		
	Number of options		Weighted average exercise price CDN$	Number of options		Weighted average exercise price CDN$
Outstanding, beginning of year	5,670,000	$	1.18	3,905,000	$	1.18
Granted	–		–	2,750,000		1.15
Exercised	–		–	(196,000)		0.55
Expired	(940,000)		1.06	(789,000)		1.26
Outstanding, end of year	4,730,000	$	1.20	5,670,000	$	1.18
Exercisable, end of year	4,067,500	$	1.20	4,445,000	$	1.17

The following table summarizes information about stock options outstanding and exercisable at March 31, 2009.

	Outstanding		Exercisable	
Exercise price	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
CDN $0.55	800,000	1.13	800,000	1.13
CDN $1.15	2,450,000	1.84	1,787,500	1.84
CDN $1.60	1,480,000	0.72	1,480,000	0.72
	4,730,000	1.37	4,067,500	1.29

(Expressed in U.S. Dollars, unless otherwise stated)

The fair value of the options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options granted during 2008 was calculated to be $1,595,975 using the following weighted-average assumptions:

	2008
Expected dividend yield (%)	–
Expected life (years)	3.00
Risk-free interest rate (%)	3.17
Expected volatility (%)	79
Fair value of options granted ($/share)	0.58

A reconciliation of contributed surplus is provided below:

	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	$ 4,417,966	$ 2,576,263
Stock-based compensation expense	62,820	1,181,990
Stock-based compensation capitalized	–	28,896
Warrants expired	–	675,595
Transfer to share capital on the exercise of stock options	–	(44,778)
Balance, end of period	$ 4,480,786	$ 4,417,966

5. Accumulated other comprehensive income:

	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	$ (322,360)	$ 960,514
Translation gains (losses) on self-sustaining operations	33,466	(1,282,874)
Balance, end of period	$ (288,894)	$ (322,360)

6. Related party transactions:

(a) During the three months ended March 31, 2009, the Corporation paid $nil (2008 - $17,849) in consulting fees to a corporation controlled by a director and former officer of the Corporation. Of this amount, $nil (2008 - $3,286) was capitalized to exploration and development costs.

(b) During the three months ended March 31, 2009, the Corporation incurred $16,931 (2008 - $16,831) in costs from a law firm in which an officer of the Corporation is a partner. All of the costs were expensed as legal expenses. The officer resigned his position effective April 29, 2009.

(Expressed in U.S. Dollars, unless otherwise stated)

(c) The Corporation and DOT have entered into an Administrative and Corporate Services Contract (the "Contract") whereby DOT agreed to engage the Corporation to provide management, administration and corporate services to DOT. The Contract provides for a monthly remuneration of CDN$20,000 plus all reasonable out of pocket expenses and is for an indefinite term but may be terminated by either party upon providing thirty (30) days prior written notice. The Corporation billed DOT CDN$60,000 (2008 – CDN$60,000) under the Contract and no amounts remain uncollected as of March 31, 2009.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Supplementary cash flow information:

Changes in non-cash working capital are as follows:

Three months ended March 31,	2009	2008
Accounts receivable	$ (15,783)	$ (708,408)
Deposits and prepaid expenses	4,350	(1,070,864)
Supplies inventory	–	37,435
Work in progress	–	(720,292)
Accounts payable and accrued liabilities	294,012	1,738,357
Advances	–	(124)
	$ 282,579	$ (723,896)
Relating to:		
Operating activities	$ 282,579	$ (221,805)
Investing activities	–	(502,091)
	$ 282,579	$ (723,896)

8. Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the period.

	2009	2008
Weighted average shares outstanding:		
Basic and diluted	75,774,147	75,701,163

No options or warrants have been included in the calculation of per share amounts as their effect would have been anti-dilutive.

9. Management of capital:

The Corporation defines capital that it manages as its shareholders' equity and working capital. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to maintain investor confidence and to not expose the

Corporation to excess risk. The Corporation manages its capital structure and makes adjustments to it based on the level of funds available to support the exploration and development of its mineral properties. As a result of the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), Alhambra no longer has any assets that generate cash flow and therefore is totally dependent on external financing to fund its corporate costs and pursue all remedies to either recover ownership of Saga Creek and Goodwin or receive adequate compensation for its loss.

To date, the Corporation has raised some funds through the issue of secured indebtedness (see notes 3 and 12) however these funds are only adequate to fund a portion of its current and future obligations. Additional financing must be obtained in order to continue as a going concern. The Corporation is currently attempting to raise additional funds however there is no assurance it will be able to do so. The Corporation is not subject to externally imposed capital requirements.

10. Financial Instruments:

(a) Overview:

The Corporation has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

This note presents information about the Corporation's exposure to each of the above risks as well as the Corporation's objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. These risks are discussed with management and to the extent the board of directors determines that the risks are of such a nature that they need to be mitigated, procedures are put in place. To date, no specific risk management tools have been put in place to mitigate these risks.

(b) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligation.

Cash and cash equivalents consist of bank balances and short-term deposits that are redeemable at any time at the option of the Corporation. The Corporation manages the credit exposure related to short-term investments by depositing the cash equivalents only with large banks within a particular region which management believes the risk of loss to be remote. Accounts receivable primarily relate to GST receivable from the Government of Canada, the credit risk of which is considered to be very low.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Corporation does not have an allowance for doubtful accounts as at March 31, 2009.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they come due. As a result of the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), Alhambra no longer has any assets that generate cash flow and therefore is totally dependent on external financing to fund its corporate costs and pursue all remedies to either recover ownership of Saga Creek and Goodwin or receive adequate compensation for its loss. To date the Corporation has raised some funds through the issue of secured indebtedness (notes 3 and 12) however these funds are only adequate to fund a portion of its current and future obligations. Additional financing must be obtained in order to continue as a going concern. The Corporation is currently attempting to raise additional funds however there is no assurance that it will be able to do so.

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, commodity prices and interest rates will affect the Corporation's net earnings. The objective of market risk management is to manage and control market risks exposures within acceptable limits, while maximizing returns. As a result of the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), the Corporation's exposure to these risks has been virtually eliminated.

(e) Fair value of financial investments:

The Corporation's financial instruments as at March 31, 2009 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, secured debentures and advances. The fair values of these financial instruments approximate their carrying amounts due to their short terms to maturity.

11. Commitment and contingency:

Lease Agreement on Premises:

Effective September 1, 2008 the Corporation entered into a lease on the premises it used for its corporate head office. The terms of the lease committed the Corporation to make monthly rental payments of CDN$11,542 (exclusive of occupancy costs) up until expiry of the lease on August 31, 2013. The total amount remaining to be paid under the lease as of March 31, 2009 was approximately CDN$612,000 (exclusive of occupancy costs). Effective June 1, 2009 the landlord terminated the lease as the Corporation had not paid its current obligation under the lease. Despite the landlord terminating the lease, it has informed the Corporation that it believes the Corporation wrongly repudiated the lease and remains liable for the loss of rental revenue over the unexpired term of the lease. On June 16, 2009 the landlord notified the Corporation that it is seeking to recover CDN$97,793 in outstanding rent plus damages of CDN$810,877 for the loss of the benefit of the lease over the balance of the term. To the extent that the landlord recovers rent from a subsequent tenant, the amount claimed by the landlord will be reduced. The landlord has given the Corporation until June 30, 2009 to settle the claim. As at March 31, 2009, the Corporation has recorded all amounts due under the lease agreement. No provision for damages has been recorded in these financial statements. The Corporation is currently assessing its options in this matter.

(Expressed in U.S. Dollars, unless otherwise stated)

12. Subsequent event:

Subsequent to March 31, 2009, the Corporation issued CDN$675,000 of subordinated secured promissory notes (the "Notes"). The Notes bear simple interest at an annual rate of 20%, mature one year after the date of receipt of the funds, are secured against assets of the Corporation and are subordinated to the Debentures. In connection with the Notes, the Corporation has issued 5,400,000 non-transferable warrants (the "Warrants") to purchase 5,400,000 common shares of the Corporation. Half of the Warrants issued have an exercise price of CDN$0.10 per common share and the other half have an exercise price of CDN$0.20 per common share. All Warrants are exercisable until October 29, 2009. The Warrants and any common shares acquired upon exercise of the Warrants are subject to a hold period expiring on August 29, 2009. A total of CDN$215,000 of Notes were subscribed for by officers and directors of the Corporation. Included in the CDN$675,000 is CDN$375,000 that had been advanced to the Corporation and was subsequently converted into Notes.

13. Segment information:

During 2009, the Corporation and its subsidiaries operated in one reportable segment, the exploration for and the development of mineral properties. As a result of the unfavorable decision reached in the Kazakhstan Lawsuit (note 14(b)), the assets related to mining activities have been written off as of December 31, 2008. The Corporation's consolidated statements of loss and consolidated statements of cash flow for the three months ended March 31, 2009 and 2008 in each of its geographic areas are as follows:

(a) Segmented statements of loss:

2009	Corporate	Total
Expenses:		
General and administrative	$ 556,954	$ 536,954
Interest	31,541	31,541
Stock-based compensation	62,820	62,820
Depreciation	1,950	1,950
Foreign exchange loss	291	291
	653,556	653,556
Loss before equity loss	(653,556)	(653,556)
Equity loss	23,179	23,179
Net loss	$ (676,735)	$ (676,735)

(Expressed in U.S. Dollars, unless otherwise stated)

2008	Kazakhstan	Corporate	Total
Revenue:			
Sales	$ 2,899,994	$ –	$ 2,899,994
Less net smelter royalty	87,000	–	87,000
	2,812,994	–	2,812,994
Interest and other	–	11,610	11,610
	2,812,994	11,610	2,824,604
Expenses:			
Operations	1,752,313	16,673	1,768,986
General and administrative	378,446	454,270	832,716
Interest	25,499	–	25,499
Stock-based compensation		675,208	675,208
Depreciation, depletion and accretion	257,654	3,573	261,227
Foreign exchange gain	(80,912)	(31,286)	(112,198)
	2,333,000	1,118,438	3,451,438
Income (loss) before the undernoted	479,994	(1,106,828)	(626,834)
Income tax expense:			
Current	412,243	–	412,243
Future	(274,422)	–	(274,422)
	137,821	–	137,821
Income (loss) before equity loss	342,173	(1,106,828)	(764,655)
Equity loss	–	51,065	51,065
Net Income (loss)	$ 342,173	$ (1,157,893)	$ (815,720)

(Expressed in U.S. Dollars, unless otherwise stated)

(b) Segmented statements of cash flows:

2009	Corporate	Total
Cash provided by (used in):		
Operating:		
Net loss	$ (676,735)	$ (676,735)
Items no involving cash:		
Stock-based compensation	62,820	62,820
Depreciation, depletion and accretion	1,950	1,950
Unrealized foreign exchange gain	(24,673)	(24,673)
Equity loss	23,179	23,179
	(613,459)	(613,459)
Change in non-cash working capital	282,579	282,579
	(330,880)	(330,880)
Financing:		
Advance on notes	299,177	299,177
	299,177	299,177
Investing:		
Acquisition of equipment	(360)	(360)
	(360)	(360)
Effect of exchange rate changes on cash and cash equivalents	50,841	50,841
Change in cash and cash equivalents	18,778	18,778
Cash and cash equivalents, beginning of period	25,818	25,818
Cash and cash equivalents, end of period	$ 44,596	$ 44,596

(Expressed in U.S. Dollars, unless otherwise stated)

2008	Kazakhstan	Corporate	Total
Cash provided by (used in):			
Operating:			
Net loss	$ 342,173	$ (1,157,893)	$ (815,720)
Items not involving cash:			
Stock-based compensation	–	675,208	675,208
Depreciation, depletion and accretion	257,654	3,573	261,227
Future income taxes	(274,422)	–	(274,422)
Equity loss	–	51,065	51,065
	325,405	(428,047)	(102,642)
Change in non-cash working capital	(225,533)	3,728	(221,805)
	99,872	(424,319)	(324,447)
Financing:			
Intercompany advances	399,970	(399,970)	–
	399,970	(399,970)	–
Investing:			
Expenditures on mining assets	(1,211,640)	(148,723)	(1,360,363)
Acquisition of equipment	–	(533)	(533)
Change in non-cash working capital	593,127	(1,095,218)	(502,091)
	(618,513)	(1,244,474)	(1,862,987)
Effect of exchange rate changes on cash and cash equivalents	–	(65,018)	(65,018)
Change and cash equivalents	(118,671)	(2,133,781)	(2,252,452)
Cash and cash equivalents, beginning of period	147,031	2,909,781	3,056,812
Cash and cash equivalents, end of period	$ 28,360	$ 776,000	$ 804,360

(c) Identifiable assets in each of its geographic segments are as follows:

2009	Corporate	Total
Assets as of March 31, 2009	677,597	677,597

2008	Corporate	Total
Assets as of December 31, 2009	689,530	689,530

14. Legal disputes:

(a) Victoria Oil and Gas and Gas PLC (“Victoria”):

As a result of litigation in Kazakhstan to which Alhambra was not a party, legal title to an oil and natural gas license (the “Kemerkol License”) was reinstated in the name of Saga Creek, which at the time was the Corporation’s wholly-owned subsidiary in Kazakhstan. Prior to the litigation, the Kemerkol License was owned by a subsidiary of Victoria but title thereto was reinstated in the name of Saga Creek as a result of this litigation. Consequently, Victoria commenced legal proceedings in the Court of Queen's Bench of Alberta (the "Alberta Court") on September 26, 2008 against Alhambra and others to prevent Saga Creek from disposing of the Kemerkol License until entitlement thereto has been determined by the Alberta Court. The Alberta Court granted a temporary injunction in that regard on September 26, 2008, which decision Alhambra appealed to the Alberta Court of Appeal. The Alberta Court of Appeal dismissed the Alhambra's appeal on February 26, 2009. The Alberta Court action alleges that the vendor who had previously sold the Kemerkol License to Victoria had acted fraudulently in bringing about the result of the Kazakhstan litigation and that Alhambra helped facilitate this outcome. Alhambra denies these allegations and believes they have no merit. The Alberta Court action seeks reinstatement of the Kemerkol License and punitive damages of $5,000,000 from the defendants. As a result of an agreement reached between the parties, the action was discontinued effective June 8, 2009 without costs.

(b) Marsa Aktiengesellschaft and Teragol Investments Limited (the "Plaintiffs"):

On September 26, 2008 a statement of claim ("Kazakhstan Lawsuit") was filed in the Specialized Interdistrict Economical Court of the East-Kazakhstan Oblast ("Lower Court") seeking to invalidate Alhambra's ownership of its former Kazakhstan Subsidiaries. Alhambra had acquired 100% interest in the Kazakhstan Subsidiaries from Marsa Aktiengesellschaft ("Marsa"), a Liechtenstein company and Teragol Investments Limited ("Teragol"), a Cyprus company (jointly the "Plaintiffs") by virtue of a Partnership Unit Purchase and Exchange Agreement dated March 21, 2002 (the "Agreement"), as amended. The basis for the claim is that the Corporation's 100% owned subsidiary, Alhambra Overseas Limited, incorporated to hold Alhambra's interest in the Kazakhstan Subsidiaries, was not incorporated at the time the Agreement was initially entered into and despite the fact that such incorporation was subsequently completed soon thereafter. Alhambra applied to the Lower Court to have the litigation dismissed for the lack of jurisdiction, however, such application was denied as was the appeal to the Civil Cases Review Board of the East-Kazakhstan Oblast Court (the "Review Board"). As a result, hearings in the Lower Court on the merits of the case began on November 17, 2008 and were completed on November 24, 2008. On November 25, 2008 the Lower Court rendered its decision in favor of the Plaintiffs. The Corporation appealed the Lower Court's decision to the Review Board but on December 26, 2008 the Review Board issued their ruling upholding the Lower Court's decision. The Corporation appealed to the next level of court system in Kazakhstan which was the Supervisory Chamber of the East-Kazakhstan Oblast Court ("Supervisory Chamber") whose decision, rendered on February 27, 2009, again upheld the decisions of the previous courts. This final decision was made despite the Supervisory Court receiving a supervisory protest submitted in support of Alhambra's appeal by the Prosecutor of the East-Kazakhstan Oblast stating that the court decision and resolution of the Review Board have to be cancelled due to incorrect determination of the facts of the case as well as the incorrect application of the norms of material and procedural law. Alhambra's arguments which were supported by the Oblast Prosecutor are among the following:

(i) The effective date of the Agreement is not March 21, 2002 but August 8, 2003 when all the conditions precedent of the Agreement were fulfilled and the consideration was paid to and accepted by the Plaintiffs.

(ii) The Agreement provides for arbitration among the parties and as such the litigation should not be heard by Kazakhstan courts at all.

(iii) The Plaintiffs are not interested parties to the Agreement by virtue of their transferring the rights and title to the Agreement to a third party on August 9, 2005.

(iv) The claim is statute barred as it was filed on September 25, 2008 more than six and one half years from the date of the Agreement and five years beyond the final closing, rather within the three years required under the statute of limitation laws in Kazakhstan.

(v) The Plaintiffs cannot be considered victims as none of their rights were violated since all conditions precedent were satisfied and the Plaintiffs accepted the consideration as provided for under the Agreement.

(vi) Nothing in the civil code of Kazakhstan enables a vendor to cause a transaction to be voided as long as the rights of the vendor are not violated.

(vii) Despite receiving proper payment, the Plaintiffs are acting in bad faith in seeking to be unjustly enriched by seeking to be returned to their original position which has greatly appreciated through the actions of Alhambra since acquiring its interest.

(viii) The Plaintiffs, through their actions subsequent to March 21, 2002 did, on a number of occasions, admit validity of the Agreement.

On January 27, 2009 the ownership of the Kazakhstan Subsidiaries was re-registered back in the names of the Plaintiffs giving effect to the court decisions. The Corporation continues to believe that the Kazakhstan courts have erred in their decisions and will continue to seek remedies available under Kazakhstan law. On April 16, 2009 the Corporation filed an appeal with the Supreme Court of Kazakhstan asking the Supreme Court to overturn the decisions of the lower courts.

The Corporation has not recorded any amount relating to recoveries due to the Corporation as a result of the loss of its subsidiaries due to the uncertainty of ultimate collection of such amounts, if any. This includes approximately $21.5 million loaned from Alhambra to Saga Creek, evidenced by a loan agreement and supported by a ruling of the International Arbitration Court (IUS) dated April 3, 2009. Any recovery will be recorded when realized
.