Alhambra Resources Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three Months Ended March 31, 2009

This management's discussion and analysis ("MD&A") focuses on key items from the unaudited consolidated financial statements of Alhambra Resources Ltd. (also referred to as "Alhambra" or the "Corporation") for the three months ended March 31, 2009 and the factors reasonably expected to impact future operations and results as prepared on June 25, 2009. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Corporation in the future. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2008 and the related notes. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada.

This MD&A was reviewed and approved by the Corporation's audit committee and board of directors on June 25, 2009. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com

All dollar amounts are therefore in the currency of the United States dollar unless otherwise stated.

Legal Dispute Invalidating Alhambra's Ownership of Kazakhstan Subsidiaries

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") of the Republic of Kazakhstan ("Kazakhstan") seeking to invalidate Alhambra's ownership of its former Kazakhstan subsidiaries, Saga Creek Gold Company LLP ("Saga Creek") and Goodwin Golems LLP ("Goodwin") (together the "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, 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 its ruling upholding the Lower Court's decision. The Corporation appealed to the next level of the 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 Chamber receiving a supervisory protest submitted in support of Alhambra's appeal by the Prosecutor of the East-Kazakhstan Oblast stating that the Lower Court's 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 are 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 closing conditions 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 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 than within the three years required under the statute of limitation laws in Kazakhstan.

(v) The Plaintiffs cannot be considered victims in that 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 pursuing unjust enrichment 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 Transfer Date") 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 decision 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 (the "Supreme Court") asking the Supreme Court to overturn the decisions of the lower courts.

With the loss of the Kazakhstan operations, Alhambra no longer has any operations in Kazakhstan. Assets and liabilities related to the Kazakhstan mineral operations have been written off as of December 26, 2008.

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.

Legal Dispute with Victoria Oil 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.

Management Cease Trade Order

With all the uncertainty resulting from the Kazakhstan Lawsuit as well as Alhambra not having sufficient funds at the time to remunerate its auditors, the Corporation determined that it would not be able to file its annual audited financial statements, management's discussion and analysis and CEO and CFO certificates (the "Unfiled Financial Statements") by the filing deadline of April 30, 2009 as prescribed by National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"). On April 16, 2009, in anticipation of not meeting the requirements of NI 51-102, Alhambra made application to the Alberta Securities Commission ("ASC") that the Corporation be subject to a Management Cease Trade Order ("MTO") rather than a Cease Trade Order ("CTO"). On May 1, 2009 the ASC issued a MTO against the Corporations CEO and CFO as opposed to a CTO against the Corporation. The Corporation is required to file the Unfiled Financial Statements by June 29, 2009 or the ASC can impose a CTO on Alhambra such that all trading in securities of the Corporation cease for such period as the ASC may deem appropriate.

Forward-Looking Information

Except for the statements of historical fact contained herein, certain statements contained in this MD&A constitute "forward-looking statements" as such term is used in applicable Canadian and US laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, any statements concerning the Corporation's ability to continue as a going concern described in this MD&A should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward-looking statements, including but not limited to, the Corporation's liquidity and financial capacity, the Corporation's funding sources to meet various obligations and other factors and events described in this document, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

Non-GAAP Measures

This MD&A contains the term "funds flow from operations" which is not recognized under GAAP. Funds flow from operations is defined as net loss adjusted for stock-based compensation, depreciation, depletion and accretion, future income taxes and equity loss. Management believes that in addition to net loss, funds flow from operations is a useful measurement that provides an indication of results generated by the Corporation's business activities. It demonstrates the Corporation's ability to generate the cash necessary to fund future growth through capital investment, and allows the Corporation to evaluate operating performance, leverage and liquidity. The following table provides a reconciliation of cash flow provided by (used in) operating activities as defined under GAAP with funds flow from operations as used in this MD&A.

Three months ended, March 31		2009		2008
Cash flow used in operating activities	$	(330,880)	$	(324,447)
Change in non-cash working capital		282,579		(221,805)
Funds flow used in operations	$	(613,459)	$	(102,642)

Critical Accounting Estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those reported. Significant areas requiring the use of management estimates include the determination of impairment of mining assets, equipment and exploration and development costs, asset retirement obligations, and assumptions used in calculating stock-based compensation expense. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Business Overview

The Corporation was incorporated on January 27, 1993 and amalgamated with its wholly-owned subsidiaries, Signature Capital Corp. and Tarco Oil & Gas Ltd., effective January 1, 2002.

On July 31, 2007 the Corporation's shareholders approved a reorganization by way of an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement") involving the Corporation, its shareholders and a newly incorporated corporation, DOT Resources Ltd. ("DOT").

Under the Arrangement, which became effective on August 29, 2007, the Corporation divided its mineral assets between two separate publicly traded corporations. Up until December 26, 2008 the Corporation continued to hold and operate its gold producing assets situated in Kazakhstan, while DOT holds and conducts exploration activities on the Corporation's former Canadian DOT property, situated near Kamloops, British Columbia ("DOT Property").

Financial Review

Segmented information

The unfavorable legal decision in the Kazakhstan Lawsuit resulted in the Corporation's ownership of the Kazakhstan Subsidiaries being transferred back to the Plaintiffs. The effective date of the transfer for accounting purposes was December 26, 2008. As a result, the analysis of financial results presented in this MD&A for the three months ended March 31, 2009 and 2008 does not include any reference to the operations of the Kazakhstan Subsidiaries. The impact of the Kazakhstan Subsidiaries on the consolidated loss and consolidated cash flows for the three months ended March 31, 2008 is detailed in Note 13 (Segment Information) to the interim consolidated financial statements.

General and administrative expenses

General and administrative expenses for the three months ended March 31, 2009 increased by $102,684 to $556,954 from the $454,270 reported for corporate activities for the three months ended March 31, 2008. This 23% increase in general and administration costs was primarily the result of the increase in legal costs incurred as a result of the Kazakhstan Lawsuit. A 24% decline in the value of the Canadian dollar relative to the US dollar in the first quarter of 2009 as compared to the first quarter of 2008 ("depreciation of the Canadian dollar") combined with a decrease in public company costs helped to offset the impact of the higher legal expenses.

Interest expense

Interest expense for the three months ended March 31, 2009 totaled $31,541. Saga Cree's operations were responsible for all interest expense for the first quarter of 2008. The interest expense incurred in the first quarter of 2009 related to the secured debenture and the advance payments received that were converted to the notes subsequent to March 31, 2009 (note 12 to the interim consolidated financial statements).

Stock-based compensation

Due primarily to the high volatility of the Corporation's stock price, this calculation gives a significant value to stock options which must be expensed during their vesting period. The amount of this expense for the three months ended March 31, 2009 and 2008 were $62,820 and $675,208, respectively. Stock-based compensation expense for 2009 relates to the amortization of the value calculated for the 2,750,000 options granted in 2008. Since 75% of the options issued in 2008 had vested prior to March 31, 2009, the majority of stock-based compensation was expensed in 2008. The depreciation of the Canadian dollar also accounted for a portion of the reduction in the quarter over quarter stock-based compensation expense.

Equity loss

The Corporation accounts for its 36% ownership of the common shares of DOT Resources Ltd. (DOT") using the equity method of accounting. For the first quarter of 2009, the Corporation recorded an equity loss of $23,179. This compares to a loss of $51,065 recorded in the first quarter of 2008. The reduction in the equity loss was caused by a combination of the reduction in DOT's quarter over quarter loss plus the depreciation of the Canadian dollar. At March 31, 2009, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$300,000.

Funds flow

Funds flow utilized in operating activities was $613,459 for the three months ended March 31, 2009, an increase of $185,412 from the $428,047 recorded for Corporate activities for the three months ended March 31, 2008. Increased general and administration expense and interest in 2009 were primarily responsible for the increase.

Net loss

The Corporation incurred a net loss of $676,735 for the three months ended March 31, 2009, a $481,158 decrease over the $1,157,893 reported for the comparable 2008 quarter. The increase in funds flow utilized in operating activities in 2009 was offset by the decrease in stock-based compensation expense accounting for the improved results. Net income from Kazakhstan activities in the first quarter of 2008 of $342,173 offset some of the 2008 loss attributable to corporate activities resulting in an overall net loss for the Corporation for the three months ended March 31, 2008 of $815,720

Based on a weighted average number of common shares of 75,774,147 and 75,701,163, the Corporation's net loss per common share was $0.01 for both quarters.

Liquidity and capital resources

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 prices 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. During the first quarter of 2009, the Corporation received CDN$375,000 which was converted into Notes subsequent to March 31, 2009.

The proceeds received were used for corporate purposes to help sustain the Corporation while it appeals the decision reached in the Kazakhstan Lawsuit. With the loss of ownership of the Kazakhstan Subsidiaries, the Corporation no longer has access to funds from its former operating activities therefore must rely on raising money in the debt or equity markets.

At March 31, 2009 the Corporation had $44,596 of cash and cash equivalents and a deficiency in other working capital of $2,141,248. Alhambra remains in default under the Debenture agreement of the requirement to pay interest. The Debenture holders have agreed not to exercise the default remedies provided to them under the Debenture agreement prior to June 30, 2009.

The Corporation continues to search out sources of external financing to meet its obligations. However, with the loss of ownership in its former Kazakhstan Subsidiaries, raising additional funds has proved to be very difficult. If the Corporation is unable to continue to raise additional funds, the Corporation's ability to continue as a going concern is extremely doubtful.

Related party transactions

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.

During the three months ended March 31, 2009, the Corporation incurred $16,931 (2008 - $16,831) in costs from a law firm in which a former 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.

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.

Financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, secured debentures and advances on notes are approximated by their carrying amounts because of their short-term nature or because they bear interest at market rates.

Contractual obligations

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 for future lease payments 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 al 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.

The Corporation has no other off balance sheet financing arrangements.

Disclosure of outstanding share data

	As of March 31, 2009	Change in 2009	Issued in 2009	As of June 25, 2009
Common shares issued and outstanding	75,774,147	–	–	75,774,147
Common shares issuable upon exercise of vested stock options	4,067,500	50,000	–	4,117,500
Common shares issuable upon exercise of warrants	–	–	5,400,000	5,400,000
Common shares fully diluted	79,841,647	50,000	5,400,000	85,291,647

At March 31, 2009, there were 75,774,147 common shares issued and outstanding and 79,841,647 fully diluted common shares after giving effect to the exercise of all outstanding vested stock options and warrants. Subsequently, up to June 25, 2009, no additional common shares have been issued however options vested on an additional 50,000 common shares. Subsequent to March 31, 2009, warrants to purchase 5,400,000 common shares were issued in connection with the Notes.

Disclosure of material components of expenditures

During the three months ended March 31, 2009, general and administrative expenses totaled $556,954, an increase of $102,684 over the comparable 2008 amount of $454,270. During the first quarter of 2008, an additional $378,446 in general and administrative costs were incurred in the Corporation's Kazakhstan operations bring the total general and administrative expenses incurred in the three months ended March 31, 2008 to $832,716. The analysis that follows is restricted to Corporate operations.

Employee and consulting costs incurred during the three months ended March 31, 2009 totaled $164,322 (30%) as compared to $235,214 (52%) for the comparable period in 2008. Of the decrease of $70,892, 56% was due to the depreciation of the Canadian dollar while the remaining 44% resulted from a reduction in staffing reflecting the Corporation's economic circumstances.

Professional costs, which include legal, auditing and outside consulting fees, totaled $349,454 (62%) in the first quarter of 2009 as compared to $37,931 (8%) in the comparable 2008 period. This increase relates to legal costs incurred in defending the Kazakhstan and Victoria lawsuits filed against the Corporation in 2008.

Costs related to the maintenance of Alhambra as a public corporation including investor relations, stock exchange and corporate trust services and annual and quarterly report costs totaled $9,696 (2%) for the first quarter of 2009 as compared to $137,409 (30%) in the comparable 2008 period. The decrease was due to the elimination of the Corporation's investor relations program in 2009 reflecting the Corporation's current economic circumstances. If the Corporation is successful in its appeal to the Supreme Court, it will be necessary for Alhambra to resume an aggressive investor relations program to support an effort to raise funds to continue with its plans to develop Saga Creek's gold resources and reserves.

Office expenses incurred in the three months ended March 31, 2009 totaled $81,651 (2008 - $103,464) accounted for a further 15% (2008 – 23%) of general and administrative expenses. The decrease was a result of the depreciation of the Canadian dollar.

The Corporation billed DOT $48,169 (9%) during 2008 under its agreement to provide management services under the Contract. This compares to $59,748 (13%) billed for the comparable three month period in 2008. The decrease is attributable to the decline in the value of the Canadian dollar since amounts billed in Canadian dollars were the same for both periods.

Business Risks

The following describes the types of risks that the Corporation was exposed to in its operations and how it managed those risks up until the unfavorable decision reached in the Kazakhstan Lawsuit resulted in the loss of its Kazakhstan Subsidiaries. As the Corporation has appealed the decision to the Supreme Court, Alhambra believes that it should continue to provide information on these risks in its MD&A until all legal remedies available to the Corporation have been exhausted.

World economic slowdown

The current worldwide economic slowdown, stock market uncertainty and international credit crisis could adversely impact the Corporation's ability to raise sufficient working capital to sustain operations. The Corporation can neither predict the impact the current economic conditions will have on future results, nor predict when the economy will show meaningful improvement.

Exploration and development

The mining industry in general is inherently risky in nature. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and a company may be subject to risks from operations, mining law, environmental regulations, permits and licenses and financing.

Focusing exploration efforts in areas in which a company has existing knowledge and expertise help in its efforts to find reserves. Exploration activities rely on the exploration results collected at that time and on the professional judgment of people involved in the exploration business. There is no assurance that exploration programs will result in a discovery being made. In the event that a discovery is made, no assurance can be given that the discovery will result in either resources or reserves being established on the property. If reserves are established, it may take a number of years and substantial expenditures until production is achieved, during which time the economic feasibility of the project may change.

The long-term profitability of a company's operation will, in part, be directly related to the success of its exploration programs in finding additional reserves, which may be affected by a number of factors that are beyond the control of the company.

Operations risk

Operational risk relates to the ability to recover metal from an established mineral reserve. Using skilled and experienced professional staff helps to reduce this risk. Using the latest technologies and controlling costs to maximize profitability also assist in minimization of this risk. Other possible risks include changes in metal prices, unstable ground conditions, procurement of reagents, supplies and fuels and qualified operating personnel as well as severe weather conditions. Maintaining insurance can help to mitigate some of the operational risks.

Country risk

When operating in a country such as Kazakhstan, a company is subject to economic, political and social risks inherent in doing business in that country. These risks include matters arising out of the policies of the government, economic conditions, imposition of, or changes to, taxes and regulations, foreign currency exchange fluctuations and the enforceability of contract rights.

Regulations and mining law

Mining operations and exploration activities are subject to the laws and regulations of a country in which a company does business. There is no assurance that these laws will not change in the future.

Environmental factors

All phases of a company's operations are subject to environmental regulations in the country in which it operates. Environmental legislation may continue to evolve in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. While a company may take the steps necessary to protect the environment around its operations, there is no assurance that future changes in environmental regulation, if any, will not adversely affect a company's operations or result in substantial costs and liabilities in the future.

Permits and licenses

The operation of a company requires permits from the government of the country in which the company operates. There can be no assurance that a company will be able to obtain all necessary permits that may be required to carry out its operations in the future.

Income and other taxes

As in many emerging markets, the taxation system in Kazakhstan is relatively new and is characterized by numerous taxes and frequent changes in legislation, official pronouncements and court decisions. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year may remain open for review by the tax authorities for a number of subsequent calendar years which also adds to the uncertainty.

These circumstances may create tax risks that are more significant than in other countries. While a company may believe that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions, the interpretations of the relevant authorities could differ. The impact on financial results, if the authorities are successful in enforcing their interpretations, could be significant.

Going Concern Risk

Due to the unfavorable decision reached in the Kazakhstan Lawsuit, Alhambra 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, 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.

Significant Accounting Policies

The significant accounting policies used by the Corporation are disclosed in the notes to the Corporation's December 31, 2008 audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in this MD&A to aid the reader in assessing the significant accounting policies and practices of the Corporation and likelihood of materially different results being reported. The Corporation's management reviews its estimates regularly.

Stock-based compensation

Compensation costs attributable to stock options granted by the Corporation are charged to earnings over the vesting periods of the options. The fair value calculation method adopted by the Corporation is the Black-Scholes model, which requires management to estimate interest rates, the expected life of the options and the expected volatility of the Corporation's share price over the life of the options. These estimates may be different than the actual interest rates, life and volatility.

New Accounting Pronouncements

The Corporation has adopted the following guidelines provided by the Canadian Institute of Chartered Accountants ("CICA") effective January 1, 2009:

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.

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 the Corporation's financial statements.

Future accounting pronouncements

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new accounting standards: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Corporation is in the process of evaluating the requirement of the new standards.

Section 1582 replaces Section 1581 establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard

("IFRS") 3 (2008), "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provision of IFRS 27 (2008), "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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.

Summary of Quarterly Results

Three months ended, ($)	June 30 2008	September 30 2008	December 31 2008	March 31 2009
Net loss	(973,943)	(196,476)	(31,687,984)	(676,735)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.41)	(0.01)

Three months ended, ($)	June 30 2007	September 30 2007	December 31 2007	March 31 2008
Net income (loss)	(871,412)	67,510	89,431	(815,720)
Basic and diluted net income (loss) per share	(0.01)	0.00	0.00	(0.01)

The significant loss reported in the fourth quarter of 2008 was the result of the write-off of the investment in the Kazakhstan Subsidiaries. As a result of the write-off, quarterly information starting in 2009 relates only to Alhambra's corporate activities.

Outlook for 2009

The outlook for Alhambra for 2009 and beyond is very uncertain and indeterminable at this time. The Corporation is currently focused on the Kazakhstan Lawsuit which as noted above has been appealed to the Supreme Court. Alhambra is uncertain at this time if the Supreme Court will even choose to consider the Corporation's appeal. If the Supreme Court decides to consider the appeal there is no certainty that it will rule in Alhambra's favor and overturn the decisions of the lower courts.

The loss of the Kazakhstan Subsidiaries has made it necessary for the Corporation to seek external financing to fund its corporate expenses including legal costs associated with the Kazakhstan Lawsuits. While the recently completed financings have enabled Alhambra to meet some of these obligations, it has not been adequate to meet them all. There is no assurance that additional funds will be available to meet unpaid past obligations or meet future obligations. Without additional financing or success in the appeal to the Supreme Court, Alhambra's ability to continue as a going concern will be in serious doubt.

While a favorable ruling by the Supreme Court will improve the outlook for the Corporation, it will still be necessary for the Corporation to obtain additional financing to satisfy its outstanding obligations and continue with its plans to develop Saga Creek's gold resources and reserves. With the general worldwide economic slowdown, stock market uncertainty and worldwide credit crisis, there is no certainty that the Corporation will be able to raise the necessary working capital