Alhambra Resources Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three Months Ended March 31, 2010

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, 2010 and the factors reasonably expected to impact future operations and results as prepared on April 27, 2010. 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, 2009 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 April 27, 2010. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com.

Re-acquisition of Saga Creek Gold Company

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 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 was 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 whose decision, rendered on February 27, 2009, again upheld the decisions of the previous courts. 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. As a result of the decision the assets and liabilities related to the Kazakhstan mineral operations were written off as of December 26, 2009.

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 Supreme Court hearing was held on August 12, 2009 at which time the Supreme Court reversed the decisions of the Lower Courts and dismissed the Plaintiffs' claim. On September 15, 2009 the ownership of the shares of the Kazakhstan Subsidiaries was re-registered in the name of Alhambra and the Corporation commenced operations on that date.

The unfavorable decision reached by the Kazakhstan court that invalidated the Corporation's ownership of its Kazakhstan subsidiaries on December 26, 2008 resulted in the Corporation not being granted sufficient access to the accounting records related to the 2008 year. Without this access, management of the Corporation was not able to complete the necessary review of documents and transactions to ensure that the information received up to that date was complete and accurate. Consequently the Corporation's auditors were unable to obtain sufficient appropriate audit evidence for expenses related to the Kazakhstan operations, and income taxes. As a result neither the auditors nor the Corporation were able to determine if there might have been adjustments necessary to expenses, income taxes and net loss from the Kazakhstan operations for the three months ended December 31, 2008.

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, statements concerning the strategy of advancing the Uzboy Project towards pre-feasibility, the formalization of a development plan, converting Inferred resources to mineral reserves by conducting additional exploration and other factors and events 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, 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. Such risks and other factors include, among others, the Corporation's liquidity and financial capacity, the Corporation's funding sources to meet various obligations, advancing the project towards pre-feasibility, formalizing a development plan, lack of financing in order to convert Inferred resources to mineral reserves through additional exploration, costs and timing of exploration and production development, availability of capital to fund exploration and production development; political, social and other risks inherent in carrying on business in a foreign jurisdiction, the effects of a recessionary economy and such other business risks as discussed herein and other publicly filed disclosure documents. 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 a defined term under GAAP. Funds flow from operations is defined as cash flow from operating activities before changes in non-cash working capital. Management believes that 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		2010		2009
Cash flow provided by (used in) operating activities	$	14,009	$	(330,880)
Change in non-cash working capital		(171,337)		282,579
Funds used in operations	$	(157,328)	$	(613,459)

Measurement Uncertainty

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the 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. DOT holds and conducts exploration activities on the Corporation's former Canadian DOT property, situated near Kamloops, British Columbia ("DOT Property").

Pursuant to the Arrangement, the DOT Property was transferred to DOT at its carrying amount of $944,666 in exchange for 30,000,000 common shares. Every shareholder of the Corporation received one (1) new common share and 0.21153 of a DOT common share for every one (1) common share of the Corporation held on the effective date of the Arrangement resulting in 15,000,000 DOT common shares held by Alhambra being distributed to Alhambra shareholders on a pro rata basis. As a result of the Arrangement, Alhambra holds 15,000,001 shares of DOT which represents approximately 27% of the 55,734,333 common shares of DOT currently outstanding. At March 31, 2010, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$2,400,000.

Operating and Financial Highlights

Three months ended March 31,	2010	2009
Operating (for the three months ended December 31):		
Mining:		
Waste mined (Tonnes (“T”)) [1]	444,218	–
Ore stacked (T) [1]	117,536	–
Grade of ore mined (Grams/T) [1]	0.78	–
Recoverable gold mined (Troy ounces (oz)) [1] [2]	1,925	–
Gold sales (ozs) [1]	1,892	–
Gold in work in progress (ozs)	31,127	–
Financial [1]:		
Revenue ($) [1]	2,124,111	–
Average gold price ($/oz) [1]	1,122.68	–
Operations expenses ($) [1]	1,519,735	–
Operations expenses ($/oz) [1]	803.24	–
Net income (loss) ($) [1]	(766,590)	(676,735)
Net income (loss) per share		
Basic and diluted($) [1]	(0.01)	(0.01)
Capital expenditures ($) [1]	290,672	360
Total assets ($) [1]	105,731,974	689,630
Shareholders’ equity (deficiency) ($) [1]	67,974,295	(933,177)
Common shares outstanding at year end	81,074,421	75,774,147

Notes:

1. Effective September 15, 2009 the Corporation recorded the assets and liabilities of the Kazakhstan Subsidiaries at their estimated fair value for a cost of $nil thereby recognizing a gain on the re-acquisition on that date. Operating results for the three months ended March 31, 2009 reflect the fact that the Corporation wrote off its investment of the Kazakhstan subsidiary at December 26, 2008 as a result of the Kazakhstan appeal court ruling in favor of the Plaintiff in the Kazakhstan lawsuit.

2. Recoverable gold is equal to 65% of estimated total gold stacked.

Except for the period from December 26, 2008 to September 15, 2009, the Corporation mined oxide gold mineralization from the West and East zones of the Uzboy gold deposit. The Corporation started the period on January 1, 2010 with an estimated 31,904 ozs of gold in work in progress. During the three months ended March 31, 2010, the Corporation sold a total of 1,892 ounces (“ozs”) of gold for total proceeds of $2.1 million. An additional estimated 1,925 ozs of gold was stacked which, after selling the 1,892 ozs of gold, resulted in an estimated balance of 31,127 ozs in work in progress at March 31, 2010.

During the three months ended March 31, 2010, the Corporation mined a total of 444,218 T of waste and stacked 117,536 T of ore at an average gold grade of 0.78 grams/T (“g/t”).

Financial Review

As a result of the decision of the courts of Kazakhstan which resulted in the write off of the Corporation’s in the Kazakhstan Subsidiaries effective December 26, 2008, there were no results for mining activities for the period from January 1, 2009 until the date of re-acquisition of Saga Creek on September 15, 2009. As a result, the financial results recorded for three months ended March 31, 2010 are not necessarily comparative to the financial results for the three months ended March 31, 2009.

Segmented information

The Corporation and its subsidiaries operate in one reportable segment, the exploration for and development of mineral properties. Identifiable assets, revenues and net loss in each of its geographic are as disclosed in note 17 to the unaudited consolidated financial statements.

Sales revenue

Revenue is recognized from the sale of gold when the price is determinable, the product has been delivered and title has been transferred to the customer and collection of the sales price is reasonably assured. The Corporation ships cathodic sediment to a refinery in Italy where the final refining process takes place and the gold is sold.

During the three months ended March 31, 2010, the Corporation recognized $2,124,111 in revenue from the sale of 1,892 ozs of gold at an average price of $1,122.68/oz. While gold sales are typically lower in the first quarter of the year as compared to other quarters, gold sales for the first quarter of 2010 were even lower than normal. This was a result of the extremely cold winter experienced at the Uzboy mine which resulted in the heap freezing to deeper depths than in past years thus lowering gold recoveries.

Net smelter royalty

The net smelter royalty ranges from 2.5 to 3.0% (dependent on the price of gold) of the gross revenue. During the three months ended March 31, 2010, the Corporation recognized $63,723 in net smelter royalty expenses, which is 3% of the revenue recognized in the period.

Mineral extraction tax

Effective January 1, 2009 the Government of Kazakhstan enacted new tax legislation that included a tax on the value of useful mineral reserves extracted under the terms of a subsoil use contract. Under the provisions of the legislation, the tax is based on production volumes priced at the average daily benchmark price. The rate for gold and silver, being the two products which the Corporation currently mines is 5% from January 1, 2009 to December 31, 2012 and 5.5% thereafter. A total of $92,989 was expensed for the three months ended March 31, 2010.

Operating expenses

Operating expenses consist of all costs associated with the production of gold, (including direct costs incurred in the mining, leaching and resin stripping processes ("process operating costs")), transportation and refining of the cathodic sediment and depreciation, depletion and accretion on assets involved in mining activities. In addition the fair value assigned to mineral assets at September 15, 2009 is amortized to work in progress based on the volumes of recoverable gold processed as a percentage of resources attributed to the Uzboy project. All process operating costs charged to work in progress are expensed on the basis of the quantity of gold sold as a percentage of total recoverable gold mined.

Operating costs for the three months ended March 31, 2010 totaled $1,519,735 or $803.24/oz of gold sold. Included in this amount is approximately $225/oz related to the amortization of the bump-up to fair value from the estimated cost of work in progress on re-valuation at September 15, 2009.

General and administrative expenses

General and administrative expenses for the three months ended March 31, 2010 decreased by $43,815 to $513,139 from the $556,954 recorded in the comparable three month period ending March 31, 2009. Of the 2010 total, $299,423 related to the Saga Creek operations.

The remainder of general and administrative costs relates to corporate activities. For the three months ended March 31, 2010, corporate general and administrative costs totaled $213,716, which was a decrease of $343,238 over the corresponding 2009 amount of $556,954. The decrease is primarily the result of higher legal costs incurred in 2009 in defending the Corporation in the Kazakhstan lawsuit.

Interest and accretion on debt

Three months ended March 31,		2010		2009
Interest expense	$	69,045	$	31,541
Accretion on debt		43,476		–
	$	112,521	$	31,541

Interest and accretion on debt for the three months ended March 31, 2010 totaled $112,521, an increase of $80,980 over the comparable third quarter 2009 amount of $31, Saga Creek's interest expense for the period for the three months ended March 31, 2010 totaled $31,541. The interest expense recorded by Saga Creek in 2010 relates to interest on unpaid Mineral Extraction Tax.

The remaining $80,751 of interest incurred in the three months ended March 31, 2010 is comprised primarily of $33,512 (2009 – $31,541) related to the twelve percent (12%) secured debentures (the "Debentures") originally issued in August of 2008 (see note 7 of the unaudited consolidated financial statements).

For the three months ended March 31, 2010, $43,476 of value assigned to the 2,500,450 warrants issued as part of the Debentures was accreted to interest expense (see note 7 of the consolidated unaudited 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 years ended March 31, 2010 and 2009 were $164,760 and $62,820, respectively. Stock-based compensation expense for 2010 relates to the amortization of the value calculated for the 3,600,000 options granted in the last four months of 2009. The stock-based compensation expense for 2008 relates primarily to the 2,750,000 options that were granted in the first quarter of 2008.

Depreciation, depletion and accretion

Depreciation, depletion and accretion expense for the three months ended March 31, 2010 was $231,223 as compared to the $1,950 recorded for the three months ended March 31, 2009. Of the 2010 total, $229,361 relates to the Kazakhstan operations.

Depletion, depletion and amortization charged on the fair value assigned to mineral properties as a result of the re-acquisition is charged to work in progress on the basis of the volume of gold produced as a percentage of total estimated gold resources. It is then expensed on the basis of gold sales as a percentage of gold in work in progress. For the three months ended March 31, 2010, approximately $1,009,000 of depreciation, depletion and amortization was charged to work in progress.

Foreign exchange gain

During the three months ended March 31, 2010, the Corporation recorded a foreign exchange gain of $177,128 as compared to a foreign exchange loss of $291 for the comparable three month period ended March 31, 2009. Saga Creek's operations accounted for $165,672 of the total gain recorded in 2010. Alhambra corporate was responsible for the remaining $11,456 of the 2010 foreign exchange gain. Saga Creek's 2009 foreign exchange gain is a result of the 1% increase in the value of the Kazakhstan Tenge as compared to the US$ in the period from December 31, 2009 to March 31, 2010.

Income tax expense

Income tax expense recorded relates entirely to Saga Creek. As Saga Creek is a profitable entity, it is subject to income tax under Kazakhstan law. During the three months ended March 31, 2010 the Corporation recorded $331,800 of income tax expense all of which was future income tax. No current income tax expense has been recorded for the three months ended March 31, 2010 as Saga Creek utilized tax losses incurred in prior years to reduce current taxes that otherwise would have been payable. The utilization of these loss carry forwards resulted in the recording of the future income tax expense of $331,800 for the three months ended March 31, 2010 as the Corporation had recognized in future income taxes on the balance sheet at December 31, 2009, the future benefit of these loss carry forwards.

At September 15, 2009 Saga Creek recorded a large future income tax liability associated with the fair value assigned to Saga Creek's assets and liabilities. Expectations are that the Corporation will begin to record future income tax recoveries as these assets are amortized to the income statement. This should begin to occur once the benefits of the loss carry forwards have been fully recognized.

Effective January 1, 2009 the government of Kazakhstan introduced an excess profits tax. This tax is a progressive tax in that as excess profits increase, the rate of tax on the increment in excess profits, as defined, also increases. The Corporation was not subject to any excess profits tax in the three months ended March 31, 2010.

Equity loss

The Corporation accounts for its ownership of the common shares of DOT using the equity method of accounting. On September 23, 2009 DOT issued additional common share equity that reduced Alhambra ownership to 27% from the 36% owned prior to the DOT issue. Despite the lower equity interest, the Corporation recorded a 64% larger equity loss of $37,939 for the three months ended March 31, 2010 as compared to the $23,179 recorded for the comparable three months ended March 31, 2009 year. This increase was the result of an 84% increase in the loss recorded by DOT in the three months ended March 31, 2010 as compared to the loss recorded by DOT in the comparable three month period in 2009, combined with a 17% decrease in the average value of the US$ as compared to the CDN$ over the same period.

Funds and cash flow

Funds flow used in operating activities was $157,328 for the three months ended March 31, 2010 as compared to funds flow utilized in operating activities of $613,459 for the three months ended March 31, 2009. In the three months ended March 31, 2010, mining operations at Saga Creek continued to contribute positive funds flow which totaled $82,207. This includes a reduction in funds flow from operating activities of $424,083 related to the amortization of the fair value bump-up of work in progress at September 15, 2009.

Positive funds flow from mining operations was offset by funds flow utilized in corporate activities, which is primarily head office general and administration expense. For the three months ended March 31, 2010 and 2009, funds flow used in corporate activities was $239,535 and $613,459, respectively. The $373,924 improvement in negative corporate funds flow is primarily the result of the decrease in general and administration costs from the three months ended March 31, 2010 from that reported in the comparable three month period ending March 31, 2009.

Net income (loss)

The Corporation recorded a net loss of $766,590 for the three months ended March 31, 2010 compared to a net loss recorded in the comparable three month period ending March 31, 2009 of $676,735. The net loss for the three months ended was comprised of a net loss of $279,018 from mining operations and $487,572 from Corporate operations while the $676,735 net loss recorded for the three months ended March 31, 2009 related entirely to Corporate operations.

The $189,163 decrease in Corporate losses for the three months ended March 31, 2010 as compared to the three month period ending March 31, 2009 was primarily the result of the decrease in funds flow utilized in corporate activities of $373,924 reported above offset mainly by the increase in stock-based compensation and the accretion of the discount on the debentures.

Based on a weighted average number of common shares of 81,074,421 and 75,774,147 for the three months ended March 31, 1010 and 2009, respectively, the Corporation's basic and diluted loss per common share was $0.01 for both periods.

Liquidity and capital resources

At March 31, 2010 the Corporation had $178,987 (December 31, 2009 – $343,619) in cash and $7,682,027 (December 31, 2009 – $7,925,530) in positive working capital. Included in other working capital is $10,385,197 (December 31, 2009 - $9,494,769) in work in progress related to 17,000 ozs (December 31, 2009 – 17,000) of gold that the Corporation is estimating it will sell during the next twelve months.

Related party transactions

During the three months ended March 31, 2010, the Corporation incurred $500 (2009 - $16,931) in costs from a law firm in which an officer of the Corporation is a partner. The officer resigned his position effective April 29, 2009. The amount owing to the law firm as of March 31, 2010 was $132,838 (2009 - $172,336).

On August 29, 2007, the Corporation and DOT 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 (2009 – CDN$60,000) under the Contract. The amount uncollected as of March 31, 2010 was CDN$168,353 (2009 – CDN$nil).

These transactions 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, accounts receivable, accounts payable and accrued liabilities and Debentures are approximated by their carrying amounts because of their short-term nature or because they bear interest at market rates.

Commitment and contingencies

Effective September 1, 2009 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 approximately 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, 2010 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, 2010 the Corporation has recorded all amounts due under the lease agreement. No provision for damages has been recorded in the financial statements. The Corporation is currently assessing its options in this matter.

Effective January 1, 2009, the Government of Kazakhstan enacted new tax legislation that included a tax on the value of useful mineral reserves extracted under the terms of a subsoil use contract. Under the provision of the legislation, the tax is based on production volumes priced at the average daily benchmark price. The rate for gold and silver, being the two products which the Corporation currently mines and sells is 5% from January 1, 2009 to December 31, 2012 and 5.5% thereafter. As the tax is new, the determination of what constitutes useful mineral reserves extracted is not well understood. While the Corporation believes that it is correct in its interpretation of the rules relative to the determination of useful mineral reserves extracted, there still exists some uncertainty at this time as to whether the tax authorities will be in agreement. No provision has been made in the financial statements for the costs and penalties that may be applicable should it be determined that the Corporation's interpretation is incorrect.

The Corporation has no other off balance sheet financing arrangements.

Disclosure of outstanding share data

	As of March 31, 2010	Change in 2010	Issued in 2010	As of May 27, 2010
Common shares issued and outstanding	81,074,421	–	–	81,074,421
Common shares issuable upon exercise of stock options	6,525,000	(800,000)	–	5,725,000
Common shares issuable upon exercise of warrants	2,500,450	–	–	2,500,450
Common shares issuable upon conversion of debenture	4,043,890	131,313	–	4,175,203
Common shares fully diluted	94,143,761	(668,687)	–	93,475,074

At March 31, 2010, there were 81,074,421 common shares issued and outstanding and 94,143,761 fully diluted common shares after giving effect to the exercise of all outstanding stock options and warrants and the conversion to common shares of the Debentures including accrued interest thereon. Subsequently, up to May 27, 2010, no additional common shares have been issued and 800,000 options expired unexercised.

Disclosure of material components of expenditures

During the three months ended March 31, 2010, the Corporation spent $290,672 in capital expenditures on Saga Creek's mining projects. Due to severe winter conditions, exploration activities during the quarter were relatively modest. Approximately $50,000 was spent on a core drilling program at the Uzboy Nova target aimed at adding additional oxide reserves. Results of the drilling program have yet been received. The remaining costs were incurred as part of the evaluation process being undertaken on advanced and early stage exploration targets.

For the three months ended March 31, 2010, general and administrative expenses totaled $513,139, a decrease of $43,815 from the comparable 2009 amount of $556,954. Included in the 20010 amount was $299,423 of general and administrative costs related to Saga Creek's operations. Corporate overhead costs accounted for the remaining $213,716 of the 2010 amount, which is $343,238 lower than the $556,954 reported in the three months ended March 31, 2009.

Employee costs accounted for $161,736 (76%) of the total corporate general and administration costs in the three months ended March 31, 2010 as compared to $164,322 (29%) of the total in the comparable 2009 period. The decrease was the result of a lower staff level during the first quarter of 2010 as compared to the comparable period in 2009 partially offset by the 16.5% decline in the value of the US$ as compared to the CDN$ over the same period. The reductions in staff necessitated by the loss of ownership of the Kazakhstan Subsidiaries were made during the second quarter of 2009. While no additional staff has been rehired as a result of the re-acquisition, the Corporation is re-assessing its needs as part of an overall review of its corporate strategy.

Corporate professional costs, which include legal, auditing and outside consulting fees, totaled $15,426 (7%) in the three months ended March 31, 2010 as compared to $349,454 (63%) in the comparable three month period in 2009. Professional costs were high in 2009 as the Corporation incurred significant legal costs in defending the Kazakhstan Lawsuit.

Office expenses in the three months ended March 31, 2010 of $24,472 (2009 - $81,651) accounted for a further 11% (2009 – 15%) of corporate general and administrative expenses. The decrease was primarily the result of the Corporation not incurring any rent in the three month period ended March 31, 2010.

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 accounted for $69,771 (33%) of total corporate general and administrative expenses in the three months ended March 31, 2010 as compared to $9,696 (2%) for the comparable three month period in 2009. As a result of the re-acquisition on September 15, 2009, the Corporation began to re-establish its investor relations program thus accounting for the increase.

The Corporation billed DOT $57,689 (27%) during the three months ended March 31, 2010 under its agreement to provide management services under the Contract. This compares to $48,169 (9%) billed during the comparable three month period in 2009. The difference between 2010 and 2009 is due to the weaker US$ as compared to the CDN$ in the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Business Risks

The following describes the types of risks that the Corporation is exposed to in its operations and how it manages those risks.

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 helps 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

The re-acquisition of the Kazakhstan Subsidiaries effective September 15, 2009 has significantly reduced Alhambra's going concern risk. However, in order to pay old outstanding obligations incurred in defending the Kazakhstan Lawsuit, continue as a going concern, as well as implement exploration and development plans to sustain the Corporation and promote growth, significant additional capital will be required. The Corporation is currently attempting to raise addition 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 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.

The following significant accounting policies outline the major policies involving critical estimates.

Work in progress

Work in progress is determined by estimating the quantity of recoverable gold at the various stages of the production process. While the Corporation performs tests to estimate the recoverability of gold as well as uses various sampling techniques to measure the daily quantity of gold either stacked on or recovered from the heaps in each process, the actual quantity of recoverable gold can only be determined with certainty after the reserves have been completely mined and the project abandoned. Work in progress was written off at December 26, 2008 as a result of the loss of the Kazakhstan Subsidiaries. Upon re-acquisition the Corporation was required to record the work in progress at fair market value.

Mineral resources and reserves

A mineral resource is defined by the Canadian Institute of Mining, Metallurgy and Petroleum as a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospect for economic extraction. Mineral reserves are those parts of mineral resources which, after the application of all mining factors, estimated gold recovery and operating costs, are the estimated tonnage and grade which is the basis of an economically viable project. Proven and Probable mineral reserves differ by the degree of certainty of such reserves. By their nature, reserves are at best estimates and can only be determined once the reserves have been completely mined and the project abandoned. Changes in Proven and Probable mineral reserves impact the calculation of depletion and the evaluation for impairment as discussed in note 2(g) of the December 31, 2009 audited consolidated financial statements.

Upon re-acquisition, the Corporation was required to record mineral properties at fair market value. In determining the fair market value of Saga Creek's assets, the Corporation made assumptions about reserves, recovery rates, prices, operating, general and administration costs and capital costs and future income tax rates as well as made assumptions in determining the Corporation's weighted average cost of capital used to discount the estimated annualized cash flows that were derived from the modeling work done. These values are management's best estimates based on current information and are subject to change.

Asset retirement obligations

Asset retirement obligations are initially measured at fair value when they are incurred which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

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.

Income tax accounting

The determination of the Corporation's income tax assets and liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax assets and liabilities may differ significantly from that estimated and recorded by management. This is further complicated by the fact that the taxation system in Kazakhstan is relatively new and characterized by frequent changes in legislation, official pronouncements and court decisions.

Future accounting pronouncements

International financial reporting standards ("IFRS")

Publicly accountable entities will be required to adopt International Financial Reporting Standards ("**IFRS**") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011 including comparative figures for the prior year. The Corporation will transition to IFRS effective January 1, 2011 and intends to issue its first interim financial statements under IFRS for the three month period ending March 31, 2011 and a complete set of financial statements under IFRS for the year ending December 31, 2011.

To date, management has been focused on several significant transactions including the re-acquisition and resumption of the management of the Kazakhstan subsidiaries. As such, significant resources have not yet been dedicated to the IFRS conversion project. While education and initial assessment activities have been conducted, a formal conversion assessment and the associated conversion plan has not been developed.

An evaluation of IFRS conversion requirements that pertain to the Corporation will be conducted during the second half of 2010. This will then lead to the development of an implementation plan to transition the Corporation's financial reporting process, including internal controls and information systems to IFRS. The evaluation will also allow the Corporation to be in a position to estimate the initial financial impact of the transition to IFRS.

To date no specific financial areas have been reviewed, however, based on the education and initial assessment activities completed to date, the following are the more significant IFRS differences impacting the financial statements of the Corporation:

Mineral assets – the carrying value of Corporation's undeveloped properties will be considered E&E assets under IFRS. IFRS permits an entity to elect the level at which E&E assets will be tested for impairment whilst in the E&E stage. E&E assets can be tested at a granular level up to the level of an operating segment. Management has not determined if it will continue to assess E&E assets under IFRS at the same level as under Canadian GAAP. Under Canadian GAAP, the Corporation assesses its undeveloped properties for impairment at the level of a mineral property (i.e. Uzboy).

Business combinations – in 2009 the Corporation early adopted revised Canadian accounting standards on accounting for business combinations that are consistent with IFRS. Management anticipates that on conversion to IFRS an election will be made such that business combinations prior to 2009 are not restated. Business combinations completed in 2010 will be recorded in accordance with Canadian accounting standards that are conformed to IFRS, thereby eliminating a transition difference.

Convertible debentures – IFRS and Canadian GAAP have a similar methodology for accounting for convertible debentures (i.e. split the convertible debenture between its debt and equity components). However, IFRS has specific rules that if not met would prevent the conversion feature from being included in equity. Under IFRS, if the conversion feature cannot be classified in equity it would be considered a derivative liability which would be recorded at fair value each period with changes in fair value included in earnings. Alternatively, IFRS permits, in certain circumstances, an election whereby the convertible debenture in its entirety is recorded at fair value with changes included in earnings. The Corporation has not determined if the conversion feature in the debentures will meet the requirements under IFRS that will allow it to continue to be recorded in equity.

Share-based payments: Under IFRS 2, Share-Based Payment, awards will continue to be measured at fair value, with compensation expense under the Corporation's plans recognized over the service period. For Alhambra's plan which is equity-settled, the Corporation will continue to recognize a corresponding increase in equity. Unlike Canadian GAAP, the service period under IFRS may commence prior to the date of grant and end on the vesting date. Also unlike Canadian GAAP, which allows the expense to be recorded on a straight-line basis, IFRS requires the expense recognition to be graded. Both of these represent a difference in timing and ultimately do not impact the overall expense.

Summary of Quarterly Results

Three months ended	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010
Net income (loss)	$ (410,703)	$ 76,041,953	$ (8,202,362)	$ (766,590)
Basic net income (loss) per share	$ (0.01)	$ 0.99	$ (0.10)	$ (0.01)
Diluted net income per share	$ (0.01)	$ 0.93	$ (0.10)	$ (0.01)

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)

The significant net income reported in the third quarter of 2009 was the result of the gain recorded on the re-acquisition of the Kazakhstan Subsidiaries while the significant loss reported in the fourth quarter of 2008 was the result of the write-off of the investment in the Kazakhstan Subsidiaries. The large loss in the fourth quarter of 2009 was as a result of an adjustment made to the gain on re-acquisition recorded in the third quarter. This adjustment related primarily to an adjustment to the future tax rate offset by an increase in the fair value of work in progress.

Operations at Saga Creek are seasonal such that given no other major operational issues, it is expected that the gold sales during the cold weather months will be less than other months. As a result, monthly sales of gold during the months of December through May will be less than during other months of the year. The Corporation does heat the leaching solution to help offset some of the effects of the cold winters. This trend was consistent during the 2008 and 2009 year.

Objectives for 2010

During 2009, a number of changes took place in senior personnel at both Saga Creek and Alhambra that impacted the operations of both companies. Upon re-acquisition on September 15, 2009, Alhambra commenced an assessment of the impacts on Saga Creek during the period in which it had no control over its operations and exploration plans. The Corporation engaged technical experts to assist in the assessment and the development of its go forward operations and exploration plans. Alhambra determined that work it had planned to carry out during 2009, particularly exploration drilling and other development plans, had not been initiated. Although Alhambra has effectively not met its original exploration objectives for 2009 due to its loss of control of Saga Creek, the Corporation has now established a strong platform for its go forward operations and exploration strategies.

Alhambra's mining and operations teams have established plans to improve overall operating efficiencies and cost effectiveness while exploration activities will focus on the most advanced, high potential, exploration targets. Alhambra's more important 2010 objectives include:

Increasing current NI 43-101 compliant resources and reserves. Subject to sufficient cash flow and obtaining suitable financing, Alhambra anticipates spending approximately US$4 million focused on drilling a number of highly prospective exploration areas.

Focus on three 2010 priority project areas. The Uzboy Gold Deposit, Shirotnaia and the Dombraly Gold Deposit are the three priority project areas that will be focused on in 2010. The objective is to increase current resources and reserves and assess the economic potential of the Dombraly Gold Deposit.

Advance early stage exploration projects. Alhambra has currently identified 4 projects which it anticipates are of high potential. These areas include Vasilkovskoe East, Zhanatobe, North Balusty and Kerbay. Early stage exploration programs have been identified for each of these areas. Given success, these initial programs will be followed up with additional phases of exploration.

Working towards advancing the Uzboy Preliminary Economic Assessment to a pre-feasibility study. The results of the Uzboy gold deposit Preliminary Economic Assessment or Scoping Study, titled "Updated Scoping Study On the Oxide, Transitional, and Primary Resources at the Uzboy Gold Deposit, Akmola Oblast, Kazakhstan" dated December 10, 2009, was independently conducted and prepared by ACA Howe International Limited and was announced on December 14, 2009. The result of the Scoping Study is the first step towards assessing the economic potential of the Uzboy sulphide gold mineralization and will be used to identify additional work necessary to complete a pre-feasibility study on the Uzboy gold deposit.