Interim Unaudited Consolidated Financial Statements of

ALHAMBRA RESOURCES LTD.

Three Months Ended March 31, 2012

Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three months ended March 31, 2012 and 2011.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in thousands of U.S. dollars)

As at	Note	March 31, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents	7	$ 221	$ 873
Trade and other receivables		1,589	725
Deposits and prepaid expenses		2,491	2,471
Inventories	8	10,826	14,934
Total current assets		15,127	19,003
Non-current assets:			
Property, plant and equipment	9	66,429	66,483
Intangible assets	10	9,382	8,648
Investment in equity accounted investee	11	508	501
Inventories	8	22,182	17,704
Total non-current assets		98,501	93,336
Total assets		$ 113,628	$ 112,339
Liabilities and Equity			
Current liabilities:			
Trade and other payables		$ 7,542	$ 7,520
Total current liabilities		7,542	7,520
Non-current liabilities:			
Provisions	12	298	283
Deferred tax liabilities		31,982	32,390
Total non-current liabilities		32,280	32,673
Total liabilities		39,822	40,193
Equity:			
Share capital	14	42,132	42,132
Warrants	14	3,787	2,393
Contributed surplus	14	9,214	9,017
Foreign currency translation reserve		957	728
Retained earnings		17,716	17,876
Total equity		73,806	72,146
Total liabilities and equity		$ 113,628	$ 112,339

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Income and Expense
(Unaudited)
(Expressed in thousands of U.S. dollars)

For the three months ended	Note	March 31, 2012	March 31, 2011
Revenue:			
Sales		$ 3,127	$ 2,466
Less net smelter royalty		94	74
		3,033	2,392
Cost of sales		1,641	1,502
Gross profit		1,392	890
Expenses:			
Administrative expenses	6	742	2,519
Depletion and depreciation	9,10	416	445
		234	(2,074)
Finance costs	5	1,244	32
Share of loss of equity accounted investee	11	2	3
Loss before income taxes		(1,012)	(2,109)
Income tax expense (recovery)		(852)	(423)
Net loss for the year attributable to the equity holders of the Corporation		$ (160)	$ (1,686)
Loss per share:			
Basic	15	$ (0.00)	$ (0.01)
Diluted	15	(0.00)	(0.01)

Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
(Expressed in thousands of U.S. dollars)

For the three months ended	March 31, 2012	March 31, 2011
Net loss for the year	$ (160)	$ (1,686)
Other comprehensive (loss) income:		
Foreign currency translation difference for foreign operations	229	682
Total comprehensive income (loss)	$ 69	$ (1,004)

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of U.S. dollars)

	Share Capital	Warrants	Contributed surplus	Foreign currency translation reserve	Retained earnings	Total
Balance, December 31, 2010	$ 42,075	$ 2,247	$ 6,140	$ 1,041	$ 21,655	73,158
Share options exercised	31	–	–	–	–	31
Transfer on exercise of options	26	–	(26)	–	–	–
Share based payments expense	–	–	2,903	–	–	2,903
Extension of expiry date of warrants	–	146	–	–	–	146
Loss for the year	–	–	–	–	(3,779)	(3,779)
Other comprehensive income	–	–	–	(313)	–	(313)
Balance, December 31, 2011	42,132	2,393	9,017	728	17,876	72,146
Share based payments expense	–	–	197	–	–	197
Extension of expiry date of warrants	–	1,394	–	–	–	1,394
Loss for the year	–	–	–	–	(160)	(160)
Other comprehensive income	–	–	–	229	–	229
Balance, March 31, 2012	$ 42,132	$ 3,787	$ 9,214	$ 957	$ 17,716	$ 73,806

For details on movement in shares please see Note 14.

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in thousands of U.S. dollars)

For the three months ended		March 31, 2012		March 31, 2011
Cash provided by (used in):				
Cash flows from operating activities:				
Loss for the year	$	(160)	$	(1,686)
Adjustments for:				
Depletion and depreciation		416		445
Finance costs		1,394		89
Share of loss of equity accounted investee		2		3
Equity-settled share-based payment transactions		197		1,355
Deferred income tax expense		(544)		(478)
		1,305		(272)
Change in non-cash working capital		(1,669)		(768)
Net cash flows from operating activities		(364)		(1,040)
Cash flows from financing activities:				
Issuance of common shares and warrants		–		20
Net cash flows from financing activities		–		20
Cash flows from investing activities:				
Additions of property, plant and equipment and intangible assets		(737)		(534)
Change in non-cash working capital		437		40
Net cash flows from investing activities		(300)		(494)
Effect of exchange rate changes on cash and cash equivalents		12		55
Change in cash and cash equivalents		(652)		(1,459)
Cash and cash equivalents, beginning of period		873		3,375
Cash and cash equivalents, end of period	$	221	$	1,916

See accompanying notes to consolidated financial statements.

1. Reporting entity and nature of operations:

Alhambra Resources Ltd. (the "Corporation"), including all of its subsidiaries (note 4) ("Alhambra" or the "Group") is engaged in exploration for and development of mineral properties in the Republic of Kazakhstan ("Kazakhstan"). In addition to its exploration and development activities, Alhambra also produces gold from a pilot project on a portion of its Kazakhstan license that commenced commercial production on May 1, 2006.

Alhambra is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Alberta. The Corporation's common shares trade in Canada on the TSX Venture Exchange under the symbol ALH, in the United States on the Over-The-Counter Pink Sheets Market under the symbol AHBRF and in Germany on the Frankfurt Open Market under the symbol A4Y.

The Corporation's registered address, head office and records office are located at Suite 3, 4015 – 1st Street S.E. Calgary, Alberta, Canada T2G 4X7.

2. Going concern and Kazakhstan business risks:

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. The going concern basis assumes that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

On December 26, 2008, the Corporation lost ownership of assets that generated cash flow as a result of the unfavorable decision reached in the Kazakhstan Lawsuit, (the "Lawsuit"). With the ruling by the Supreme Court of Kazakhstan, the Corporation re-acquired ownership of its Kazakhstan operating subsidiary, Saga Creek Gold Group LLP ("Saga Creek") and Goodwin Golems LLP, ("Goodwin") effective September 15, 2009. The re-acquisition of Saga Creek returned to the Corporation ownership of revenue producing assets, which has once again provided the Group access to cash flow to meet its obligations. This cash flow, however, is not sufficient to enable the Group to meet all its obligations and carry out significant exploration and development programs. Effective September 28, 2010, the Corporation completed an equity private placement, the net proceeds from which were used to fund the Group's exploration and development programs and general working capital purposes. During the three months ended March 31, 2012, the Group incurred a net loss of $160, and the Group is not generating a sufficient amount of cash flow from operations to cover its commitments. As a result there is significant doubt about the ability of the Group to continue as a going concern.

Alhambra recognizes the need to obtain debt or equity financing to meet its obligations and fund its exploration and development programs. The Corporation is in discussion with potential investors, however, at this time no commitments have been made by potential investors. However, in order for the Corporation to raise funds through the issue of common shares, it must first get approval from the government of Kazakhstan to issue common shares (note 21).

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.

These interim unaudited consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Corporation. The future business environment may differ from management's assessment.

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, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. 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 generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

3. Summary of significant accounting policies:

These interim consolidated financial statements have been prepared by management following the same accounting policies and methods that were used and disclosed in the audited consolidated financial statements for the year ended December 31, 2011. The interim consolidated financial statements include all adjustments necessary to present fairly the results for the interim period ended March 31, 2012. These interim consolidated financial statements should be read in conjunction with the Corporation's most recent audited consolidated financial statements and notes filed under the Corporation's profile at www.sedar.com.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

4. Particulars of subsidiaries:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, 1450165 Alberta Limited, Alhambra Cooperatief U.A., Alhambra Overseas Limited, Goodwin and Saga Creek.

	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held directly or indirectly March 31, 2012
Saga Creek Gold Company LLP	Mining	Kazakhstan	100%
Goodwin Golems LLP	Holding Company	Kazakhstan	100%
Alhambra Overseas Ltd.	Holding Company	Cyprus	100%
Alhambra Cooperatief U.A.	Holding Company	Netherlands	100%
1450165 Alberta ltd.	Holding Company	Canada	100%

5. Finance costs:

For the three months ended March 31,	2012	2011
Interest on overdue taxes (notes 20 and 22)	$ 34	$ 167
Reversal of accrued interest on successful tax appeal (note 20)	(125)	–
Extension of warrants	1,394	–
Unwinding of the discount on provisions	2	89
Interest on trade payables	22	–
Foreign exchange loss (gain)	(83)	(224)
Total finance costs	$ 1,244	$ 32

6. Administrative Expenses:

For the three months ended March 31,	2012	2011
Employee costs	$ 592	$ 1,822
Professional fees	104	218
Corporate maintenance costs	(74)	337
Office costs	120	142
Total administration costs	$ 742	$ 2,519

Administrative expenses include share-based payments expenses (a non-cash item) of $197 and $1,355 which have been included in employee costs for the three months ended March 31, 2012 and 2011, respectively.

To December 31, 2011 the Group had charged to corporate maintenance costs, a total of $166 in penalties potentially owing as a result of an assessment by the tax authorities of Kazakhstan for the disallowance of certain income tax deductions. The Group had appealed the assessment to the Kazakhstan courts and on May 11, 2012 a decision was rendered which reversed the majority of the assessment (note 20 (b)). In the three months ended March 31, 2012, as a result of the decision, the Group reversed $157 of the total $166 that the Group had estimated would have been due if the court had agreed with the Kazakhstan tax authorities' assessment. The original provision for the potential penalties had been accrued in the Groups consolidated financial statements in the fourth quarter of 2010.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

7. Cash and cash equivalents:

As at	March 31, 2012	December 31, 2011
Bank balances	$ 221	$ 873
Total cash and cash equivalents	$ 221	$ 873

8. Inventories:

As at	March 31, 2012	December 31, 2011
Ore	$ 18,732	$ 18,510
Gold in circuit	10,189	9,892
Concentrate	3,008	2,508
Total work in progress	31,929	30,910
Gold available for sale	–	654
Raw material and supplies	1,079	1,074
Total inventories	33,008	32,638
Less:		
Non-current inventories	22,182	17,704
Total current inventories	$ 10,826	$ 14,934

Virtually 100% of cost of goods sold reported for the three months ended March 31, 2012 and 2011 are the result of the amortization of work in progress inventories based on the quantity of gold sold as a percentage of total gold mined.

Gold available for sale at December 31, 2011 represents the cost of production of 615 ounces of gold that was in transit to the third party refinery for final processing and sale.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

9. Property, plant and equipment:

	Machinery and equipment	Mining assets being depleted	Buildings and construction	Total
Cost:				
Balance as at December 31, 2010	$ 2,981	$ 75,544	$ 4,441	$ 82,966
Additions	79	1,431	66	1,576
Effect of foreign exchange	(20)	(435)	(25)	(480)
Balance as at December 31, 2011	3,040	76,540	4,482	84,062
Additions	31	16	–	47
Effect of foreign exchange	77	264	15	356
Balance as at March 31, 2012	$ 3,148	$ 76,820	$ 4,497	$ 84,465
Accumulated depletion and depreciation:				
Balance as at December 31, 2010	$ 1,104	$ 9,344	$ 495	$ 10,943
Depletion and depreciation for the year	708	5,599	391	6,698
Effect of foreign exchange	(9)	(51)	(2)	(62)
Balance as at December 31, 2011	1,803	14,892	884	17,579
Depletion and depreciation for the year	167	120	98	385
Effect of foreign exchange	15	52	5	72
Balance as at March 31, 2012	$ 1,985	$ 15,064	$ 987	$ 18,036
Carrying amounts:				
As at December 31, 2010	$ 1,877	$ 66,200	$ 3,946	$ 72,023
As at December 31, 2011	1,237	61,648	3,598	66,483
As at March 31, 2012	1,163	61,756	3,510	66,429

(Expressed in thousands of U.S. dollars, unless otherwise stated)

10. Intangible assets:

	Exploration and evaluation expenditures	Computer software	Total
Cost:			
Balance as at December 31, 2010	$ 20,143	$ 48	$ 20,191
Additions	2,370	33	2,403
Elimination of historical cost provision as a result of court decision (note 20)	(13,780)	–	(13,780)
Effect of foreign exchange	(153)	–	(153)
Balance as at December 31, 2011	8,580	81	8,661
Additions	690	–	690
Effect of foreign exchange	46	–	46
Balance as at March 31, 2012	$ 9,316	$ 81	$ 9,397
Accumulated depletion and depreciation:			
Balance as at December 31, 2010	$ –	$ 6	$ 6
Depreciation for the year	–	7	7
Balance as at December 31, 2011	–	13	13
Depreciation for the year	–	2	2
Balance as at March 31, 2012	$ –	$ 15	$ 15
Carrying amounts:			
As at December 31, 2010	$ 20,143	$ 42	$ 20,185
As at December 31, 2011	8,580	68	8,648
As at March 31, 2012	9,316	66	9,382

The carrying amounts of exploration and evaluation assets represent non-producing exploration projects and undeveloped land in Kazakhstan. An impairment test was not triggered during the periods presented.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

11. Investment in equity accounted investee:

Summary financial information for the equity accounted investee held by the Corporation is presented as follows:

As at	March 31, 2012	December 31, 2011
DOT Resources Ltd.		
Ownership	27%	27%
Current assets	$ 2	$ 7
Non-current assets	3,527	3,462
Total assets	3,529	3,469
Current liabilities	833	815
Total liabilities	833	815

For the three months ended March 31,	2012	2011
Revenues	$ –	$ –
Expenses	6	71
Loss	$ 6	$ (71)

The continuity of investment in the equity accounted investee held by the Corporation is presented as follows:

Balance as at December 31, 2010	$ 534
Share of loss	(21)
Effect of foreign exchange	(12)
Balance as at December 31, 2011	501
Share of loss	(2)
Effect of foreign exchange	9
Balance as at March 31, 2012	$ 508

Pursuant to a Plan of Arrangement (the “Arrangement”) effective August 29, 2007, the Corporation transferred its 100% interest in its mineral claims located in the Province of British Columbia to DOT Resources Ltd. (“DOT”), together with related assets and obligations pertaining thereto, in exchange for 30,000,000 common shares of DOT. 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 the Corporation being distributed to Corporation shareholders on a pro rata basis.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

As a result of the Arrangement, Alhambra holds 15,000,001 common shares of DOT which represents approximately 27% of the outstanding common shares of DOT. At March 31, 2012, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$600.

12. Provisions:

Changes to the provisions are as follows:

	Historical Costs	Site restoration	Total
Balance, December 31, 2010	$ 13,828	$ 265	$ 14,093
Liabilities incurred	−	2	2
Unwinding of the discount	−	18	18
Revision	(13,828)	(2)	(13,830)
Balance, December 31, 2011	−	283	283
Liabilities incurred	−	8	8
Unwinding of the discount	−	6	6
Revision	−	1	1
Balance, March 31, 2012	$ −	$ 298	$ 298
Current	$ −	$ −	$ −
Non-current	−	298	298

The ultimate amount of the site reclamation provision is uncertain; however, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

The liability for the site reclamation provision at March 31, 2012 is approximately $298 (December 31, 2011 - $283). The liability was determined using an inflation rate of 5% (December 31, 2011 - 5%) and an estimated life of mine of 10 years for Uzboy (December 31, 2011 - 10 years). A discount rate of 7.5% was used (December 31, 2011 – 7%). The undiscounted value of this liability is approximately $352 (December 31, 2011 - $352).

The Corporation recorded a provision as of December 31, 2010 related to the acquisition of geological information from the Government of Kazakhstan (“Historical Data”). This Historical Data was acquired by a previous owner of the Saga Creek licenses for a cost of $95. The indicative cost incurred by the Government of Kazakhstan at that time was $15,833 (“Historical Costs”). Effective January 1, 2009 the Government of Kazakhstan enacted legislation that required those companies that had acquired Historical Data to begin paying to the Government of Kazakhstan the Historical Costs beginning on January 1, 2009 in equal quarterly installments over ten (10) years. It was the opinion of the Corporation that it should not be subject to this liability for Historical Costs as the obligation was not included as part of the foreign investment contract which details the Corporation’s rights and obligations associated with its licenses.

In late 2010, as the result of an audit of Saga Creek by the Kazakhstan tax authorities, the Government of Kazakhstan assessed Saga Creek for the liability plus interest and penalties for nonpayment of that portion of the Historical Cost liability related to the 2009 year. As a result the Corporation recorded the obligation plus interest and penalties for nonpayment up to June 30, 2011. The accrual also included amounts related to the 2010 year and 2011 up to June 30, 2011 that would have been payable should the Corporation ultimately be unsuccessful in its appeal of the 2009 assessment. On September 27, 2011, the Cassation Chamber of the Akmola Oblast Court in Kazakhstan ("Cassation Chamber") overturned the decision of previous courts that had upheld assessment. As a result, the Corporation reversed the provision recorded on the balance sheet of $13,828 with the offset to intangible assets and interest and penalties accrued against earnings totaling $2,467. The tax department has one year to appeal the ruling of the Cassation Chamber to the Supreme Court of Kazakhstan (note 20).

13. Commitments:

Under its foreign investment contract which details the Group's rights and obligations associated with its licenses, the Group is obligated to spend a minimum of $300 per year on exploration activities within its license territory. The contract also provides that any amounts spent in excess of the yearly minimum shall be credited against future requirements. To date the Group has exceeded the minimum amount required under the contract.

The Group anticipates spending approximately $3 million on exploration activities during 2012 subject to sufficient cash flow and suitable financing.

The Group has contractual obligations for various expenditures such as royalties, exploration and the cost of goods and services supplied to the Group. Such expenditures are predominantly related to the earning of revenue and in the ordinary course of business.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

14. Share capital:

(a) Authorized:

Unlimited voting common shares, with no par value for all years presented.

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

(b) Issued:

	Three months ended March 31, 2012			Year ended December 31, 2011		
	Number		Amount	Number		Amount
Common shares						
Balance, beginning of period	104,132,059	$	42,132	103,994,309	$	42,075
Share option exercised	–		–	137,750		31
Transfer on exercise of option	–		–	–		26
Balance, end of period	104,132,059	$	42,132	104,132,059	$	42,132

(c) Share options (equity settled):

The Corporation has a share option plan under which directors, officers, employees and consultants of the Corporation are eligible to receive share options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued common shares of the Corporation at the time of granting of the options. Options granted under the plan generally have a term of five years which is also the maximum term available and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchanges on which the Corporation's common shares are then listed. The Corporation is required and has applied to obtain a waiver from the government of Kazakhstan from its pre-emptive right in connection with the options granted (note 21).

Share-based compensation has been recorded as part of employee costs within administrative expenses (note 6).

(Expressed in thousands of U.S. dollars, unless otherwise stated)

A summary of the status of the Corporation's share option plan as at March 31, 2012 and December 31, 2011 and changes during the periods then ended are as follows:

	Three months ended March 31, 2012		Year ended December 31, 2011	
	Number of options	Weighted average exercise price CDN$	Number of options	Weighted average exercise price CDN$
Outstanding, beginning of period	8,518,500	$ 0.62	7,731,250	$ 0.59
Granted	–	–	3,050,000	1.05
Exercised	–	–	(137,750)	0.22
Expired unexercised	–	–	(2,125,000)	1.15
Outstanding, end of period	8,518,500	$ 0.62	8,518,500	$ 0.62

(i) The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model. The fair value and weighted average assumptions are as follows:

(Weighted average)	2011
Exercise price (CDN$/option)	1.05
Grant date share price (CDN$/option)	1.05
Risk-free interest rate (%)	2.53
Expected life (years)	5.00
Expected volatility (%)	150
Dividend rate (%)	–
Grant date fair value ($/option)	0.96

The Corporation has estimated volatility using its own historical volatility along with a comparison to peer companies.

(ii) Share options exercised during the year ended December 31, 2011

Number of options	Date of issue	Exercised	Exercise price	Closing share price at exercise date
26,500	September 1, 2009	February 24, 2011	CDN $0.22	CDN $0.86
30,000	September 1, 2009	February 28, 2011	CDN $0.22	CDN $0.93
31,250	September 1, 2009	March 14, 2011	CDN $0.22	CDN $0.99
50,000	September 1, 2009	April 11, 2011	CDN $0.22	CDN $0.88

(Expressed in thousands of U.S. dollars, unless otherwise stated)

(iii) Share options outstanding at the end of the period:

The following table summarizes information concerning outstanding and exercisable options at March 31, 2012:

Exercise Price ($/option)	Options outstanding	Options exercisable	Remaining Contractual life (years)	Grant date fair value ($/per option)
$ 0.22	2,818,500	2,818,500	2.42	$ 0.18
$ 0.315	350,000	350,000	2.63	0.27
$ 0.53	2,200,000	1,900,000	2.31	0.44
$ 0.65	100,000	100,000	1.60	0.53
$ 1.05	3,050,000	2,287,500	3.82	0.92
	8,518,500	7,456,000	2.89	$ 0.53

The following table summarizes information concerning outstanding and exercisable options at December 31, 2011:

Exercise Price ($/option)	Options outstanding	Options exercisable	Remaining Contractual life (years)	Grant date fair value ($/per option)
$ 0.22	2,818,500	2,818,500	2.67	$ 0.18
$ 0.315	350,000	350,000	2.88	0.27
$ 0.53	2,200,000	1,600,000	2.56	0.44
$ 0.65	100,000	75,000	1.85	0.53
$ 1.05	3,050,000	1,525,000	4.07	0.92
	8,518,500	6,368,500	3.14	$ 0.53

A reconciliation of contributed surplus is provided below:

	Three months ended March 31, 2012	Year ended December 31, 2011
Balance, beginning of period	$ 9,017	$ 6,140
Share-based compensation expense	197	2,903
Transferred on exercise of options	–	(26)
Balance, end of period	$ 9,214	$ 9,017

(Expressed in thousands of U.S. dollars, unless otherwise stated)

(d) Warrants:

The changes in warrants during the three months ended March 31, 2012 and the year ended December 31, 2011 were as follows:

	Number of Warrants	Amount	Weighted average exercise price
Balance, December 31, 2010	11,802,775	$ 2,247	$ 0.66
Re-valuation due to extension of expiry date	–	146	–
Balance, December 31, 2011	11,802,775	2,393	0.66
Re-valuation due to extension of expiry date	–	1,394	–
Balance, March 31, 2012	11,802,775	$ 3,787	$ 0.66

Pursuant to a private placement competed in 2010, the Corporation issued 18,604,650 units at a purchase price of $0.43 per unit for total gross proceeds of $8,000. Each unit was comprised of one (1) common share and one-half (1/2) of a common share purchase warrant resulting in the issue of 18,604,650 common shares and 9,302,325 Warrants. Each whole warrant entitled the holder thereof to purchase one common share of the Corporation at a purchase price of $0.72 per common share on or before February 19, 2012 for 5,388,690 warrants and March 28, 2012 for 3,913,635 warrants. The Corporation sought and obtained approval from the TSX Venture Exchange to extend the expiry date of the warrants to the earlier of February 19, 2013 for 5,388,690 warrants and March 28, 2013 for 3,913,635 warrants and a date which is sixty (60) days after receipt of a waiver of right of first refusal from the Government of Kazakhstan and the receipt of consent of the Kazakhstan Ministry of Industry and New Technology ("MINT") in respect of the issuance of common shares upon exercise of Warrants. The Corporation calculated the fair value of the extension of these warrants to be $1,041.

During 2011 the Corporation had outstanding 2,500,450 warrants which were exercisable into common shares of the Corporation at a price of CDN$0.45 per common share and were originally set to expire on August 11, 2011 however the Corporation sought and obtained approval from the TSX Venture Exchange to extend the expiry date first to December 9, 2011 and then to February 8, 2012. The Corporation calculated the fair value of the two extensions obtained in 2011 to be $146. During the three months ended March 31, 2012, the Corporation sought and obtained approval from the TSX Venture Exchange to further extend the expiry date of these warrants to the earlier of February 11, 2013 and a date which is sixty (60) days after receipt of a waiver of right of first refusal from the Government of Kazakhstan and the receipt of consent of the MINT in respect of the issuance of common shares upon exercise of these warrants. The Corporation calculated the fair value of the extension received in the 2012 to be $353.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

The fair value of the extension of the expiry date of these warrants was estimated on the dates that the warrants were extended using the Black-Scholes option pricing model. The weighted average fair value of the extension of the expiry date of the warrants was calculated to be $1,394 for the warrants extended in 2012 and $146 for the warrants extended in 2011 using the following weighted-average assumptions:

	2012	2011
Fair value of warrants granted (CDN$/share)	0.11	0.06
Expected life (years)	1.0	0.5
Risk free interest rate (%)	1.00	1.00
Expected volatility (%)	94	47
Expected dividend yield (%)	–	–

The Corporation is required and has applied to obtain a waiver from the government of Kazakhstan from its pre-emptive right in connection with the exercise of these warrants (note 21).

15. Earnings (loss) per share:

The average market value of the Corporation’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three months ended March 31,	2012	2011
Weighted average number of common shares (basic)	104,132,059	104,020,851
Effect of warrants outstanding	–	–
Effect of share options outstanding	–	–
Weighted average number of common shares (diluted)	104,132,059	104,020,851

The following potential ordinary shares, outstanding as at March 31, 2012 and 2011 are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

(Expressed in thousands of U.S. dollars, unless otherwise stated)

As at March 31,	2012	2011
Options	8,518,500	8,768,500
Warrants	11,802,775	11,802,775
	20,321,275	20,571,275

16. Related party transactions:

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Group and other related parties are disclosed below.

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2012 and 2011 were as follows:

For the three months ended March 31,		2012		2011
Short-term employee benefits	$	195	$	191
Share-based payments		135		555
Director fees		–		–
	$	330	$	746

In addition to their salaries, executive officers also participate in the Group's share option program (see note 14(c)).

(b) Other transaction:

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$20 plus all reasonable out of pocket expenses and is for an indefinite term but may be terminated by either party upon providing 30 days prior written notice. During the three months ended March 31, 2012, the Corporation billed DOT CDN$nil (2011 - CDN$nil) under the Contract. The amount uncollected as of March 31, 2012 was CDN$359 (2010 - CDN$359). Effective January 1, 2011, the Corporation suspended billing DOT the monthly remuneration. In addition, as of March 31, 2012 the Corporation has advanced DOT CDN$402 to enable DOT to meet working capital requirements while DOT is investigating options regarding financing. Currently the Corporation is not charging DOT any interest. The Corporation determined that there was a high probability that the amount owing from DOT was non-collectable and as such expensed $767 owing from DOT at December 31, 2011 as part of corporate maintenance costs within administrative expenses.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

17. Operating Segments:

The Group's operations are primarily directed towards the acquisition, exploration and production of gold in Kazakhstan and therefore presentation geographically is the most appropriate. For the three months ended March 31, 2012 and 2011 substantially all of the Group's gold production was sold to one customer.

	Kazakhstan	Canada	Total
As at March 31, 2012:			
Segment assets	$ 110,664	$ 2,964	$ 113,628
Segment liabilities	38,649	1,173	39,822
For the three months ended March 31, 2012:			
Sales	$ 3,127	$ –	$ 3,127
Net smelter royalty	(94)	–	(94)
Cost of sales	(1,641)	–	(1,641)
Administrative expenses	(172)	(570)	(742)
Depletion and depreciation	(414)	(2)	(416)
Net finance costs	158	(1,402)	(1,244)
Share of loss of equity accounted investee	–	(2)	(2)
Income (loss) before income taxes	964	(1,976)	(1,012)
Income tax recovery (expense)	852	–	852
Segment income (loss)	$ 1,816	$ (1,976)	$ (160)
Capital expenditures	$ 736	$ 1	$ 737

	Kazakhstan	Canada	Total
As at March 31, 2011:			
Segment assets	$ 122,651	$ 4,689	$ 127,340
Segment liabilities	52,628	1,183	53,811
For the three months ended March 31, 2011:			
Sales	$ 2,466	$ –	$ 2,466
Net smelter royalty	(74)	–	(74)
Cost of sales	(1,502)	–	(1,502)
Administrative expenses	(456)	(2,063)	(2,519)
Depletion and depreciation	(443)	(2)	(445)
Net finance costs	6	(38)	(32)
Share of loss of equity accounted investee	–	(3)	(3)
Loss before income taxes	(3)	(2,106)	(2,109)
Income tax expense	423	–	423
Segment income (loss)	$ 420	$ (2,106)	$ (1,686)
Capital expenditures	$ 534	$ –	$ 534

18. Management of capital:

The Group defines capital that it manages as its equity. The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to maintain investor confidence and to not expose the Group to excess risk. The Group manages its capital structure and makes adjustments to it based on the level of funds available to support the exploration and development of its mineral properties. While the re-acquisition of Saga Creek effective September 15, 2009 has resulted in the Group once again owning assets that generate cash flow, it is still necessary for the Group to raise funds to carry out its capital expenditure programs and carry on as a going concern. The Group is currently attempting to raise additional funds, however, there is no assurance it will be able to do so. The Group is not subject to externally imposed capital requirements except to the extent that any issue of common shares must first be approved by the government of Kazakhstan (note 21).

19. Financial instruments:

Overview:

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligation and arises principally from Saga Creek's receivable from the Government of Kazakhstan owing as a result of refundable Value Added Tax ("VAT") paid on goods and services purchased by Saga Creek and from Saga Creek's receivable from the purchaser of its gold. To date, Saga Creek has been able to collect all VAT due and owing but with the economic crisis that has affected Kazakhstan like most countries, there is no assurance that the refunds will be made on a timely basis in the future. As at March 31, 2012 approximately 54% (December 31, 2011 - 86%) of the recorded value of accounts receivable relates to VAT.

Saga Creek sells its gold to a single customer who also completes the final refining process necessary to make the gold readily saleable. Typically it takes approximately two weeks from the time the customer takes control of the gold for the refining to be completed. At March 31, 2012 approximately 40% (December 31, 2011 - nil%) of the recorded value of accounts receivable relates to the sale of gold to one customer.

Cash and cash equivalents consist of bank balances and short-term deposits that are redeemable at any time at the option of the Group. The Group manages the credit exposure related to short-term deposits by depositing the cash equivalents only with large banks within particular regions in which the Group operates which management believes the risk of loss to be remote.

The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum credit exposure. As at March 31, 2012 the Group has provided $747 for the non-collectability of an account receivable from DOT (note 16). The Group has no other allowances for doubtful accounts as at March 31, 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its obligations as they come due. With the re-registration of the shares of the Kazakhstan Subsidiaries, Alhambra now has ownership of revenue producing assets. However, in defending the lawsuit, the Group incurred substantial liabilities and the cash generated from its properties will not be enough to meet all its obligations in addition to resuming an aggressive exploration and development program. Therefore, additional financing must still be obtained in order to continue as a going concern. The Group is currently attempting to raise additional funds; however, there is no assurance that it will be able to do so.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, commodity prices and interest rates will affect the Group's net earnings. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Group's revenue is denominated in US$ or Euros, its operating costs are primarily denominated in Kazakhstan Tenge, while its administrative costs are denominated in either Canadian dollars or Kazakhstan Tenge. To date, the Group has not attempted to mitigate these foreign currency risks, except for maintaining adequate funds in the currencies required for timely payment of liabilities and to maintain efficient business operations.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

CDN monetary assets and liabilities As at		March 31, 2012		December 31, 2011
Cash and cash equivalents	$	64	$	702
Trade and other receivables		99		90
Deposits and prepaid expenses		2,262		2,170
Trade and other payables		(2,604)		(2,539)
Total net monetary assets in foreign currency	$	(179)	$	423

For the three months ended March 31, 2012, based on the net foreign exchange exposure at the end of the period, if the CDN$ had strengthened or weakened by 10% compared to the US$ and all other variables were held constant, the after tax net loss would have increased or decreased by approximately $18 in 2012 (Year ended December 31, 2011 – decreased or increased by $301).

Kazakhstan Tenge ("T") monetary assets and liabilities As at		March 31, 2012		December 31, 2011
Cash and cash equivalents	T	23,210	T	27,182
Trade and other receivables		220,176		94,420
Deposits and prepaid expenses		33,534		50,151
Trade and other payables		(751,287)		(767,698)
Total net monetary (liabilities) in foreign currency	T	(474,367)	T	(595,945)

For the three months ended March 31, 2012, based on the net foreign exchange exposure at the end of the period, if the Kazakhstan Tenge had strengthened or weakened by 10% compared to the US$ and all other variables were held constant, the after tax net loss would have increased or decreased by approximately $257 (2011 - $321).

(ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The price of gold is impacted by economic events that dictate the levels of supply and demand for the commodity. To date the Group has not attempted to mitigate this commodity price risk.

(iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Group's debt is all at fixed interest rates; therefore, there is no exposure to variations in interest rates except on cash balances which for the three months ended March 31, 2012 and 2011 would have been insignificant.

(d) Fair value of financial assets and liabilities:
Financial instruments disclosure requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establish a hierarchy for which these assets and liabilities must be grouped, based on significant levels of input as follows:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists therefore require an entity to develop its own assumptions.

20. Legal challenge of tax assessment:

In 2010 Saga Creek was assessed amounts that tax authorities in Kazakhstan believed were owed by Saga Creek for Historical Costs, Mineral Extraction Tax (“MET”) as well as for their disallowance of certain corporate income tax deductions for the 2006 to 2009 taxation years (“CIT”). The original amount of the assessments including penalties and interest was approximately $4.3 million. The Group believed that the assessments were not consistent with Kazakhstan legislation as well as the provisions of Saga Creek’s foreign investment contract which governs the Saga Creek’s licenses. As a result, Saga Creek filed a claim in the District Economical Court (“Economical Court”) seeking to have the assessment of the tax authorities, together with the applicable interest and penalties reversed. On May 13, 2011 the judge in charge of the case largely, but not wholly, rejected Saga Creek’s claim, upholding the assessments. On June 2, 2011, Saga Creek appealed this decision to the Appellate Chamber of Akmola Oblast Court (“Appellate Chamber”). On August 5, 2011 the Appellate Chamber upheld the Economical Court’s decision, again rejecting all Saga Creek’s arguments. Saga Creek filed a further appeal to the Cassation Chamber on August 22, 2011 which is the final court of appeal prior to the Supreme Court. On September 27, 2011 the Cassation Chamber ruled on Saga Creek’s appeal. Both Saga Creek and the tax authorities have one year to appeal all or part of the decision. The summary of decision of the Cassation Chamber including any recent updates is as follows:

(a) The 2009 assessment for Historical Costs amounting to approximately $1.6 million was cancelled. While the assessment was only for the 2009 year, the legislation as enacted had provided that the total obligation for Historical Costs of $15.8 million be paid in equal quarterly installments over ten (10) years beginning January 1, 2009. As a result the Group reversed the full provision of $13.8 million and an accrual of approximately $2.5 million in interest and penalties to June 30, 2011, all of which were reversed in the third quarter of 2011.

(b) The assessment for CIT amounting to approximately $0.4 million was cancelled and sent back to the Specialized Inter-district Economic Court of the Akmola Oblast ("Akmola Court") for review and re-consideration by a new panel of judges. On May 11, 2012 the Akmola Court rendered its decision and reversed a substantial portion of the assessment. As at December 31, 2011 the Group had accrued a total of $0.6 million related to the CIT assessment including interest and penalties. The decision by the court reduced that amount to approximately $0.04 million. As a result the Group has recorded a recovery of approximately $0.6 million of which $0.3 has been recorded as a recovery of current income taxes, $0.1 has been recorded as a reduction in finance costs and $0.2 as a reduction in administrative expenses.

(c) The assessment for the 2009 MET in the amount of approximately US$1.0 million was upheld. A total of approximately $1.6 million related to the MET, interest and penalty has been paid by Saga Creek of which approximately $0.7 million related to interest and penalties. The Group has decided to appeal the decision of the Cassation Chamber to the Supreme Court. The appeal was filed on May 14, 2012. It is anticipated that a preliminary hearing on the Group's appeal will be held within 45 days of the date of the submission.

Saga creek has made application to the Kazakhstan tax authorities to remove a lien filed against some of Saga Creek's assets to secure the government's claim for the indebtedness outstanding related to these tax assessments. To date this lien has been substantially reduced and as a result of the May 11, 2012 decision related to the CIT assessment, the Group believes that the remaining portion of the lien will be eliminated in the near future.

As a result of the decision by the Cassation Chamber that no Historical Costs are payable, the Group has, as indicated, reversed the original provision and all related penalties and interest that had previously been recorded. As indicated, the tax authorities and the public prosecutor have until September 27, 2012 to appeal the decision of the Cassation Chamber to the Supreme Court. While the Group understands that it is standard practice in Kazakhstan for the tax authorities to appeal unfavorable court rulings, there is no guarantee that they will in fact appeal. Even if they do appeal the decision, there is no guarantee that the Supreme Court will in fact choose to hear the appeal and if it agrees to hear the appeal there is no guarantee that it will reverse the decision of the Cassation Chamber. If however the final result is that the Supreme Court hears the appeal and decides in favor of the tax authorities, the effect on the Group's Consolidated Statement of Financial Position as at March 31, 2012 would be to increase intangible assets by $13.8 million, to increase trade and other payables by $3.6 million, to increase provisions by $15.8 million, and to increase loss by $5.6 million. The increase in loss would result from a charge to administration expenses for penalties of $2.3 million and a charge to finance costs of $3.3 million for interest and unwinding of the discount on the Historical Cost provision. The Group is not aware of any legal arguments that would support overturning the decision of the Cassation Chamber.

Similarly, the tax authorities and the public prosecutor have until May 11, 2013 to appeal the decision of the Akmola Court related to the CIT assessment. Again there is no guarantee that the tax authorities will in fact appeal or that the appeal will be heard and if it is heard, there is no guarantee that it will reverse the decision of the Akmola Court. If however the final result is that the appeal is heard and decided in favor of the tax authorities, the effect on the Group's Consolidated Statement of Financial Position as at March 31, 2012 would be to increase trade and other payables by $0.6 million and to increase loss by $0.6 million.

21. Government of Kazakhstan pre-emptive right:

The Subsoil and Subsoil Use Act (the "Act") in Kazakhstan grants the Government of Kazakhstan the first right of refusal to purchase any direct or indirect interest in any subsoil license or legal entity holding that license or the legal entity controlling the holder of the subsoil use license at market prices should the license or shares or instruments convertible or giving rights to shares (joint, the "Subsoil Use Assets") come up for sale. As a result, before a company can accept an offer to sell its Subsoil Use Assets, it must first get approval from relevant Kazakhstan authorities. The Act extends this obligation to require a company whose main business is connected with subsoil use in Kazakhstan to get approval should it desire to issue any common shares or issue any derivative instruments that are convertible into common shares. On April 21, 2011, the Corporation completed and filed an application with the relevant Kazakhstan agency to have pre-approved, any shares that may be issued upon conversion of outstanding warrants and options as well as requested that the Government of Kazakhstan pre-approve a private placement that the Corporation would contemplate doing in the near future to finance its exploration and development activities. This application was amended on August 16 and October 25, 2011 which included responses to certain questions received from the Kazakhstan agency. The Corporation has not yet received any decision from the Government of Kazakhstan with regards to its amended application. The Corporation is not aware of any such applications that have been rejected by the Government of Kazakhstan.

22. Commercial discovery bonus:

On February 22, 2012 Saga Creek was given notice by Kazakhstan tax authorities that it was required to pay a Commercial Discovery Bonus (the "Bonus") based on the approved commercial reserves for Uzboy. According to the notification, Saga Creek is required by law to pay an amount equal to 0.1% of the commercial value of the 14,455.8 kg of gold and 48,100 kg of silver of reserves as approved under Kazakhstan legislation for Uzboy. In addition, Saga Creek will be required to pay a 50% penalty plus interest at the prescribed rate which is approximately 17.5%. Payment of the Bonus was due on May 24, 2011. Saga Creek has filed a notice of objection with the tax authorities on the basis that Clause 6.2 (b) of its Subsoil use contract explicitly defines that Saga Creek *"pays a commercial discovery bonus at a zero rate"* which in effect means that Saga Creek is not obliged to pay this bonus at all.

The Group anticipates that the tax authorities will reject Saga Creek's appeal which will then require Saga Creek to appeal that decision to the Kazakhstan courts. The Group also anticipates that the lower courts in Kazakhstan will uphold the tax authorities' assessment which will necessitate Saga Creek filing its appeal to the Supreme Court of Kazakhstan. As the Group is uncertain at this time how the Kazakhstan courts will ultimately decide on Saga's obligation regarding the Bonus, the Group has recorded the Bonus and related interest and penalties up to March 31, 2012. The Group has estimated the amount of the Bonus to be $0.7 million and has charged this amount to intangible assets. In the three months ended March 31, 2012 the Group accrued $0.04 in interest related to the unpaid Bonus bringing the total interest and penalties accrued to March 31, 2012 to approximately $0.5 million.