

Interim Consolidated Financial Statements of

**ALHAMBRA RESOURCES LTD.**

Nine Months Ended September 30, 2006

# ALHAMBRA RESOURCES LTD.

## Interim Consolidated Balance Sheets

	September 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,743,683	\$ 708,593
Accounts receivable	870,052	1,517,483
Deposits and prepaid expenses	688,309	434,079
Work in progress (note 1(c))	3,418,108	—
	<u>11,720,152</u>	<u>2,660,155</u>
Mining assets (note 3)	20,294,123	17,433,844
Property and equipment	70,524	38,876
	<u>\$ 32,084,799</u>	<u>\$ 20,132,875</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 2,163,256	\$ 1,574,276
Advances (note 13(b))	865,652	874,403
	<u>3,028,908</u>	<u>2,448,679</u>
Convertible debenture (note 4)	—	792,812
Asset retirement obligations (note 5)	68,258	61,428
<b>Shareholders' equity:</b>		
Share capital (note 6(b))	31,287,282	15,590,718
Warrants (note 6(c))	—	2,660,523
Contributed surplus (note 6(d))	1,437,363	1,013,636
Deficit	(3,737,012)	(2,434,921)
	<u>28,987,633</u>	<u>16,829,956</u>
Nature of operations and basis of presentation (note 1)		
Commitments (note 13)		
Segment information (note 14)		
	<u>\$ 32,084,799</u>	<u>\$ 20,132,875</u>

See accompanying notes to interim consolidated financial statements.

# ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Income (Loss) and Deficit  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2005	2006	2005	2006
Revenue (note 1(c)):				
Sales of gold and silver	\$ 3,518,180	\$ –	\$ 4,854,121	\$ –
Expenses:				
Operating	2,093,676	–	2,953,689	–
General and administrative	773,407	147,447	1,720,262	413,777
Stock-based compensation	135,865	80,425	651,103	488,240
Depreciation, depletion and accretion	308,306	2,600	457,773	7,750
Interest	21,238	11,970	70,152	70,958
Foreign exchange loss	25,718	(32,542)	42,337	3,974
	3,358,210	209,900	5,895,316	984,699
Loss from continuing operations before taxes on income	159,970	(209,900)	(1,041,195)	(984,699)
Current income taxes	231,968	–	260,896	–
Loss before discontinued operations	(71,998)	(209,900)	(1,302,091)	(984,699)
Gain from discontinued operations (note 2)	–	–	–	1,094,325
Net income (loss)	(71,998)	(209,900)	(1,302,091)	109,626
Deficit, beginning of period	(3,665,014)	(1,799,875)	(2,434,921)	(2,119,401)
Deficit, end of period	\$(3,737,012)	\$(2,009,775)	\$(3,737,012)	\$(2,009,775)
Per share (note 10):				
Loss from continuing operations per share basic and diluted	\$ –	\$ –	\$ (0.02)	\$ (0.02)
Gain on discontinued operations per share basic and diluted	\$ –	\$ –	\$ –	\$ 0.02
Net income (loss) per share basic and diluted	\$ –	\$ –	\$ (0.02)	\$ –

See accompanying notes to interim consolidated financial statements.

# ALHAMBRA RESOURCES LTD.

Interim Consolidated Statements of Cash Flows  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating:				
Loss from continuing operations	\$ (71,998)	\$ (209,900)	\$(1,302,091)	\$ (984,699)
Items not involving cash:				
Stock-based compensation	135,865	80,425	651,103	488,240
Depreciation, depletion and accretion	308,306	2,600	457,773	7,750
Unrealized foreign exchange loss	360	(43,860)	360	(27,812)
	372,533	(170,735)	(192,855)	(516,521)
Change in non-cash working capital (note 8)	(9,312)	(73,914)	(4,601)	(178,201)
Discontinued operations	–	(32,800)	–	(152,699)
	363,221	(277,449)	(197,456)	(847,421)
Financing:				
Issuance of shares and warrants	4,275,841	173,133	11,502,853	7,054,785
Repayment of convertible debenture	–	–	–	(601,000)
Repayment of convertible promissory notes	–	–	–	(550,250)
Repayments to officers and directors, net	–	–	–	(540,000)
	4,275,841	173,133	11,502,853	5,363,535
Investing:				
Expenditures on mining assets	(3,357,555)	(1,869,145)	(6,206,277)	(5,952,905)
Acquisition of property and equipment, net	(6,353)	–	(42,061)	(2,611)
Change in non-cash working capital (note 8)	109,636	(647,627)	978,031	(291,729)
Discontinued operations	–	–	–	2,190,233
	(3,254,272)	(2,516,772)	(5,270,307)	(4,057,012)
Change in cash	1,384,790	(2,621,088)	6,035,095	459,102
Cash and cash equivalents, beginning of period	5,358,893	3,162,678	708,593	82,488
Cash and cash equivalents, end of period	\$ 6,743,683	\$ 541,590	\$ 6,743,683	\$ 541,590
Supplemental disclosure of cash flow information:				
Interest paid	\$ 21,238	\$ 19,739	\$ 70,152	\$ 101,981

Supplemental disclosure of cash flow information (note 9)

See accompanying notes to interim consolidated financial statements.

# ALHAMBRA RESOURCES LTD.

Notes to Interim Consolidated Financial Statements

Nine months ended September 30, 2006 and 2005  
(Unaudited)

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## 1. Nature of operations and basis of presentation:

### (a) Nature of operations:

The Company's business consists of the exploration for and development of mineral properties in the Republic of Kazakhstan ("Kazakhstan"). On April 7, 2005, the Company entered into an agreement to sell 100% of its oil and natural gas properties thus allowing management to focus all of its attention on the mineral exploration and development business. Prior to this, these properties generated cash flow to fund corporate overhead. The net proceeds of the sale were used to fund the continued development of the Company's Uzboy Project located in north central Kazakhstan and to fund liabilities.

The Company's operations are subject to economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

### (b) Basis of presentation:

Due to Alhambra's continued net losses, its ability to continue with its business plan is dependent upon its ability to raise additional capital to fund these activities and on achieving positive earnings and cash flow. Management believes the equity capital raised (note 6) and the sale of the oil and natural gas assets in 2005 (note 2) have improved Alhambra's ability to carry out its business plan and to continue as a going concern.

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

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

### (c) Adoption of accounting policies

#### Revenue recognition

Effective May 1, 2006, the Company began commercial operations from the oxide portion of its Uzboy project. Revenue is recognized from the sale of gold and silver 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.

#### Work in progress

All costs associated with the production of gold and silver, including direct costs incurred in the mining, leaching and resin stripping processes as well as depreciation of equipment used in each process, are charged to work in progress and expensed based on the quantity of gold sold as a percentage of total gold mined. Overhead costs such as office general and administration and interest on Pre-payment Gold Sales Facility Agreement (note 13(b)) are

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Nine months ended September 30, 2006 and 2005  
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expensed except to the extent they relate to exploration or development projects currently in the exploration, development or preproduction stages.

## Depletion of mining assets

The Company depletes deferred exploration and development costs related to mining properties in commercial operations using the units of production method over proven and probable reserves.

## **2. Discontinued operations:**

In 2004, the Company evaluated its oil and natural gas operations in Canada and decided to pursue the sale of these assets. The assets for sale comprise 100% of the Company's oil and natural gas assets in Canada. These assets were classified as assets held for sale as at December 31, 2004, and are reflected as discontinued operations in 2005.

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On April 7, 2005, the Company sold the asset for gross proceeds of \$2.2 million prior to working capital adjustments and transaction costs.

Selected financial information for the activities included in discontinued operations is presented below:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Oil and natural gas sales net of royalties	\$ -	\$ -	\$ -	\$ 165,554
Net income from discontinued operations	\$ -	\$ -	\$ -	\$ 1,094,325
Gain on discontinued operations	\$ -	\$ -	\$ -	\$ 1,094,325

### 3. Mining assets:

Mining assets consist of the following:

	September 30, 2006	December 31, 2006
Deferred exploration and development costs, net of accumulated gross revenue from sales of gold and silver of \$9,292,718 (2005 – \$1,374,956) and and net of accumulated depletion and accretion of \$422,073 (2005 - \$Nil)	\$ 10,790,378	\$ 11,582,318
Equipment, net of accumulated depreciation of \$573,226 (2005 –\$199,536)	3,623,940	2,854,432
Construction in progress	4,851,087	2,304,951
Inventory	1,028,718	692,143
	\$20,294,123	\$ 17,433,844

All expenditures relating to the Uzboy Project were capitalized up to April 30, 2006 being the date of start up of commercial operations. These expenditures consisted of pre-production costs, property and equipment and construction in progress costs, general and administration costs and interest on the Pre-payment Gold Sales Facility Agreement (note 13(b)). Pre-production costs are expenditures that related to geological exploration, pre-production activities, and directly attributable overhead expenditures. In December 2004, the Company started a test heap leach operation at the Uzboy Project to test the equipment and processes built and established to produce gold. Management believed that it was necessary to test the operation for at least an

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entire operating cycle to ensure that a viable operation existed before going into commercial operation. During the nine months ended September 30, 2006, gross proceeds of \$3,134,385 (2005 - \$ 3,764,160) were recognized as part of the test heap leach operation and were recorded as a reduction of mining assets.

#### 4. Convertible debenture:

The principal amount of the debenture was convertible at any time, in whole or in part, at the option of the holder into common shares at Cdn\$0.60 (the "Conversion Price") based on the exchange rate in effect at the time of conversion (US\$0.86 at March 30, 2006). The debenture was convertible at the option of the Company if the common shares of the Company traded over a ten-day consecutive period at a closing price equal to or greater than Cdn\$1.20 per common share. Interest at the rate of 10% on the debenture was compounded semi-annually and was payable on a quarterly basis. The debenture was secured by the assets of the Company.

On March 30, 2006, the convertible debenture of Cdn\$792,812 was settled through the issuance of 1,321,353 common shares of the Company.

#### 5. Asset retirement obligations:

Mineral properties:

The following table presents the reconciliation of the asset retirement obligations associated with the retirement of the Uzboy Project in Kazakhstan.

	2006	2005
Balance, beginning of period	\$ 61,428	\$ 77,938
Revisions	360	(16,510)
Accretion	6,470	–
Balance, end of period	\$ 68,258	\$ 61,428

The Company estimates the total undiscounted cash flows required to settle its asset retirement delegations at September 30, 2006 is approximately \$420,000, and estimated to be incurred between the years 2020 to 2022. A credit adjusted risk free rate of 14% and an inflation rate of 7% was used to calculate the fair value of the asset retirement obligation.

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## 6. Share capital:

### (a) Authorized:

Unlimited voting common shares

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

### (b) Issued:

	Nine months ended		Year ended	
	September 30, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	50,478,230	\$ 15,590,718	35,233,612	\$ 9,154,286
Exercise of warrants (note 6(c))	15,374,397	11,024,728	1,310,424	879,727
Transfer to common shares upon exercise of warrants (note 6(c))	–	2,632,764	–	266,385
Conversion of convertible debenture (note 4)	1,321,353	792,812	–	–
Purchase of mineral properties	225,000	513,000	–	–
Exercise of stock options (note 6(d))	1,130,000	478,125	265,000	103,000
Transfer from contributed surplus (note 6(d))	–	255,135	–	59,567
Pursuant to private placements	–	–	13,510,818	7,430,950
Amount subscribed to warrants	–	–	–	(1,502,753)
Exercise of broker options	–	–	158,376	79,188
Share issuance costs	–	–	–	(879,632)
<b>Balance, end of period</b>	<b>68,528,980</b>	<b>\$ 31,287,282</b>	<b>50,478,230</b>	<b>\$ 15,590,718</b>

- (i) During the nine months ended September 30, 2006, 15,374,397 common shares were issued upon the exercise of warrants that had been issued in 2005 and 2004 pursuant to brokered private placements completed for total proceeds of \$11,024,728. In addition, a total of \$2,632,764 was transferred to common shares in connection with the exercise of the warrants,
- (ii) On March 30, 2006, the convertible debenture of Cdn\$792,812 was settled through the issuance of 1,321,353 common shares of the Company.
- (iii) During the nine months ended September 30, 2006, a total of 1,130,000 common shares were issued upon exercise of outstanding stock options for total proceeds of \$478,125. In addition, a total of \$255,135 was transferred from contributed surplus to reflect the value of the options calculated on the grant date and previously charged as stock-based compensation expense.

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## 6. Share capital (continued):

(c) Warrants:

	Nine months ended		Year ended	
	September 30, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Balance, beginning of period	15,484,397	\$ 2,660,523	11,867,567	\$ 1,119,482
Pursuant to private placements	–	–	8,040,681	1,807,426
Exercise of warrants	(15,374,397)	(2,632,764)	(1,310,424)	(266,385)
Expired	(110,000)	(27,759)	(3,113,427)	–
<b>Balance, end of period</b>	<b>–</b>	<b>\$ –</b>	<b>15,484,397</b>	<b>\$ 2,660,523</b>

	Nine months ended		Year ended	
	September 30, 2006		December 31, 2005	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	15,484,397	\$ 0.72	11,867,567	\$ 0.67
Issued	–	–	8,040,681	0.75
Exercised	(15,374,397)	0.72	(1,310,424)	0.67
Expired	(110,000)	0.70	(3,113,427)	0.60
<b>Outstanding, end of period</b>	<b>–</b>	<b>\$ –</b>	<b>15,484,397</b>	<b>\$ 0.72</b>
<b>Exercisable, end of period</b>	<b>–</b>	<b>\$ –</b>	<b>15,484,397</b>	<b>\$ 0.72</b>

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(Unaudited)

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## 6. Share capital (continued):

### (d) Options:

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

A summary of the status of the Company's stock option plan is as follows:

	Nine months ended September 30, 2006		Year ended December 31, 2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,237,500	\$ 0.47	3,045,000	\$ 0.42
Granted	1,350,000	0.99	1,520,000	0.55
Cancelled	—	—	(62,500)	0.42
Exercised	(1,130,000)	0.42	(265,000)	0.39
Outstanding, end of period	4,457,500	\$ 0.65	4,237,500	\$ 0.47
Exercisable, end of period	3,545,000	\$ 0.59	3,762,500	\$ 0.47

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(Unaudited)

## 6. Share capital (continued):

### (d) Options (continued):

The following table summarizes information about stock options outstanding and exercisable at September 30, 2006.

Exercise price	Outstanding		Exercisable	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
\$ 0.40	712,500	0.75	712,500	0.75
0.45	410,000	0.57	347,500	0.57
0.52	500,000	0.63	500,000	0.63
0.55	1,447,500	2.70	1,272,500	2.86
0.57	50,000	.08	50,000	.08
0.76	300,000	2.23	150,000	2.23
1.06	1,037,500	2.26	512,500	2.26
	4,457,500	1.80	3,545,000	1.74

The fair value of the options granted in the nine months ended September 30, 2006 is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of the options was calculated to be \$756,586 using the following weighted-average assumptions:

	2006
Expected dividend yield (%)	—
Expected life (years)	2.91
Risk-free interest rate (%)	4.25
Expected volatility (%)	75
Fair value of options granted (\$/share)	0.56

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Nine months ended September 30, 2006 and 2005  
(Unaudited)

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## 6. Share capital (continued):

(d) Options (continued):

A reconciliation of contributed surplus is provided below:

	Nine months ended September 30, 2006	Year ended December 31, 2005
Balance, beginning of period	\$ 1,013,636	\$ 527,292
Stock-based compensation expense	651,103	545,911
Transfer to share capital on the exercise of stock options	(255,135)	(59,567)
Expiration of warrants	27,759	-
Balance, end of period	\$ 1,437,363	\$ 1,013,636

## 7. Related party transactions:

- (a) During the nine months ended September 30, 2006, the Company paid \$Nil (2005 - \$67,055) in rent and other expenses to a company with common officers and directors. Of this amount, \$1,086 remains in accounts payable and accrued liabilities at September 30, 2006. The common officers and directors resigned their positions with the company on September 29, 2005.
- (b) During the nine months ended September 30, 2006, the Company paid \$108,000 (2005 - \$90,000) in consulting fees to a company controlled by the President and Chief Operating Officer of Alhambra. Of this amount, \$72,000 (2005 - \$67,500) was capitalized to deferred exploration and development costs.
- (c) During the nine months ended September 30, 2006, the Company incurred \$61,335 in costs from a law firm in which an officer of the Company is a partner of that total \$22,776 has been capitalized to deferred exploration and development costs and \$38,559 expensed as legal expenses. The officer was appointed in the first quarter of 2006.

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

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Nine months ended September 30, 2006 and 2005  
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## 8. Statements of cash flows:

Changes in non-cash working capital are as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Accounts receivable	\$ (261,477)	\$ (105,484)	\$ 647,431	\$ 86,265
Deposits and prepaid expenses	126,107	(308,411)	(254,230)	(818,062)
Accounts payable and accrued liabilities	193,624	(135,511)	588,980	245,392
Advances	42,070	(172,135)	(8,751)	16,475
	<u>\$ 100,324</u>	<u>\$ (721,541)</u>	<u>\$ 973,430</u>	<u>\$ (469,930)</u>
Relating to:				
Operating activities	\$ (9,312)	\$ (73,914)	\$ (4,601)	\$ (178,201)
Investing activities	109,636	(647,627)	978,031	(291,729)
	<u>\$ 100,324</u>	<u>\$ (721,541)</u>	<u>\$ 973,430</u>	<u>\$ (469,930)</u>

## 9. Supplemental disclosure of cash flow information:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Non-cash investing and financing activities:				
Issuance of common shares to settle convertible debenture (note4)	\$ -	\$ -	\$ 792,812	\$ -
Issuance of common shares to purchase Canadian mining assts	-	-	513,000	-

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## 10. Loss per share:

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

	Nine Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Basic and diluted weighted average shares outstanding	64,997,906	48,871,860	58,258,225	45,957,505

## 11. Financial instruments:

### (a) Fair values:

The fair values of accounts receivable, deposits and prepaid expenses, work in progress accounts payable and accrued liabilities and advance, are approximated by their carrying values because of their short-term nature or because they bear interest at market rates. The fair value of the convertible debentures and the convertible promissory notes are considered undeterminable due to the inability to apply a valuation method or obtain market prices.

### (c) Foreign currency risk:

The Pre-Payment Gold Sales Facility Agreement (note 13(b)) is denominated in US\$ and therefore the Company is subject to the risk of fluctuating exchange rates between the Cdn\$ and US\$.

## 12. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's presentation.

## 13. Commitments:

(a) The Company has granted a net smelter royalty with respect to the production of minerals from the properties owned by the Company in Kazakhstan. The net smelter royalty ranges from 2.5% to 3.0% (dependent on the price of gold) of gross revenue as defined in the Agreement, and amounted to \$239,655 in the nine months ended September 30, 2006 (2005 - \$ 112,925).

### (b) Gold Sales and Marketing Agreement:

On December 14, 2004 the Company entered into a Gold Sales and Marketing Agreement (the "Sales Agreement") and a US\$780,000 Pre-Payment Gold Sales Facility Agreement (the "Pre-Payment Facility"). Under the Sales Agreement, the purchaser has the right to purchase all the gold produced from the current test heap leach and any additional gold that may be produced from the Uzboy Project for the next three years. The Company will be responsible

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for all costs related to transportation and refining and will pay a marketing fee of 0.95% of gross revenue. Under the Pre-Payment Facility, the Company has the right to receive up to US\$750,000 as a pre-payment for gold to be sold to the vendor under the Sales Agreement. Amounts drawn under the Pre-Payment Agreement bear interest at LIBOR plus 8% and are secured by pledge of future deliveries of gold up to a maximum value of US\$1,000,000 and a corporate guarantee by the Company. Any unused portion under the Pre-Payment Facility bears interest at LIBOR plus 3%.

At September 30, 2006, advances received from the vendor were US\$776,161 (Cdn\$865,652) (December 31, 2005 – US\$749,981 (Cdn\$874,403)).

(c) Lease Agreement on Premises:

The Company is committed under a lease on premises for future minimum rental payments, exclusive of occupancy costs, as follows:

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2006	\$	14,108
2007		56,430
2008		37,620

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## 14. Segment information

As at September 30, 2006, the Company and its subsidiaries operate in one reportable segment, the exploration for and the development of mineral properties. Identifiable assets, revenues, and net loss in each of its geographic areas are as follows:

Nine months ended September 30, 2006	Kazakhstan	Corporate	Total
Sales of gold and silver	\$ 4,854,121	\$ –	\$ 4,854,121
Net income (loss)	542,580	(1,844,670)	(1,302,090)
Depreciation, depletion and accretion	447,360	10,413	457,773
Assets as at September 30, 2006	24,583,066	7,501,733	32,084,799
Capital expenditures (net)	5,968,671	279,667	6,248,338

Nine months ended September 30, 2005	Kazakhstan	Corporate	Total
Sales of gold and silver	\$ –	\$ –	\$ –
Net loss <sup>(1)</sup>	–	(984,699)	(984,699)
Depreciation, depletion and accretion	–	7,750	7,750
Assets as at December 31, 2005	19,385,917	746,958	20,132,875
Capital expenditures	5,952,905	2,611	5,955,516

Three months ended September 30, 2006	Kazakhstan	Corporate	Total
Sales of gold and silver	\$ 3,518,180	\$ –	\$ 3,518,180
Net income (loss)	461,558	(533,556)	(71,998)
Depreciation, depletion and accretion	304,482	3,824	308,306
Assets as at September 30, 2006	24,583,066	7,501,733	32,084,794
Capital expenditures	3,335,696	28,212	3,363,908

Three months ended September 30, 2005	Kazakhstan	Corporate	Total
Sales of gold and silver	\$ –	\$ –	\$ –
Net loss <sup>(1)</sup>	–	(209,900)	(209,900)
Depreciation, depletion and accretion	–	2,680	2,680
Assets as at December 31, 2005	19,385,917	746,958	20,132,875
Capital expenditures	1,869,145	–	1,869,145

(1) Net loss excludes pre-production operations in Kazakhstan which have been capitalized in deferred exploration and development costs as the operations are in the development stage until April 30, 2006.