Alhambra Resources Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three and Nine Months Ended September 30, 2009

This management's discussion and analysis ("MD&A") focuses on key items from the unaudited consolidated financial statements of Alhambra Resources Ltd. (also referred to as "Alhambra" or the "Corporation") for the nine months ended September 30, 2009 and the factors reasonably expected to impact future operations and results as prepared on November 26, 2009. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Corporation in the future. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2008 and the related notes and the unaudited consolidated financial statements of the Corporation for the nine months ended September 30, 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 November 26, 2009. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com

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

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 obtain future funding or to continue as a going concern described in this MD&A should be viewed as forward-looking statements to the extent that they involve estimates thereof. **In addition, in determining the fair value of Saga Creek's assets upon re-registration, 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 annualized cash flows that were derived from the modeling work done. These values are management's best estimates based on current information and are preliminary in nature. The Corporation anticipates there will be changes once the calculations are finalized. Those changes may be material.** Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward-looking statements, including but not limited to, the Corporation's liquidity and financial capacity and the Corporation's future funding sources to meet various obligations and other factors and events described in this document, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

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

Legal Dispute Validating Alhambra's Ownership of Kazakhstan Subsidiaries

On September 26, 2008 a statement of claim ("Kazakhstan Lawsuit") was filed in the Specialized Interdistrict Economical Court of the East-Kazakhstan Oblast ("Lower Court") of the Republic of Kazakhstan ("Kazakhstan") seeking to invalidate Alhambra's ownership of its former Kazakhstan subsidiaries, Saga Creek Gold Company LLP ("Saga Creek") and Goodwin Golems LLP ("Goodwin") (together the "Kazakhstan Subsidiaries"). Alhambra had acquired 100% interest in the Kazakhstan Subsidiaries from Marsa Aktiengesellschaft ("Marsa"), a Liechtenstein company and Teragol Investments Limited ("Teragol"), a Cyprus company (jointly the "Plaintiffs") by virtue of a Partnership Unit Purchase and Exchange Agreement dated March 21, 2002 (the "Agreement"), as amended. The basis for the claim 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 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 Supervisory Chamber of the East-Kazakhstan Oblast Court ("Supervisory Chamber") whose decision, rendered on February 27, 2009, again upheld the decisions of the previous courts. On January 27, 2009 the ownership of the Kazakhstan Subsidiaries was re-registered back in the name of the Plaintiffs giving effect to the court decisions. As a result of these decisions, the Corporation reported a loss of $30,965,442 in the fourth quarter of 2008.

On April 16, 2009 the Corporation filed an appeal with the Supreme Court of Kazakhstan ("Supreme Court") 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.**

Non-GAAP Measures

This MD&A contains the term "funds flow from operations" which is not recognized under GAAP. Funds flow from operations is defined as 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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash flow provided by (used in) operating activities	$ (61,818)	$ 2,469,794	$ (492,535)	$ 2,166,129
Add (deduct) change in non-cash working capital	292,625	(1,655,541)	(95,634)	(1,301,001)
Funds flow provided by (used in) operating activities	$ 230,807	$ 814,253	$ (588,169)	$ 865,128

Critical Accounting Estimates

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 fair value of net identifiable assets and liabilities, determination of impairment of mineral assets, 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 or if required under GAAP restatements may be made to previously reported numbers.

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. The Corporation continues to hold and operate its gold producing assets situated in Kazakhstan, while DOT holds and conducts exploration activities on the Corporation's former Canadian DOT property, situated near Kamloops, British Columbia ("DOT Property").

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 36% of the 41,500,001 common shares of DOT currently outstanding.

The Corporation is in the business of the exploration for and development of mineral properties and effective May 1, 2006, the commercial production of gold in Kazakhstan as the Corporation commenced commercial operations on that date. Because of the decisions of the lower courts of Kazakhstan, the Corporation lost control of its Kazakhstan Subsidiaries for a period from December 26, 2008 to September 15, 2009. On September 15, 2009 the Corporation completed the re-registration of the shares of the Kazakhstan Subsidiaries thereby assuming ownership and control of its Kazakhstan assets. The Corporation holds a 100% working interest in two exploration and exploitation licenses totaling approximately 2.7 million acres located in north central Kazakhstan (the "Uzboy Project").

Financial Review

Highlights

The third quarter was highlighted by the re-registration of ownership of the Kazakhstan Subsidiaries back in the name of the Corporation. Concurrent with the re-registration Alhambra decided to early adoption Handbook Section 1582 – "Business Combinations" which was issued by the CICA in December 2008. Under this guideline the Corporation has provisionally revalued the assets and liabilities of Saga Creek as of September 15, 2009, being the date of re-registration. As the consideration paid was $nil, the result of this revaluation is to record a onetime gain on re-acquisition of $76,340,583. In the fourth quarter of 2008, the Corporation had reported a loss of $30,965,442 as a result of the decision by the lower courts of Kazakhstan that had deemed the Corporations contract by which it had purchased the Kazakhstan Subsidiaries as invalid.

The following table reflects the combined net identifiable assets and liabilities of Saga Creek including provisional fair value adjustments at the time of re-registration. The Corporation undertook a review of the net identifiable assets and liabilities at the date of re-registration and, where available, third party information (including the NI 43-101 compliant report entitled "Resource and Reserve Estimation Study on the Uzboy Gold Deposit, Akmola Oblast Kazakhstan" with an effective date of December 31, 2007 prepared by ACA Howe International Ltd. available on SEDAR at www.sedar.com, see News Release dated June 5, 2008) was utilized in determining these provisional fair values. In determining the fair 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 annualized cash flows that were derived from the modeling work done. These values are management's best estimates based on current information and are preliminary in nature. The Corporation anticipates there will be changes once the calculations are finalized. Those changes may be material. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalized following the re-registration date if any subsequent information provides better evidence of the item's fair value at the date of re-registration.

	Book Value Reflected by Saga Creek on September 15, 2009	Provisional fair value adjustments at September 15, 2009	Provisional fair values recognized on re-acquisition at September 15, 2009
Cost of re-acquisition	$ –	$ –	$ –
Fair value of assets and liabilities:			
Cash	234,904	–	234,904
Accounts receivable	3,785,007	(2,384,896)	1,400,111
Prepaids	579,104	–	579,104
Inventories	1,218,778	(130,379)	1,088,399
Work in progress	8,894,412	(3,027,361)	5,867,051
Mineral properties	24,159,751	60,546,475	84,706,226
Accounts payable and accrued charges	(3,775,682)	–	(3,775,682)
Asset retirement obligation	(165,618)	–	(165,618)
Future income taxes	(1,310,512)	(12,283,400)	(13,593,912)
	33,620,144	42,720,439	76,340,583
Gain recognized on re-acquisition of Saga Creek	$ 33,620,144	$ 42,720,439	$ 76,340,583
Net cash acquired	$ 234,904	$ –	$ 234,904

Since the operations of the Corporation's gold producing assets effectively "began again" on September 15, 2009, the financial statements for the Corporation only include the operations of Alhambra gold mining operations for fifteen days. As such they are not comparable with the relevant periods in 2008.

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 segments are as disclosed in note 14 to the interim 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 its agent in Switzerland who supervises the refining and sale of the gold and silver on behalf of the Corporation.

During the fifteen day period following re-registration on September 15, 2009, the Corporation recognized $1,126,060 in revenue from the sale of 1,104 ozs of gold at an average price of $1,019.98/oz. This compares with revenue of $4,251,565 and $10,079,347 from the sale of 4,952 and 11,364 ozs of gold at average prices of $858.56 and $886.95 for the three months and nine months ended September 30, 2008, respectively.

Net smelter royalty

The net smelter royalty ranges from 2.5 to 3.0% (dependent on the price of gold) of gross revenue. During the fifteen day period following re-registration on September 15, 2009, the Corporation recognized $33,920 in net smelter royalty expenses which is 3% of the revenue recognized during the period. During the nine months and three months ended September 30, 2008, the Corporation recognized $302,380 and $127,547, respectively, in net smelter royalty expenses, also 3% of gold sales. These represent increases of $20,445 and $7,891 over the $281,935 and $119,656, respectively for the comparable nine and three month periods in 2007.

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 royalties paid to the government of Kazakhstan. As a result of the revaluation, the Corporation includes all costs associated with the Uzboy project, including plant and equipment, in mineral assets. These costs are amortized to work in progress based on the quantity of gold removed from the mine and placed on leach pads for processing as a percentage of the total estimated quantity of gold in the mine. All process operating costs, including amortization of related mineral properties, are charged to work in progress and are expensed on the basis of the quantity of gold sold as a percentage of total recoverable gold mined.

Operating costs for the fifteen day period following re-registration were $418,049 or $378.67/oz of gold sold. This compares to the three month and nine months ended September 30, 2008 totals 2,686,603 and $6,385,618 or $542.53/oz and $561.92/oz of gold sold, respectively. It should be recognized that the costs in 2009 are only for a short period of time and may not be reflective of actual operations over a longer period. It should however be expected that costs will be lower during this period due in part to a 20% devaluation in early 2009 of the Kazakhstan Tenge as compared to the US dollar. The fair values that were determined at September 15, 2009 were based on the current exchange rate thus giving effect to a lower US$ value of work in progress in 2009. In addition, Alhambra as part of the fair market valuation, decided to write down the quantity of gold being carried on the heap effective September 15, 2009. The combined effect of these two adjustments resulted in a $3 million decrease in the carrying value of work in progress thus lowering the per unit costs reported in 2009.

General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2009 decreased $1,476,588 to $1,175,368 from the $2,651,956 recorded in the comparable period in 2008. Of the 2009 total, $224,947 related to Saga Creek operations for the fifteen day period from re-registration. This compares to the totals for the nine months and three months ended September 30, 2008 of $1,383,694 and $477,780, respectively. The fifteen day total in 2009 is relatively high due to legal bills incurred by Saga Creek related to the re-establishment of ownership and control by Alhambra.

The remainder of general and administrative costs relate to corporate activities. For the nine months ended September 30, 2008, corporate general and administrative costs totaled $950,421 which was a decrease of $317,841 from the corresponding 2008 amount of $1,268,262. After adjusting for the effect of an 18% decline in the average value of the US dollar in relation to the CDN dollar, the Corporation experienced an overall positive variance in general and administration costs of approximately $199,569.

Corporate general and administrative expenses for the three months ended September 30, 2009 decreased $188,546 to $146,317 from the $334,863 recorded in the comparable period in 2008. After adjusting for the effect of a 5% decline in the average value of the US dollar in relation to the CDN dollar, the Corporation experienced an overall positive variance in general and administration costs of approximately $194,571.

Lower corporate general and administrative costs reflect the cost cutting measures taken by the Corporation brought about by the Kazakhstan Lawsuit and the world economic slowdown.

Interest expense and accretion on debt

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Interest	$ 67,657	$ 41,785	$ 147,407	$ 92,359
Accretion on debt	76,494	–	110,490	–
	$ 144,151	$ 41,785	$ 257,897	$ 92,359

Interest expense and accretion on debt for the nine months ended September 30, 2009 totaled $257,897 as compared to $92,359 for the comparable period in 2008. Saga Creek's operations were responsible for $76,570 and $51,868 of the interest expense for the nine month and three month periods ended September 30, 2008. The remaining $15,789 of interest in the third quarter of 2008 related to the Debenture (note 4 to the interim unaudited consolidated financial statements).The interest expense incurred in 2009 related to the Debenture and the Notes (note 5 to the interim unaudited consolidated financial statements). The accretion on the debt relates to the amortization of fair value ascribed to the Debenture Warrants, Note Warrants and conversion option related to the Warrants (notes 3, 4 and 5(c) and 5(d) to the interim unaudited consolidated financial statements).

Stock-based compensation

Due primarily to the high volatility of the Corporation's stock price, this calculation gives a significant value to stock options which must be expensed during their vesting period. In addition, expense is calculated for each vesting period separately which results in stock based compensation expense being the largest during the earlier vesting terms of each option. The amount of this expense for the nine months and three months ended September 30, 2009 was $325,520 and $215,454, respectively. For the nine months and three months ended September 30, 2008, stock-based compensation expense was $1,258,226 and $148,578, respectively. Stock based compensation for 2009 relates almost entirely to the 3,050,000 stock options granted on September 1, 2009. Stock-based compensation expense for 2008 relates almost in its entirety to the amortization of the value calculated for the 2,750,000 options granted in January, 2008.

Funds flow

Funds flow used in operating activities was $588,169 for the nine months ended September 30, 2009 as compared to funds provided from operating activities in the comparable nine month period in 2008 of $865,128, a decrease of $1,453,297. Mining operations at Saga Creek contributed positive funds flow which totaled $299,185 for the fifteen day period from re-registration on September 15, 2009. This compares to the $1,833,890 and $946,390 contributed during the nine month and three month periods ended September 30, 2008.

Positive funds flow from mining operations was offset by funds flow utilized in corporate activities, which is primarily head office general and administration expense. The decrease in general and administration expense for the nine month period ended September 30, 2009 relative to the comparable 2008 period resulted in an improvement in funds flow utilized in corporate activities of $359,571 to $887,354 as compared to the $1,246,925 utilized in the comparable period of 2008.

For the three months ended September 30, 2009 funds flow utilized in corporate activities was $68,378, $283,027 improvement over the $351,405 reported in the comparative three month period in 2008. A decrease in general and administration expenses plus a realized foreign exchange gain accounted for the improved results.

Net earnings (loss)

The Corporation recorded net income for the nine months ended September 30, 2009 of $74,954,515 due to a onetime provisional gain of $76,340,583 related to the fair market valuation of Saga Creek. The revaluation is the result of the re-registration on September 15, 2009 of the Corporation's ownership of Saga Creek following the Supreme Court's decision to dismiss the Kazakhstan Lawsuit. The Corporation had taken a $30,613,754 write down in the fourth quarter of 2008 based on a decisions made by the lower courts of Kazakhstan that had determined that the purchase agreement by which Alhambra had acquired Saga Creek was invalid. In recording the gain, the Corporation undertook a review of the net identifiable assets and liabilities at the date of re-registration. Where available, third party information was utilized in determining these provisional fair values. In determining the fair 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 annualized cash flows that were derived from the modeling work done. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalized following the re-registration date if any subsequent information provides better evidence of the item's fair value at the date of re-registration. In recording the gain t**he Corporation undertook a review of the net identifiable assets and liabilities at the date of re-registration and, where available, third party information (including the NI 43-101 compliant report entitled "Resource and Reserve Estimation Study on the Uzboy Gold Deposit, Akmola Oblast Kazakhstan" with an effective date of December 31, 2007 prepared by ACA Howe International Ltd. available on SEDAR at www.sedar.com, see News Release dated June 5, 2008) was utilized in determining these provisional fair values. In determining the fair 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 annualized cash flows that were derived from the modeling work done. These values are management's best estimates based on current information and are preliminary in nature. The Corporation anticipates there will be changes once the calculations are finalized. Those**

changes may be material. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalized following the re-registration date if any subsequent information provides better evidence of the item's fair value at the date of re-registration. This onetime gain is equivalent to $1.00 per share based on 75,774,147 common shares outstanding.

Prior to the gain, the Corporation had a net loss of $1,386,068 or $0.02 per share for the nine months ended September 30, 2009 based on a weighted average number of shares outstanding of 77,774,147. This compares to a net loss of $1,986,139 or $0.03 per share for the comparable nine month period in 2008 based on a weighted number of shares outstanding of 75,676,658. The decreased net loss of $600,071 is primarily due to lower depreciation, depletion and amortization and stock based compensation expense offset partially by lower cash flow from operations in 2009. Before the gain on revaluation of Saga Creek's assets, Saga Creek made a small net earnings contribution of $217,243 for the fifteen day period starting from re-registration. For the nine and three month period of September 30, 2008, Saga Creek's contributed net earnings of $628,127 and $326,509, respectively.

For the three months ended September 30, 2008, the Corporation recorded a loss from corporate activities $515,873 which is comparable to the $522,986 recorded in the third quarter of 2008.

Liquidity and capital resources

During the nine months ended September 30, 2009, the Corporation received CDN675,000 for the issue of subordinated secured promissory notes (the "Notes"). The Notes bear simple interest at an annual rate of 20%, mature April 29, 2010, are secured against assets of the Corporation and are subordinated to the Secured Debentures (note 4 to the interim unaudited consolidated financial statement).

In connection with the Notes, the Corporation has issued 5,400,000 non-transferable warrants (the "Note Warrants") to purchase 5,400,000 common shares of the Corporation. Half of the Note Warrants issued have an exercise price of CDN$0.10 per common share and the other half have an exercise price of CDN$0.20 per common share. All Note Warrants are exercisable until October 29, 2009. The Note Warrants and any common shares acquired upon exercise of the Note Warrants are subject to a hold period expiring on August 29, 2009. A total of CDN$215,000 of Notes were subscribed for by officers and directors of the Corporation.

Subsequent to September 30, 2009, 5,300,274 common shares of the Corporation were issued on the conversion of 5,300,274 Note Warrants for a gross proceeds of CDN$790,055 of which 1,620,274 common shares were purchased by insiders of the Corporation. The remaining 99,726 Note Warrants expired unexercised. The proceeds from the exercise of the Note warrants were used to retire CDN$758,597 of principal and accrued interest on the Notes for which the Note Warrants were originally issued.

The Corporation had outstanding a series of twelve percent (12%) secured debentures due August 11, 2009 in the principle amount of CDN$1,000,000 (the "Debentures"). As the Corporation was unable to pay the outstanding principal and accrued interest at the maturity date, the holders of the Debentures agreed to add the accrued interest to the principal outstanding and extend the maturity date of the Debentures to August 11, 2010. The accrued interest at August 11, 2009 totaled CDN$125,222 resulting in the principal amount of the Debentures at August 11, 2009 totaling CDN$1,125,222. In consideration for agreeing to extend the term, the Corporation agreed to the following modifications to the Debentures:

(a) The Debenture holders have the option to convert the principal amount and unpaid interest at any time prior to maturity into common shares of the Corporation at a price of CDN$0.30 per common share;

(b) Warrants to purchase up to 2,500,450 common shares ("Debenture Warrants") were granted with an expiry date of August 11, 2011. Each Debenture Warrant may be converted into one common share of the Corporation at any time prior to expiry at a purchase price of CDN$0.45 per common share;

(c) Interest accrues on the new principal amount at a rate of 12% per annum, compounded quarterly and payable at the earlier of the date of conversion or the new maturity date; and

(d) The Corporation has the right at any time prior to maturity, to prepay all or a portion thereof, of the Debentures and accrued interest, without notice, bonus or penalty. If the Corporation exercises this right, then the Debenture holders will have the option of converting the principal amount of the Debentures plus accrued interest, or any portion thereof prior to the prepayment date, into common shares of the Corporation at a price of CDN$0.30 per common share.

The Debentures continue to be secured by way of a first floating charge against all of the assets, property and undertakings of Alhambra, and are held by certain officers and/or directors of the Corporation. The modifications to the Debentures were approved by the independent members of the board of directors with the applicable directors abstaining.

At September 30, 2009 the Corporation had $39,853 of cash and cash equivalents and a total of $3,280,332 in other working capital. Included in the other working capital at September 30, 2009, was $6,301,410 in work in progress. This represents the fair value assigned on September 15, 2009 plus costs incurred less amounts amortized to operating costs from September 15, 2009 to September 30, 2009 to the gold that has been mined and is in various parts of the production process. A September 30, 2009 the estimated recoverable gold in work in process is approximately 25,000 ozs of recoverable gold that the Corporation estimates it will sell in the next year.

As the Corporation has just recently regained control of its Kazakhstan Assets, there has been no significant capital program undertaken. The Company has begun the process of determining a capital budget for 2010.

The Corporation's cash position is currently not sufficient to discharge all of its current liabilities. While the re-registration of the Corporation's ownership of the Kazakhstan Subsidiaries has once again given Alhambra access to cash generating assets, Alhambra will still require additional financing to fund its exploration and development programs, to pay corporate overhead costs and to meet its obligations to its creditors. The Corporation is planning to raise additional funds however, there is no assurance that it will be able to do so. If the Corporation is unable to continue to raise additional funds, the Corporation's ability to continue as a going concern is extremely doubtful.

Related party transactions

During the nine months ended September 30, 2009, the Corporation paid $nil (2008 - $68,503) in consulting fees to a corporation controlled by a former director and officer of the Corporation ("Consultant"). Of this amount, $nil (2007 - $3,286) was capitalized to exploration and development costs.

During the nine months ended September 30, 2009, the Corporation incurred $112,788 (2008 - $112,788) in costs from a law firm in which an officer of the Corporation is a partner. All of the costs were expensed as legal expenses. The officer resigned his position effective April 29, 2009.

The Corporation and DOT have entered into an Administrative and Corporate Services Contract (the "Contract") whereby DOT agreed to engage the Corporation to provide management, administration and corporate services to DOT. The Contract provides for a monthly remuneration of CDN$20,000 plus all reasonable out of pocket expenses and is for an indefinite term but may be terminated by either party upon providing thirty (30) days prior written notice. During the nine months ended September 30, 2009 the Corporation billed DOT CDN$180,000 (2008 – CDN$180,000) under the Contract. As of September 30, 2009, CDN$40,353 remains uncollected.

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

Financial instruments

The Corporation's financial instruments as at September 30, 2009 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the Debentures and Notes. Except for the Debentures and Notes, fair values of these financial instruments approximate their carrying amounts due to their short terms to maturity. The Debentures and Notes are carried at their fair value which is equal to their face value less the unaccreted portion of the fair value assigned to the Debenture Warrants and conversion feature, both associated with the Debenture, and the Note Warrants associated with the Notes.

Commitments and contingencies

The Corporation has granted a net smelter royalty with respect to the production of minerals from the properties owned by the Corporation in Kazakhstan. The net smelter royalty ranges from 2.5% to 3.0% (depending on the price of gold) of gross revenue as defined in the Agreement.

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

The Corporation has no other off balance sheet financing arrangements.

Disclosure of outstanding share data

	As of September 30, 2009	Change in 2009	Issued in 2009	As of November 26, 2009
Common shares issued and outstanding	75,774,147	5,300,274	–	81,074,421
Common shares issuable upon exercise of vested stock options	5,202,500	–	87,500	5,290,000
Common shares issuable upon exercise of warrants	7,900,450	(5,400,000)	–	2,500,450
Common shares issued upon Conversion of debentures	3,812,396	–	–	3,812,396
Common shares fully diluted	92,689,493	(99,726)	87,500	92,677,267

At September 30, 2009, there were 75,774,147 common shares issued and outstanding and 92,689,493 fully diluted common shares after giving effect to the exercise of all outstanding vested stock options, warrants and the conversion of the secured debentures. On October 30, 2009 warrants entitling the holder to acquire 5,300,274 common shares of the Corporation were exercised and 99,276 expired. As of the filing date of this MD&A, 762,500 of the options and the conversion options related to the secured debentures were in the money.

Disclosure of material components of expenditures

During the three months ended September 30, 2009, general and administrative expenses totaled $371,264, a $441,379 improvement over the $812,643 reported for the same three month period in 2008. Included in this 2009 amount was $224,947 of general and administrative costs directly related to Saga Creek operations for the fifteen day period from the date of re-registration on September 15, 2009 which compares to the $477,780 recorded in the comparable three month period in 2008. Corporate overhead costs accounted for the remaining $146,317 which compares to $334,863 of corporate overhead costs incurred in the three months ended September 30, 2008.

Corporate employee costs incurred during the three months ended September 30, 2009 accounted for 99% ($145,443) of the total corporate general and administration costs as compared to 61% ($203,428) of the total in 2008. The decrease resulted from staff reductions that took place during 2009 reflecting the Corporation's economic circumstances.

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 13% ($18,259) of total general and administrative expenses in the three months ended September 30, 2009 as compared to 10% ($32,856) for the comparable three month period in 2008. The decrease is a result of the Corporation eliminating its investor relations program in 2009 reflecting the Corporation's economic circumstances during that period

Office expenses incurred in the three months ended September 30, 2009 of $23,688 (2008 - $88,150) accounted for a further 16% (2008 – 26%) of general and administrative expenses. The Corporation's landlord terminated the lease as of May 31, 2009 as a result of the Corporation's inability to meet its rent obligations. Rental payments were responsible for the major portion of office expenses.

Professional costs, which include legal and auditing and outside consulting fees, totaled $13,578 (9%) for the three months ended September 30, 2009 as compared to $66,423 (20%) in comparable three month period in 2008. With the positive decision of the Supreme Court on August 12, 2009 the high costs of defending the law suit has dissipated and Kazakhstan legal costs are being billed to Saga Creek.

During the three months ended September 30, 2009, the Corporation billed DOT $54,651 (37%) under the Contract as compared to $57,994 (17%) billed in the third quarter of 2008. These fees were recorded as an offset to general and administration expenses. The decrease is attributable to the depreciation of the value of the CDN$ relative to the US$ as the CDN$ amounts billed are the same in both periods.

Business 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 the Corporation may be subject to risks from operations, mining law, environmental regulations, permits and licenses and financing.

The Corporation focuses its exploration efforts in areas in which it has existing knowledge and expertise. Exploration activities rely on the exploration results collected at that time and on the professional judgment of people involved in the exploration business. There can be 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 the economic feasibility of the project may change.

The long-term profitability of the Corporation'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 Corporation.

Operations risk

Operations risk relates to the ability to recover metal from an established mineral reserve. Using skilled and experienced professional staff reduces this risk. Using the latest technologies and controlling costs to maximize profitability also assists 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. Currently, the Corporation maintains insurance as mandated under Kazakhstan law. Management reviews this insurance on a regular basis to ensure it is adequate for business purposes.

Country risk

Alhambra'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 currency exchange fluctuations and the enforceability of contract rights. With the favorable decision reached by the Supreme Court, Alhambra feels more confident that the rule of law in Kazakhstan exists to protect investor rights.

Regulations and mining law

Alhambra's mining operations and exploration activities are subject to the laws and regulations of Kazakhstan. There is no assurance that these laws will not change in the future.

Environmental factors

All phases of the Corporation's operations are subject to environmental regulation in Kazakhstan. Environmental legislation is evolving in a manner which will require 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. Although Alhambra takes 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 Alhambra's operations or result in substantial costs and liabilities in the future.

Permits and licenses

The operations of the Corporation require permits from the government of Kazakhstan. The Corporation has secured the necessary permits for its current exploration and operations programs. There can be no assurance that the Corporation will be able to obtain all necessary permits that may be required to carry out its operations in the future.

Financing risks

Continued exploration and development of the Uzboy Project and other projects of the Corporation is dependent on Alhambra's ability to obtain the funds necessary to finance these planned activities. Now that Corporation has successfully defended the Kazakhstan Lawsuit, it has regained control over its cash generating assets. While Alhambra continues to produce gold, there is no assurance that sufficient quantities of gold will be recovered to ensure adequate funds will be available to undertake the planned programs, finance corporate overheads or settle outstanding obligations of creditors. Failure to do so may result in the Corporation seeking additional equity to finance its programs. While the Corporation has been successful in attracting equity financing in the past, there can be no assurance that additional funding will be available in the future. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans or even the Corporation's ability to continue as a going concern.

Income and other taxes

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 remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan 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 the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Changes in accounting policies

The following summarizes accounting changes that became relevant to the Corporation's consolidated financial statements, effective January 1, 2009.

Business combinations

In December 2008, the CICA issued Handbook Section 1582 - "Business Combinations". This standard outlines new guidance which states that the purchase price is to be based on trading data at the closing date of the acquisition, not the announcement date of the acquisition, and that most acquisition costs are to be expensed as incurred. The new standard becomes effective on January 1, 2011 and early adoption is permitted. The Corporation has decided to early adopt this standard in the third quarter of 2009 as it primarily converges with International Financial Reporting Standards ("IFRS") and provides better disclosure for shareholders and is more consistent with the legal decisions applicable to the Kazakhstan Lawsuit. (note 3 to the interim unaudited consolidated financial statements).

Credit risk and fair value of financial assets and financial liabilities

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

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

Goodwill and intangible assets, CICA section 3064

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

International financial reporting standards ("IFRS"):

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

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

As a result of the re-registration of the Corporation's ownership in the Kazakhstan Subsidiaries and the adoption of CICA Handbook Section 1582 Business Combinations, Alhambra has in effect completed certain tasks necessary in implementing IFRS regulations. The Corporation will continue to assess the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures.

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

Summary of Quarterly Results ($)

Three months ended,	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Income (loss)	(31,687,984)	(676,735)	(410,703)	76,041,953
Basic and diluted net income (loss) per share	0.41	(0.01)	(0.00)	1.00

Three months ended,	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Income (loss)	89,431	(815,720)	(973,943)	(196,476)
Basic and diluted net income (loss) per share	(0.00)	(0.01)	(0.01)	(0.01)

The large income in the third quarter of 2009 was the result of the re-registration and revaluation of the assets of Kazakhstan Subsidiaries as of September 15, 2009. 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 results reported for the first and second quarter of 2009 relate only to Alhambra's corporate operations

The 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. Results are also impacted by stock-based compensation charges which are affected primarily by the timing of the issue of options.

Outlook

With the re-registration of its ownership in the Kazakhstan Subsidiaries now completed, Alhambra is well into the process of regaining control and resuming management of the operations. Since regaining control, the Corporation's focus has been reviewing what has transpired during the last year while control was held by a third party. Initial view is that the operations appear to have been handled in a similar manner to the way that Alhambra managed however there has been little or no attempt to advance any of the exploration or development projects that Alhambra considered to be of high potential. Alhambra is now turning its attention to looking at the future of its Kazakhstan operations with the view of resuming an aggressive exploration program and examining the possibility of expanding its current operation and bringing into development other highly prospective areas. Part of the planning process will include financing alternatives as necessary. Once these plans are developed, they will be communicated with investors.