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

This management's discussion and analysis ("MD&A") focuses on key items from the audited consolidated financial statements of Alhambra Resources Ltd. (also referred to as "Alhambra" or the "Corporation") for the year ended December 31, 2009 and the factors reasonably expected to impact future operations and results as prepared on April 28, 2010. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Corporation in the future. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2009 and the related notes. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada.

This MD&A was reviewed and approved by the Corporation's audit committee and board of directors on April 28, 2010. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com.

Re-acquisition of Saga Creek Gold Company

On September 26, 2008 a statement of claim ("Kazakhstan Lawsuit") was filed in the Specialized Interdistrict Economical Court of the East-Kazakhstan Oblast ("Lower Court") of the Republic of Kazakhstan ("Kazakhstan") seeking to invalidate Alhambra's ownership of its Kazakhstan subsidiaries, Saga Creek Gold Company LLP ("Saga Creek") and Goodwin Golems LLP ("Goodwin") (together the "Kazakhstan Subsidiaries"). Alhambra had acquired 100% interest in the Kazakhstan Subsidiaries from Marsa Aktiengesellschaft ("Marsa"), a Liechtenstein company and Teragol Investments Limited ("Teragol"), a Cyprus company (jointly the "Plaintiffs") by virtue of a Partnership Unit Purchase and Exchange Agreement dated March 21, 2002 (the "Agreement"), as amended. The basis for the claim was that the Corporation's 100% owned subsidiary, Alhambra Overseas Limited, incorporated to hold Alhambra's interest in the Kazakhstan Subsidiaries, was not incorporated at the time the Agreement was initially entered into, despite the fact that such incorporation was subsequently completed soon thereafter. Alhambra applied to the Lower Court to have the litigation dismissed for the lack of jurisdiction, however, such application was denied as was the appeal to the Civil Cases Review Board of the East-Kazakhstan Oblast Court (the "Review Board"). As a result, hearings in the Lower Court on the merits of the case began on November 17, 2008 and were completed on November 24, 2008. On November 25, 2008 the Lower Court rendered its decision in favor of the Plaintiffs. The Corporation appealed the Lower Court's decision to the Review Board, but on December 26, 2008 the Review Board issued its ruling upholding the Lower Court's decision. The Corporation appealed to the next level of the court system in Kazakhstan which was the Supervisory Chamber of the East-Kazakhstan Oblast Court whose decision, rendered on February 27, 2009, again upheld the decisions of the previous courts. On January 27, 2009 the ownership of the Kazakhstan Subsidiaries was re-registered back in the names of the Plaintiffs giving effect to the court decisions. As a result of the decision the assets and liabilities related to the Kazakhstan mineral operations were written off as of December 26, 2009.

On April 16, 2009 the Corporation filed an appeal with the Supreme Court of Kazakhstan asking the Supreme Court to overturn the decisions of the lower courts. The Supreme Court hearing was held on August 12, 2009 at which time the Supreme Court reversed the decisions of the Lower Courts and dismissed the Plaintiffs' claim. On September 15, 2009 the ownership of the shares of the Kazakhstan Subsidiaries was re-registered in the name of Alhambra and the Corporation commenced operations on that date.

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

Forward-Looking Information

Except for the statements of historical fact contained herein, certain statements contained in this MD&A constitute "forward-looking statements" as such term is used in applicable Canadian and US laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, any statements concerning the Corporation's ability to continue as a going concern described, statements concerning the strategy of advancing the Uzboy Project towards pre-feasibility, the formalization of a development plan, converting Inferred resources to mineral reserves by conducting additional exploration and other factors and events described in this MD&A should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward-looking statements, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the Corporation's liquidity and financial capacity, the Corporation's funding sources to meet various obligations, advancing the project towards pre-feasibility, formalizing a development plan, lack of financing in order to convert Inferred resources to mineral reserves through additional exploration, costs and timing of exploration and production development, availability of capital to fund exploration and production development; political, social and other risks inherent in carrying on business in a foreign jurisdiction, the effects of a recessionary economy and such other business risks as discussed herein and other publicly filed disclosure documents. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

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

Non-GAAP Measures

This MD&A contains the term "funds flow from operations" which is not a defined term under GAAP. Funds flow from operations is defined as cash flow from operating activities before changes in non-cash working capital. Management believes that funds flow from operations is a useful measurement that provides an indication of results generated by the Corporation's business activities. It demonstrates the Corporation's ability to generate the cash necessary to fund future growth through capital investment, and allows the Corporation to evaluate operating performance, leverage and liquidity. The following table provides a reconciliation of cash flow provided by (used in) operating activities as defined under GAAP with funds flow from operations as used in this MD&A.

		2009		2008
Cash flow provided by (used in) operating activities	$	(1,153,695)	$	854,810
Change in non-cash working capital		751,818		(253,369)
Funds provided by (used in) operations	$	(401,877)	$	601,441

Measurement Uncertainty

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

Business Overview

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

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

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

Pursuant to the Arrangement, the DOT Property was transferred to DOT at its carrying amount of $944,666 in exchange for 30,000,000 common shares. Every shareholder of the Corporation received one (1) new common share and 0.21153 of a DOT common share for every one (1) common share of the Corporation held on the effective date of the Arrangement resulting in 15,000,000 DOT common shares held by Alhambra being distributed to Alhambra shareholders on a pro rata basis. As a result of the Arrangement, Alhambra holds 15,000,001 shares of DOT which represents approximately 27% of the 55,734,333 common shares of DOT currently outstanding. At December 31, 2009, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$1,725,000.

Operating and Financial Highlights

	2009	2008
Operating (for the year ended December 31):		
Mining:		
Waste mined (Tonnes ("T")) [1]	854,781	1,981,680
Ore stacked (T) [1]	303,383	1,016,750
Grade of ore mined (Grams/T) [1]	0.91	1.09
Recoverable gold mined (Troy ounces (oz)) [1] [3]	5,799	24,971
Gold sales (ozs) [1]	5,606	17,464
Gold in work in progress (ozs) [2]	31,094	30,551
Financial [1]:		
Revenue ($) [1]	6,160,094	14,852,032
Average gold price ($/oz) [1]	1,098.84	850.44
Operations expenses ($) [1]	3,650,538	9,799,464
Operations expenses ($/oz) [1]	651.18	561.12
Net income (loss) ($) [1]	66,752,153	(33,674,123)
Net income (loss) per share		
Basic ($) [1]	0.87	(0.44)
Diluted ($) [1]	0.81	(0.44)
Capital expenditures ($) [1]	348,042	4,621,103
Total assets ($)	104,424,372	689,530
Shareholders' equity (deficiency)($)	67,974,295	(933,177)
Common shares outstanding at year end	81,074,421	75,774,147

Notes:

1. Operating and certain financial results for the year ended December 31, 2009, are based on the Corporation owning its Kazakhstan Subsidiaries from the date of re-acquisition on September 15, 2009. Effective September 15, 2009 the Corporation recorded the assets and liabilities of the Kazakhstan Subsidiaries at their estimated fair value for a cost of $nil thereby recognizing a gain on the re-acquisition. Operating results for the year ended December 31, 2008 are based on the Corporation owning its Kazakhstan Subsidiaries up to December 26, 2008 being the date the appeals court ruled in favor of the Plaintiffs in the Kazakhstan Lawsuit. The Corporation wrote off its investment of the Kazakhstan subsidiary at December 26, 2008.

2. Gold work in progress and gold reserves at December 31, 2008 represent the quantities of gold at December 26, 2008 just prior to the write off of the Kazakhstan Subsidiaries.

3. Recoverable gold is equal to 65% (2008 – 70%) of estimated total gold stacked.

Except for the period from December 26, 2008 to September 15, 2009, the Corporation mined oxide gold mineralization from the West and East zones of the Uzboy gold deposit. During the period from re-acquisition on September 15, 2009 to December 31, 2009, the Corporation sold a total of 5,606 ounces ("ozs") of gold for total proceeds of $6.2 million. This compares to sales of 17,464 ozs and $14.9 million of sales during the year ended December 31, 2008. Upon re-acquisition, the Corporation re-acquired at an estimated fair value of $14,000,000, an estimated 30,901 ozs of gold that had been stacked and was in various stages of processing for sale ("work in progress"). During the period from September 15 to December 31, 2009 additional gold estimated 5,799 ozs of gold was stacked which, after selling 5,606 ozs, resulted in an estimated balance of 31,094 ozs in work in progress at December 31, 2009.

During the period from September 15 to December 31, 2009, the Corporation mined a total of 854,781 T of waste and stacked 303,383 T of ore at an average gold grade of 0.91 grams/T ("g/t"). This compares to 1,981,680 T of waste mined and 1,016,750 T of ore stacked at an average gold grade of 1.09 g/t during the 2008 year.

Uzboy Gold Deposit Scoping Study

Prior to the initiation of the Kazakhstan Lawsuit, the Corporation had initiated the preparation of a Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") compliant Preliminary Economic Assessment or Scoping Study (the "Study") on the Uzboy gold deposit, one of six advanced exploration areas located within Alhambra's 100% owned Kazakhstan Uzboy Gold Project (the "Uzboy Project") by its independent geological consultants, ACA Howe International Limited ("ACA Howe"). With the re-acquisition of the Kazakhstan Subsidiaries the Corporation instructed ACA Howe to complete the Study.

The Study titled "Updated Scoping Study On The Oxide, Transitional, and Primary Resources at the Uzboy Gold Deposit, Akmola Oblast, Kazakhstan" dated December 10, 2009, was independently conducted and prepared by and is based on the Canadian National Instrument ("NI") 43-101 compliant resource estimate established by ACA Howe in its Technical Report titled, "Resource and Reserve Estimation Study on the Uzboy Gold Deposit, Akmola Oblast, Kazakhstan for Alhambra Resources Ltd", dated June 2, 2008, having an effective date of December 31, 2007 (see TABLES 3 & 4). Both studies are filed on Sedar at www.sedar.com.

HIGHLIGHTS OF THE SCOPING STUDY INCLUDE

- A gold price of US$850 per ounce was used for all scenarios,
- Open pit optimization was completed for 16 scenarios, with positive net present value ("NPV") being generated for all input and operating scenarios. Each scenario tested a range of resource, capital, cut-off grades and geotechnical inputs. A number of these scenarios included Inferred mineral resources and a 60 degree pit slope angle for mining the sulphide resources and to establish the potential for further improvements in NPV. All scenarios were positive, however, eight scenarios were excluded from the analysis as they were completed at a 0.0 g/t gold cut-off grade,
- The NPV for the remaining eight pit optimizations, based on a 0.4 g/t gold cut-off, discounted at 10%, ranged in value from US$90 million ("M") to US$203 M,
- The most feasible pit design, optimized without engineering factors, Scenario 2.2.1, generated a 10% discounted NPV of US$130 M over a 6 year mine life, gold production of 636,000 ozs at an average gold grade of 1.50 g/t,
- The subsequently enhanced engineered pit design, derived from an optimized pit shell, Scenario 1.2.1, generated a 10% discounted NPV of US$90 M over a 3-4 year mine life, optimized gold production of 431,000 ozs (engineered gold production of 420,700 ozs) at an average gold grade of 1.75 g/t,
- Scenario 2.2.2, which is based on an optimized pit without engineering factors, highlighting the potential at Uzboy, generated a 10% discounted NPV of US$203 M over an 8 year mine life, gold production of 914,000 ozs at an average gold grade of 1.50 g/t,
- Significant quantities of primary resources (gold mineralization that has been classified as CIM compliant mineral resources) exist below the optimized designed pit shell. Only 50.4% of the established December 31, 2007 gold resources (as set out in TABLES 3 & 4) was included in the generation of the optimal pits,
- A recommended future work program to advance the Study to pre-feasibility.

SUMMARY - PIT OPTIMIZATIONS

Open pit optimization was completed for 16 scenarios, with positive NPV being generated for all input and operating scenarios. Each scenario tested a range of resource, capital and geotechnical inputs. A number of these scenarios included Inferred mineral resources (Scenarios 2.x.x) and a 60 degree pit slope angle (Scenarios x.x.2) in order to establish the potential for further improvements in NPV.

All scenarios were positive, however, eight scenarios were excluded from the analysis as they were completed at a 0.0 g/t gold cut-off grade.

A summary of major parameters for the selected discounted optimal pits generated at a cut-off of 0.4 g/t gold, discounted at 10%, ranged in value from US$90 to US$203 M as summarized in TABLE 1.

TABLE 1 - Summary of Discounted Optimal Pits

Scenario	Pit #	Life of Project (years)	Total pit tonnage (M t)	Mineable tonnage (M t)	Gold Grade (g/t)	Recoverable Gold (000' oz)	Gold Produced (000' oz)	NPV (M$)
1.1.1	33	5	62.9	9.1	1.79	525	410	90
1.1.2	34	7	91.5	12.4	1.74	690	549	126
1.2.1	**35**	**3-4**	**71.0**	**9.8**	**1.75**	**550**	**431**	**90**
1.2.2	35	5	134.6	15.5	1.63	812	651	143
2.1.1	34	9	105.2	16.5	1.50	800	625	113
2.1.2	32	12-13	161.3	23.0	1.52	1,122	896	165
2.2.1	**32**	**6**	**109.8**	**16.9**	**1.50**	**813**	**636**	**130**
2.2.2	**31**	**8**	**173.3**	**23.7**	**1.50**	**1,143**	**914**	**203**

Of the eight scenarios completed at the 0.4 g/t gold cut-off, Scenarios 1.2.1, 2.2.1 and 2.2.2 were chosen as being representative of the range of values of the discounted optimal pits.

A summary of the input parameters to determine the discounted optimal pits shown in TABLE 1 are shown in TABLE 2.

TABLE 2 - Summary of Input Parameters

Parameter	Unit	Scenario x.1.x	Scenario x.2.x
Initial data			
Mining method		open pit	open pit
Types of mineralization		oxide, transitional and sulphide	oxide, transitional and sulphide
Processing method			
oxide		heap leaching	heap leaching
transitional and sulphide		grinding and vat leaching	grinding and vat leaching
Capex for Primary Plant	$US	$60 million	$80 million
Annual Replacement Costs	$US	$500,000	$500,000
Extracted Element		gold	gold
Resource Category			
block model - 1.x.x		Measured and Indicated	Measured and Indicated
block model - 2.x.x		Measured, Indicated and Inferred	Measured, Indicated and Inferred
Mining			
oxide	$/t	1.95	1.95
transitional	$/t	1.11	0.95
suphide	$/t	1.11	0.95
Mining Losses			
oxide	%	6.2	6.2
transitional and sulphide	%	7.0	7.0
Mining Dilution			
oxide	%	8.4	8.4
transitional and sulphide	%	8.0	8.0
Processing			
Processing Costs			
oxide	$/t	3.85	3.85
transitional	$/t	6.57	5.92
sulphide	$/t	6.57	5.92
Processing Recovery			
oxide	%	70.00	70.00
transitional	%	74.74	74.74
sulphide			
West Zone	%	90.20	90.20
East Zone	%	92.05	92.05
Pricing			
Gold price	$/oz	850.00	850.00
Payment	%	99.05	99.05
Royalty	%	3.0	3.0
Kazakhstan Royalty	%	0.5	0.5
Pit Slopes			
scenario x.x.1	degrees	45	45
scenario x.x.2			
oxide and transitional	degrees	45	45
sulphide	degrees	60	60

The processing rate for the oxide mineralization in all scenarios is 1.2 million tonnes per annum and the processing rate for the sulphide gold mineralization is 3.6 million tonnes per annum.

Optimizations using Inferred mineral resource blocks proved extremely useful in highlighting the potential at Uzboy. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Study includes mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Study will be realized.

RESOURCE ESTIMATE

The resource estimate for the Uzboy gold deposit completed by ACA Howe has an effective date of December 31, 2007 (see News Release dated April 8, 2008). The resource estimate was completed for oxide, transitional and sulphide gold mineralization at various cut-off grades ranging from 0.0 g/t to 5.0 g/t gold. The Study incorporates the diamond drilling, trenching and pit channel sampling results to December 31, 2007. The Measured, Indicated and Inferred mineral resource categories for the Uzboy gold deposit are set out in TABLES 3 and 4 (at various cut-off grades).

TABLE 3 – Summary of Measured and Indicated Mineral Resource Estimates for the West and East zones of the Uzboy Gold Deposit at Various Cut-off Grades

		Measured Resource			**Indicated Resource**			**Measured + Indicated Resource**		
Style of Mineralization	Cut-off grade (g/t)	Tonnes	Gold grade (g/t)	Ounces	Tonnes	Gold grade (g/t)	Ounces	Tonnes	Gold grade (g/t)	Ounces
	0.20	3,733,300	0.86	103,500	1,784,300	0.71	40,600	5,517,600	0.81	144,100
Oxide	**0.40**	**2,310,400**	**1.21**	**90,100**	**997,600**	**1.04**	**33,300**	**3,308,000**	**1.16**	**123,400**
	0.60	1,587,600	1.54	78,700	604,200	1.40	27,100	2,191,800	1.50	105,800
	0.20	1,102,200	1.15	40,700	1,415,200	0.98	44,600	2,517,400	1.05	85,300
Transitional	**0.40**	**799,900**	**1.47**	**37,800**	**903,100**	**1.36**	**39,600**	**1,703,000**	**1.41**	**77,400**
	0.60	599,700	1.80	34,700	638,400	1.72	35,400	1,238,100	1.76	70,100
	0.20	15,626,900	1.22	614,200	7,270,000	0.96	223,600	22,896,900	1.14	837,800
Sulphide	**0.40**	**11,206,900**	**1.59**	**572,100**	**5,108,800**	**1.23**	**202,600**	**16,315,700**	**1.48**	**774,700**
	0.60	8,186,400	2.00	526,100	3,599,400	1.55	179,600	11,785,800	1.86	705,700

The 0.40 g/t cut-off grade is used as the base case for the resource estimate. TABLE 3 demonstrates the sensitivity of the tonnes, average grade and contained ounces of gold in the Measured and Indicated mineral resource categories to the other cut-off grades shown.

TABLE 4 – Summary of Inferred Mineral Resource Estimate for the West and East zones of the Uzboy Gold Deposit at Various Cut-off Grades

		Inferred Resource		
Style of Mineralization	Cut-off grade (g/t)	Tonnes	Gold grade (g/t)	Ounces
	0.20	3,141,600	0.57	57,200
Oxide	**0.40**	**1,521,700**	**0.86**	**42,100**
	0.60	775,200	1.22	30,400
	0.20	3,566,100	0.82	93,500
Transitional	**0.40**	**2,199,300**	**1.14**	**80,500**
	0.60	1,497,900	1.45	69,800
	0.20	12,007,100	0.88	340,500
Sulphide	**0.40**	**7,537,200**	**1.23**	**299,100**
	0.60	5,509,000	1.50	266,500

The 0.40 g/t cut-off grade is used as the base case for the Inferred mineral resource category estimate. TABLE 4 demonstrates the sensitivity of the tonnes, average grade and contained ounces of gold within the Inferred mineral resource category for the other cut-off grades shown.

Notes:

(1) Measured and Indicated resources estimated for the oxide gold mineralization include previously reported oxide reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See "Cautionary Note Concerning Reserve and Resource Estimates".
(2) Rounding differences may occur from those numbers presented in the ACA Howe report following "best practice" principals.
(3) The updated current mineral resource estimate set out above for the oxide, transitional and sulphide gold mineralization in the Uzboy gold deposit is based on a 3D geologic model and wireframe restricted block model that integrated the exploration work on the Uzboy gold deposit up to December 31, 2007. The block model used a cell size of 5 m by 10 m by 5 m (and sub cell to 1 m along each axis where necessary) and Ordinary Kriged interpolation technique was performed at different search radii and ellipsoid orientations.
(4) High-grade outlier values were capped ('top-cut") at 32 g/t for the West zone and 20 g/t for the East zone gold prior to compositing based on a review of distribution table analysis (histograms, cumulative frequency plots), and data decomposition analysis.
(5) The Measured, Indicated and Inferred mineral resource categories for the Uzboy gold deposit set out in TABLES 3 and 4 (at various cut-off grades) comply with the resource definitions of the CIM and NI 43-101: *Standards of Disclosure for Mineral Projects.*
(6) The Uzboy heap leach mine is processing the Proven and Probable oxide reserves contained in the West and East zones of the Uzboy gold deposit. The Uzboy heap leach mine has been in commercial operations since May 1, 2006. The primary gold mineralization would be processed using fine grinding and vat leaching with expected gold recovery to average 91%. Prior to that date, all environmental, permitting, legal, title and taxation aspects of the Uzboy heap leach mine were established with the various departments of the government of the Republic of Kazakhstan. Saga Creek, a 100% owned subsidiary of the Corporation is responsible for the mining and exploration activities conducted on the Uzboy Project and contributes significantly to the local economy. Saga Creek produces cathodic sediment as a product that is shipped to Europe for refining and marketing. As such, the estimate of the mineral resources for the Uzboy gold deposit and the mineral reserve for the oxide portion of the Uzboy gold deposit are not expected to be affected by the above mentioned issues.

The updated resource estimate was prepared by Mr. J. N. Hogg, MSc., MAIG, senior geologist from ACA Howe, who is an independent qualified person within the meaning of NI 43-101. Mr. Hogg has reviewed and verified the technical information that forms the basis of and has been used in the preparation of the current mineral resource estimate and this news release. Mr. Hogg reviewed all analytical data, diamond drill hole logs, QA/QC data, density measurements, and sampling, diamond drilling and analytical techniques. The analytical results and other technical information included in the current resource estimate have been previously announced by way of news releases and are available on Sedar.

Basis for the Reserve Estimate:

As part of the Study, Micromine Consulting was commissioned in August 2008 by ACA Howe to complete a Pit Optimization and Analysis study on the gold resources contained in the oxide, transitional and primary (sulphide) portions of the East and West zones of the Uzboy gold deposit using the December 31, 2007 resource estimate. Micromine Consulting subsequently undertook selected pit design and mineable reserve estimation as part of the Study during the period September to October, 2008.

On completion of the pit optimization study, Scenario 1.2.1 was selected and the actual pit designs for the West and East zones of the Uzboy gold deposit was completed by Howe. This pit design yielded the following results:

CIM Class	Type	SG	Volume (`000 m3)	Mineable (`000 t)	Grade Au, (g/t)	Metal Au, (kg)	Metal Au, (oz)
East Uzboy Total Reserves	OX	2.54	500	1,300	0.93	1,200	39,500
	TR	2.67	100	300	1.21	400	11,500
	PR	2.73	400	1,000	1.27	1,200	40,000
West Uzboy Total Reserves	OX	2.54	600	1,500	1.55	2,300	74,500
	TR	2.61	400	1,200	1.62	1,900	60,000
	PR	2.72	1,600	4,300	2.27	9,700	312,500
East and West Total Reserves	OX	2.54	1,100	2,800	1.26	3,600	114,500
	TR	2.62	600	1,400	1.54	2,200	71,500
	PR	2.72	1,900	5,300	2.08	11,000	352,500
Total	**Ore**	**2.65**	**3,600**	**9,500**	**1.76**	**16,800**	**538,500**

* Scoping study mineable classification is based upon CIM/JORC compliant mineral resource classification categories. Measured resource blocks which are situated within the pit design are classified as Proven reserves, and Indicated blocks which are situated within the pit design are classified Probable. Inferred blocks are classified along with waste.

The Micromine Open Pit Optimiser is based on the Lerchs Grossman algorithim and 3D graph theory and relies on the input of; an orebody block model file, plus cut-off grades, metal prices and the parameters set out in TABLE 2 to determine the proportion of ore to waste in each block and the value of each block.

Optimization and reserve reporting methodology used the Measured and Indicated mineral resource categories for the oxide, transitional and primary (sulphide) portions of the West and East zones of the Uzboy gold deposit. Howe used the parameters set out in TABLE 2 to estimate mineable tonnes of oxide, transitional and primary gold mineralization for the east and West zones of the Uzboy gold deposit.

Total mineable proven and probable oxide, transitional and primary reserves at West and East Uzboy, for the above operating scenario 1.2.1 optimal Pit #35 as of December 31, 2007 are **9.5 Mt @ 1.76 g/t Au for 538,500 oz Au**. Total recoverable gold after mining and process losses for this scenario equals approximately 420,700 oz Au. All inferred mineral resources included within this optimized pit shell are classified as waste under this scenario.

Optimization scenarios using the same input parameters but including Inferred resources, returned significantly higher NPV. This indicates the importance of future exploration to upgrade Inferred mineral resources to the Measured and Indicated categories.

Financial Review

Highlights

The year 2009 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 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 was to record a one-time gain on re-acquisition of $68.9 million. In the fourth quarter of 2008, the Corporation had reported a loss of $31.0 million as a result of the decision by the lower courts of Kazakhstan that had deemed the Corporation’s 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 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 Alhambra’s Independent Geological Consultants) was utilized in determining these fair values. In determining the fair value of Saga Creek’s assets, the Corporation made assumptions about reserves and resources, 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 recognizes that there may be changes once the calculations are finalized. Those changes may be material.

	Fair values recognized on re-acquisition at September 15, 2009
Cost of re-acquisition	$ –
Fair value of assets and liabilities:	
Cash	1,234,898
Accounts receivable	1,400,111
Deposits and prepaid expenses	391,956
Supplies inventory	1,088,399
Work in progress	14,000,000
Mineral assets	84,505,496
Accounts payable and accrued charges	(4,083,317)
Asset retirement obligations	(165,618)
Future income taxes	(29,505,575)
Gain recognized on re-acquisition of former subsidiary	$ 68,866,350

The financial results for 2009 are for the period from the date of re-acquisition of Saga Creek on September 15, 2009 to December 31, 2009 while the financial results for 2008 are for the period from January 1, 2008 to December 26, 2008, being the effective date the ownership of the Kazakhstan Subsidiaries was lost. As a result, the financial results recorded for 2009 are not necessarily comparative to the financial results for 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 are as disclosed in note 20 to the consolidated financial statements.

Sales revenue

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

During the period from September 15 to December 31, 2009, the Corporation recognized $6,160,094 (2008 year - $14,852,032) in revenue from the sale of 5,606 ozs of gold (2008 year - 17,464 ozs) at an average price of $1,098.84/oz (2008 - $850.44/oz).

Net smelter royalty

The net smelter royalty ranges from 2.5 to 3.0% (dependent on the price of gold) of the gross revenue. During the year ended December 31, 2009, the Corporation recognized $184,803 (2008 - $445,561) in net smelter royalty expenses, which is 3% (2008 – 3%) of the revenue recognized in the period.

Mineral extraction tax

Effective January 1, 2009 the Government of Kazakhstan enacted new tax legislation that included a tax on the value of useful mineral reserves extracted under the terms of a subsoil use contract. Under the provisions of the legislation, the tax is based on production volumes priced at the average daily benchmark price. The rate for gold and silver, being the two products which the Corporation currently mines is 5% from January 1, 2009 to December 31, 2012 and 5.5% thereafter. A total of $283,934 (2008 year – $nil) was expensed for the period from September 15 to December 31, 2009.

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. All process operating costs 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 period from September 15 to December 31, 2009 totaled $3,650,538 (2008 year - $9,799,464) or $651.18/oz (2008 year - $561.12/oz) of gold sold.

The increase in per unit operating costs was primarily the result of the $14,000,000 estimated fair value assigned to the work in progress at September 15, 2009 which equates to $453.06/oz of gold in work in progress initially acquired as part of the re-acquisition. The remainder of the amount is the cost related to processing further this work in progress to gold that is ready for sale. The 2008 figures reported were based on actual production costs.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2009 decreased by $2,294,818 to $1,748,695 from the $4,043,513 recorded in the 2008 year. Of the total, $502,479 related to the Saga Creek operations for period from September 15 to December 31, 2009 compared to $2,128,921 for the 2008 year.

The remainder of general and administrative costs relates to corporate activities. For the year ended December 31, 2009, corporate general and administrative costs totaled $1,246,216, which was a decrease of $668,376 over the corresponding 2008 amount of $1,914,592. The decrease is the result of reductions made in corporate activities necessitated by the loss of ownership of the Kazakhstan subsidiaries until September 15, 2009 and a 8% decline in the average value of the CDN$ in relation to the US$.

Interest and accretion on debt

		2009		2008
Interest expense	$	219,199	$	142,336
Accretion on debt		282,063		–
	$	501,262	$	142,336

Interest and accretion on debt for the year ended December 31, 2009 totaled $501,262, an increase of $358,926 over the comparable 2008 amount of $142,336. Saga Creek's interest expense for the period from September 15 to December 31, 2009 totaled $25,623, a decrease of $75,965 from the $101,588 recorded for the 2008 year. In 2008, interest expense related to the Pre-Payment Gold Sales Facility Agreement that expired at December 31, 2008. The interest expense recorded by Saga Creek in 2009 relates to interest on unpaid Mineral Extraction Tax.

The remaining $193,576 of interest incurred in 2009 is comprised primarily of $116,329 (2008 – $40,748) related to the twelve percent (12%) secured debentures (the "Debentures") originally issued in August of 2008 (see note 8 of the consolidated financial statements) and $73,984 (2008 - $nil) related to the 20% secured subordinated promissory notes (the "Notes") issued on April 29, 2009 and retired on October 29, 2009 (see note 9 of the audited consolidated financial statements).

Of the $282,063 of discount amortized for the year ended December 31, 2009, $215,418 relates to the value assigned to the 5,400,000 warrants issued as part of the Notes. The remaining $66,645 relates to the amortization of value assigned to the 2,500,450 warrants plus the value assigned to the conversion feature, both of which were included as part of the new terms negotiated as part of the extension of the maturity date of the Debentures from August 11, 2008 to August 11, 2009.

Stock-based compensation

Due primarily to the high volatility of the Corporation's stock price, this calculation gives a significant value to stock options which must be expensed during their vesting period. The amount of this expense for the years ended December 31, 2009 and 2008 were $573,860 and $1,181,990, respectively. Stock-based compensation expense for 2009 relates almost entirely to the amortization of the value calculated for the 3,600,000 options granted in the last four months of 2009. The stock-based compensation expense for 2008 relates primarily to the 2,750,000 options that were granted in the first quarter of 2008.

Depreciation, depletion and accretion

Depreciation, depletion and accretion expense for the year ended December 31, 2009 was $264,040 as compared to the $1,181,990 recorded for the 2008 year. Substantially all the amounts for both years relate to the Kazakhstan operation. The decrease from 2008 to 2009 is primarily the result of the shorter time period in 2009 combined with the devaluation of the Kazakhstan Tenge against the US$ in February 2009. Depreciation, depletion and accretion was converted to US$ at the average rate of exchange for the period. The rate used in 2008 to convert depreciation, depletion and accretion expense recorded in Kazakhstan Tenge to US$ prior to the loss of ownership was approximately 25% higher.

Depletion charged on the fair value assigned to mineral properties as a result of the re-acquisition is charged to work in progress on the basis of the volume of gold produced as a percentage of gold reserves. It is then expensed on the basis of gold sales as a percentage of gold in work in progress. In the future, as gold production gold sales progress, the amount of this depletion will increase and have a larger relative impact on the operating results.

Foreign exchange gain

During the year ended December 31, 2009, the Corporation recorded a foreign exchange gain of $356,474 as compared to a foreign exchange gain of $286,575 for the 2008 year. Saga Creek's operations accounted for substantially all of the 2009 foreign exchange gain and $262,833 of the 2008 foreign exchange gain. Alhambra corporate was responsible for the remaining $23,742 of the 2008 foreign exchange gain. Saga Creek's 2009 foreign exchange gain is a result of the 2% increase in the value of the Kazakhstan Tenge as compared to the US$ in the period from September 15 to December 31, 2009. During 2008 the US$ appreciated against the CDN$ resulting in the gain.

Income tax expense

Income tax expense recorded relates entirely to Saga Creek. As Saga Creek is a profitable entity, it is subject to income tax under Kazakhstan law. The Corporation recorded an income tax expense of $1,308,601 for the period from September 15 to December 31, 2009. This compares to an income tax expense of $507,514 recorded for the 2008 year. The higher taxes for 2009 were primarily the result of a current tax expensee in 2009 of $485,936 while in 2008 Saga Creek was not taxable. At September 15, 2009 Saga Creek recorded a large future income tax liability associated with the fair value assigned to Saga Creek's assets and liabilities. Expectations were that the Corporation would begin to record future income tax recoveries as these assets are amortized to the income statement. However, Saga Creek recorded a large foreign exchange loss in February of 2009 as a result of the devaluation of the Kazakhstan Tenge in relation to the US$. The future tax benefit of this loss was recorded in the books of Saga Creek at the re-acquisition date on September 15, 2009 and much of it was utilized in the fourth quarter of 2009 to reduce income taxes that otherwise would have been payable. As a result, the Corporation recorded a future income tax expense of $822,665 in the period from September 15 to December 31, 2009. This compares to a future income tax expense of $507,514 for the year ended December 31, 2008.

Effective January 1, 2009 the corporate tax rate in Kazakhstan was reduced to 20% from the previous rate of 30%. Also effective January 1, 2009 the government of Kazakhstan introduced an excess profits tax. This tax is a progressive tax in that as excess profits increase, the rate of tax on the increment in excess profits, as defined, also increases. The Corporation was not subject to any excess profits tax in 2009.

The Corporation has Canadian non-capital losses, for which no benefit has been recognized in the financial statements, of approximately CDN$6.1 million at December 31, 2009, which commence expiring in 2024.

Equity loss

The Corporation accounts for its ownership of the common shares of DOT using the equity method of accounting. On September 23, 2009 DOT issued additional common share equity that reduced Alhambra ownership to 27% from the 36% owned prior to the DOT issue. For the year ended December 31, 2009, Alhambra's weighted average equity percentage was approximately 32%. Despite the lower equity interest, the Corporation recorded a slightly larger equity loss of $115,032 compared to the $104,055 recorded for the 2008 year as a 38% increase in the loss recorded by DOT in 2009 was offset by a 8% increase in the value of the US$ as compared to the CDN$ over the same period.

Gain on the Re-acquisition of investment of former subsidiary

With the re-registration by Alhambra of its ownership in the Kazakhstan subsidiaries on September 15, 2009, the Corporation re-acquired its investment in the Kazakhstan Subsidiaries that had been written off in 2008 to $nil. The Corporation recorded the net identifiable assets and liabilities of Saga Creek at fair value. 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 was used. In determining the fair value of Saga Creek's assets and liabilities, the Corporation made assumptions about reserves, recovery rates, prices, operating, general and administration 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. As a result of the valuation the Corporation recorded a gain on the re-acquisition of $68,866,350. The write-off of the investment in 2008 resulted in a loss of $30,965,442.

Funds and cash flow

Funds flow used in operating activities was $401,877 for the year ended December 31, 2009 as compared to positive funds flow from operating activities of $601,441 for the 2008 year. In 2009, mining operations at Saga Creek continued to contribute positive funds flow which totaled $993,518 for the period from September 15 to December 31, 2009. This was a decrease of $1,896,695 from the $2,890,213 contributed for the 2008 year. While it would normally be expected that the funds flow in 2009 would be substantially less than in 2008 because of the shorter period of operations, the decrease was larger than expected because operating costs for 2009 were based on the $14,000,000 in estimated fair value recorded for work in progress at September 15, 2009 whereas the 2008 amount was based on cost.

Positive funds flow from mining operations was partially offset by negative corporate funds flow, which is primarily head office general and administration expense. For the years ended December 31, 2009 and 2008, funds flow used in corporate activities was $1,395,395 and $2,288,772, respectively. The $893,377 improvement in negative corporate funds flow is a direct result of the decrease in general and administration costs in 2009.

Cash flow used in operating activities was $1,153,695 for the period from September 15 to December 31, 2009 as compared to cash flow from operating activities of $854,810 in 2008. During the period in 2009 in which Alhambra was in control of Saga Creek, the owners at that time did not conduct a sizable capital expenditure program. Cash generated from operations was reinvested into operating activities including acquiring supplies inventory and paying down creditors. In 2008 cash flow was used mainly in exploration and development activities.

Net income (loss)

The Corporation recorded a net income of $66,752,153 for the year ended December 31, 2009 compared to a net loss recorded in 2008 of $33,674,123. The 2009 net income included a gain on the re-acquisition of the Kazakhstan Subsidiaries of $68,866,350 while the 2008 loss includes an amount related to the write-off of the Corporation's mining activities in Kazakhstan totaling $30,965,442. Before including the 2009 gain and the 2008 write-off, Alhambra recorded net losses of $2,114,197 and $2,708,681 for the 2009 and 2008 years respectively.

Mining operations continued to contribute positive with net income totaling $305,096 for the period from September 15 to December 31, 2009, a decrease of $454,062 over the $759,158 of net income from mining operations recorded in the 2008 year. The decrease in funds flow from mining operating activities as reported above plus the increase in future income taxes was partially offset by the decrease in depreciation, depletion and accretion together with the unrealized foreign exchange gain reported in 2009, thus resulting in the lower net income.

For the year ended December 31, 2009, corporate losses totaled $2,419,293, a decrease of $1,048,546 from the $3,467,839 loss reported for the 2008 year. Lower funds flow utilized in corporate activities plus lower stock based compensation account for the decreased loss.

Based on a weighted average number of common shares of 76,688,989 and 75,701,163 for 2009 and 2008, respectively, the Corporation's basic net income per common share was $0.87 for 2009 as compared to a basic net loss per common share $0.44 for 2008.

After giving effect to all potentially dilutive equity components, dilutive earnings per share for 2009 was $0.81 (2008 - $0.44) based on a weighted average number of shares outstanding of 81,957,985. Since the Corporation reported a net loss in 2008, all potentially dilutive factors were anti-dilutive.

Liquidity and capital resources

During 2009, Alhambra received $719,016 as proceeds from the issue of 5,300,274 common shares upon the exercise of 5,300,274 Note Warrants. In addition, 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 not to call the Debentures, the Corporation issued convertible debentures including warrants ("the Convertible Debentures") as follows:

(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.

These Secured Debentures are due August 11, 2010 in the principal amount of CDN$1,125,222. If these Secured Debentures are held to maturity, an additional CDN$141,000 of interest will accrue and be payable on that date.

At December 31, 2009 the Corporation had $343,619 (2008 – $25,818) in cash and $7,925,530 (2008 – negative $1,558,347) in positive working capital. Included in other working capital is $9,494,769 in work in progress related to 17,000 ozs of gold that the Corporation is estimating it will sell during 2010.

Related party transactions

During the year ended December 31, 2009, the Corporation paid $2,349 (2008 - $93,294) in consulting fees to a company controlled by a former director and officer of the Corporation. The amount owing to the company controlled by the former director and officer as of December 31, 2009 was $nil (2008 - $11,983). The former director and officer resigned his position on September 23, 2009.

During the year ended December 31, 2009, the Corporation incurred $48,161 (2008 - $158,018) in costs from a law firm in which an officer of the Corporation is a partner. The officer resigned his position effective April 29, 2009. The amount owing to the law firm as of December 31, 2009 was $126,411 (2008 - $122,657).

On August 29, 2007, the Corporation and DOT entered into an Administrative and Corporate Services Contract (the “Contract”) whereby DOT agreed to engage the Corporation to provide management, administration and corporate services to DOT. The Contract provides for a monthly remuneration of CDN$20,000 plus all reasonable out of pocket expenses and is for an indefinite term but may be terminated by either party upon providing thirty (30) days prior written notice. The Corporation billed DOT CDN$240,000 (2008 – CDN$240,000) under the Contract. The amount uncollected as of December 31, 2009 was CDN$105,368 (2008 – CDN$nil).

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

Fourth quarter 2009 results

During the fourth quarter of 2009 the Corporation realized $5,034,064 from the sale of 4,501 ozs of gold at average price of $1,118.43/oz. In the fourth quarter of 2008, sales revenue totaled $4,772,685 from the sale of 6,100 ozs of gold at an average price of $782.41/oz. The $261,379 increase in gold sales revenue was a result of an increase in the average price of gold of $336.02 offset by a 1,599 oz decrease in gold sales. The average grade of ore mined during the fourth quarter of 2009 was 0.93 g/t as compared to 1.30 g/t in the fourth quarter of 2008.

The introduction of the new 5% mineral extraction tax resulted in an expense for the fourth quarter of 2009 totaling $283,934. As the tax became effective January 1, 2009 there was no comparable expense in the fourth quarter of 2008.

Operating costs for the fourth quarter of 2009 were $3,232,489 or $718.17/oz compared to $3,413,846 or $559.65/oz for the fourth quarter of 2008. Of the positive variance of $181,357, $894,875 related to the 26% decrease in sales volumes. This was offset by a $713,518 negative variance resulting from a 28% increase in per unit operating costs. The increased per unit operating costs are a result of the $14,000,000 estimated fair value assigned to the work in progress at September 15, 2009 which equates to $453.06 per oz of gold in work in progress at that date. The 2008 per unit amount is based on the actual cost of producing gold.

Total general and administrative expenses for the fourth quarter of 2009 totaled $573,327, a decrease of $818,230 from the $1,391,557 recorded in the fourth quarter of 2008. General and administration expenses related to mining operations totaled $277,532, a decrease of $467,695 over the comparable amount recorded for the fourth quarter of 2008 of $745,227. The devaluation of the Kazakhstan Tenge in February of 2009 combined with a reduction in costs due to the consolidation in the second quarter of 2009 of the field and administration offices into one combined office were responsible for the decrease.

Corporate general and administration expenses of $295,795 accounted for the remaining general and administrative expenses for the fourth quarter of 2009 as compared to $646,330 for the comparable quarter in 2008. This decrease is due to the reductions made in 2009 as a result of the Kazakhstan Lawsuit, the most significant of which were legal costs associated with the Kazakhstan Lawsuit, investor relations expenses and office rent.

The improved operating results from mining operations achieved in the fourth quarter of 2009 over the operating results for the fourth quarter of 2008 resulted in the Corporation reporting current income tax expense of $330,937 in 2009 as compared to no current income tax expense in the fourth quarter of 2008.

The improvement in after tax operating results in the fourth quarter of 2009 as compared to the comparable 2008 period was offset by higher interest and accretion on debt and stock-based compensation expense. Interest and accretion on debt totaled $243,365 in the fourth quarter of 2009 as compared to $49,977 in the fourth quarter of 2008. The breakdown between interest expense and amortization of discount is as follows:

		2009		2008
Interest expense	$	71,792	$	49,977
Accretion on debt		171,573		–
	$	243,365	$	49,977

Stock-based compensation for the fourth quarter of 2009 totaled $248,340 and related almost entirely to the 3,600,000 options issued in the last four months of 2009. For the fourth quarter of 2008 stock-based compensation was a recovery of $76,236 as adjustments were made to previously estimated stock based compensation expense related to consultants caused by the deterioration in the Corporations stock price in the fourth quarter of 2008.

Alhambra recorded a net loss for the fourth quarter of 2009 of $8,202,362 or $0.10 per share basic and diluted principally because of a $7,474,233 adjustment to the gain on the re-acquisition originally recorded at September 15, 2009. The adjustment was principally the result of an increase in the future income tax rates offset by an increase in the fair value of certain assets acquired as part of the re-acquisition, principally work in progress. This compares to a net loss for the fourth quarter of 2008 of $31,687,984 or $0.41 per common share, basic and diluted. Included in the 2008 fourth quarter loss was $30,965,442 related to the write-off of investment in the Kazakhstan Subsidiaries. Before the adjustment to the gain in 2009 and the write off in 2008, the net loss for the fourth quarter of 2009 was $728,129 as compared to a fourth quarter 2008 reported loss of $722,542.

Mining operations continued to show positive earnings, which totaled $113,476 for the fourth quarter of 2009 prior to the downward adjustment to the gain. This compares to a fourth quarter loss in 2008 of $119,850.

In the fourth quarter of 2009, Alhambra recorded a loss from corporate activities of $841,605 as compared to $602,692 recorded for the fourth quarter of 2008.

Financial instruments

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

Commitment and contingencies

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

Effective January 1, 2009, the Government of Kazakhstan enacted new tax legislation that included a tax on the value of useful mineral reserves extracted under the terms of a subsoil use contract. Under the provision of the legislation, the tax is based on production volumes priced at the average daily benchmark price. The rate for gold and silver, being the two products which the Corporation currently mines and sells is 5% from January 1, 2009 to December 31, 2010 and 5.5% thereafter. As the tax is new, the determination of what constitutes useful mineral reserves extracted is not well understood. While the Corporation believes that it is correct in its interpretation of the rules relative to the determination of useful mineral reserves extracted, there still exists some uncertainty at this time as to whether the tax authorities will be in agreement. No provision has been made in the financial statements for the costs and penalties that may be applicable should it be determined that the Corporation's interpretation is incorrect.

The Corporation has no other off balance sheet financing arrangements.

Disclosure of outstanding share data

	As of December 31, 2009	Change in 2010	Issued in 2010	As of April 28, 2010
Common shares issued and outstanding	81,074,421	–	–	81,074,421
Common shares issuable upon exercise of stock options	6,525,000	–	–	6,525,000
Common shares issuable upon exercise of warrants	2,500,450	–	–	2,500,450
Common shares issuable upon conversion of debenture	3,927,707	152,831	–	4,080,538
Common shares fully diluted	94,027,578	152,831	–	94,180,409

At December 31, 2009, there were 81,074,421 common shares issued and outstanding and 94,027,578 fully diluted common shares after giving effect to the exercise of all outstanding stock options and warrants and the conversion to common shares of the Debentures including accrued interest thereon. Subsequently, up to April 28, 2010, no additional common shares have been issued.

Disclosure of material components of expenditures

During 2009, the Corporation spent $347,682 in capital expenditures on Saga Creek's mining projects. With the re-acquisition of Saga Creek on September, management concentrated its efforts on re-assessing Saga Creek and its operations and as a result no material capital expenditures were incurred.

During 2009, general and administrative expenses totaled $1,748,695, a decrease of $2,294,818 from the comparable 2008 amount of $4,043,513. Included in this amount was $502,479 of general and administrative costs related to Saga Creek's operations. This compares to $2,128,921 in general and administration costs attributable to Saga Creek in 2008. Corporate overhead costs accounted for the remaining $1,246,216, which compares to the $1,914,592 of corporate overhead costs incurred in 2008.

Employee costs accounted for $598,972 (48%) of the total corporate general and administration costs in 2009 as compared $755,907 (40%) of the total in 2008. The decrease was the result of reduction in staff necessitated by the loss of ownership of the Kazakhstan Subsidiaries for most of 2009. While no additional staff has been rehired as a result of the re-acquisition, the Corporation is re-assessing its needs as part of an overall review of its corporate strategy.

Corporate professional costs, which include legal, auditing and outside consulting fees, totaled $592,913 (48%) in 2009 as compared to $686,593 (36%) in 2008. Professional costs remained high in 2009 as the Corporation incurred significant legal costs in defending the Kazakhstan Lawsuit.

Office expenses in 2009 of $202,007 (2008 - $344,825) accounted for a further 16% (2008 – 19%) of corporate general and administrative expenses. The decrease was primarily the result of the Corporation not incurring any rent for seven months of 2009 as its lease was terminated for non-payment (see note 19(a) to the audited consolidated financial statements).

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 $63,373 (5%) of total corporate general and administrative expenses in 2009 as compared to $353,557 (19%) in 2008. The decrease was due primarily to lower investor relations costs which were reduced as a result of the Kazakhstan Lawsuit.

The Corporation billed DOT $211,049 (17%) during 2009 under its agreement to provide management services under the Contract. This compares to $226,291 (12%) billed during 2008. The difference between 2009 and 2008 is due to the stronger US$ as compared to the CDN$ in 2009.

Business Risks

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

World economic slowdown

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

Exploration and development

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

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

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

Operations risk

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

Country risk

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

Regulations and mining law

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

Environmental factors

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

Permits and licenses

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

Income and other taxes

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

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

Going Concern Risk

The re-acquisition of the Kazakhstan Subsidiaries effective September 15, 2009 has significantly reduced Alhambra's going concern risk. However, in order to pay old outstanding obligations incurred in defending the Kazakhstan Lawsuit, continue as a going concern, as well as implement exploration and development plans to sustain the Corporation and promote growth, significant additional capital will be required. The Corporation is currently attempting to raise addition funds, however, there is no assurance that it will be able to do so.

Significant Accounting Policies

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

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

Work in progress

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

Mineral resources and reserves

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

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

Asset retirement obligations

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

Stock-based compensation

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

Income tax accounting

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

New Accounting Pronouncements

The Corporation has adopted the following guidelines provided by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and intangible assets

Effective January 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets. 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. There was no impact to the financial statements as a result of this adoption.

Business combinations

In January 2009, the CICA Accounting Standards Board (AcSB) issued Section 1582, Business Combinations. Section 1582 replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This section is effective January 1, 2011, and applies prospectively to business combinations for which the acquisition date is on or after the first reporting period of the Corporation beginning on or after January 1, 2011. Early adoption is permitted. The Corporation elected to adopt Section 1582 prospectively, effective January 1, 2009. Adoption of this section was applied in the accounting for the re-acquisition of Saga Creek (see note 3 to the audited consolidated financial statements).

Consolidated statements and non-controlling interests

In January 2009, the AcSB issued Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, which together replace Section 1600, Consolidated Financial Statements and harmonize the Canadian standards with IFRS. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections are effective on or after the beginning of the first reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation adopted Section 1601 and Section 1602 prospectively, effective January 1, 2009. Adoption of these sections did not impact the Corporation's results of operations or financial position.

Financial instruments

In May 2009, the CICA amended Section 3862, Financial Instruments – Disclosures, to improve disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. (See note 18 to the audited consolidated financial statements for further disclosure).

Future accounting pronouncements

International financial reporting standards ("IFRS")

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

During 2009, management has been focused on several significant transactions including the re-acquisition and resumption of the management of the Kazakhstan subsidiaries. As such, significant resources were not dedicated to the IFRS conversion project in 2009. During 2009, education and initial assessment activities were conducted, however, a formal conversion assessment and the associated conversion plan has not been developed.

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

To date no specific financial areas have been reviewed, however, based on the education and initial assessment activities completed in 2009, the following are the more significant IFRS differences impacting the financial statements of the Corporation:

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

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

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

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

Summary of Quarterly Results

	Three months ended, 2009			
	March	June	September	December
Net income (loss)	$ (676,735)	$ (410,703)	$ 76,041,953	$ (8,202,362)
Basic net income (loss) per share	$ (0.01)	$ (0.01)	$ 0.99	$ (0.10)
Diluted net income per share	$ (0.01)	$ (0.01)	$ 0.93	$ (0.10)

	Three months ended, 2008			
	March	June	September	December
Net loss	$ (815,720)	$ (973,943)	$ (196,476)	$(31,687,984)
Basic and diluted net (loss) per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.41)

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

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

Selected annual information

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Corporation's audited financial statements for the years ended December 31, 2009, 2008 and 2007.

	2009	2008	2007
Sales	$ 6,160,094	$ 14,852,032	$12,952,684
Net income (loss)	66,752,153	(33,674,123)	(1,313,349)
Net income (loss) per share:			
Basic	0.87	(0.44)	(0.02)
Diluted	0.81	(0.44)	(0.02)
Total assets	104,424,372	689,530	36,929,919

Objectives for 2010

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

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

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

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

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

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