Alhambra Resources Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three Months Ended March 31, 2013 (US Dollars)

This management's discussion and analysis ("MD&A") focuses on key items from the unaudited consolidated financial statements of Alhambra Resources Ltd. (also referred to as "Alhambra" or the "Corporation") for the three months ended March 31, 2013 and the factors reasonably expected to impact future operations and results as prepared on June 27, 2013. 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 unaudited consolidated financial statements of the Corporation for the three months ended March 31, 2013 and the related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are reported in US$000's except as otherwise stated.

This MD&A was reviewed and approved by the Corporation's audit committee and board of directors on June 27, 2013. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com.

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 as described, statements concerning the strategy of advancing the Uzboy Gold Deposit ("Uzboy") 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.

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 property, plant and equipment and exploration and evaluation assets, provisions, and assumptions used in calculating share-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

Alhambra is a Canadian based exploration and gold production corporation. Operating through its wholly owned subsidiary, Saga Creek Gold Corp LLP ("Saga Creek"), the Corporation holds the rights to two licenses that have an initial term of 25 years granted by the Republic of Kazakhstan in 1997. These Licenses are the subject of an exploration and exploitation contract between Saga Creek and the Republic of Kazakhstan. The initial term of these Licenses expires in the year 2022. Pursuant to the Subsoil Use laws of the Republic of Kazakhstan, the terms of these Licenses can be extended for up to an additional 20 years.

The main asset of the Corporation is its 100% working interest in the 2.4 million acres in a prolific gold belt located in north central Kazakhstan which hosts numerous world-class gold deposits. The Corporation commenced commercial operations at its 100% owned Uzboy heap leach mine effective May 1, 2006.

Current mining operations are being conducted on the oxide portions of the East zone of Uzboy that extends to a depth of approximately 50 metres below surface. The oxide layer is underlain by sulphide gold mineralization.

Since 2005, Alhambra has been exploring a number of the more than 100 exploration targets located on its license that have been identified to date.

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. Except for the period from December 26, 2008 through September 15, 2009, the Corporation continued to hold and operate its gold producing assets situated in Kazakhstan. DOT holds and conducts exploration activities on the Corporation's former Canadian DOT property, situated near Kamloops, British Columbia ("DOT Property").

Pursuant to the Arrangement, the DOT Property was transferred to DOT at its carrying amount of $944,666 in exchange for 30,000,000 common shares. Every shareholder of the Corporation received one (1) new common share and 0.21153 of a DOT common share for every one (1) common share of the Corporation held on the effective date of the Arrangement resulting in 15,000,000 DOT common shares held by Alhambra being distributed to Alhambra shareholders on a pro rata basis. As a result of the Arrangement, Alhambra holds 15,000,001 shares of DOT which represents approximately 27% of the 55,734,333 common shares of DOT currently outstanding. At March 31, 2013, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$300.

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") by the Vendors seeking to invalidate Alhambra's ownership of its Kazakhstan Subsidiaries. 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 Vendors. 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 Vendors 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, 2008 as the Corporation ceased to control the Kazakhstan Subsidiaries.

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 Vendors' 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.

Selected Annual Operating and Financial Information

	2013	2012
Operating (for the three months ended March 31):		
Mining:		
Waste mined (Tonnes ("T"))	–	321,953
Ore stacked (T)	–	28,420
Grade of ore mined (Grams/T)	–	0.51
Recoverable gold mined (Troy ounces (oz)) (1)	–	305
Gold sales (ozs)	339	1,846
Gold in work in progress (ozs)	37,418	40,298
Financial:		
Revenue ($)	541	3,127
Average gold price ($/oz)	1,599	1,694
Operations expenses ($)	410	1,641
Operations expenses ($/oz)	1,210	889
Net (loss) ($)	(561)	(160)
Net (loss) per share		
Basic ($/share)	(0.01)	(0.00)
Diluted ($/share)	(0.01)	(0.00)
Capital expenditures ($)	33	737
Total assets ($)	107,987	113,628
Shareholders' equity ($)	67,806	73,806
Common shares outstanding at year end	104,132,059	104,132,059

Notes:

1. Recoverable gold mined is estimated to be equal to 65% of estimated total gold stacked.

There was no ore mined during the first quarter of 2013. During the three months ended March 31, 2013, the Corporation sold a total of 339 ounces ("ozs") of gold for total proceeds of $541. This compares to sales of 1,846 ozs and $3,127 of sales during the three months ended March 31, 2012. At December 31, 2012, an estimated 37,757 ozs of gold had been stacked and was in various stages of processing for sale ("work in progress"). During three months ended March 31, 2013 no gold was stacked and after selling 339 ozs, there remained an estimated balance of 37,418 ozs in work in progress at March 31, 2013.

The Corporation's financial hardships which were preventing it from mining fresh ore and satisfying some of its outstanding obligations continued into 2013. Due to these financial constraints, the Corporation and its principal mining contractors agreed to suspend mining of new material in June of 2012 to conserve cash until the Corporation could raise sufficient funds to pay outstanding obligations. The Corporation continues to pursue financing alternatives and has executed a confidential non-binding term sheet. Due diligence is currently proceeding on various financing alternatives. Should a financing be completed, a portion of the proceeds will go towards the resumption of the mining of ore.

Financial Review

Segmented information

The Corporation and its subsidiaries operate in one reportable segment, the exploration for and development of mineral properties in Kazakhstan and therefore presentation geographically is the most appropriate. Identifiable assets, revenues and net income or loss in each of its geographic areas are disclosed in note 19 (*'Operating segments'*) to the March 31, 2013 unaudited consolidated financial statements.

Sales revenue

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

During three months ended March 31, 2013 the Corporation recognized $541 in revenue from the sale of 339 ozs of gold at an average price of gold $1,599/oz. During the three months ended March 31, 2012 the Corporation recognized $3,127 in revenue from the sale of 1,846 ozs of gold at an average price of $1,694/oz. The decrease in revenue from 2012 was due to lower gold sales which was the result of the reduction in the mining of new ore.

Another contributing cause of lower gold sales was the fact that due to the lack of sufficient funds, a number of standard operating procedures which are carried out to enhance recovery of gold stacked on the pad could not be maintained. These procedures need to be followed even if there is no mining of new ore in order to maximize the recovery of work in progress gold inventory. These procedures are as follows:

- Work done on the pads, such as ripping and fluffing the rested pads, increases the recovery of gold substantially.

- Cyanide needs to be added at regular intervals so that cyanide concentration can be maintained at the optimum levels to increase gold recovery efficiency.

- Resin which is used to extract the gold from the cyanide solution breaks down over time such that its efficiency is significantly reduced. As the size of the individual resin beads reduce through use, their ability to extract the gold from the cyanide solution is significantly reduced. New resin is needed to return the extraction process to historical levels.

- Consumed resin volumes must be replaced to maintain high efficiency recovery. The resin plant is designed with nine columns containing resin. Currently there are only 7 of the 9 columns filled with resin between stripping cycles which affects the efficiency of stripping the gold from the cyanide solution. When preparing for a stripping cycle, resin from 2 columns is removed and shipped to the Dore plant which leaves only 5 columns in operation until the resin shipped has been returned to the plant and put back into the empty columns.

Net smelter royalty

The net smelter royalty ranges from 2.5 to 3.0% (dependent on the price of gold) of the gross revenue. During the three months ended March 31, 2013, the Corporation recognized $16 in net smelter royalty expenses as compared to $94 for the three months ended March 31, 2012, which is 3% (2012 – 3%) of the revenue recognized in the period.

Cost of sales

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"), Mineral Extraction Tax ("MET")), transportation and refining of the cathodic sediment. Except in periods in which no new ore is being mined, 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. In those periods in which no new ore is being mined, certain direct mining costs and depreciation of mining equipment are expensed directly and not charged to work in progress.

Operating costs for the three months ended March 31, 2013 were $410 or $1,210/oz of gold sold as compared to $1,641 or $889/oz of gold sold for the three months ended March 31, 2012. The 2013 figure includes $105 ($311/oz) of mining costs charged directly to operating costs for the months in which there was no new ore mined. There was no comparable amount for the three months ended March 31, 2012.

Included in the three months 2013 operating cost amount is $25 or $74/oz related to the amortization of the bump-up to fair value from the estimated cost of work in progress on re-valuation on September 15, 2009. Cash operating costs were therefore $1,136/oz. In the three months ended March 31, 2012, $112 or $61/oz of similar costs were included in operating costs resulting in the cash cost of gold sold for this period of $828/oz.

The $1,231 decrease in operating costs is due to the reduction in the quantity of recoverable gold mined and sold during 2013. The $321/oz increase in per unit operating costs is primarily the result of the $311/oz of mining costs charged directly to operating expenses instead of charging such costs to work in progress.

Administrative expenses

For the three months ended March 31,		2013		2012
Canada				
Share-based compensation	$	75	$	197
Cash based corporate overhead costs		370		373
Total Canada		445		570
Kazakhstan		231		172
	$	676	$	742

Administrative expenses for the three months ended March 31, 2013 were $676, a decrease of $66 over the $742 recorded in the three months ended March 31, 2012.

Of the totals, $231 related to the Saga Creek operations for the three months ended March 31, 2013 as compared to $172 for the three months ended March 31, 2012. This increase was a result of a credit to administrative expenses recorded in the first quarter of 2012 of $157 related to penalties accrued in 2011 for a corporate income tax assessment ("CIT") by Kazakhstan tax authorities. The Corporation had appealed the assessment and the Kazakhstan courts ruled on May 10, 2012 to reverse a substantial portion of the assessment.

Canadian corporate overhead accounted for the remaining $445 and $570 for the three months ended March 31, 2013 and 2012, respectively. A reduction in share based compensation accounted for the decrease.

Share-based compensation totaled $75 for the three months ended March 31, 2013 as compared to $197 for the three months ended March 31, 2012. Due primarily to the high volatility of the Corporation's stock price, this calculation results in the value assigned to stock options approaching the actual option grant price. As a result, the higher the option price, the higher the value assigned to the options for purposes of share-based compensation expense. This value must be expensed separately for each vesting portion of each option and during their vesting period. Share-based compensation expense for 2013 relates primarily to amortization of the value calculated for the 900,000 options granted in the latter half of 2012 at a weighted average price of CDN$0.26 per share. For 2012, share-based compensation expense relates to the amortization of the value calculated for the 3,050,000 options granted in January of 2011 at a price of CDN$1.05 per share.

Depletion and depreciation

Depletion and depreciation expense for the three months ended March 31, 2013 was $151 as compared to $416 in 2012. Substantially all the amounts for both years relate to the Kazakhstan operation. The decrease is primarily due to the decrease in gold produced and sold in 2013 as compared to 2012.

Depletion and depreciation charged on the fair value assigned to mineral properties as a result of the re-acquisition on September 15, 2009 is charged to work in progress on the basis of the volume of gold produced as a percentage of total estimated gold resources. It is then expensed on the basis of the quantity of gold sold as a percentage of the quantity of gold estimated to be in work in progress. For the three months ended March 31, 2013, $215 (three months ended March 31, 2012 - $376) of this cost is the depletion of the revaluation amount assigned to the carrying cost of mineral assets on September 15, 2009. This decrease of $161 in depletion and depreciation charged to work in progress in the three months ended March 31, 2013 over same three months ended 2012 was a result of the decreased volume of recoverable gold mined in 2013.

Finance costs

For the three months ended March 31,		2013		2012
Interest on trade payables	$	21	$	22
Interest on promissory note		17		–
Interest on overdue taxes		5		34
Extension of warrants		–		1,394
Reversal of accrued interest on successful tax appeal		–		(124)
Foreign exchange loss (gain)		49		(82)
Total finance costs	$	92	$	1,244

During the three months ended March 31, 2013 the Corporation recorded total finance expenses of $92 as compared to $1,244 for the three months ended March 31, 2012.

Interest on the promissory note relates to the 14% unsecured promissory note which was issued on April 1, 2012.

During the three months ended March 31, 2012 the Corporation charged $1,394 to financing costs representing the value attributed to the extension of the expiry dates of (i) 2,500,450 warrants to February 11, 2013; (ii) 5,388,690 warrants originally scheduled to expire on February 19, 2012 to February 19, 2013; and, (iii) 3,913,635 warrants originally scheduled to expire on March 28, 2012 to March 28, 2013. The warrants expired unexercised.

Interest accrued on overdue taxes for the three months ended March 31, 2013 was $5 as compared to $34 for the three months ended March 31, 2012. Both the 2013 and 2012 amounts relate to interest on the unpaid portion of the Commercial Discovery Bonus ("CDB"). The Corporation appealed the assessment. The Kazakhstan courts rendered a decision on December 27, 2012 significantly reducing the size of the CDB obligation and related interest.

The 2012 credit of $124 for reversal of accrued interest on the successful tax appeal represents the recovery of the interest recorded in 2011 as a result of the CIT assessment.

During the three months ended March 31, 2013, the Corporation recorded a foreign exchange loss of $49 as compared to $82 foreign exchange gain for the three months ended March 31, 2012.

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. The Corporation recorded an equity loss of $2 for both three month periods ended March 31, 2013 and 2012.

Income tax expense

Income tax expense recorded relates entirely to Saga Creek. As Saga Creek is a profitable entity, it pays income tax under Kazakhstan law. The Corporation recorded an income tax recovery of $245 for the three months ended March 31, 2013 as compared to an income tax recovery of $852 for the three months ended March 31, 2012.

Saga Creek incurred a current tax recovery of $nil in the three months ended March 31, 2013 as compared to a $308 income tax recovery reported in the three months ended March 31, 2012. The remaining $245 of income tax recovery for the three months ended March 31, 2013 was deferred income tax which compares to a $544 income tax recovery for the three months ended March 31, 2012.

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 profits increase, the rate of tax on the increment in excess profits, as defined, also increases. The Corporation has not yet been subject to any excess profits tax.

The Corporation has Canadian non-capital losses, for which no benefit has been recognized in the financial statements, of approximately CDN$14.9 million at December 31, 2012, which commence expiring in 2014.

Net loss

The Corporation recorded a net loss of $561 for the three months ended March 31, 2013 compared to a net loss recorded in the three months ended March 31, 2012 of $160.

Kazakhstan mining operations for the three months ended March 31, 2013 reported net loss of $54 as compared to net earnings totaling $1,816 for the three months ended March 31, 2012. The $1,870 decrease in the three months ended March 31, 2013 from 2012 is primarily the result of a decrease in operating results of $1,396, the result of lower sales volumes, plus an increase in current and deferred income taxes.

For the three months ended March 31, 2013, Canadian corporate losses totaled $507, a decrease of $1,469 over the $1,976 recorded in the three months ended March 31, 2012. Higher finance charges reported in the first quarter of 2012 as a result of the value assigned to the revaluation of the warrants was the primary reason corporate losses were higher in 2012 than in 2013.

Based on a weighted average number of common shares of 104,132,059 for the three months ended March 31, 2013 and 2012, the Corporation’s basic and diluted net loss per common share was $0.01 and $0.00 for both the first quarter of 2013 and 2012, respectively.

For both three months ended March 31, 2013 and 2012 years, all options and warrants outstanding were excluded from the dilutive earnings per share calculation as they would be considered anti-dilutive.

Summarized Cash Flows

For the three months ended March 31,		2013		2012
Net cash (used in) operating activities	$	(1,036)	$	(364)
Net cash provided from (used in) investing activities		143		(300)

Operating cash flow

For the three months ended March 31, 2013, net cash used in operating activities was $1,036 which was primarily attributed to cash flow used in operating activities before working capital adjustments of $578 plus an increase in inventories of $550.

For the three months ended March 31, 2012, net cash used in operating activities was $364 which was primarily attributed to a positive cash flow from operating activities before working capital adjustments of $1,305 offset by changes in various working capital items totaling $1,669.

Investing cash flow

For the three months ended March 31, 2013, net cash flow from investing activities was $143 as an addition of $33 to property, plant and equipment was offset by changes in related trade and other payables of $176.

For the three months ended March 31, 2012, net cash flow used in investing activities was $300, primarily as a result of the acquisition of property, plant and equipment of $737 partially offset by an increase in related trade and other payables of $437.

Selected Balance Sheet Items

Trade and other receivables

Accounts receivable primarily represents refundable Value Added Tax ("VAT") and amounts owing on the sale of gold. VAT is paid by the Corporation on goods and services purchased in Kazakhstan and utilized in its operations. At March 31, 2013 the balance outstanding on account of VAT was $698 (December 31, 2012 - $633). The Corporation applies for a refund of VAT in the first quarter following the end year for which the VAT had been paid. The refund claim is subject to audit by the tax authorities in Kazakhstan with the refund due at the end of the second quarter. Historically, the Corporation has been successful in collecting all material amounts due.

On February 5, 2013, Saga Creek submitted its 2012 VAT return with a request to refund the excess VAT paid in the amount of $555. Upon completion of the VAT audit on April 30, 2013, local tax authorities provided the company with the VAT Assessment Notice outlining the results of the audit, and disallowed $369. The balance of the VAT refund in the amount equal to $186 was received by the Saga Creek in May of 2013.

The vast majority of the disallowed amount, namely $354, was as a result of the application by the tax authorities of "The Rules Regarding Application of the Risk Management System for the Purposes of Supporting the VAT Excess Amounts Submitted for Refund", approved by a resolution of the Government of the Republic of Kazakhstan on March 27, 2013 (the "Rules"). According to the Rules, companies that meet certain criteria outlined thereunder shall be subject to a Risk Management System (the "RMS") when their VAT returns are audited. The RMS provides for audit of the suppliers of all levels down the chain and, if at any level a violation of their VAT filing is discovered, the related amount of the refund is denied to a company in the chain that is eligible for such refund. In many cases, Saga Creek's refund was denied based on noncompliance by the suppliers four or five levels down the chain.

The Corporation understands that if and when the VAT compliance deficiencies are corrected by the respective suppliers, the Corporation will be eligible for those refunds. Alhambra disagrees with applicability of the RMS and the Rules to its subsidiary and plans to request a re-audit of its application or failing that, appeal the ruling to the Kazakhstan courts.

Inventories

The Corporation's inventory comprises mostly work in progress in which, except in periods in which no new ore is being mined, all costs associated with the production of gold, including direct costs incurred in the mining, leaching and resin stripping processes, as well as a portion of depreciation of equipment used in each process, and depletion on mineral assets, are charged to work in progress inventory and expensed based on the quantity of gold sold as a percentage of gold mined. In those periods in which no new ore is being mined, certain direct mining costs and depreciation of mining equipment are expensed directly are not charged to work in progress.

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.

At March 31, 2013 the Corporation calculated that there was approximately 37,418 ozs of gold in work in progress (December 31, 2012 – 37,757 ozs) at a carrying cost of $32,302 (December 31, 2012 - $31,681). The Corporation reclassifies the portion of this inventory that it does not expect to sell in the next year as non-current. At March 31, 2013, the Corporation classified 34,418 ozs ($28,451) (December 31, 2012 – 34,757 ozs and $28,000) as non-current.

At March 31, 2013, the Corporation also had $1,009 (December 31, 2012 - $1,038) of raw materials and supplies inventory.

Trade and other payables

At March 31, 2013 the Corporation had outstanding $7,342 in trade and other payables (December 31, 2012 - $7,148). The credit terms that govern the Corporation's relationship with its suppliers are such that the majority of all amounts outstanding are due within one month. Many of the Corporation's trade payables have been outstanding for a significant period of time in excess of the normally allowed credit term. This has been caused by the Corporation's current financial condition. The Corporation is continuing to pursue various financing alternatives from which proceeds will be used to pay down these existing obligations.

Provisions

At March 31, 2013 the Corporation had outstanding provisions for future liabilities of $753 (December 31, 2012 - $743) related to future site reclamation.

The liability for site reclamation was determined using an inflation rate of 6% (December 31, 2012 – 6%) and an estimated mine life of 10 years (December 31, 2012 – 10 years) for Uzboy. A discount rate of 5.5% (December 31, 2012 – 5.5%) was used. The undiscounted value of the liability is approximately $707 (December 31, 2012 - $707).

Deferred tax liabilities

At March 31, 2013 the Corporation has $31,594 (December 31, 2012 – $31,861) in deferred tax liabilities that relate primarily to the fair value assigned to Uzboy on the re-acquisition of control of Saga Creek.

2013 Capital Expenditure Activity

During the three months ended March 31, 2013, no field work was carried out in Kazakhstan. This was as a result of the Corporation's lack of financial resources as described previously.

Proposed 2013 drilling and soil sampling locations were prepared.

As of March 31, 2013, there were 2,593 Shirotnaia assay results pending (2,586 core and 7 QA/QC core re-sampling) from the laboratory, and in addition, 6,755 samples (including 887 QA/QC samples) were prepared for export as follows:

- Shirotnaia – 2,871 (RC samples),
- Zhusaly – 386 (RC samples) and 650 (soil samples),
- Vasilkovskoe East – 959 (soil samples) and 2 (rock chip samples),
- Dombraly East – 1,887 (soil samples).

Resources By Deposit

Alhambra's current total corporate NI 43-101 gold resources are as noted below:

	Measured (M)			Indicated (I)			M + I			Inferred		
Project	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Uzboy (1)	14,317,200	1.52	700,000	7,009,500	1.22	275,500	21,326,700	1.42	975,500	11,258,200	1.17	421,700
Dombraly (2)	-		-	559,000	1.22	22,000	559,000	1.22	22,000	9,317,000	1.01	301,000
Shirotnaia (3)	-		-	2,900,000	0.76	71,000	2,900,000	0.76	71,000	34,577,000	0.58	645,000
TOTAL	14,317,200	1.52	700,000	10,468,500	1.09	368,500	24,785,700	1.34	1,068,500	55,152,200	0.77	1,367,700

(1) Effective as of Dec 31/07 as per ACA Howe per news release dated Apr 8/08 at a 0.40 g/t cut-off.
(2) Effective as of Nov 27/11 as per ACA Howe per news release dated Feb 7/12 using natural cut-off grades of 0.13 g/t, 0.1 g/t and 0.2 g/t for the low grade stockpile, pit infill and in-situ mineralized zones respectively.
(3) Effective as of Jan 9/12 as per ACA Howe per news release dated Feb 28/12 using cut-off grades of 0.1 g/t for oxide gold mineralization and 0.2 g/t for transitional and primary gold mineralization respectively.

Administrative expenditures

For the three month ended March 31, 2013, administrative expenses totaled $676, a decrease of $66 from the $742 incurred for the three months ended March 31, 2012. Included in these totals were $231 and $172 of administrative expenses related to Saga Creek operations for the three months ended March 31, 2013 and 2012, respectively. As reported above, the increase of $59 from 2012 to 2013 was the result of a credit to administrative expenses in 2012 of $157 related to penalties accrued in 2011 for a corporate income tax assessment ("CIT") by Kazakhstan tax authorities. The Corporation had appealed the assessment and the Kazakhstan courts ruled on May 10, 2012 to reverse a substantial portion of the assessment.

The remaining $445 of administrative expenses for the three months ended March 31, 2013 relates to corporate overhead costs which was a decrease of $125 over the corporate overhead costs for the three months ended March 31, 2012 of $570. Included in these amounts were share-based compensation expenses of $75 and $197 for the three months ended March 31, 2013 and 2012, respectively.

There were no material variances in the cash-based corporate overhead expenses between the three months periods ending March 31, 2013 and 2012 detailed as follows:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Amount	%	Amount	%
Employee costs	$ 224	60	$ 228	61
Professional costs	50	14	38	10
Corporate costs	48	13	62	17
Office costs	48	13	45	12
Total	$ 370	100	$ 373	100

Liquidity and capital resources

Alhambra operates in a capital intensive industry in which the demands for capital to finance exploration and development of its properties as well as its corporate overheads generally occur far in advance of projects being put on production and generating cash flow. While the Corporation generates cash flow from the operations of the oxide zone of Uzboy, additional funds are required to enable Alhambra to meet its working capital obligations as well as fund its exploration and development programs. As a result, the Corporation depends on the capital markets to provide funds for these activities. If the Corporation is unable to raise additional funds through these capital markets, the Corporation's ability to continue as a going concern is extremely doubtful. However, in order for the Corporation to raise funds through the issue of common shares, it must first get approval from the government of Kazakhstan to issue common shares (see note 23 (*'Government of Kazakhstan pre-emptive right'*) to the March 31, 2013 unaudited consolidated financial statements and the Government of Kazakhstan pre-emptive right section of this MD&A). The Corporation received approval from the Kazakhstan Ministry of Industry and New Technology ("MINT") to proceed at its discretion with the issue of common shares at a floor price of $0.20 per common share. This approval is effective until June 25, 2013. As provided for under Kazakhstan legislation, the Corporation has applied for an extension.

At March 31, 2013 the Corporation had $44 (December 31, 2012 – $940) in cash and a working capital deficiency of $2,009 (December 31, 2012 – working capital deficiency of $1,101). The major asset component of working capital is the cost of gold work in progress that the Corporation estimates it will sell within the next twelve months. At March 31, 2013 the Corporation estimates it will sell 3,000 ozs of gold (December 31, 2013 – 3,000 ozs) and the cost related to such volume was $3,851 (December 31, 2012 - $3,681).

Related party transactions

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

Compensation of key management personnel:

The remuneration of directors and other members of key management personnel during the years ended March 31, 2013 and 2012 were as follows:

For the three months ended March 31,		2013		2012
Short-term employee benefits	$	195	$	195
Share-based payments		75		135
Director fees		–		–
	$	330	$	320

In addition to their salaries, executive officers also participate in the Group's share option program.

Financial instruments

The fair values of cash and cash equivalents, trade and other receivables, loans and borrowings, trade and other payables are approximated by their carrying amounts because of their short-term nature or because they bear interest at market rates.

Commitments

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

Because of financial limitations, the Corporation is not able to estimate with any certainty the amount it will spend on exploration activities during 2013. The Corporation anticipates it will spend approximately $3 million on exploration activities during the next year subject to sufficient cash flow and suitable financing.

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

The Corporation has no other off balance sheet financing arrangements.

Share data

The Corporation is authorized to issue an unlimited number of common shares of which were outstanding as of March 31, 2013. The following table shows the detailed number of shares, options outstanding as of March 31, 2013 and changes that have occurred up to the date of this MD&A.

	As of March 31, 2013	Change in 2013	Issued in 2013	As of June 27, 2013
Common shares issued and outstanding	104,132,059	–	–	104,132,059
Common shares issuable upon exercise of stock options	8,743,500	–	–	8,743,500
Common shares fully diluted	112,875,559	–	–	112,875,559

At December 31, 2012, the Corporation had outstanding 9,302,325 warrants which were exercisable at a price of $0.72 per share and originally scheduled to expire on or before February 19, 2012 for 5,388,690 warrants and March 28, 2012 for 3,913,635 warrants. In 2012, the Corporation sought and obtained approval from the TSX Venture Exchange to extend the expiry date of the warrants to February 19, 2013 for 5,388,690 warrants and March 28, 2013 for 3,913,635 warrants. The warrants expired unexercised.

Legal challenge of tax assessment

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

(a) The 2009 assessment for Historical Costs amounting to approximately $1.6 million was cancelled. While the assessment was only for the 2009 year, the legislation as enacted had provided that the total obligation for Historical Costs of $15.8 million be paid in equal quarterly installments over ten (10) years beginning January 1, 2009. As a result the Corporation reversed the full provision of $13.8 million (see note 16 (*'Provisions'*) to the December 31, 2011 audited consolidated financial statements) and an accrual of approximately $2.5 million in interest and penalties to September 30, 2011, all of which were reversed in the third quarter of 2011.

The Kazakhstan tax authorities appealed the decision of the Cassation Chamber to the Supreme Court with respect to Historical Costs. By resolution dated September 27, 2012 the Supreme Court rendered its decision and upheld the Cassation Chamber's earlier decision in favor of Saga Creek.

(b) The assessment for CIT amounting to approximately $0.3 million was cancelled and sent back to the Specialized Inter-regional Economic Court of the Akmola Oblast ("Akmola Court") for review and re-consideration by a new panel of judges. On May 10, 2012 the Akmola Court rendered its decision and reversed a substantial portion of the assessment. As at December 31, 2011 the Corporation had accrued a total of approximately $0.6 million related to the CIT assessment including interest and penalties. The decision by the court reduced that amount to approximately $0.07 million. As a result in 2012 the Corporation recorded a recovery of approximately $0.6 million of which approximately $0.3 million was recorded as a recovery of current income taxes, approximately $0.1 million as a reduction in finance costs and approximately $0.2 million as a reduction in administrative expenses.

The tax authorities appealed the May 10, 2012 decision of the Akmola Court to the Supreme Court of Kazakhstan. The Supreme Court reviewed the appeal and on July 26, 2012 ruled to not consider the appeal.

As a result of the May 10, 2012 decision of the courts related to the CIT assessment, the lien previously registered against the certain assets of Saga Creek has been removed.

(c) The assessment for the 2009 MET in the amount of approximately $1.0 million was upheld. A total of approximately $1.6 million related to the MET, interest and penalty has been paid by the Corporation of which approximately $0.7 million relates to interest and penalties. The Corporation decided to appeal the decision of the Cassation Chamber to the Supreme Court. The appeal was filed on May 14, 2012. The Supreme Court refused to hear the case, indicating that they believed the decisions of the lower courts were valid.

Government of Kazakhstan pre-emptive right

The Subsoil and Subsoil Use Act (the "Act") in Kazakhstan grants the Government of Kazakhstan the first right of refusal to purchase any direct or indirect interest in any subsoil license or legal entity holding that license or the legal entity controlling the holder of the subsoil use license at market prices should the license or shares or instruments convertible or giving rights to shares (joint, the "Subsoil Use Assets") come up for sale. As a result, before a company can accept an offer to sell its Subsoil Use Assets, it must first get approval from the relevant Kazakhstan authority ("MINT"). The Act extends this obligation to require a company whose main business is connected with subsoil use in Kazakhstan to get approval should it desire to issue any common shares or issue any derivative instruments that are convertible into common shares. On April 21, 2011, the Corporation completed and filed an application with MINT to have pre-approved, any shares that may be issued upon conversion of outstanding warrants and options as well as requested that MINT pre-approve a private placement that the Corporation would contemplate doing in the near future to finance its exploration and development activities. This application was amended on August 16 and October 25, 2011 which included responses to certain questions received from MINT. On September 11, 2012 the Corporation received MINT's approval. This approval is effective for six months. Under Kazakhstan legislation the Corporation can apply to have the effective date extended for a further six months.

Alhambra's original application included a floor price for the issuance of common shares of $0.60 per share. Unfortunately, during the time period that MINT was considering the Corporation's application, the trading price of Alhambra's common shares dropped below that floor. The Corporation applied to MINT to have that floor price reduced to $0.20 per share. The Corporation received the approval effective December 25, 2012 and it is effective until June 25, 2013. As provided for under Kazakhstan legislation, the Corporation has applied for an extension.

Commercial discovery bonus

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

The tax authorities rejected Saga Creek's notice of objection. Saga Creek appealed that decision to the Akmola Court which rendered their decision on December 27, 2012. While the Akmola Court ruled that Saga Creek was liable to pay the CDB, it reduced the quantity of precious metal subject to the tax to 3,336.1 kg of gold and nil kg of silver. The tax authorities appealed the decision of the Akmola Court. On March 12, 2013 the appeals court decided to uphold the decision of the Akmola Court.

As a result of the court decisions, the amount of the CDB due has been reduced by $574 from $729 to $155. This difference was recorded as a decrease in intangible assets during 2012. In addition, the penalty and interest has been reduced by $366 from $450 to $84 with the penalty portion of $288 being recorded as a reduction in administrative expenses and the interest portion of $78 being recorded as a reduction in finance charges.

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 Uncertainty

While certain economies and business sectors are recovering from the recent economic slowdown, there still remains stock market uncertainty and an international credit crisis that could adversely impact the Corporation's ability to raise sufficient working capital to sustain operations. The Corporation can neither predict the impact how this uncertainty will have on future results.

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.

Kazakhstan 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.

The audited consolidated financial statements and MD&A reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Corporation. The future business environment may differ from management's assessment.

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, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

Going Concern Risk

On December 26, 2008, the Corporation lost ownership of assets that generated cash flow as a result of the unfavorable decision reached in the Kazakhstan Lawsuit, (the “Lawsuit”). With the ruling by the Supreme Court, the Corporation re-acquired ownership of Saga Creek and Goodwin Golems LLP, (“Goodwin”) effective September 15, 2009. The re-acquisition of Saga Creek returned to the Corporation ownership of revenue producing assets, which has once again provided the Corporation access to cash flow to meet its obligations. This cash flow, however, is not sufficient to enable the Corporation to meet all its obligations and carry out significant exploration and development programs. During the three months ended March 31, 2013, the Corporation incurred a net loss of $561, and the Corporation is not generating a sufficient amount of cash flow from operations to cover its commitments. As a result there is significant doubt about the ability of the Group to continue as a going concern.

Alhambra recognizes the need to obtain debt or equity financing to meet its obligations and fund its exploration and development programs. The Corporation is in discussion with potential investors, however, at this time no commitments have been made by potential investors. There is no guarantee that the Corporation will be successful in raising sufficient funds to continue as a going concern.

However, in order for the Corporation to raise funds through the issue of common shares, it must first get approval from the government of Kazakhstan to issue common shares (note 23 *‘Government of Kazakhstan pre-emptive right’* to the unaudited consolidated financial statements and the Government of Kazakhstan pre-emptive right in this MD&A).

Critical Accounting Estimates

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 control of the Kazakhstan Subsidiaries. Upon re-gaining control 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 4 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 the Kazakhstan Subsidiaries' assets, the Corporation made assumptions about reserves, recovery rates, prices, operating, general and administration costs and capital costs and deferred 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.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows and therefore require an estimate to be made of the future liability plus the discount rate applicable.

Share-based payments

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.

Selected Quarterly Data

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Gold sales (ozs)	339	862	1,452	1,542
Average gold price ($/oz)	$ 1,599	$ 1,668	$ 1,686	$ 1,625
Revenue ($000's)	$ 541	$ 1,438	$ 2,447	$ 2,506
Net profit (loss) ($000's)	$ (561)	$ (3,343)	$ (365)	$ (1,112)
Basic earnings (loss) per share	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.01)
Diluted earnings (loss) per share	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.01)

	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Gold sales (ozs)	1,846	1,526	3,858	2,033
Average gold price ($/oz)	$ 1,694	$ 1,773	$ 1,817	$ 1,514
Revenue ($000's)	$ 3,127	$ 2,705	$ 7,012	$ 3,077
Net profit (loss) ($000's)	$ (160)	$ (2,578)	$ 2,550	$ (2,065)
Basic earnings (loss) per share	$ (0.00)	$ (0.03)	$ 0.02	$ (0.02)
Diluted earnings (loss) per share	$ (0.00)	$ (0.03)	$ 0.02	$ (0.02)

The large loss recorded in the fourth quarter of 2012 was principally the result of the expensing of $2,434 of costs previously recorded as prepaid expenses related to a planned initial public offering and listing on an Asian stock exchange.

The net profit recorded in the third quarter of 2011 is primarily the result of the reversal of accrued interest and penalties related to the assessment by the Kazakhstan tax authorities for Historical Costs.

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.

2013 Objectives

Currently Alhambra's efforts are focused on arranging financing, the use of proceeds from which will be directed towards the settlement of outstanding accounts payable, the re-initiation of the stacking of ore on the heap leach pads and the resumption of exploration and development programs. The Corporation has identified a number of exploration targets it wishes to drill once funds have been raised. In addition the Corporation plans to begin a pre-feasibility study directed towards bringing into production the transitional and sulphide zones of Uzboy. However, these programs as well as the Corporations ability to continue on a going concern are dependent of Alhambra completing one or more of the financing deals it is currently investigating. While the Corporation has been successful in the past, there is no guarantee that the Corporation will be successful in the future in raising sufficient funds to continue as a going concern.