Interim Unaudited Consolidated Financial Statements of

ALHAMBRA RESOURCES LTD.

Three Months Ended March 31, 2014, and 2013

Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three months ended March 31, 2014 and 2013.

ALHAMBRA RESOURCES LTD.

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

As at	Note	March 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	8	$ 124	$ 10
Marketable securities	9	3,776	–
Trade and other receivables		247	326
Deposits and prepaid expenses		89	57
Inventories	10	551	662
Total current assets		4,787	1,055
Non-current assets:			
Property, plant and equipment	11	32,811	38,994
Intangible assets	12	8,145	9,569
Investment in equity accounted investee	13	394	417
Inventories	10	19,326	22,903
Total non-current assets		60,676	71,883
Total assets		$ 65,463	$ 73,938
Liabilities and Equity			
Current liabilities:			
Trade and other payables		$ 8,615	$ 8,884
Promissory note	14	452	470
Total current liabilities		9,067	9,354
Non-current liabilities:			
Convertible notes	15	3,183	–
Provisions	17	649	769
Deferred tax liabilities		14,645	17,462
Total non-current liabilities		18,477	18,231
Total liabilities		27,544	27,585
Equity:			
Share capital	18	42,132	42,132
Warrants	18	325	–
Contributed surplus	18	13,386	13,378
Equity portion of convertible notes	15, 18	1,402	–
Foreign currency translation reserve		(5,338)	(688)
Deficit		(13,988)	(9,469)
Total equity		37,919	45,353
Total liabilities and equity		$ 65,463	$ 72,938

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

For the three months ended	Note	March 31, 2014	March 31, 2013
Revenue:			
Sales		$ –	$ 541
Less net smelter royalty		–	16
		–	525
Cost of sales		230	410
Depletion and depreciation	11, 12	138	151
Gross profit		(368)	(36)
Expenses:			
Finance costs	6	3,784	92
Administrative expenses	7	450	676
		(4,602)	(804)
Share of loss of equity accounted investee	12	7	2
Loss before income taxes		(4,609)	(806)
Income tax expense (recovery)		(90)	(245)
Net loss for the year attributable to the equity holders of the Corporation		$ (4,519)	$ (561)
Loss per share:			
Basic	19	$ (0.04)	$ (0.01)
Diluted	19	(0.04)	(0.01)

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

For the three months ended	March 31, 2014	March 31, 2013
Net loss for the year	$ (4,519)	$ (561)
Other comprehensive (loss) income:		
Mark-to-market losses on available-for-sale securities	(749)	–
Foreign currency translation difference for foreign operations	(3,901)	(8)
Total comprehensive loss for the year	$ (9,169)	$ (553)

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

	Share Capital	Warrants	Contributed surplus	Equity portion of convertible notes	Foreign Currency translation reserve	Retained earnings (deficit)	Total
Balance, December 31, 2012	$ 42,132	$ 3,237	$ 9,999	$ –	$ 20	$ 12,896	$ 68,284
Share-based payments expense	–	–	142	–	–	–	142
Expiry of warrants	–	(3,237)	3,237	–	–	–	–
Loss for the period	–	–	–	–	–	(22,365)	(22,365)
Other comprehensive income	–	–	–	–	(708)	–	(708)
Balance, December 31, 2013	42,132	–	13,378	–	(688)	(9,469)	45,353
Share-based payments expense	–	–	8	–	–	–	8
Issue of convertible notes and warrants	–	325	–	1,402	–	–	1,727
Loss for the period	–	–	–	–	–	(4,519)	(4,519)
Other comprehensive income	–	–	–	–	(4,650)	–	(4,650)
Balance, March 31, 2014	$ 42,132	$ 325	$ 13,386	$ 1,402	$ (5,338)	$ (13,988)	$ 37,919

For details on movement in shares please see Note 18.

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

For the three months ended	March 31, 2014	March 31, 2013
Cash provided by (used in):		
Cash flows from operating activities:		
Loss for the year	$ (4,519)	$ (561)
Adjustments for:		
Depletion and depreciation	138	151
Finance costs	33	–
Share of loss of equity accounted investee	7	2
Equity-settled share-based payment transactions	8	75
Deferred income tax expense	(90)	(245)
	(4,423)	(578)
Change in non-cash working capital	(318)	(458)
Net cash flows from operating activities	(4,741)	(1,036)
Cash flows from financing activities:		
Convertible notes	4,863	–
Net cash flows from financing activities	4,863	–
Cash flows from investing activities:		
Additions of property, plant and equipment and intangible assets	–	(33)
Change in non-cash working capital	–	176
Net cash flows from investing activities	–	143
Effect of exchange rate changes on cash and cash equivalents	(8)	(3)
Change in cash and cash equivalents	114	(896)
Cash and cash equivalents, beginning of year	10	940
Cash and cash equivalents, end of year	$ 124	$ 44

See accompanying notes to consolidated financial statements.

1. Reporting entity and nature of operations:

Alhambra Resources Ltd. (the "Corporation"), including all of its subsidiaries (note 5) ("Alhambra" or the "Group") is engaged in exploration for and development of mineral properties in Kazakhstan. In addition to its exploration and development activities, Alhambra also produces gold from a pilot project on a portion of its Kazakhstan license, the Uzboy gold deposit, which commenced commercial production on May 1, 2006.

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

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

2. Going concern and Kazakhstan business risks:

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

On December 26, 2008, the Corporation lost ownership of assets that generated cash flow as a result of the unfavorable decision reached in the Kazakhstan Lawsuit, (the "Lawsuit"). With the ruling by the Supreme Court of the Republic of Kazakhstan ("Kazakhstan"), the Corporation re-acquired ownership of its Kazakhstan operating subsidiary, Saga Creek Gold Group LLP ("Saga Creek") and Goodwin Golems LLP, ("Goodwin") effective September 15, 2009. The re-acquisition of Saga Creek returned to the Corporation ownership of revenue producing assets, which has once again provided the Group access to revenue to meet its obligations. This revenue, however, has not been sufficient to enable the Group to meet all its obligations and carry out significant exploration and development programs. During the three months ended March 31, 2014, the Group incurred a net loss of $4,519, and the Group is not currently generating any 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 27). There is no guarantee that if a financing is arranged, such financing will be approved by the government of Kazakhstan.

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

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

As in many emerging markets, the taxation system in Kazakhstan is relatively new and is characterized by numerous taxes and frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

3. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors on June 27, 2014.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars ("US$") which is the functional currency of the subsidiaries (note 5) other than Saga Creek and Goodwin, for which the functional currency for each is the Kazakhstan Tenge ("KZT"). The functional currency of the Corporation is the Canadian dollar. A U.S. dollar presentation currency is used as this is the primary currency of global gold producing companies.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

(i) Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The application of the Corporation's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

(ii) Key sources of estimation uncertainty

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 10 – valuation and quantity of work in progress inventories;

Note 11 – valuation of property, plant and equipment;

Note 12 – valuation of intangible assets;

Note 16 – provisions;

Note 18 – measurement of share-based payments, valuation of warrants and valuation of equity portion of convertible notes.

4. Summary of significant accounting policies:

These interim consolidated financial statements have been prepared by management following the same accounting policies and methods that were used and disclosed in the audited consolidated financial statements for the year ended December 31, 2013. The interim consolidated financial statements include all adjustments necessary to present fairly the results for the interim period ended March 31, 2014. These interim consolidated financial statements should be read in conjunction with the Corporation's most recent audited consolidated financial statements and notes filed under the Corporation's profile at www.sedar.com.

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

5. Particulars of subsidiaries:

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

	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held directly or indirectly March 31 2014	2013
Saga Creek Gold Company LLP	Mining	Kazakhstan	100%	100%
Goodwin Golems LLP	Holding Company	Kazakhstan	100%	100%
Alhambra Overseas Ltd.	Holding Company	Cyprus	100%	100%
Alhambra Cooperatief U.A.	Holding Company	Netherlands	100%	100%
1450165 Alberta Ltd.	Holding Company	Canada	100%	100%

6. Finance costs:

For the three months ended March 31,	2014	2013
Interest on trade payables	$ 19	$ 21
Interest on promissory note (note 14)	16	17
Interest on overdue taxes (note 26)	5	5
Interest on convertible notes (note 15)	32	–
Amortization of discount on convertible notes (note 15)	33	–
Foreign exchange loss	3,679	49
Total finance costs	$ 3,784	$ 92

Effective February 11, 2014, the Government of Kazakhstan devalued the currency of Kazakhstan (the Tenge or “KZT”) by approximately 19% to approximately 185 KZT to the US$. Saga Creek has a debt owing to Alhambra that is denominated in US$. The large foreign exchange loss recorded in the financial statement is a result of the impact of the devaluation on this debt.

7. Administrative Expenses:

For the three months ended March 31,	2014	2013
Employee costs	$ 323	$ 435
Professional fees	13	78
Corporate maintenance costs	62	62
Office costs	52	101
Total administration costs	$ 450	$ 676

Administrative expenses include share-based payments expenses (a non-cash item) of $8 and $75 which have been included in employee costs for the three months ended March 31, 2014 and 2013, respectively.

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

8. Cash and cash equivalents:

		March 31, 2014		December 31, 2013
Bank balances	$	124	$	10
Total cash and cash equivalents	$	124	$	10

9. Marketable securities:

During the three months ended March 31 2014 the Corporation received 2,764,500 ordinary shares of Global Resources Investment Trust plc ("GRIT") at a deemed price of £1 per GRIT share in exchange for a $CDN5.0 million note (note 15). GRIT is a new investment trust established to seek to exploit investment opportunities in the junior mining and natural resources sectors and whose ordinary shares trade on the London Stock Exchange's main market for listed securities.

To date there has not been an active market for the GRIT shares however GRIT reports publicly the net asset value per share ("NAV") daily. As of March 31 and June 27, 2014 the NAV of the GRIT ordinary shares as reported by GRIT was £0.8192 and £0.7014 per share, respectively.

The Corporation's investment in the GRIT shares is classified as available-for-sale and is measured with mark-to-market gains and losses recognized in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve within equity until the GRIT ordinary shares are derecognized or there is objective evidence that the GRIT shares are impaired. When the investment in GRIT shares is derecognized, the cumulative mark-to-market gains or losses that had been previously recognized in OCI are reclassified to loss for the period. When there is objective evidence that the value of the GRIT ordinary shares is impaired, the cumulative loss that had been previously recognized in OCI is reclassified to loss for the period. As there is currently no active trading in the GRIT ordinary shares, the Corporation has used the NAV reported by GRIT as a proxy for the price of the shares. As a result the Corporation has charged to the OCI account $749 as a revaluation reserve.

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

10. Inventories:

	March 31, 2014	December 31, 2013
Ore	$ 19,326	$ 22,903
Gold in circuit	–	–
Concentrate	–	–
Total work in progress	19,326	22,903
Raw material and supplies	551	662
Total inventories	19,877	23,565
Less:		
Non-current inventories	19,326	22,903
Total current inventories	$ 551	$ 662

At December 31, 2013 the Corporation reviewed the estimated quantity of gold contained in work in progress and in addition performed the net realizable test on the value of that gold. As mining operations had been suspended due to issues relating to the Corporation's current financial condition, the Corporation was better able to analyze the quantity of gold contained in various processes more specifically, gold in circuit and in concentrate. The Corporation determined that it should reduce the quantity of gold in work in progress to 30,000 ozs from the 36,050 ozs previously recorded. This write down is reflective of an estimated recovery rate of 65% for gold that is mined and stacked on the heap leach pads. The Corporation had adjusted the recovery from 70% to 65% on September 15, 2009 when the assets were revalued in connection with the court decision which returned the assets to the Corporation. Up until that date the recovery rate used was 70%. The Corporation reported a loss of $7,744 in connection with this adjustment in the fourth quarter of 2013.

In addition to the adjustment made related to gold contained in work in progress, the Corporation determined that the net realizable value of the work in progress required a further adjustment to reflect current gold prices. As a result an additional write off of $1,540 was taken at December 31, 2013. This write down reflects the decrease in estimated gold price. The gold price assumed in the net realizable value analysis was $1,255 per oz.

The total write off of work in progress inventory made in the fourth quarter of was $9,284.

As the Corporation has suspended operations, no expenses related to operating costs are being charged to work in progress. These costs are being expensed directly to cost of sales expense. The decrease in the balance in work in progress from December 31, 2013 to March 31, 2014 is due to the change in the value of the KZT in relation to the US$ over the period. As reported the KZT was devalued by approximately 19% effective February 11, 2014.

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

11. Property, plant and equipment:

	Machinery and equipment	Mining assets being depleted	Buildings and construction	Total
Cost:				
Balance as at December 31, 2012	$ 3,030	$ 75,255	$ 4,428	$ 82,713
Additions	1	2	–	3
Effect of foreign exchange	(146)	(1,400)	(83)	(1,629)
Balance as at December 31, 2013	2,885	73,857	4,345	81,087
Additions	–	–	–	–
Effect of foreign exchange	(439)	(11,531)	(678)	(12,648)
Balance as at March 31, 2014	$ 2,446	$ 62,326	$ 3,667	$ 68,439

Accumulated depletion and depreciation:

	Machinery and equipment	Mining assets being depleted	Buildings and construction	Total
Balance as at December 31, 2012	$ 2,368	$ 15,285	$ 1,255	$ 18,908
Impairment	–	22,644	–	22,644
Depletion and depreciation for the year	454	146	385	985
Effect of foreign exchange	(131)	(286)	(27)	(444)
Balance as at December 31, 2013	2,691	37,789	1,613	42,093
Depletion and depreciation for the year	57	–	80	137
Effect of foreign exchange	(404)	(5,947)	(251)	(6,602)
Balance as at March 31, 2014	$ 2,344	$ 31,842	$ 1,442	$ 35,628

Carrying amounts:

	Machinery and equipment	Mining assets being depleted	Buildings and construction	Total
At December 31, 2012	$ 662	$ 59,970	$ 3,173	$ 63,805
At December 31, 2013	194	36,068	2,732	38,994
At March 31, 2014	102	30,484	2,225	32,811

At December 31, 2013, an impairment test was triggered because the carrying amount of property, plant and equipment was more than the Corporation’s market capitalization on that date indicating that the assets may be impaired. As a result a detailed test was carried out and based on the results of the test, the Corporation recorded an impairment charge of $22,644 in the fourth quarter of 2013. The impairment was primarily the result of a delay in timing of the planned development of the transitional and sulphide zones of the Uzboy gold deposit due to the Corporation’s financial condition together with general market conditions that are impacting junior gold mining companies. Another factor that impacted the impairment test was the recent decline in the Corporation’s long term gold price assumption. The key assumptions and estimates used in the impairment test to determine the net asset value are commodity prices, discount rates, operating costs, exchange rates and capital expenditures. For purposes of the test for impairment at December 31, 2013, the Corporation assumed a gold price of $1,250 per oz for 2014 and $1,300 per oz thereafter and an after tax discount rate of 14%.

The Corporation has temporarily suspended operations due to issues relating to the Corporation’s current financial condition. As a result all depreciation and depletion recorded is charged directly to earnings and does not get charged to work in progress. The decrease in the balance in property, plant and equipment from December 31, 2013 to March 31, 2014 is due to the change in the value of the KZT in relation to the US$ over the period. As reported the KZT was devalued by approximately 19% effective February 11, 2014.

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

12. Intangible assets:

	Exploration and evaluation expenditures	Computer software	Total
Cost:			
Balance as at December 31, 2012	$ 9,631	$ 81	$ 9,712
Additions	108	–	108
Effect of foreign exchange	(223)	(1)	(224)
Balance as at December 31, 2013	9,516	80	9,596
Additions	–	–	–
Effect of foreign exchange	(1,415)	(12)	(1,427)
Balance as at March 31, 2014	$ 8,101	$ 68	$ 8,169
Accumulated depreciation:			
Balance as at December 31, 2012	$ –	$ 21	$ 21
Depreciation for the year	–	6	6
Balance as at December 31, 2013	–	27	27
Depreciation	–	1	1
Depreciation for the year	–	(4)	(4)
Balance as at March 31, 2014	$ –	$ 24	$ 24
Carrying amounts:			
At December 31, 2012	$ 9,631	$ 60	$ 9,691
At December 31, 2013	9,516	53	9,569
At March 31, 2014	8,101	44	8,145

The carrying amounts of exploration and evaluation assets represent non-producing exploration projects and undeveloped land in Kazakhstan. An impairment test was not triggered during the periods presented. The decrease in the balance in intangible assets from December 31, 2013 to March 31, 2014 is due to the change in the value of the KZT in relation to the US$ over the period. As reported the KZT was devalued by approximately 19% effective February 11, 2014.

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

13. Investment in equity accounted investee:

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

	March 31, 2014	December 31, 2013
DOT Resources Ltd.		
Ownership	27%	27%
Current assets	$ 1	$ 1
Non-current assets	3,246	3,37
Total assets	3,247	3,373
Current liabilities	927	954
Total liabilities	927	954
Revenues	$ –	$ –
Expenses	7	168
Loss	$ (7)	$ (168)

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

Balance as at December 31, 2012	$ 493
Share of loss	(45)
Effect of foreign exchange	(31)
Balance as at December 31, 2013	417
Share of loss	(7)
Effect of foreign exchange	(16)
Balance as at March 31, 2014	$ 394

Pursuant to a Plan of Arrangement effective August 29, 2007, the Corporation transferred its 100% interest in its mineral claims located in the Province of British Columbia to DOT Resources Ltd. ("DOT"), together with related assets and obligations pertaining thereto, in exchange for 30,000,000 common shares of DOT. Every shareholder of the Corporation received one (1) new common share and 0.21153 of a DOT common share for every one (1) common share of the Corporation held on the effective date of the Arrangement resulting in 15,000,000 DOT common shares held by the Corporation being distributed to Corporation shareholders on a pro rata basis.

As a result of the Arrangement, Alhambra holds 15,000,001 common shares of DOT which represents approximately 27% of the outstanding common shares of DOT. At March 31, 2014, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$525.

14. Promissory note:

On April 1, 2012 the Corporation issued to an unrelated third party, a one year, 14% unsecured promissory note (the "Note") for a total proceeds of CDN$500. The principle and accrued interest on the Note was originally due and payable on or before March 31, 2013 but the lender had agreed to extend the maturity date to July19, 2013. The Corporation is in discussion with the holder of the note to further extend the maturity date and it is anticipated at this time that the date will be extended.

15. Convertible notes:

On December 20, 2013 the Corporation entered into agreements to issue up to CDN$5.650 million in convertible notes (the "Notes") plus 5.625 million warrants (the "Warrants"). The Notes have a term of three years from the date of issue with interest calculated using the nominal interest method at a rate of 12% per annum. Interest and principle under the Notes are convertible into the common shares of the Corporation at the option of the holder at CDN$0.25 per common share during the term of the Notes. The Corporation has the right to pay interest on the Notes in cash or shares. The Corporation also has the right to force conversion of the principal and accrued and unpaid interest under the Notes into the shares of Alhambra at a minimum price of US$0.20 per share. If the weighted average trading price of the Corporation's common shares for any five trading days within ten consecutive trading days equals or exceeds CDN$0.35 per common share, any outstanding balance owing on the Notes will automatically convert to common shares.

The Warrants have an exercise price of CDN$0.30 per common share and are exercisable for three years from the date of issue of related Notes. Similar to the terms attached to the Notes, if the weighted average trading price of the Corporation's common shares for any five trading days within ten consecutive trading days equals or exceeds CDN$0.35 per common share, the Warrant holder is required to convert any Warrants outstanding at that time.

During the three months ended March 31, 2014 the Corporation completed the issue of CDN$5.4 million of Notes and 5.4 million Warrants. In consideration for issuing the Notes and Warrants, the Corporation received CDN$0.400 million in cash and 2,764,500 ordinary shares of Global Resources Investment Trust plc ("GRIT") at a deemed price of £1 per GRIT share. At the time the Corporation sells the 2,764,500 of GRIT ordinary shares, the terms related to CDN$0.4 million in Notes that were issued for cash require that the Corporation repay any principal balance plus accrued interest outstanding plus CDN$0.02 million in early redemption fees. Upon repayment, any Warrants then outstanding related to the CDN$0.4 in Notes will expire.

The Notes were classified as long-term liabilities on the consolidated statement of financial position with $1,402 and $325 allocated to the fair value of the conversion feature and the Warrants, respectively. The carrying values of the Notes are being accreted to the original face values of the obligations over the three year term of the Notes. Accretion expense of $33 was charged to finance costs during the three months ended March 31, 2014.

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

16. Provisions:

Changes to the provisions are as follows:

		Site restoration
Balance, December 31, 2012	$	743
Liabilities incurred		(40)
Unwinding of the discount		14
Balance, December 31, 2013		769
Liabilities incurred		(100)
Unwinding of the discount		–
Balance, March 31, 2014	$	649
Current	$	–
Non-current		649

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

The liability for the site reclamation provision at March 31, 2014 is approximately $649 (December 31, 2013 - $769). The liability was determined using an inflation rate of 6.6% (December 31, 2013 – 6.6%) and an estimated life of mine of 10 years for Uzboy (December 31, 2013 - 10 years). A discount rate of 5.5% was used (December 31, 2013 – 5.5%). The undiscounted value of this liability is approximately $1,315 (December 31, 2013 - $1,315).

17. Commitments:

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

Because of financial limitations the Corporation is not able to estimate with any certainty the amount it will spend on exploration activities during the next year. The Corporation has identified at least $3,000 in exploration projects that could be completed during the next year should financing be completed in the near future.

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

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

18. Share capital:

(a) Authorized:

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

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

(b) Issued:

	Three months ended March 31, 2014			Year ended December 31, 2013		
	Number		Amount	Number		Amount
Common shares						
Balance, beginning of period	104,132,059	$	42,132	104,132,059	$	42,132
Share option exercised	–		–	–		–
Transfer on exercise of option	–		–	–		–
Balance, end of period	104,132,059	$	42,132	104,132,059	$	42,132

(c) Share options (equity settled):

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

Share-based compensation has been recorded within Administrative Expenses (note 7).

A summary of the status of the Corporation's share option plan as at March 31, 2014 and December 31, 2013 and changes during the periods then ended are as follows:

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Number of options	Weighted average exercise price CDN$	Number of options	Weighted average exercise price CDN$
Outstanding, beginning of period	7,443,500	$ 0.58	8,743,500	$ 0.58
Granted	–	–	–	–
Expired unexercised	–	–	(1,300,000)	0.54
Outstanding, end of period	7,443,500	$ 0.58	7,443,500	$ 0.58

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

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

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

The following table summarizes information concerning outstanding and exercisable options at March 31, 2014:

Exercise Price (CDN$/option)	Options outstanding	Options exercisable	Remaining Contractual life (years)	Grant date fair value ($/per option)
$ 0.22	3,168,500	3,168,500	0.99	$ 0.20
$ 0.315	225,000	225,000	0.63	0.27
$ 0.34	300,000	225,000	3.55	0.23
$ 0.53	1,000,000	1,000,000	1.31	0.44
$ 1.05	2,750,000	2,750,000	1.82	0.92
	7,443,500	7,368,500	1.43	$ 0.49

The following table summarizes information concerning outstanding and exercisable options at December 31, 2013:

Exercise Price (CDN$/option)	Options outstanding	Options exercisable	Remaining Contractual life (years)	Grant date fair value ($/per option)
$ 0.22	3,168,500	3,018,500	1.24	$ 0.20
$ 0.315	225,000	225,000	0.88	0.27
$ 0.34	300,000	75,000	3.80	0.23
$ 0.53	1,000,000	1,000,000	1.56	0.44
$ 1.05	2,750,000	2,750,000	2.07	0.92
	7,443,500	7,218,500	1.68	$ 0.49

A reconciliation of contributed surplus is provided below:

	Three months ended March 31, 2014	Year ended December 31, 2013
Balance, beginning of period	$ 13,378	$ 9,999
Share-based compensation expense	8	142
Transferred on expiry of warrants	–	3,237
Balance, end of period	$ 13,386	$ 13,378

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

(d) Warrants:

The changes in warrants during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	Number of Warrants		Amount		Weighted average exercise price
Balance, December 31, 2012	9,302,325	$	3,237	$	0.72
Re-valuation due to extension of expiry date	–		–		–
Expired unexercised	(9,302,325)		(3,237)		–
Balance, December 31, 2013	–		–		–
Pursuant to Notes (note 15)	5,400,000		325		0.27
Balance, March 31, 2014	5,400,000	$	325	$	0.27

During the first quarter of 2013, the Corporation issued 5,400,000 warrants in connection with the issue of the Notes (note 15). The fair value of the warrants was estimated on the dates that the warrants were issued using the Black-Scholes option pricing model. The weighted average fair value of the warrants was calculated to be $325 using the following weighted-average assumptions:

	2012
Fair value of warrants granted (CDN$/share)	0.06
Expected life (years)	3.0
Risk free interest rate (%)	1.22
Expected volatility (%)	100
Expected dividend yield (%)	–

Pursuant to a private placement competed in 2010, the Corporation issued 18,604,650 units at a purchase price of $0.43 per unit for total gross proceeds of $8,000. Each unit was comprised of one (1) common share and one-half (1/2) of a common share purchase warrant resulting in the issue of 18,604,650 common shares and 9,302,325 Warrants. Each whole warrant entitled the holder thereof to purchase one common share of the Corporation at a purchase price of $0.72 per common share on or before February 19, 2012 for 5,388,690 warrants and March 28, 2012 for 3,913,635 warrants. The Corporation sought and obtained approval from the TSX Venture Exchange ("TSXV") 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 exercise of these warrants is subject to an approval from MINT. The Corporation received MINT's approval on September 11, 2012 (the "Approval"). The Corporation calculated the fair value of the extension of these warrants to be $1,041. These warrants expired unexercised in 2013 on their extended expiry dates.

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

(e) Equity portion of convertible notes:

The Corporation determined the fair value of the conversion feature granted as part of the Notes (note 15) on the dates the Notes were issued using the Black-Scholes option pricing model. The weighted average fair value of the conversion feature was calculated to be $1,402 using the following weighted-average assumptions:

	2012
Fair value of warrants granted (CDN$/share)	0.07
Expected life (years)	3.0
Risk free interest rate (%)	1.22
Expected volatility (%)	100
Expected dividend yield (%)	–

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

19. Earnings (loss) per share:

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

For the three months ended March 31,	2014	2013
Weighted average number of common shares (basic)	104,132,059	104,132,059
Effect of warrants outstanding	–	–
Effect of share options outstanding	–	–
Effect of share issuable upon conversion of Notes	–	–
Weighted average number of common shares (diluted)	104,132,059	104,132,059

The following potential ordinary shares outstanding at the year-end are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

For the three months ended March 31,	2014	2013
Options	7,443,500	8,743,500
Warrants	5,400,000	–
Shares issuable upon conversion of the Notes	21,600,000	–
	34,443,500	8,743,500

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

20. Related party transactions:

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

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2014 and 2013 were as follows:

For the three months ended March 31,		2014		2013
Short-term employee benefits	$	177	$	195
Share-based payments		8		135
Director fees		–		–
	$	185	$	330

In addition to their salaries, executive officers also participate in the Group’s share option program (see Note 18(c)).

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

21. Operating Segments:

The Group's operations are primarily directed towards the acquisition, exploration and production of gold in Kazakhstan and therefore presentation geographically is the most appropriate.

For the three months ended March 31, 2014 the Group had no gold production or sales. For the three months ended March 31, 2013 substantially all of the Group's gold production was sold to one customer.

	Kazakhstan	Canada	Total
As at March 31, 2014:			
Segment assets	$ 61,074	$ 4,389	$ 65,463
Segment liabilities	19,534	8,010	27,544
For the three months ended March 31, 2014:			
Sales	$ –	$ –	$ –
Net smelter royalty	–	–	–
Cost of sales	(230)	–	(230)
Depletion and depreciation	(137)	(1)	(138)
Finance costs	(3,679)	(105)	(3,784)
Administrative expenses	(143)	(307)	(450)
Share of loss of equity accounted investee	–	(7)	(7)
Income (loss) before income taxes	(4,189)	(420)	(4,609)
Income tax recovery (expense)	90	–	90
Segment income (loss)	$ (4,099)	$ (420)	$ (4,519)
Capital expenditures	$ –	$ –	$ –

	Kazakhstan	Canada	Total
As at March 31, 2013:			
Segment assets	$ 107,388	$ 599	$ 107,987
Segment liabilities	36,550	3,631	40,181
For the three months ended March 31, 2013:			
Sales	$ 541	$ –	$ 541
Net smelter royalty	(16)	–	(16)
Cost of sales	(410)	–	(410)
Depletion and depreciation	(150)	(1)	(151)
Finance costs	(33)	(59)	(92)
Administrative expenses	(231)	(445)	(676)
Share of loss of equity accounted investee	–	(2)	(2)
Income (loss) before income taxes	(299)	(507)	(806)
Income tax recovery (expense)	245	–	245
Segment income (loss)	$ (54)	$ (507)	$ (561)
Capital expenditures	$ 33	$ –	$ 33

22. Management of capital:

The Group defines capital that it manages as its equity. The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to maintain investor confidence and to not expose the Group to excess risk. The Group manages its capital structure and makes adjustments to it based on the level of funds available to support the exploration and development of its mineral properties. While the re-acquisition of Saga Creek effective September 15, 2009 has resulted in the Group once again owning assets that generate cash flow, it is still necessary for the Group to raise funds to maintain its operations and carry out its capital expenditure programs.

To date, the Group has raised some funds through the issue of secured indebtedness however these funds were raised to fund a portion of its obligations incurred during the period in which the Group had lost its ownership of Saga Creek. Additional financing must be obtained in order to continue as a going concern (note 2). The Group is currently attempting to raise additional funds, however, there is no assurance it will be able to do so. The Group is not subject to externally imposed capital requirement except to the extent that any issue of common shares must first be approved by the government of Kazakhstan (note 25).

23. Financial instruments:

Overview:

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligation and arises principally from Saga Creek's receivable from the Government of Kazakhstan owing as a result of refundable Value Added Tax ("VAT") paid on goods and services purchased by Saga Creek and from Saga Creek's receivable from the purchaser of its gold. Up until 2011, Saga Creek had been successful in collecting all material amounts due and owing.

On February 5, 2013, Saga Creek submitted its annual VAT return with a request to refund the excess VAT paid during the fiscal year ended December 31, 2012, in the amount of $555. Upon completion of the VAT audit on April 30, 2013, local tax authorities provided Saga Creek 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 Saga Creek in May of 2013.

The vast majority of the disallowed amount, namely $354, was as a result of 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.

During 2013 the Corporation challenged in the courts of Kazakhstan the legality of the application of the Rules however the courts sided with the tax department. 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. While Alhambra disagrees with applicability of the RMS and the Rules to its subsidiary it recognizes that the collection of the outstanding amount will at best be sometime in the future and is not within the control of Saga Creek. Therefore during the fourth quarter of 2013 the Corporation provided for an allowance for the non-collectibility of the $348 denied by the tax authorities.

As at March 31, 2014 approximately 95% (December 31, 2013 - 83%) of the recorded value of accounts receivable relates to VAT.

When Saga Creek is operating it sells its gold to a single customer who also completes the final refining process necessary to make the gold readily saleable. Typically it takes approximately two weeks from the time the customer takes control of the gold for the refining to be completed. At March 31, 2014 approximately nil% (December 31, 2013 - nil%) of the recorded value of accounts receivable relates to the sale of gold to one customer.

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

The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum credit exposure. As at March 31, 2014 the Group has provided $747 for the non-collectibility of an account receivable from DOT and $347 for the non-collectibility by Saga Creek of VAT receivable from the Government of Kazakhstan. The Group has no other allowances for doubtful accounts as at March 31, 2014.

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

(b) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its obligations as they come due. With the re-registration of the shares of the Kazakhstan Subsidiaries, Alhambra now has ownership of revenue producing assets. However, in defending the lawsuit, the Group incurred substantial liabilities and the cash generated from its properties will not be enough to meet all its obligations in addition to resuming an aggressive exploration and development program. Therefore, additional financing must still be obtained in order to continue as a going concern (note 2). The Group is currently attempting to raise additional funds; however, there is no assurance that it will be able to do so.

(c) Market risk:

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

(i) Foreign currency risk

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

CDN monetary assets and liabilities As at		March 31, 2014		December 31, 2013
Cash and cash equivalents	$	136	$	10
Trade and other receivables		58		47
Deposits and prepaid expenses		29		6
Trade and other payables		(4,780)		(4,339)
Note		(500)		(500)
Convertible notes		(5,400)		–
Total net monetary assets in foreign currency	$	(10,457)	$	(4,776)

For the three months ended March 31, 2014, based on the net foreign exchange exposure at the end of the period, if the CDN$ had strengthened or weakened by 10% compared to the US$ and all other variables were held constant, the after tax net loss would have increased or decreased, respectively by approximately $946 for the three months ended March 31, 2014 (year ended December 31, 2013 – $448).

In addition the Corporation holds marketable securities which are denominated in Briitish pounds. For the three months ended March 31, 2014, based on the net foreign exchange exposure at the end of the period, if the CDN$ had strengthened or weakened by 10% compared to the Euro and all other variables were held constant, the after tax net loss would have decreased or increased respectively by $149.

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

CDN monetary assets and liabilities As at	March 31, 2014	December 31, 2013
Cash and cash equivalents	KZT 224	KZT 194
Trade and other receivables	35,290	43,285
Deposits and prepaid expenses	11,454	8,017
Trade and other payables	(752,037)	(752,754)
Total net monetary (liabilities) in foreign currency	KZT (705,069)	KZT (701,258)

For the three months ended March 31, 2014, based on the net foreign exchange exposure at the end of the period, if the KZT had strengthened or weakened by 10% compared to the US$ and all other variables were held constant, the after tax net loss would have increased or decreased, respectively by approximately $330 for the three months ended March 31, 2014 (year ended December 31, 2013 – $365).

(ii) Commodity price risk

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

(iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Group’s debt is all at fixed interest rates; therefore, there is no exposure to variations in interest rates except on cash balances which for the three months ended March 31, 2014 and 2013 would have been insignificant.

(d) Fair value of financial assets and liabilities:

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

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

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

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

24. Outstanding legal challenges:

(a) Creditor actions:

During the year ended on December 31, 2013, certain claims from creditors totaling approximately $700 were filed in the courts of Kazakhstan against Saga Creek for the collection of outstanding accounts payable. Saga Creek's mining contractor submitted a claim to the International Arbitration Court in Kazakhstan ("IUS"), demanding payment of indebtedness of approximately $370 for the work performed. In order to securitize its claim, the contractor also applied to the Specialized Interdistrict Economic Court of Akmola Oblast ("Economic Court") and obtained the Resolution of the Economic Court to attach property of Saga Creek within the limits of the claim amount. On August 5, 2013 the hearing of the claim by the IUS took place and the decision was made in favor of the contractor. The decision came into force on the date of the hearing requiring Saga Creek to settle the outstanding amount which was done on October 31, 2013. As of December 31, 2013, mining contractor's claim was satisfied by Saga Creek in full.

Also, two of Saga Creek's exploration contractors submitted statements of claim to the Economic Court for the payment by Saga Creek of a total of approximately $330 including $45 of interest and state duty. On August 13, 2013 the Economic Court accepted the exploration contractors' claims which allowed the exploration contractors to proceed to the courts to attach property of Saga Creek within the limits of the claim amounts and eventually realize on the outstanding liabilities. During a court hearing on October 1, 2013 both plaintiffs agreed to withdraw their claims and enter into settlement agreements that would see their accounts paid by November 15, 2013. However, Saga Creek was unable to satisfy these settlement agreements. As a result, these creditors have re-initiated their legal remedies including having funds re-directed from Saga Creek's bank accounts to settle the outstanding amounts.

On April 25, 2014 Saga Creek received a court notification on a legal claim submitted by another creditor. The amount of the claim is approximately $41 including approximately $3 of interest and state duty. The first hearing was scheduled for May 13, 2014, which was subsequently re-scheduled for May 16, 2014. The court approved the creditor's claim.

(b) Legal action for unpaid salaries:

On November 29, 2013 the prosecution office in Kazakhstan requested information on unpaid salaries from Saga Creek and issued an order to pay the indebtedness to the employees. Due to financial problems Saga Creek was unable to comply with the order which resulted in the prosecution office issuing a resolution on enforcement of the prosecutor's order. Such resolution was forwarded to the court decisions execution agency, which initiated the arrest of the bank accounts and property of Saga Creek as security. The prosecutor's resolution was issued in December of 2013 specifying unpaid salaries amounting to approximately $395, which was the amount of salaries due as of the end of October 2013.

As of March 31, 2014 the amount of unpaid salaries totaled approximately $510 including approximately $191 remaining unpaid and securitized by the property under the prosecutor's resolution. Subsequent to the quarter end all unpaid salaries securitized by the property of the Corporation under the prosecutor's resolution have been paid.

25. 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 (the Ministry of Industry and New Technology or "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 was effective for 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. As a result the Corporation applied to MINT to have that floor price reduced. Effective December 25, 2012 the Corporation received approval from MINT to reduce the floor price to $0.20 per common share. This approval was effective for six months. As provided for under Kazakhstan legislation, the Corporation applied for an extension. The application was submitted and accepted by MINT effectively extending the approval date to December 25, 2013.

26. 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 this 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 was reduced by $574 from $729 to $155. This difference was recorded as a decrease in intangible assets during 2012. In addition, also during 2012 the penalty and interest was 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. During 2013 the Corporation charged an additional $5 in interest on the unpaid CDB. As at March 31, 2014 the total amount of the CDB liability included in trade and other payables on the balance sheet including the tax, accrued interest and penalties totals $249 (based on the US$/KZT foreign exchange rate at March 31, 2014).

27. Historical costs:

In 2010, the local tax authority assessed Saga Creek with Historical Costs in the amount of US$15.8 million payable by equal annual installments starting from 2009 until 2019. Saga Creek disagreed with that assessment and appealed it to the court. After a series of court hearings, on September 27, 2011, the Cassation Chamber of the Akmola Oblast Court rendered a decision (the "Decision") in favor of Saga Creek holding that the assessment of Historical Costs in the amount of US$15.8 million was against the law because, among others, (i) the subsoil use contract and other contracts to which Saga Creek was a party did not impose an obligation on Saga Creek to pay Historical Costs; and (ii) the legislation which introduced Historical Costs as a tax did not apply to the subsoil use contract of Saga Creek. On September 27, 2012, the Decision was upheld on appeal by the Supreme Court of Kazakhstan. Consequently, the Decision became final and the issue of Historical Costs can no longer be raised or questioned by the tax authorities.

However, ignoring the Decision, in January 2014, the local tax authority sent a new notification to Saga Creek claiming that it missed the deadline for paying Historical Costs due in 2009-2013. The tax authority relied on certain technical changes with respect to Historical Costs introduced to the Tax Code of Kazakhstan on December 5, 2013. In the Corporation's opinion, after taking appropriate legal advice, these legislative changes do not affect the result reached in the Decision and do not apply to the subsoil use contract of Saga Creek. Accordingly, Saga Creek appealed the notification to the superior tax authority relying on the Decision. As of the date of these financial statements, the appeal has not yet been disposed of. Saga Creek is going to appeal the notification to the court in the event the superior tax authority refuses the appeal.

In addition, throughout 2013 and 2014, Saga Creek received a number of notifications from MINT demanding that Saga Creek sign an amendment to the subsoil use contract introducing an obligation to pay Historical Costs. In the Corporation's opinion, after taking appropriate legal advice, amending of the subsoil use contract requires Saga Creek's prior consent. On that basis, Saga Creek responded to MINT that it did not consent to amending the contract, especially after the issue of Historical Costs had been finally resolved by the Decision.

In light of the above developments and the general risks of doing business in Kazakhstan as described herein, there is no guarantee that the tax authorities and/or MINT will not bring new claims against Saga Creek that it is liable to pay Historical Costs. In the Corporation's opinion, after taking appropriate legal advice, the risk of such claims being made and that they would succeed is possible but likely not probable. Therefore, no provision for Historical Costs has been recognized in these financial statements.