Interim Unaudited Consolidated Financial Statements of

ALHAMBRA RESOURCES LTD.

Nine Months Ended September 30, 2013 and 2012

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 nine months ended September 30, 2013 and 2012.

ALHAMBRA RESOURCES LTD.

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

As at	Note	September 30, 2013	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	8	$ 29	$ 940
Trade and other receivables		654	668
Deposits and prepaid expenses		116	223
Inventories	9	4,788	4,719
Total current assets		5,587	6,550
Non-current assets:			
Property, plant and equipment	10	61,806	63,805
Intangible assets	11	9,573	9,691
Investment in equity accounted investee	12	450	493
Inventories	9	27,889	28,000
Total non-current assets		99,718	101,989
Total assets		$ 105,305	$ 108,539
Liabilities and Equity			
Current liabilities:			
Trade and other payables		$ 7,926	$ 7,148
Promissory note	13	486	503
Total current liabilities		8,412	7,651
Non-current liabilities:			
Provisions	14	759	743
Deferred tax liabilities		30,791	31,861
Total non-current liabilities		31,550	32,604
Total liabilities		39,962	40,255
Equity:			
Share capital	16	42,132	42,132
Warrants	16	–	3,237
Contributed surplus	16	13,367	9,999
Foreign currency translation reserve		(788)	20
Retained earnings		10,632	12,896
Total equity		65,343	68,284
Total liabilities and equity		$ 105,305	$ 108,539

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

	Note	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Revenue:					
Sales		$ 662	$ 2,447	$ 2,493	$ 8,080
Less net smelter royalty		20	73	75	242
		642	2,374	2,418	7,838
Cost of sales		565	1,206	1,922	4,064
Depletion and depreciation	10, 11	226	526	770	1,493
Gross profit (loss)		(149)	642	(274)	2,281
Expenses:					
Finance costs	6	318	78	652	1,730
Administrative expenses	7	531	605	1,792	2,242
		(998)	(41)	(2,718)	(1,691)
Share of loss of equity accounted investee	12	23	2	27	6
Loss before income taxes		(1,021)	(43)	(2,745)	(1,697)
Income tax expense (recovery)		–	322	(481)	(60)
Net loss for the year attributable to the equity holders of the Corporation		$ (1,021)	$ (365)	$ (2,264)	$ (1,637)
Loss per share:					
Basic	17	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Diluted	17	(0.01)	(0.01)	(0.02)	(0.02)

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

	Note	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Net loss for the period		$ (1,021)	$ (365)	$ (2,264)	$ (1,637)
Other comprehensive (loss) income: Foreign currency translation difference for foreign operations		(649)	(97)	(808)	(433)
Total comprehensive loss for the period		$ (1,670)	$ (462)	$ (3,072)	$ (2,070)

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

	Share Capital	Warrants	Contributed surplus	Foreign currency translation reserve	Retained earnings	Total
Balance, December 31, 2011	$ 42,132	$ 2,393	$ 9,017	$ 728	$ 17,876	$ 72,146
Loss for the period	–	–	–	–	(4,980)	(4,980)
Share based payments expense	–	–	432	–	–	432
Extension of expiry date of warrants	–	1,394	–	–	–	1,394
Expiry of warrants	–	(550)	550	–	–	–
Other comprehensive income (loss)	–	–	–	(708)	–	(708)
Balance, December 31, 2012	42,132	3,237	9,999	20	12,896	68,284
Loss for the period	–	–	–	–	(2,264)	(2,264)
Share based payments expense	–	–	131	–	–	131
Expiry of warrants	–	(3,237)	3,237	–	–	–
Other comprehensive income (loss)	–	–	–	(808)	–	(808)
Balance, September, 2013	$ 42,132	$ –	$ 13,367	$ (788)	$ 10,632	$ 65,343

For details on movement in shares please see Note 16.

See accompanying notes to consolidated financial statements.

ALHAMBRA RESOURCES LTD.

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

For the nine months ended	September 30, 2013	September 30, 2012
Cash provided by (used in):		
Cash flows from operating activities:		
Loss for the period	$ (2,264)	$ (1,637)
Adjustments for:		
Depletion and depreciation	770	1,493
Finance costs	2	1,398
Share of loss of equity accounted investee	27	6
Equity-settled share-based payment transactions	131	410
Deferred income tax expense (recovery)	(481)	150
Write off of property, plant & equipment	6	–
	(1,809)	1,820
Change in non-cash working capital	666	(748)
Net cash flows from operating activities	(1,143)	1,072
Cash flows from financing activities:		
Promissory note	–	508
Net cash flows from financing activities	–	508
Cash flows from investing activities:		
Additions of property, plant and equipment and intangible assets	(85)	(1,447)
Change in non-cash working capital	333	(737)
Net cash flows from investing activities	248	(2,184)
Effect of exchange rate changes on cash and cash equivalents	(16)	13
Change in cash and cash equivalents	(911)	(591)
Cash and cash equivalents, beginning of period	940	873
Cash and cash equivalents, end of period	$ 29	$ 282

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, that 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 cash flow to meet its obligations. This cash flow, however, is not sufficient to enable the Group to meet all its obligations and carry out significant exploration and development programs. During the nine months ended September 30, 2013, the Group incurred a net loss of $2,264, and the Group 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.

During the third quarter of 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. One of the claims totaling $370 was settled in full on October 31, 2013 while the plaintiffs for the other claims totaling $330 agreed to withdraw their claims and enter in settlement agreements due November 15, 2013. Saga Creek has since been 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 (note 25).

Alhambra recognizes the need to obtain debt or equity financing to meet its obligations and fund its exploration and development programs. As detailed in note 26, the Corporation has announced that it has entered into agreements related to a CDN$5 million financing. While the Corporation does not know at this time when that financing will be completed, it is expected to close prior to the end of 2013. For the Corporation to receive funds from this financing it will have to the sell ordinary shares it receives on the London Stock Exchange ("LSE"). Until these ordinary shares are sold, the Corporation cannot determine the total proceeds that will be realized. While the Corporation expects that this financing will allow the Group to begin to deal with its outstanding obligations and begin to re-establish normal operations again, until the proceeds are actually realized, the extent to which Alhambra can satisfy these obligations is not known. In addition the funds realized will not be sufficient to settle all of the Group's debts nor resume its exploration program to the level the Corporation desires. The Corporation will continue to seek additional financing to provide the funds necessary to assure it will continue as a going concern. There is no guarantee that the Corporation will be successful in raising sufficient funds to continue as a going concern.

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). There is no guarantee that if a financing is arranged, such financing will be approved by the government of Kazakhstan. As detailed in note 23, the Corporation currently has approval to complete a financing up to December 25, 2013.

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 unaudited 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 November 27, 2013.

(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 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 9 – valuation of work in progress inventories

Note 10 – valuation of property, plant and equipment;

Note 11 – valuation of intangible assets;

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

Note 14 – provisions;

Note 16 – measurement of share-based payments.

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, 2012. The interim consolidated financial statements include all adjustments necessary to present fairly the results for the interim period ended September 30, 2013. 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.

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 September 30 2013	 2012
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:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest on trade payables	$ 20	$ 22	$ 62	$ 64
Interest on promissory (note 13)	17	18	51	35
Interest on overdue taxes (notes 22 & 24)	6	6	16	6
Interest on taxes still being disputed	–	27	–	89
Extension of warrants	–	–	–	1,394
Reversal of accrued interest on successful tax appeal (note 22)	–	–	–	(131)
Unwinding of discount on provisions	1	2	2	4
Foreign exchange loss	274	3	521	269
Total finance costs	$ 318	$ 78	$ 652	$ 1,730

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

7. Administrative Expenses:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Employee costs	$ 357	$ 449	$ 1,185	$ 1,548
Professional fees	57	(52)	205	283
Corporate maintenance costs	42	59	133	22
Office costs	75	149	269	389
	$ 531	$ 605	$ 1,792	$ 2,242

Administrative expenses include share-based payments expenses (a non-cash item) of $131 and $410 which have been included in employee costs for the nine months ended September 30, 2013 and 2012, respectively.

To December 31, 2011 the Group had charged to corporate maintenance costs, a total of $166 in penalties potentially owing as a result of an assessment by the tax authorities of Kazakhstan for the disallowance of certain income tax deductions. The Group had appealed the assessment to the Kazakhstan courts and on May 11, 2012 a decision was rendered which reversed the majority of the assessment (note 22 (b)). In the nine months ended September 30, 2012, as a result of the decision, the Group reversed $156 of the total $166 that the Group had estimated would have been due if the court had agreed with the Kazakhstan tax authorities' assessment. The original provision for the potential penalties had been accrued in the Groups consolidated financial statements in the fourth quarter of 2010.

The recording of penalties and subsequent adjustments were accounted for as corporate maintenance costs.

8. Cash and cash equivalents:

As at	September 30, 2013	December 31, 2012
Bank balances	$ 29	$ 940
Total cash and cash equivalents	$ 29	$ 940

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

9. Inventories:

As at	September 30, 2013	December 31, 2012
Ore	$ 14,704	$ 16,516
Gold in circuit	11,779	10,746
Concentrate	5,444	4,419
Total work in progress	31,927	31,681
Raw material and supplies	750	1,038
Total inventories	32,677	32,719
Less:		
Non-current inventories	27,889	28,000
Total current inventories	$ 4,788	$ 4,719

Virtually 100% of cost of goods sold reported for the nine months ended September 30, 2013 and December 31, 2012 are the result of the amortization of inventories based on the quantity of gold sold as a percentage of total gold mined. 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.

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

10. Property, plant and equipment:

	Machinery and equipment	Mining assets being depleted	Buildings and construction	Total
Cost:				
Balance as at December 31, 2011	$ 3,040	$ 76,540	$ 4,482	$ 84,062
Additions	24	482	16	522
Adjustment due to reduction in Commercial Discovery Bonus (note 24)	–	(574)	–	(574)
Effect of foreign exchange	(34)	(1,193)	(70)	(1,297)
Balance as at December 31, 2012	3,030	75,255	4,428	82,713
Additions	1	6	–	7
Effect of foreign exchange	(57)	(1,426)	(84)	(1,567)
Balance as at September 30, 2013	$ 2,974	$ 73,835	$ 4,344	$ 81,153
Accumulated depletion and depreciation:				
Balance as at December 31, 2011	$ 1,803	$ 14,892	$ 884	$ 17,579
Depletion and depreciation for the year	594	631	388	1,613
Effect of foreign exchange	(29)	(238)	(17)	(284)
Balance as at December 31, 2012	2,368	15,285	1,255	18,908
Depletion and depreciation for the year	375	147	290	812
Effect of foreign exchange	(52)	(292)	(29)	(373)
Balance as at September 30, 2013	$ 2,691	$ 15,140	$ 1,516	$ 19,347
Carrying amounts:				
At December 31, 2011	$ 1,237	$ 61,648	$ 3,598	$ 66,483
At December 31, 2012	662	59,970	3,173	63,805
At September 30, 2013	283	58,695	2,828	61,806

In 2012, an impairment test was triggered because the carrying amount of property, plant and equipment was more than the Corporation’s market capitalization at December 31, 2012 indicating that the assets may be impaired. As a result a detailed test was carried out and it was determined that based on the Corporation’s recoverable resources, gold prices and costs including operating administrative and capital, the value was not impaired and accordingly, no write down of property, plant and equipment was necessary. The December 31, 2012 test was reviewed again at September 30, 2013 and management has determined that the result of no impairment remained unchanged.

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

11. Intangible assets:

	Exploration and evaluation expenditures	Computer software	Total
Cost:			
Balance as at December 31, 2011	$ 8,580	$ 81	$ 8,661
Additions	1,416	–	1,416
Effect of foreign exchange	(365)	–	(365)
Balance as at December 31, 2012	9,631	81	9,712
Additions	78	–	78
Effect of foreign exchange	(191)	(1)	(192)
Balance as at September 30, 2013	$ 9,518	$ 80	$ 9,598
Accumulated depreciation:			
Balance as at December 31, 2011	$ –	$ 13	$ 13
Depreciation for the year	–	8	8
Balance as at December 31, 2012	–	21	21
Depreciation for the year	–	4	4
Balance as at September 30, 2013	$ –	$ 25	$ 25
Carrying amounts:			
At December 31, 2011	$ 8,580	$ 68	$ 8,648
At December 31, 2012	9,631	60	9,691
At September 30, 2013	9,518	55	9,573

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.

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

12. Investment in equity accounted investee:

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

As at	September 30, 2013	December 31, 2012
DOT Resources Ltd.		
Ownership	27%	27%
Current assets	$ 2	$ 1
Non-current assets	3,486	3,544
Total assets	3,488	3,545
Current liabilities	957	899
Total liabilities	957	899
Revenues	$ –	$ –
Expenses	101	69
Loss	$ (101)	(69)

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

Balance as at December 31, 2011	$ 501
Share of loss	(19)
Effect of foreign exchange	11
Balance as at December 31, 2012	493
Share of loss	(27)
Effect of foreign exchange	(16)
Balance as at September 30, 2013	$ 450

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 September 30, 2013, the market trading value of the 15,000,001 DOT shares owned by Alhambra was CDN$900.

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

13. 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 principal and accrued interest on the Note was originally due and payable on or before June 30, 2013 but the lender has agreed to extend the maturity date to July 19, 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.

14. Provisions:

Changes to the provisions are as follows:

		Site restoration costs
Balance, December 31, 2011	$	283
Liabilities incurred		444
Unwinding of the discount		21
Revision		(5)
Balance, December 31, 2012		743
Unwinding of the discount		20
Revision		(4)
Balance, September 30, 2013	$	759
Current	$	–
Non-current		759

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 September 30, 2013 is approximately $759 (December 31, 2012 - $743). The liability was determined using an inflation rate of 6% (December 31, 2012 - 6%) and an estimated life of mine of 10 years for Uzboy (December 31, 2012 - 10 years). A discount rate of 5.5% was used (December 31, 2012 – 5.5%). The undiscounted value of this liability is approximately $707 (December 31, 2012 - $707).

15. 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 2013.

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

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.

16. 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:

	Nine months ended September 30, 2013			Year ended December 31, 2012		
	Number		Amount	Number		Amount
Common shares						
Balance, beginning of period	104,132,059	$	42,132	104,132,059	$	42,132
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).

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

A summary of the status of the Corporation's share option plan as at September 30, 2013 and December 31, 2012 and changes during the periods then ended are as follows:

	Nine months ended September 30, 2013		Year ended December 31, 2012	
	Number of options	Weighted average exercise price CDN$	Number of options	Weighted average exercise price CDN$
Outstanding, beginning of period	8,743,500	$ 0.58	8,518,500	$ 0.62
Granted	–	–	900,000	0.26
Expired unexercised	–	–	(675,000)	0.61
Outstanding, end of period	8,743,500	$ 0.58	8,743,500	$ 0.58

(i) The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model. The fair value and weighted average assumptions are as follows:

(Weighted average)	2012
Exercise price (CDN$/option)	0.26
Grant date share price (CDN$/option)	0.26
Risk-free interest rate (%)	1.37
Expected life (years)	5.00
Expected volatility (%)	150
Dividend rate (%)	–
Grant date fair value ($/option)	0.24

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 September 30, 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	1.49	$ 0.20
$ 0.315	225,000	225,000	1.13	0.27
$ 0.34	300,000	150,000	4.05	0.23
$ 0.53	2,200,000	2,200,000	0.80	0.44
$ 0.65	100,000	100,000	0.10	0.53
$ 1.05	2,750,000	2,750,000	2.32	0.92
	8,743,500	8,443,500	1.64	$ 0.49

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

The following table summarizes information concerning outstanding and exercisable options at December 31, 2012:

Exercise Price (CDN$/option)	Options outstanding	Options exercisable	Remaining Contractual life (years)	Grant date fair value ($/per option)
$ 0.22	3,168,500	2,718,500	2.24	$ 0.20
$ 0.315	225,000	225,000	1.88	0.27
$ 0.34	300,000	75,000	4.80	0.23
$ 0.53	2,200,000	2,200,000	1.55	0.44
$ 0.65	100,000	100,000	0.85	0.53
$ 1.05	2,750,000	2,750,000	3.07	0.92
	8,743,500	8,068,500	2.39	$ 0.49

A reconciliation of contributed surplus is provided below:

	Nine months ended September 30, 2013	Year ended December 31, 2012
Balance, beginning of period	$ 9,999	$ 9,017
Transfer from expired warrants	3,237	550
Share-based compensation expense	131	432
Balance, end of period	$ 13,367	$ 9,999

(d) Warrants:

The changes in warrants during the nine months ended September 30, 2013 and the year ended December 31, 2012 were as follows:

	Number of Warrants	Amount	Weighted average exercise price
Balance, December 31, 2011	11,802,775	$ 2,393	$ 0.66
Re-valuation due to extension of expiry date		1,394	–
Expired unexercised	(2,500,450)	(550)	0.45
Balance, December 31, 2012	9,302,325	3,237	0.72
Expired unexercised	(9,302,325)	(3,237)	(0.72)
Balance, September 30, 2013	–	$ –	$ –

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 was 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. The warrants expired unexercised.

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

The fair value of the extension of the expiry date of these warrants was estimated on the dates that the warrants were extended using the Black-Scholes option pricing model. The weighted average fair value of the extension of the expiry date of the warrants was calculated to be $1,394 for the warrants extended in 2012 using the following weighted-average assumptions:

	2012
Fair value of warrants granted (CDN$/share)	0.11
Expected life (years)	1.0
Risk free interest rate (%)	1.00
Expected volatility (%)	94
Expected dividend yield (%)	–

17. 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Weighted average number of common shares (basic)	104,132,059	104,132,059	104,132,059	104,132,059
Effect of warrants outstanding	–	–	–	–
Effect of share options outstanding	–	–	–	–
Weighted average number of Common shares (diluted)	104,032,059	104,132,059	104,132,059	104,132,059

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

As at September 30,	2013	2012
Options	8,743,500	9,118,500
Warrants	–	11,802,775
	8,743,500	20,921,275

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

18. 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 nine months ended September 30, 2013 and 2012 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Short-term employee benefits	$ 188	$ 197	$ 576	$ 585
Share-based payments	24	63	131	293
Director fees	–	–	–	–
	$ 212	$ 260	$ 707	$ 878

In addition to their salaries, executive officers also participate in the Group's share option program (see note 16(c)).

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

19. 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 nine months ended September 30, 2013 and 2012 substantially all of the Group's gold production was sold to one customer.

	Kazakhstan	Canada	Total
As at September 30, 2013:			
Segment assets	$ 104,739	$ 566	$ 105,305
Segment liabilities	35,765	4,197	39,962
For the nine months ended September 30, 2013:			
Sales	$ 2,493	$ –	$ 2,493
Net smelter royalty	(75)	–	(75)
Cost of sales	(1,922)	–	(1,922)
Depletion and depreciation	(766)	(4)	(770)
Finance costs	(474)	(178)	(652)
Administrative expenses	(730)	(1,062)	(1,792)
Share of loss of equity accounted investee	–	(27)	(27)
Income (loss) before income taxes	(1,474)	(1,271)	(2,745)
Income tax recovery (expense)	481	–	481
Segment income (loss)	$ (993)	$ (1,271)	$ (2,264)
Capital expenditures	$ 85	$ –	$ 85

	Kazakhstan	Canada	Total
As at September 30, 2012:			
Segment assets	$ 109,330	$ 3,311	$ 112,641
Segment liabilities	37,539	3,222	40,761
For the nine months ended September 30, 2012:			
Sales	$ 8,080	$ –	$ 8,080
Net smelter royalty	(242)	–	(242)
Cost of sales	(4,064)	–	(4,064)
Depletion and depreciation	(1,488)	(5)	(1,493)
Finance costs	(270)	(1,460)	(1,730)
Administrative expenses	(749)	(1,493)	(2,242)
Share of loss of equity accounted investee	–	(6)	(6)
Income (loss) before income taxes	1,267	(2,964)	(1,697)
Income tax recovery (expense)	60	–	60
Segment income (loss)	$ 1,327	$ (2,964)	$ (1,637)
Capital expenditures	$ 1,446	$ 1	$ 1,447

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

	Kazakhstan	Canada	Total
As at September 30, 2013:			
Segment assets	$ 104,739	$ 566	$ 105,305
Segment liabilities	35,765	4,197	39,962
For the three months ended September 30, 2013:			
Sales	$ 662	$ –	$ 662
Net smelter royalty	(20)	–	(20)
Cost of sales	(565)	–	(565)
Depletion and depreciation	(224)	(2)	(226)
Finance costs	(305)	(13)	(318)
Administrative expenses	(266)	(265)	(531)
Share of loss of equity accounted investee	–	(23)	(23)
Income (loss) before income taxes	(718)	(303)	(1,021)
Income tax recovery (expense)	–	–	–
Segment income (loss)	$ (718)	$ (303)	$ (1,021)
Capital expenditures	$ 24	$ –	$ 24

	Kazakhstan	Canada	Total
As at September 30, 2012:			
Segment assets	$ 109,330	$ 3,311	$ 112,641
Segment liabilities	37,539	3,222	40,761
For the three months ended September 30, 2012:			
Sales	$ 2,447	$ –	$ 2,447
Net smelter royalty	(73)	–	(73)
Cost of sales	(1,206)	–	(1,206)
Depletion and depreciation	(524)	(2)	(526)
Finance costs	(102)	24	(78)
Administrative expenses	(166)	(439)	(605)
Share of loss of equity accounted investee	–	(2)	(2)
Income (loss) before income taxes	376	(419)	(43)
Income tax recovery (expense)	(322)	–	(322)
Segment income (loss)	$ 54	$ (419)	$ (365)
Capital expenditures	$ 407	$ –	$ 407

20. 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 it operations and carry out its capital expenditure programs.

To date, the Corporation 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 Corporation continues to pursue financing alternatives and subsequent to September 30, 2013 entered into a financing agreement that is expected to close prior to the end of 2013 (note 26). The Group is not subject to externally imposed capital requirements except to the extent that any issue of common shares must first be approved by the government of Kazakhstan (note 23).

21. 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 the quarterly VAT return with a request to refund the excess VAT paid by the company 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 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 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, Alhambra's refund was denied based on noncompliance by the suppliers four or five levels down the chain.

The Corporation strongly disagreed with the applicability of the RMS and as such submitted a claim to the Economic Court requesting the Economic Court to cancel the VAT assessment and to order the VAT refund in its entirety. In its ruling dated October 17, 2013, the Economic Court rejected Saga Creek's claim except for a further amount of $40 as a result of the fact that the deficiencies were corrected by certain suppliers.

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 and plans to appeal the ruling to an upper Kazakhstan court.

As at September 30, 2013 approximately 91% (December 31, 2012 - 95%) of the recorded value of accounts receivable relates to VAT.

Saga Creek 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 September 30, 2013 approximately nil% (December 31, 2012 - 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.

(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 Corporation continues to pursue financing alternatives and subsequent to September 30, 2013 entered into a financing agreement that is expected to close prior to the end of 2013 (note 26).

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

(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 KZT, while its administrative costs are denominated in either Canadian dollars or KZT. 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		September 30, 2013		December 31, 2012
Cash and cash equivalents	$	30	$	266
Trade and other receivables		58		19
Deposits and prepaid expenses		11		12
Trade and other payables		(3,817)		(3,026)
Promissory note		(500)		(500)
Total net monetary (liabilities) in foreign currency	$	(4,218)	$	(3,229)

Based on the net foreign exchange exposure at September 30, 2013, 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 $410 for the nine months ended September 30, 2013 (year ended December 31, 2012 – $324).

KZT monetary assets and liabilities As at		September 30, 2013		December 31, 2012
Cash and cash equivalents	KZT	–	KZT	101,537
Trade and other receivables		91,823		97,755
Deposits and prepaid expenses		16,128		31,765
Trade and other payables		(670,106)		(641,357)
Total net monetary (liabilities) in foreign currency	KZT	(562,155)	KZT	(410,300)

Based on the net foreign exchange exposure at September 30, 2013, 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 for the nine months ended September 30, 2013 would have increased or decreased, respectively by approximately $293 (year ended December 31, 2012 - $257).

(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 nine month periods ended September 30, 2013 and 2012 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.

22. 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, Mineral Extraction Tax ("MET") as well as for their disallowance of certain corporate income tax deductions for the 2006 to 2009 taxation years ("CIT"). The original amount of the assessments, including penalties and interest, was approximately $4.3 million. The Group believed that the assessments were not consistent with Kazakhstan legislation as well as the provisions of Saga Creek's foreign investment contract which governs 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 Saga Creek's appeal. Both

Saga Creek and the tax authorities have one year to appeal all or part of the decision. The summary of decision of the Cassation Chamber including any recent updates 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 Group reversed the full provision of $13.8 million 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 the 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 Group 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 Group 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 penalties has been paid by Saga Creek of which approximately $0.7 million related to interest and penalties. The Group has 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 believe the decisions of the lower courts were valid.

23. 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. 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 and was granted an extension to December 25, 2013.

24. Commercial discovery bonus:

On February 22, 2012 Saga Creek was given notice by Kazakhstan tax authorities that it was required to pay a Commercial Discovery Bonus (the "Bonus") 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 bonus 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 Bonus, 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 Bonus 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.

The Corporation has accrued approximately $56 in finance charges related to the Bonus to September 30, 2013.

25. Legal claims against the Corporation

During the third quarter of 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.

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. 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.

26. Subsequent event

Subsequent to September 30, 2013 the Corporation entered into a financing agreement with Global Resources Investment Limited ("GRIL") for a CDN$5.0 million convertible note financing. GRIL is a UK based investment trust established to seek and exploit investment opportunities in the junior mining and natural resource sectors. GRIL's investment objective is to generate medium and long term capital growth through investments in diverse portfolios of primarily small and mid-capitalized natural resources and mining companies that are listed on various global stock exchanges.

GRIL is seeking admission of its ordinary shares on the main market for listed securities on the LSE, where it proposes to re-register as a public company and constitute as a UK investment trust with the name Global Resources Investment Trust PLC ("GRIT"). GRIT expects that its ordinary shares will be listed for trading before the end of 2013.

Alhambra and GRIL have entered into a convertible secured promissory note agreement, whereby Alhambra would, assuming successful listing of the GRIT shares on the LSE, subscribe for 3,080,904 GRIT shares at a deemed value of one British pound (£1.00) per GRIT share. Alhambra will then sell the GRIT shares on the LSE to realize the private placement proceeds. The proceeds that Alhambra eventually receives will be dependent on the price that will be realized when the GRIT shares are sold.

In exchange for the issuance of the GRIT shares, the Corporation will issue to GRIT, a CDN$5.0 million convertible secured promissory note (the "Note") and warrants. The Note will bear interest at an annual rate of 12%, will have a term of three years and will be secured by the Corporation's work in progress gold in Kazakhstan if and when required by GRIT. GRIT has the option to convert both the principal and interest portions of the Note into common shares of the Corporation at CDN$0.25 per common share. Alhambra has the option to pay the interest in either cash or shares of the Corporation. The Note may be repaid at any time prior to maturity without penalty. The Corporation also has the option to force conversion during the term of the Note into common shares of Alhambra at a minimum of US$0.20 per share. In connection with the Note, Alhambra will issue warrants to purchase 5.0 million common shares of the Corporation (the "Warrants"). The Warrants have an exercise price of CDN$0.30 per common share and are exercisable for three years from the date of issue.