Alhambra Resources Ltd. Announces Financial and Operating Results for Third Quarter ending September 30, 2013

29.11.2013 | Marketwired

CALGARY, ALBERTA--(Marketwired - Nov 29, 2013) - Alhambra Resources Ltd. (TSX VENTURE:ALH)(PINKSHEETS:AHBRF)(FRANKFURT:A4Y) ("Alhambra" or the "Corporation"), an international gold explorer and producer, announces its financial and operating results for the quarter ended September 30, 2013.

HIGHLIGHTS FOR THE QUARTER:

- Alhambra announced subsequent to the third quarter that the Corporation has entered into a financing agreement with a UK based investment trust for a C$5.0 million convertible note financing
- Revenue from gold sales amounted to $0.7 million based on the sale of 506 ounces ("ozs") at an average price of $1,307/oz
- Cash operating costs were $1,047 per oz of gold sold
- Kazakhstan mining operations recorded a net loss of $0.7 million ($0.01/share)
- The Corporation recorded net cash used in operating activities of $1.1 million ($0.01/share) and a net loss of $1.0 million ($0.01/share)
- The suspension of mining operations continued in the quarter
- Stacked 42,630 tonnes ("t") of stockpiled ore on the heaps at an average grade of 0.43 grams/tonne ("g/t")
- Gold sales were realized from the drawdown of recoverable gold inventory from work in progress ("WIP")
- The estimated recoverable gold in WIP as of September 30, 2013 was 36,365 ozs
- No field work was carried out in the quarter due to financial constraints
- Reported on 800 Shirotnaia core drill assays; the results constituted the best drill intercepts to date from Shirotnaia
- Assay results on 1,793 drill samples were pending
- Certain claims from creditors totaling $0.7 million were filed in the courts of Kazakhstan against Saga Creek, the Corporation's 100% owned operating subsidiary in Kazakhstan, for the collection of outstanding accounts payable. One claim totaling approximately $0.4 million has been settled in full. The remaining $0.3 million owed will be re-directed from Saga Creek's accounts to settle this outstanding amount.

FINANCIAL HIGHLIGHTS

(in US$000 except per share amounts)	Three Months ended September 30		Nine Months ended September 30	
	2013	2012	2013	2012
Revenue from gold sales	$ 662	$ 2,447	$ 2,493	$ 8,080
Net income (loss)	(1,021)	(365)	(2,264)	(1,637)
Per share (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average shares outstanding				
Basic and diluted	104,132,059	104,132,059	104,132,059	104,132,059
Shares outstanding at end of period	104,132,059	104,132,059	104,132,059	104,132,059

For the third quarter of 2013, the Corporation recognized $0.7 million in revenue from the sale of 506 ozs of gold at an average price of $1,307 /oz. This compares to $2.4 million in revenue from the sale of 1,452 ozs of gold at an average price of $1,686/oz during the third quarter of 2012. Lower sales volume and lower average gold prices were the principal reasons for the decrease in operating results.

Kazakhstan mining operations recorded a net loss of $0.7 million for the third quarter of 2013. This compares to net income of $0.05 million for the third quarter of 2012. The Corporation recorded a net loss of $1.0 million ($0.01 per share) for the third quarter of 2013. This compares to a net loss of $0.4 million ($0.01 per share) for the third quarter of 2012.

OPERATING HIGHLIGHTS

During the third quarter of 2013, the Corporation stacked 42,630 t of stockpiled ore containing an average grade of 0.43 g/t Au resulting in 383 ozs of recoverable gold being stacked on the heap leach pads. There was no waste associated with the ore stacked. No ore or waste was mined during the same period in 2012. As of September 30, 2013, the estimated recoverable gold classified as WIP was 36,365 ozs.

A contributing cause of lower gold sales for the third quarter of 2013 was the fact that due to the lack of sufficient funds, a number of standard operating procedures which are carried out to enhance the recovery of gold stacked on the heap leach pads could not be maintained. These procedures need to be followed even if there is no mining of new ore in order to maximize the recovery of WIP gold inventory. These procedures include work done on the pads such as ripping and fluffing, and maintenance of optimum levels of cyanide and resin.

OPERATING EXPENSES

Operating expenses consist of all costs associated with the production of gold, (including direct costs incurred in the mining, leaching and resin stripping processes ("process operating costs"), Mineral Extraction Tax ("MET")), transportation and refining of the cathodic sediment. Except in periods in which no new ore is being mined, all process operating costs are charged to WIP and are expensed on the basis of the quantity of gold sold as a percentage of total recoverable gold mined. In those periods in which no new ore is being mined, certain direct mining costs and depreciation of mining equipment are expensed directly and not charged to WIP.

Operating costs for the three months ended September 30, 2013 were $0.6 million or $1,117/oz of gold sold as compared to $1.2 million or $831/oz of gold sold for the three months ended September 30, 2012. The 2013 figure includes $0.01 million ($192/oz) of mining costs charged directly to operating costs for the months in which there was no new ore mined. There was no comparable amount for the three months ended September 30, 2012. Included in the three months 2013 operating cost amount is $0.04 million or $70/oz related to the amortization of the bump-up to fair value from the estimated cost of WIP on re-valuation on September 15, 2009. Cash operating costs for the third quarter were therefore $1,047/oz (compared to $751/oz for the third quarter of 2012).

The $0.6 million decrease in operating costs in the third quarter of 2013 as compared to the third quarter of 2012 is due to the reduction in the quantity of recoverable gold mined and sold during 2013. The $286/oz increase in per unit operating costs for the third quarter of 2013 as compared to the third quarter of 2012 is primarily the result of the $192/oz of mining costs charged directly to operating expenses instead of charging such costs to WIP.

CAPITAL EXPLORATION PROGRAMS

During the three months ended September 30, 2013, no field work was carried out in Kazakhstan. This was as a result of the Corporation's lack of financial resources.

As of September 30, 2013, there were 1,793 Shirotnaia assay results (1,786 core and 7 QA/QC core re-sampling) plus 2 Vasilkovskoe East rock chip sample assays pending from the laboratory. The assays will be released once the laboratory's outstanding account has been paid. In addition, 6,753 samples (including

887 QA/QC samples) were prepared for export as follows:

- Shirotnaia - 2,871 (reverse circulation ("RC") samples),
- Zhusaly - 386 (RC samples) and 650 (soil samples),
- Vasilkovskoe East - 959 (soil samples),
- Dombraly East - 1,887 (soil samples).

Shirotnaia

During the third quarter of 2013, 800 assay results for three of 18 core holes (3,691 metres ("m")) completed in the first half of 2012 were received (see news release dated September 25, 2013).

Diamond drilling intersected higher-grade gold mineralization in diamond drill hole 28-08 that yielded a weighted average grade of 4.75 g/t Au over a core interval of 33.4 m, including 14.71 g/t Au over 10.1 m. The highest grade interval was intersected less than 100 m below surface. Together with several other drill intercepts in this area, this higher-grade interval defines a new high-grade zone of gold mineralization. These results constitute the best drill intercepts to date from Shirotnaia.

CONVERTIBLE NOTE FINANCING

Subsequent to September 30, 2013, Alhambra entered into a financing agreement with Global Resources Investment Limited ("GRIL") for a C$5.0 million convertible note financing (see news release dated November 12, 2013). GRIL is a UK based investment trust established to seek and exploit investment opportunities in the junior mining and natural resource sectors. GRIL is seeking admission of its ordinary shares on the main market for listed securities on the London Stock Exchange ("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 tis 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 C$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 WIP 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 C$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 C$0.30 per common share and are exercisable for three years from the date of issue.

The financing should achieve four things; it will strengthen the Corporation's balance sheet, allow Alhambra to deal with its creditors, advance the Corporation's exploration and production development strategy and minimize shareholders' dilution in a market environment which has undervalued the Corporation's intrinsic value.

Completion of the financing is subject to receiving approvals from the TSX Venture Exchange and GRIT successfully listing its shares for trading on the LSE.

LEGAL CLAIMS AGAINST THE CORPORATION

During the third quarter, certain claims from creditors totaling approximately $0.7 million were filed in the courts of Kazakhstan against Saga Creek for the collection of outstanding accounts payable. One of the claims totaling approximately $0.4 million was settled in full on October 31, 2013 while the plaintiffs for the other claims totaling $0.3 million agreed to withdraw their claims and enter into Settlement Agreements that would see their accounts paid by November 15, 2013. Saga Creek was unable to satisfy the outstanding obligation of the exploration contractors by November 15, 2013. 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.

The Corporation recognizes the desire of these creditors to protect their ability to collect on their outstanding liabilities and is in discussion with these creditors to defer any further action given that the Corporation is currently pursuing financing alternatives in order that the obligations to all creditors can be settled to everyone's mutual satisfaction.

OBJECTIVES FOR 2013

Currently Alhambra's efforts are focused on arranging financing, the use of proceeds from which will be directed towards the settlement of outstanding accounts payable, the re-initiation of the stacking of ore on the heap leach pads, optimization of operating processes to enhance recovery, and the resumption of exploration and development programs. The Corporation has identified a number of exploration targets it wishes to drill once additional funds have been raised. In addition the Corporation plans to begin a pre-feasibility study directed towards bringing into production the transitional and sulphide zones of Uzboy. When the financing that was announced subsequent to September 30, 2013 is completed and the funds realized, the Corporation can begin to recover from its current financial difficulties. However, in order for the Corporation to continue as a going concern and begin to properly develop its exploration territory, it will be necessary to complete additional financings. While the Corporation has been successful in the past, there is no guarantee that the Corporation will be successful in the future in raising sufficient funds to continue as a going concern.

UNAUDITED FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

The Corporation's third quarter 2013 financial statements and MD&A are available on the Corporation's website, can be obtained on application from the Corporation and are available under the Corporation's profile on SEDAR at www.sedar.com.

ABOUT ALHAMBRA

Alhambra is a Canadian based international exploration and gold production corporation producing gold in Kazakhstan.

Alhambra holds exploration and exploitation rights to a 2.4 million acre (9,800 km^2), 100% owned license called the Uzboy Project, located in the Northern Kazakhstan Metallogenic Province which hosts numerous world-class gold deposits. Over 100 mineral targets, including three advanced exploration areas, are contained within the Uzboy Project.

Alhambra 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 website can be accessed at www.alhambraresources.com.

Neither the TSX Venture Exchange Inc. nor its Regulation Services Provider (as that term is defined in the Policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

Certain statements contained in this news release constitute "forward-looking statements" as such term is used in applicable Canadian and US securities laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and *assumptions of management. In particular, statements regarding finalizing the financings, the amount of proceeds to be realized on financings, re-initiation of the stacking of ore on the heap leach pads, the resumption of exploration and development programs, initiating the Uzboy pre-feasibility study, availability of capital to fund ongoing projects and other factors and events described in this news release should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans, "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, finalizing the financings detailed herein, the amount of proceeds to be realized from the financings, the re-initiation of the stacking of ore on the heap leach pads, the resumption of exploration and development programs, initiating the Uzboy pre-feasibility study, the availability of capital to fund exploration and production development; political, social and other risks inherent in carrying on business in a foreign jurisdiction and such other business risks as discussed herein and other publicly filed disclosure documents. There is no assurance the financing outlined herein will close on such terms, or at all. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this news release.*

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

Contact

Alhambra Resources Ltd.
Ihor P. Wasylkiw
VP & Chief Information Officer
+1 (403) 508-4953
Alhambra Resources Ltd.
Donald D. McKechnie
VP Finance & Chief Financial Officer
+1 (403) 228-2855