

2002 BCSECCOM 894

Amended ^ Notice of Hearing

**Alhambra Resources Ltd.,
Elmer Stewart and Michael E. Hriskevich**

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 On October 21, 2002, the Executive Director issued a Temporary Order and Notice of Hearing cease trading the securities of Alhambra Resources Ltd. (the Temporary Order). The Temporary Order was revoked by the Executive Director on October 24, 2002.
- ¶ 2 A hearing will be held (the Hearing) to give Alhambra Resources Limited (Alhambra), Elmer Stewart (Stewart) and Michael E. Hriskevich (Hriskevich) (collectively the Respondents) an opportunity to be heard before the British Columbia Securities Commission considers whether it is in the public interest to make the following orders:
1. pursuant to section 161(1)(b) of the *Securities Act*, RSBC 1996, c. 418, that all persons cease trading in the securities of Alhambra;
 2. pursuant to section 161(1)(d) of the Act, that Stewart and Hriskevich resign any position either holds as a director or officer of any issuer and be prohibited from becoming or acting as a director or officer of any issuer;
 3. pursuant to section 161(1)(d) of the Act, that Stewart and Hriskevich be prohibited from engaging in investor relations activities;
 4. pursuant to section 161(1)(e) that the Respondents issue a press release correcting inaccurate disclosure concerning Alhambra;
 5. pursuant to section 162 of the Act, that the Respondents pay an administrative penalty;
 6. pursuant to section 174 of the Act, that the Respondents pay prescribed fees or charges for the costs of, or related to, the Hearing; and
 7. to make any other orders as may be appropriate in the circumstances.
- ¶ 3 The Commission will be asked to consider the following facts and allegations in making its determination:

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1. Alhambra was incorporated in Alberta and was registered in British Columbia on January 11, 2002. Alhambra is a reporting issuer in British Columbia.
2. The shares of Alhambra trade on the TSX Venture Exchange.
3. Hriskevich has been president, chief executive officer and a director of Alhambra at all times material to this action.
4. Stewart is a director of Alhambra and is designated as a Qualified Person for Alhambra pursuant to National Instrument 43-101. NI 43-101 sets out the standards to follow in making disclosure for mineral projects.
5. On May 24, 2002 Alhambra issued an annual report which stated, among other things the following:
 - (a) “Alhambra will develop its Uzboy oxide gold deposit at an initial production of 25,000 ounce gold per annum with first production expected by year end 2002.”
 - (b) “The construction and development at the Uzboy mine site was expected to be completed during the fourth quarter of 2002 at an estimated capital cost of \$C4.1 million. We expect that gold production would increase as the property was further explored and developed.”
 - (c) “The first full year of operation, expected to be 2003, calls for 665,000 tonnes of ore at a diluted average grade of 1.67 g/t gold being placed on the heaps. The waste to ore ratio is estimated to be 2.5 to 1.”
6. Between June 4 and 14, 2002, Alhambra issued press releases in which the production announcements and forecasts were repeated.
7. On July 30, 2002, the TSX Venture Exchange issued a letter to Alhambra recommending that the company retract the production announcement and make no further disclosure of an intention to go into production. Until an acceptable report was filed with the Commission supporting the production decision, no public financing allocated to advance production would be accepted by the Exchange.
8. On August 8, 2002, Alhambra issued a clarifying news release which retracted the mine production announcement and the forecast of gold production.

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9. On August 9, 2002, the Commission issued a letter to Alhambra requesting supporting documents for its claims regarding the Uzboy project and surrounding Saga Creek property.
10. On August 14, 2002, after discussions with Alhambra, the Commission issued a letter to Alhambra confirming Alhambra's agreement that there were no mineral resources as defined by NI 43-101 on the Saga Creek property.
11. In August 2002, Alhambra issued an Amended and Restated Annual Report which removed the statements referred to in paragraph 2, item 5 above and stated that the Company's operating plan would be in accordance with the specifications set out in NI 43-101.
12. On September 20, 2002, Alhambra issued a news release disclosing Stewart as the Qualified Person on the Uzboy project, as defined by NI 43-101; clarifying that there are no mineral resources or mineral reserves, as defined by NI 43-101, on the Uzboy project; clarifying that there is no report by an independent Qualified Person that recommends pre-production activities or a decision to place properties into production; and that previous resource estimates do not equate to mineral resources defined by NI 43-101 and should not be relied upon.
13. On October 3, 2002, Hriskevich and Stewart gave an interview on CEOcast.
14. CEOcast is a website that broadcasts interviews with Chief Executive Officers of issuers. It claims to be distributed to millions of online investors at over 700 financial web sites as well as to more than 20,000 portfolio managers, buy side analysts and traders at more than 3300 North American institutions. The content is also said to be disseminated to over 7000 investment research professionals representing over 425 institutions.
15. During the CEOcast, Stewart said, in respect of the Uzboy project, that:
 - (a) Alhambra would enter commercial production and expected first year production to be in the order of 25,000 ounces a year, gradually moving up to 40,000 ounces in the next year.
 - (b) "The reports basically show from a resource base approximately 3 million tons at an average grade of 1.78 grams of gold per ton in the oxide zone at Uzboy and the sulfide has a comparable amount at an average grade of about 3.67. The gold resource in the ground based on those two things would be in the order of 400-500,000 ounces, but the results that we, the exploration work that we are carrying out this year

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would indicate that it is going to be substantially larger than what we know to date.”

- (c) The start up of commercial operations would occur in the year 2003.
- (d) “I might also add that on the project we have 150 other gold occurrences which we have yet to evaluate, plus we have two former mines that on the state balance in Kazakhstan, one of those mines has approximately 800,000 ounces left in the ground at an average grade of 25 grams per ton.”
- (e) “We have about 60,000 tons already stockpiled at an average grade of two grams of gold per ton and we are constructing the mill.”
- (f) The database on the Uzboy project created by the previous operators was good and was similar to that which would be created in North America.

16. Stewart’s statements in paragraph 2, items 15(a) and (c) were the same as or equivalent to the earlier statements which Alhambra had withdrawn and had agreed were inconsistent with the requirements of NI 43-101. All the statements made by Stewart were based on incomplete, unreliable, and unconfirmed data. In particular, Alhambra was not constructing a mill.

17. The statements, to the knowledge of Stewart and Hriskevich, were not consistent with the requirements of NI 43-101, were not consistent with the September 20 press release and were not supported by the findings of an independent technical report (A.C.A. Howe International, Report #842, dated May 24, 2002). By making those statements or acquiescing in them, Stewart and Hriskevich breached section 50(1)(d) of the Act and caused Alhambra to breach section 50(1)(d) of the Act, contrary to section 168.2 of the Act.

18. Alhambra continues to trade even though it has not corrected the inaccurate information concerning the Uzboy project.

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¶ 5 The Hearing will be held at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, BC, on Thursday, October 31, 2002, at 2:00 pm.

¶ 6 At the Hearing the staff of the Commission will bring the following applications:

19. that the matter be adjourned for 30 days to permit the conclusion of the investigation in this matter; and

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- ¶ 7 The Respondents may be represented by counsel at the Hearing and may make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend by contacting the Commission Secretary at PO Box 10142, Pacific Centre, 5th Floor, 701 West Georgia Street, Vancouver, BC, V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 8 Determinations may be made in this matter if the Respondents or their counsel do not appear at the Hearing.
- ¶ 9 October 25, 2002
- ¶ 10 Stephen J. Wilson
Executive Director