

# 2003 BCSECCOM 751

## Settlement Agreement

### Alhambra Resources Ltd.

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

¶ 1 The following settlement of issues has been reached between Alhambra Resources Ltd. (Alhambra) and the Executive Director.

#### **Agreed Statement of Facts**

¶ 2 As the basis for the undertakings referred to in this settlement, Alhambra acknowledges the following facts as correct:

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 (Exchange).
3. Michael Hriskevich (Hriskevich) is the president, chief executive officer and a director of Alhambra.
4. Elmer Stewart (Stewart) is a director of Alhambra and is designated as a Qualified Person for Alhambra on their Uzboy Project in Kazakhstan, pursuant to National Instrument 43-101.
5. On May 24, 2002 Alhambra issued an annual report, which stated, among other things, that:
  - (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 \$4.1 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."

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6. Between June 4 and 14, 2002, Alhambra issued news releases in which the production announcements and forecasts were repeated.
7. On July 30, 2002, the 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. Further, the Exchange advised that no public financing allocated to advance production would be accepted until an acceptable report was filed supporting the production decision.
8. On August 8, 2002, Alhambra issued a clarifying news release, which retracted the mine production announcement and the forecast of gold production.
9. On August 9, 2002, the British Columbia Securities Commission (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 with regards to the Uzboy project and surrounding Saga Creek property.
11. In August 2002, Alhambra issued an Amended and Restated Annual Report which removed the statements set out above at paragraph 5 herein and stated that Alhambra'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. The news release further clarified that there were no mineral resources or mineral reserves, as defined by NI 43-101, on the Uzboy project and that there was no report by an independent Qualified Person that recommended pre-production activities or a decision to place properties into production. The news release also stated that previous resource estimates did not equate to mineral resources as defined by NI 43-101 and therefore they should not be relied upon.

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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 3,300 North American institutions. The content is also said to be disseminated to over 7,000 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. The results that we . . . the exploration work that we are carrying out this year which indicates to us that this 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.

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16. The statements made by Stewart during the CEOcast were the same as or substantially similar to the earlier statements, which Alhambra had withdrawn.
17. The statements made during the CEOcast were not consistent with the requirements of NI 43-101, nor were they consistent with the September 20 press release.
18. On October 25, 2002, Alhambra issued a news release retracting all statements made by Stewart and Hriskevich during the CEOcast interview dated October 3, 2002. In order to further clarify matters, the October 25, 2002 news release repeated the salient portions of the previous September 20, 2002, news release.
19. The statements set out at paragraph 15 herein did not comply with the requirements of NI 43-101.

### **Mitigating Factors**

¶ 3 The Executive Director has taken into account the following facts as factors mitigating the sanctions that would otherwise have applied in the public interest:

1. Alhambra represents and the Executive Director accepts, that the statements made at paragraph 15 were either inadvertent or a result of a lack of understanding of relevant disclosure requirements, and were not from a prepared script.
2. Since September of 2002, Stewart has attended two courses to better understand the requirements of NI 43-101, Alhambra has sponsored one of these courses to help third parties better understand the requirements of 43-101.
3. Since September of 2002 Alhambra has made every effort to ensure their disclosure is in full compliance with all relevant securities rules and requirements and that it is based on independent engineering reports.
4. The interview is no longer available on CEOcast.
5. Alhambra issued a clarifying press release shortly after the CEOcast interview.

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### Undertaking

- ¶ 4 Alhambra undertakes to do the following:
1. to pay to the British Columbia Securities Commission the sum of \$20,000, of which \$15,000 represents the costs of the investigation; and
  2. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

### Waiver

- ¶ 5 Alhambra waives any right it may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

- ¶ 6 October 31, 2003

Alhambra Resources Limited

“M.E. Hriskevich”

\_\_\_\_\_  
Authorized Signatory

“Nicole Clark” \_\_\_\_\_ )

Witness Signature \_\_\_\_\_ )

Nicole Clark \_\_\_\_\_ )

Witness Name (please print) \_\_\_\_\_ )

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Office Administrator \_\_\_\_\_ )

Occupation \_\_\_\_\_ )

- ¶ 7 November 10, 2003

“Stephen J. Wilson”

Stephen J. Wilson  
Executive Director

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