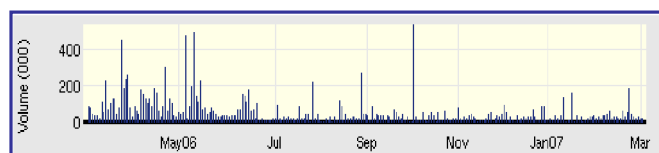


# Goldletter INTERNATIONAL

*the international independent information and advice bulletin for gold and related investments*

Special Situation – March 2007

[www.alhambraresources.com](http://www.alhambraresources.com)



## Alhambra Resources Ltd. (Cdn\$ 1.37)

TSX.V	: ALH
Frankfurt Stock Exchange	: <u>A4Y</u>
H+L prices (12 months)	: Cdn\$ 3.00 – 0.95
Net issued shares	: 69.3 million
Fully diluted	: 74.5 million
Market capitalization	: Cdn\$ 97.0 million

**First price target: Cdn\$ 2.50**

### Company profile

Alhambra Resources ("Alhambra") is a Canadian-based emerging gold producer and exploration company. Operating through its wholly-owned subsidiary Saga Creek Gold Corp. LLP ("Saga Creek"), Alhambra is in its sixth year of operations in the Republic of Kazakhstan.

The main asset of Alhambra is its 100% working interest in the 2.7 million acre Uzboy Project, located in the Charsk Gold Belt in north central Kazakhstan.

Since 2005, Alhambra has been diamond drilling the zone of primary gold mineralization of the Uzboy Gold Deposit and systematically exploring the 125 exploration targets located within the Project that have been identified to date.

The Company has stated via news releases it believes that the Uzboy area has a potential mineral deposit of 3 to 11 million ounces (50 to 120 million tonnes averaging 2 to 3 g/t gold).



In 2006, Alhambra produced 19,403 ounces of gold and is targeting a gold output of 25,000 ounces in 2007.

In 2007, Alhambra plans to stack an additional 1.0 million tonnes of ore on heap leach pads, and increase gold production to 25,000 ounces. The Company intends to spend Cdn\$ 5.5 million (US\$ 4.7 million) in 2007 on exploration to drill 76,500 metres, trench 50,000 linear metres and continue metallurgical test work. It is Alhambra's objective to increase the company's asset base through the systematic exploration and development of its resources and reserves.

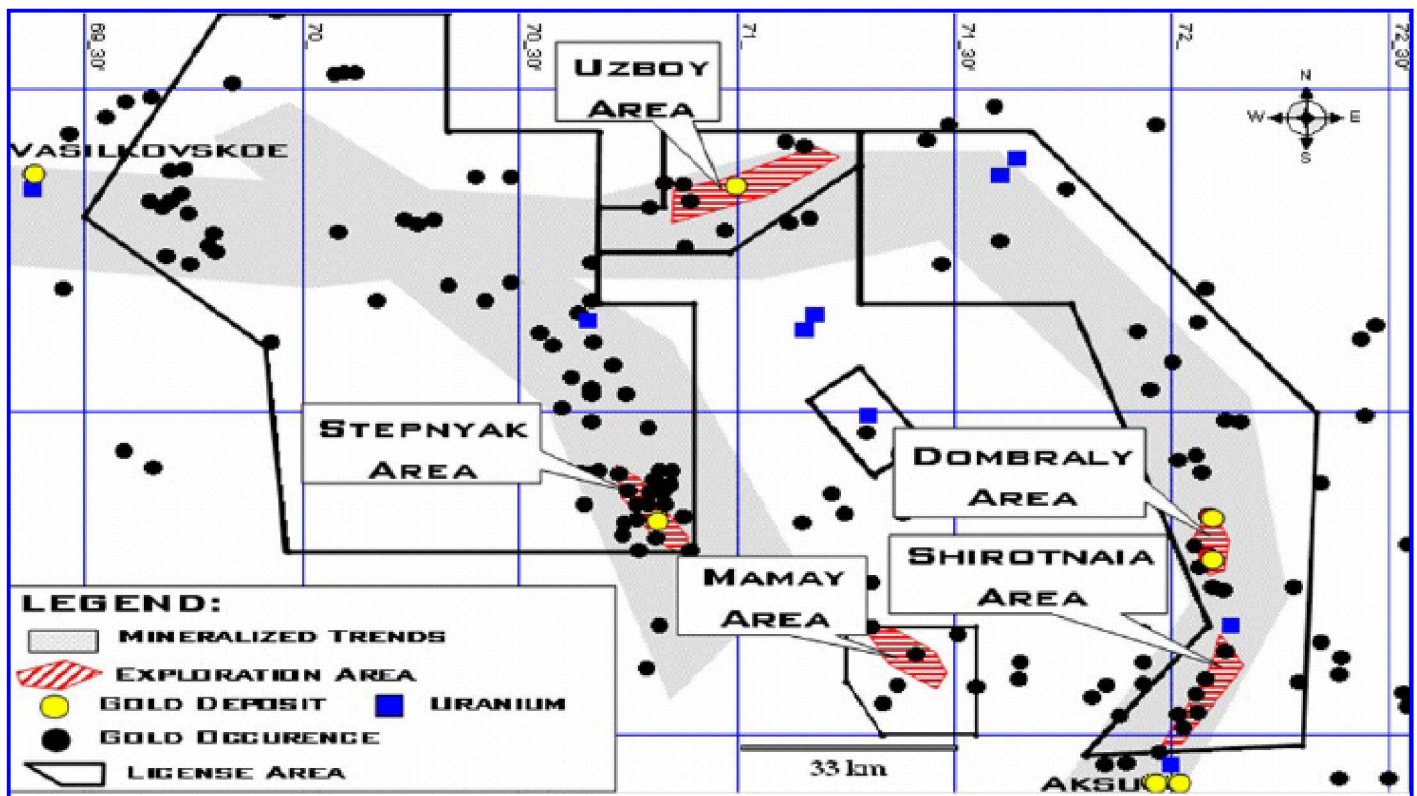
## Overview of projects

### Ø The Uzboy Project, Akmola Oblast, north central Kazakhstan

Saga Creek holds the rights to Alhambra's wholly-owned two licenses which cover approximately 2.7 million acres located in an area that is considered to be one of the richest mineral districts within Kazakhstan. The licenses provide Saga Creek the right to explore for all metals, including gold, uranium, copper and molybdenum.

The Project is strategically located between the Vasilkovskoe Gold Deposit on the northwest and the Asku Gold Deposit on the southeast. This region is reported to host over 50% of the identified gold resources within the Republic of Kazakhstan.

Exploration targets within these licenses include the Uzboy Gold Deposit, two past-producing gold mines (Dombraly and Stepnyak) and 122 other significant gold showings.



The Uzboy Gold Deposit consists of the West and East zones that are located approximately 300 metres apart. The Deposit consists of an upper oxide portion that is approximately 50 metres thick, which is underlain by a zone of primary gold mineralization that appears to have considerable depth extent. Alhambra has press released drilling results which indicate that the limits of the primary gold mineralization have yet to be established.

During the period May 2002 to November 2004, Alhambra systematically explored the oxidised portion of the West and East zones of the Uzboy Gold Deposit to an average depth of 50 metres below surface.

In March 2003, A.C.A. Home International ("Home") completed a Preliminary Assessment of the oxidised portion of the Deposit that recommended amongst other things a large scale heap leach test in compliance with Kazakhstan requirements.

From December 2004 to April 30, 2006, Alhambra conducted a large-scale heap leach test program on the oxide gold mineralization from the West and East zones. During that period, the Company produced and sold a total of 16,314 ounces of gold and 2,970 ounces of silver for total proceeds of nearly US\$ 9.3 million. At April 30, 2006, in addition to the gold sales, a further 15,700 ounces of recovery gold had been stacked and was in various stages of processing for sale. In addition, effective May 1, 2006, Alhambra announced the commencement of commercial production at its Uzboy heap leach mining operations.

In May 2005, Alhambra commenced diamond drill testing of the primary gold mineralization that underlies the oxide portion of the Uzboy Gold Deposit. The objective of this exploration was to determine the horizontal and vertical limits of the primary gold mineralization. In addition, the Company commenced the exploration of the numerous gold targets located within the Project.

On June 30, 2006, Howe presented a Feasibility Study on the Uzboy Gold Project for Alhambra. The Feasibility Study was completed on the oxide portion of the West and East Zones of the Deposit, and also included a resource statement for the primary gold mineralization.

The measured indicated and inferred resources for the Deposit comply with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIMM") resource category definition. Using a 0.5 g/t cut-off the resources are set as follows: Measured and Indicated Resources: 8.99 million tonnes, grading 1.40 g/t gold containing 405,692 ounces (of which Oxide: 4.97 million tonnes grading 1.29 g/t gold for 206,525 ounces and Primary: 4.0 million tonnes grading 1.54 g/t gold for 199,167 ounces). In addition, total Inferred Resources are estimated at 110,919 ounces.

Numerous mineralised intervals from the 2005 diamond drilling program completed in the West zone of the Uzboy Gold Deposit were not included in the resource estimation prepared by Howe.



A Pit Optimization Study was completed for a combined West zone and East zone resource block model using Whittle Proteus optimization software. Proven and Probable Mineral reserves for the West and East zones of the Deposit are: 3.05 million tonnes grading 1.40 g/t gold, containing 137,187 ounces. At a gold price of US\$ 500 per ounce, the total Proven and Probable oxide reserve estimate for the combined East and West zones was 5.03 million tonnes at an average gold grade of 0.99 g/t gold, representing 160,600 ounces.

Excluded from the Whittle Optimised Mineral reserve are 1.93 million tonnes of "ore" at an average gold grade of 1.12 g/t gold, representing 69,626 ounces.

Alhambra considers it likely that this additional resource will be mined and leached during normal course operations.

Under Howe's base case scenario of 1.2 million tonnes per annum and average cash operating costs of US\$ 287 per ounce, the Project is projected to yield a Net Cash Flow after tax of US\$ 15.27 million and a Net Present Value after tax discounted at 10% of US\$ 12.02 million.

A US\$ 10 per ounce variation in the price of gold impact Net Cash Flow after tax by US\$ 0.73 million and the Net Present Value after tax discounted at 10% by US\$ 0.58 million.

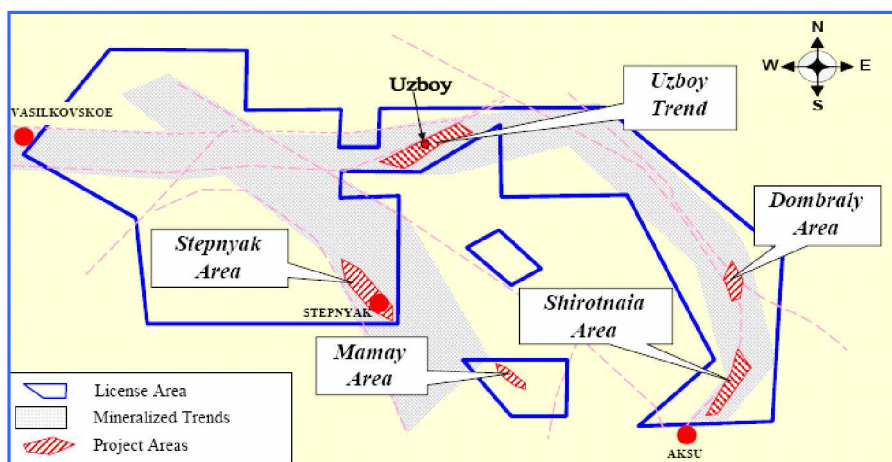
Alhambra's 2006 exploration program focused on four areas of the Project. The total diamond drilling ("DDH") reverse air blast circulation ("RAB") drilling, and hydro-core lift ("KGK") drilling completed in 2006 amounted to 70,496 metres, which exceeded the 60,100 metres budgeted. In addition, the total trenching completed in 2006 amounted to 26,242 metres, which was less than the planned 33,500 metres budgeted due to difficult terrain and the earlier onset of winter conditions.

Recent drill results at DDH 61-2 and DDH 61-3, located approximately 170 metres southwest of the West Zone open pit intersected 14.80 g/t gold over 1.0 metre and 48.6 g/t gold over 1.0 metre, respectively. DDH 61-3 intersected a higher grade interval that averaged 16.88 g/t gold over 4.0 metres.

Major intercepts include DDH 29-11 (5.96 g/t gold over 31.1 metres) and DDH 33-15 (5.09 g/t gold over 35.0 metres). Additional diamond drilling is planned to the southeast of section 61 to test the strike extension of the mineralization in these holes.



The results of the diamond drilling completed on the Uzboy Gold Deposit in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2005 and all of 2006 are being incorporated into an updated resource estimation that is expected to be completed before the end of March 2007.



In December 2006, Alhambra announced that a new area of gold mineralization has been discovered as a result of the completed 2006 trenching program at Shirotnaia, which is one of the main targets, and located 150 kilometres south of the Uzboy Gold Deposit.

The Shirotnaia Zone is located 3 kilometres northeast of Aksu and Quartzite Hills, two major world-class gold deposits. The geology and structure that hosts the two deposits extends into the Shirotnaia area.

Mineable gold resources of 5.4 million and an additional gold resource of 15 million ounces respectively have been announced in late November 2005 by Kazakh Gold for the Aksu and Quartzite deposits.

In 2005 and 2006, significant gold mineralization was outlined over an interpreted strike length of 1,600 metres and a width of 225 metres at Shirotnaia. Based on these results, the mineralization appeared open to both the northeast and southwest. The weighted average gold grade of all 2005 mineralised intervals was 1.04 g/t.

## 2007 Drilling and Trenching

Alhambra plans to spend Cdn\$ 5.5 million on exploration for 2007. The Company has increased its total drilling plans by 46% to 76,500 metres of which approximately 31,500 metres of diamond drilling is planned on 4 targets; Uzboy (19,500 metres), Dombaly (5,000 metres), Mamay (4,000 metres) and Shirotnaia (3,000 metres). The remaining drilling program will be focused on several of the 125 gold targets that have been identified within the Project.

The 2007 diamond drilling program commenced on the west zone of the Uzboy Gold Deposit in early January. It is expected that the diamond drilling portion of the exploration program should continue throughout the year.

The RAB drilling, KGK drilling and geophysical portion of the 2007 exploration program is expected to commence in the second quarter of 2007.

Alhambra plans to trench 50,000 metres in 2007, up 40% versus 2006. Metallurgical test work on the primary gold mineralization will be continued.

## Management

John J. Komarnicki, BSc., Chairman, CEO and Director, has 34 years of experience in the resources industries. He has been Chairman of Alhambra Resources Ltd. since 2001. He was President and CEO of Hurricane Hydrocarbons Ltd., a junior Canadian oil and gas exploration, development and production company doing business in Kazakhstan. Hurricane Hydrocarbons, later called PetroKazakhstan, was successful in winning the first major state energy privatization tender in 1995. In 1998, he was recognized as the Prairie Region Entrepreneur of the Year for his achievements in developing Hurricane Hydrocarbons from a junior energy company into a significant oil producer in Kazakhstan. Between 1999 and 2005, he was President and CEO of Tartan Energy Inc., a Canadian based oil and gas exploration and development company focusing its activities on California, USA and Central Asia.

Elmer B. Stewart, MSc., P. Geol, President and Chief Operating Officer, has 32 years of international and North American experience in the mineral industry and held various senior management positions in the mining industry. His early career development was with St. Joseph Exploration, Noranda Exploration and AGIP Canada before assuming progressively more senior management positions with Northern Minerals in 1991. Mr. Stewart was President and CEO of Eurasia Gold Corp. from 1997 until November 2000. He has been involved in evaluating uranium, base metal and precious metal projects in Eastern Europe, Mexico, North America and South America. In 1999, he directed the purchase, financing and development of two heap leach gold projects in Kazakhstan.

Donald D. McKechnie, C.A., Vice President and Chief Financial Officer, has over 25 years of senior financial and management experience and has been involved with oil, natural gas and mining projects in Canada, Indonesia and Ukraine. The majority of his career was spent with North Canadian Oils Limited, a natural resource and electrical cogeneration company headquartered in Calgary.

Ihor P. Wasylkiw, P. Eng., Vice President and Chief Information Officer, has 28 years of experience in the oil and gas, and securities industries. For seven years prior to Alhambra, he held the position of Vice President Investor Relations at PetroKazakhstan, an integrated energy company engaged in the exploration, development and production of oil and gas, refining of oil and sale of oil and refined products in Kazakhstan. He has held both technical and managerial positions and has worked internationally, focused in the Former Soviet Union since 1992.

#### **Investment recommendation:**

Alhambra is in its sixth year of operation in the Republic of Kazakhstan. The Company's main asset is its 100% working interest in the 2.7 million acre Uzboy Project. Since 2005, Alhambra has been drilling the zone of primary gold mineralization of the Uzboy Gold Deposit and systematically exploring the 125 exploration targets within the Project that have been identified to date.

In 2006, Alhambra produced 19,403 ounces of gold and is targeting a gold output of 25,000 ounces in 2007. The Company will spend US\$ 4.7 million on drilling 76,500 metres and trenching 50,000 linear metres and continue metallurgical test work.

Alhambra believes that the Uzboy area alone has a potential mineral deposit of 3 to 11 million ounces (50 to 120 million tonnes averaging 2 to 3 g/t gold) and that there is the potential for even larger mineral deposits outside of the Uzboy area.

Considering the Company's prospective outlook to increase its production of the Uzboy Project substantially in the coming years, we are of the opinion that the shares of Alhambra offer an attractive price potential. First price objective Cdn\$ 2.50.



**Kazakhstan** is the 9<sup>th</sup> largest country in the world encompassing 2.7 million km<sup>2</sup>. The population is only 15 million (mainly Russian/Kazakhstan). The country has a stable political environment with a democratically elected President.

With an annual GDP growth of more than 9% since 2000, and an estimated growth of 10.6% in 2006, Kazakhstan is the fastest growing economy in the Former Soviet Union. The country is in the progress of joining the World Trade Organization.

Recognised by the US as a market economy, Kazakhstan is investment grade rated, having resulted in foreign investment having increased.

Kazakhstan has a vast mineral reserves base. The mining industry accounts for approximately 27% of GDP, next to 50% of GDP coming from oil and gas products.

## Gold Belts of Central Asia



## Gold Deposits - Charsk Gold Belt

Gold Deposit	Gold Reserves (tonnes)	Gold Reserves (ounces)
Zholymbet, Aksu, Bestobe	465	14,950,000
Vasilkovskoe	370	11,900,000
Bakychik	250	8,000,000
Suzdalskoe	90	2,900,000

Source: Kazkommerts Securities Research