

## **MATERIAL CHANGE REPORT**

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**Item 1 Name and Address of Company**

**ALHAMBRA RESOURCES LTD.**(the “Company”)  
#3, 4015 – 1<sup>th</sup> Street S.E.  
Calgary, AB T2G 4X7

**Item 2 Date of Material Change**

May 1, 2012

**Item 3 News Release**

Issued May 1, 2012 and distributed through the facilities of Marketwire and SEDAR.

**Item 4 Summary of Material Change**

**CALGARY**, Alberta – Alhambra Resources Ltd. (TSX-V: ALH) (“Alhambra” or the “Corporation”), an international gold explorer and producer, announces its financial and operating results for the year ended December 31, 2011. All amounts related to the financial results are expressed in thousands of United States dollars unless otherwise indicated.

**Item 5 Full Description of Material Change**

See attached news release dated May 1, 2012.

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not Applicable

**Item 7 Omitted Information**

Not Applicable

**Item 8 Executive Officer**

The following executive officer of the Company is knowledgeable about the material change:  
Ihor P. Wasylkiw, Chief Information Officer of Alhambra. Telephone: (403) 508-4953.

**Item 9 Date of Report**

DATED at Calgary, Alberta, this May 1<sup>st</sup>, 2012.



# NEWS RELEASE

**FOR IMMEDIATE RELEASE – May 1, 2012**

**FOR: Alhambra Resources Ltd.**

**SUBJECT: Year 2011 Financial and Operational Results**

**CALGARY, Alberta – Alhambra Resources Ltd. (TSX-V: ALH) (“Alhambra” or the “Corporation”), an international gold explorer and producer, announces its financial and operating results for the year ended December 31, 2011. All amounts related to the financial results are expressed in thousands of United States dollars unless otherwise indicated.**

## **YEAR 2011 HIGHLIGHTS**

- Annual gold production was estimated at 14,403 ounces (“ozs”)
- Revenue from gold sales amounted to \$15.3 million based on the sale of 9,187 ozs
- 615 ozs of gold inventory was in transit to the refinery for final processing as of December 31, 2011
- Cash operating costs were \$600 per oz of gold sold
- Stacked 861,025 tonnes (“t”) of ore on the heaps at an average grade of 0.80 grams per tonne gold (“g/t Au”)
- The estimated recoverable gold in work in process (“WIP”) as of December 31, 2011 was 41,224 ozs
- Mining operations at Saga Creek generated a net profit of \$2.2 million (\$0.02/share)
- The Corporation recorded net cash flow from operating activities of \$4.8 million (\$0.05/share) and a net loss of \$3.8 million (\$0.04/share)
- 21,957 metres (“m”) of exploration drilling was completed
- Assaying of more than 10,300 drill samples was pushed into 2012 due to a significant amount of drilling conducted throughout and late into the fourth quarter of 2011
- Exploration expenditures were \$3.8 million
- Provisional capital expenditures of \$13.8 million recorded for Historical Costs in Kazakhstan in 2010 were reversed in 2011 due to a positive Kazakhstan Cassation Chamber court ruling
- The assessment for the 2009 Mineral Extraction Tax (“MET”) in the amount of approximately \$1.0 million was upheld by the Kazakhstan Cassation Chamber and \$1.6 million was paid (includes interest and penalties)
- Kazakhstan tax authorities assessed a Commercial Discovery Bonus based on Uzboy’s approved commercial reserves. The Corporation has estimated and recorded a \$1.2 million provision pending a corporate appeal
- An application filed in 2011 with relevant Government of Kazakhstan authorities to pre-approve future equity financings is still pending

## **FINANCIAL HIGHLIGHTS**

**The financial results for 2010 and 2011 are for the period January 1 to December 31.**

(in thousands of US\$ except per share amounts)	Three Months ended December 31		Year ended December 31	
	2011	2010	2011	2010
Gross revenue	\$ 2,705	\$ 4,030	\$ 15,260	\$ 15,991
Net income/loss	\$ (2,578)	\$ (4,005)	\$ (3,779)	\$ (5,042)
Per share (basic)	(0.03)	(0.05)	(0.04)	(0.06)
Per share (diluted)	(0.03)	(0.05)	(0.04)	(0.06)
Weighted average shares outstanding	104,132,059	103,986,157	104,103,679	88,710,746
Shares outstanding at end of period	104,132,059	103,994,309	104,132,059	103,994,309

For the year ended December 31, 2011, the net loss for the Corporation was \$3.8 million (\$0.04/basic and diluted share) compared to a net loss in 2010 of \$5.0 million (\$0.06/basic share and diluted share). Net cash provided from operating activities was \$4.8 million (\$0.05/share) for the year 2011 compared to net cash used in operating activities of \$2.1 million (\$0.02/share) for the year 2010.

## **OPERATING HIGHLIGHTS**

During the year 2011, the Corporation stacked a total of 861,025 tonnes of ore at an average grade of 0.80 g/t Au onto the pad. The estimated recoverable gold mined totaled 14,403 ozs. The estimated recoverable gold classified as WIP was 41,224 ozs as of December 31, 2011. In addition, 615 ozs of gold inventory was in transit to the refinery for final processing as of December 31, 2011 and the Corporation mined 1,758,873 tonnes of waste during the year 2011.

In 2011, the Corporation recognized \$15.3 million in revenue from the sale of 9,187 ozs of gold at an average price of \$1,661/oz. This compares to \$16.0 million in revenue from the sale of 12,663 ozs of gold at an average price of \$1,263/oz during 2010.

## **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”)), MET, transportation and refining of the cathodic sediment. 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.

Operating costs for the year 2011 were \$6.6 million or \$723/oz sold as compared to \$10.1 million or \$799/oz of gold sold for the year 2010.

Included in the 2011 operating cost amount is \$1.1 million or \$123/oz related to the amortization of the bump-up to fair value from the estimated cost of WIP on revaluation in 2010. Cash operating costs were therefore \$600/oz. In 2010, \$2.3 million or \$182/oz of similar costs were included in operating costs making the cash cost of gold sold for this period equal to \$617/oz.

## **CAPITAL PROGRAM**

In 2011, Alhambra recorded capital expenditures of \$4.0 million, virtually all in Kazakhstan. Of that total, approximately \$0.2 million relates to buildings, machinery and equipment used in the operations in Kazakhstan. The remaining \$3.8 million relates to Alhambra’s 2011 capital expenditures on its exploration program detailed below.

## **2011 EXPLORATION DRILLING UPDATES**

In 2011, Alhambra completed its exploration program that included additional oxide and sulphide resource delineation on the flanks and at depth in the Uzboy Gold Deposit (“Uzboy”). Core drilling to delineate additional gold resources at two advanced projects (Shirotnaia and Dombraly) and at four early stage projects (Zhanatobe, Vasilkovskoe East, Zhusaly and Kontaktovy) was completed. In addition, a remote sensing study was conducted over the entire license area and 1,360 square kilometres (“km<sup>2</sup>”) of gravity and magnetic surveys were completed on the eastern side of the license area. The results of the exploration program have been released in various news releases made by Alhambra during 2011 and to date in 2012, except as noted otherwise.

Alhambra completed 21,957 m of exploration drilling of which approximately 76% was core drilling and the remaining 24% was rotary air-blast (“RAB”) drilling. Approximately 76% of this total was completed for “resource definition” purposes at Uzboy, Shirotnaia and Dombraly. The remaining 24% was drilled on Alhambra’s early stage exploration project area of Zhanatobe.

Assaying of the samples from the 2011 drill program was pushed into 2012 due to a significant amount of drilling which was conducted throughout and late into the fourth quarter of 2011. As of December 31, 2011, more than 10,300 drill core samples were awaiting assaying at the Stewart Labs in Kyrgyzstan.

Due to the large number of drill samples that had yet to be assayed and interpreted as of year-end 2011, the maiden National Instrument (“NI”) 43-101 technical reports setting out resource estimations for both Dombraly and Shirotnaia as well as the updated Uzboy NI 43-101 resource report and updated Uzboy Preliminary Economic Assessment (i.e. Scoping Study) were pushed into 2012.

## **Uzboy Gold Deposit**

During 2011, sixteen core holes (4,325 m) were completed.

The objectives of this drilling program were to test the strike extensions of several zones of oxide gold mineralization (mostly at East Uzboy), to upgrade the current sulphide resource estimate and to locate deeper sulphide resources at the West Uzboy gold deposit. All three objectives were successfully achieved. Assay results received from the 2011 Uzboy core holes were positive. For example, hole C 0401 intersected a 12.90 m interval averaging 2.58 g/t Au starting at a core depth of 51.2 m, hole P734 intersected 1.53 g/t Au over 41.90 m and hole P792 intersected 0.95 g/t Au over 46.00 m. Drilling successfully extended the strike length of four zones of gold mineralization located on the southwest flank of both the West and East Uzboy gold deposits from 50 to 160 m. Also, the southern zone of West Uzboy gold deposit was expanded by 225 m along the dip and 60 m along strike. The mineralization in all these zones is open along strike and down dip.

## **Shirotnaia**

The 2011 drilling program consisted of 49 core holes (6,834 m).

Of the 49 holes drilled, assay results from 46 holes (6,344 m) were received, interpreted and reported. The remaining 3 holes were not assayed prior to year end 2011. Of the 46 holes assayed and reported, 136 mineralized intervals ranged in width from 0.9 to 52.8 m and had grades higher than 0.2 g/t Au, which included 65 mineralized intervals ranging from 0.9 to 31.5 m having an average grade equal to or higher than 1.0 g/t Au and 22 mineralized intervals had average grades of +1.0 g/t Au and widths ranging from 3.0 to 31.5 m. Five significant mineralized zones carrying oxide, transitional and sulphide gold mineralization were outlined. The most important drill intercepts were returned by hole DDH 03-02 – 28.00 m at 1.19 g/t Au and 13.00 m at 2.33 g/t Au in Zone #1 (Main Zone), DDH 28-07 – 31.50 m at 1.35 g/t Au and 20.40 m at 1.02 g/t Au in Zone #2 (Southern Zone), DDH 96-01 – 18.00 m at 1.10 g/t Au and 8.00 m at 2.01 g/t Au in Zone #4 (Northern Zone) and DDH 80-03 – 9.00 m at 4.83 g/t Au in Zone #5 (Central Zone). The gold mineralization area proven by core drilling was expanded by about 570 m to the NE and by 200 m to the SW to an area of 1,800 by 750 m which is open to the NE, SW along strike as well as to the N.

The drill results demonstrated that higher-grade intercepts were distributed consistently along the main structure indicating that a very large area of mineralization may have been discovered.

## **Dombraly**

The 2011 drilling program consisted of 32 core holes (5,528 m).

The objectives of this program were to trace the possible extension of the known zones of gold mineralization to the north and south, to check for parallel zones of gold mineralization south of the low grade stock pile, to collect data to prepare an updated resource estimate and to verify the historical drill data with respect to the width and grades of the mineralization under and around the open pit.

Numerous zones of hydrothermal alteration, quartz veins and sulphide mineralization, all indicators of gold mineralization were observed in the core suggesting the possible extension of the known mineralization zones to the

north and south. The assay results for the 2011 drilling program were released in late April 2012.

## **Zhanatobe**

An RAB drilling program of 922 holes (5,270 m) was completed during the year of which 916 holes (5,160 m) were completed in the fourth quarter.

The objective of the RAB drilling program was to take samples from the bedrock immediately below the overburden, which was achieved. Twenty one lines of RAB holes were drilled at the five most prospective areas delineated by the 2009 rock chip sampling program and 922 samples were taken. Four areas returned data that suggests that these areas could be prospective for epithermal carbonate hosted or orogenic volcano sediment hosted gold mineralization while one area (Western), where the geological features are very similar to those at the Vasilkovskoe deposit, has potential for intrusion related gold mineralization. The samples have been assayed. The results have been interpreted and are now being released.

Positive results were realized in the Northern area. The previously established gold anomaly was extended 200 m to the north, and after a 200 m interruption, the anomaly was also extended about 750 m to the south. The Northern anomalous area, where RAB holes returning +0.1 g/t Au are concentrated (although not forming a continuous anomaly) has been expanded to dimensions of 1,250 m by 480 m. The individual anomalies are of different orientations and have a maximum length of 450 m and a maximum width of 90 m. The peak grade is 0.52 g/t Au. All the anomalies could be interpreted as a leakage along permeable zones from a significant bulk gold mineralization at the contact with an intrusion which is probably situated underneath. The other areas of RAB drilling didn't return significant results.

## **Vasilkovskoe East**

Vasilkovskoe East is a 500 km<sup>2</sup> project area located on the western section of Alhambra's license area. The 2011 exploration program for Vasilkovskoe East included soil sampling of two areas (Western and Aleksandrovsky) which have been interpreted and are now being released.

In the Western area, 10 NE orientated lines each 4 kilometres ("kms") long were sampled. The distance between the lines was 500 m and between samples along the line at 50 m. A total of 807 soil samples were taken. In the Aleksandrovsky area, 4 N-S orientated 6 kms long and 1,000 m apart soil sampling lines were completed. Samples were taken each 100 m along the line. A total of 234 samples were taken. In the Western area, several gold anomalies ranging from 20 to 55 parts per billion ("ppb") as well as Pb, Zn, Cu and Bi anomalies were established. In the Aleksandrovsky area the gold anomalism ranged from 20-33 ppb but the supporting elements (Sb and Te) suggest a higher level of a hydrothermal system and hence, less eroded mineralization. These anomalies could be very important, marking possible mineralization of significant size, but the anomalies need to be checked in detail by sampling on denser soil grids.

## **Zhusaly**

In 2011, soil sampling along 16 lines was conducted at Zhusaly which is situated about 6 km NE along the main mineralization trend from Shirotnaia. Zhusaly has very similar geological settings to that of Shirotnaia.

The goal of the soil sampling program was to check for possible continuity of the mineralization from Shirotnaia as well as to establish the exact size of the Zhusaly mineralization. A total of 576 samples were taken. The assay results were received in January 2012, have been interpreted and are now being released.

At least two very interesting gold soil anomalies have been established. The first one grading from 20 to 505 ppb gold extended the known Zhusaly vein mineralization by about 500 m to the SE. It is supported by elevated grades of Ba, Hg and Sb which suggest just slightly eroded gold mineralization (or the upper levels of the mineralized system). The second soil anomaly, developed on the contact between the granitoid intrusion and the volcano-sediment sequence is elongated in a NE direction and ranges from 20 to 351 ppb gold over an area of 2.0 by 0.35 kms and remains open to

the NE and NW. This anomaly suggests a new zone of gold mineralization of significant size.

## **Kontaktovy**

A 28 line soil sampling program was completed at two areas at Kontaktovy.

The Northern grid and the Southern grid included 14 E-W orientated lines from 900 to 2,200 m long. The distance between the lines was 200 m and between samples along the line, was 50 m. A total of 865 soil samples were taken. The results were received in January 2012, have been interpreted and are now being released. The results are very promising. Fifty eight samples returned gold grades of +20 ppb with the peak grade of 0.291 g/t Au. Two gold anomalies of +20 ppb Au were established in the Northern grid. The first anomaly is interpreted to be the extension of the Balusty gold deposit. The second anomaly is much more interesting. The anomalous contour of +20 ppb Au has dimensions of about 1.3 by 0.6 kms and covers an area of 0.78 km<sup>2</sup>. It is elongated in a north-south direction and it is anticipated that this anomaly indicates the presence of new mesothermal intrusion related gold mineralization of orogenic style and significant size.

## **Remote Sensing**

A remote sensing analysis for the entire Alhambra license block (9,800 km<sup>2</sup>) was completed in 2011 by David W. Coulter, Ph.D. Advanced Spaceborne Thermal Emission and Reflection Radiometer (ASTER) data was used for this study. The objective of the study was to map zones of surface hydrothermal alteration via a variety of ASTER analysis methods. A total of 83 zones of hydrothermal alteration which are conjecturally associated with gold mineralization as well as potentially mineralization controlling structures were generated. Some anomalies were checked in the field and it was confirmed that almost all areas outlined by the remote sensing methods correspond with zones of hydrothermal (mostly argillic) alteration, quartz veining and gossanous float. The ASTER anomaly maps will be used in 2012 as a basis for the generation of new exploration targets different from those known previously.

## **Gravity and Magnetic Surveys**

A gravity and magnetic survey of the south-eastern part of Alhambra's license was completed in the fourth quarter of 2011. The gravity survey was conducted over an area of 1,360 km<sup>2</sup> along a 1,000 by 1,000 m grid. The grid was established using a differential GPS unit. Measurements were provided in 1,371 stations distributed along 58 lines. The magnetic survey was carried out along a 1,000 by 100 m grid with 10,821 measuring points. Data processing and interpretation continued into 2012.

## **Capital Expenditure Activity Subsequent to December 31, 2011**

### **Zhanatobe**

In January 2012, Alhambra began a core drilling program at Zhanatobe. The objective of this program was to check the gold anomalies established by RAB drilling in 2010. Nine core holes (1,449 m) were drilled. Numerous intervals of intensive hydrothermal alteration, bulk silicification, quartz veinlets and sulfide mineralization were intercepted. Samples have been sent to the Kyrgyzstan Stewart Group laboratory for assaying and the results are pending.

### **Dombraly**

Alhambra received the results of an initial independent NI 43-101 gold resource estimate (the "Dombraly Estimate") for Dombraly in early February 2012. The resources identified in the initial Dombraly Estimate were 301,000 ounces ("ozs") of Inferred current mineral resources contained in 9.3 million tonnes grading 1.01 g/t Au and an additional 22,000 ozs of Indicated current mineral resources contained in 0.60 million tonnes grading 1.22 g/t Au using natural cut-off grades of 0.13 g/t Au, 0.10 g/t Au and 0.20 g/t Au for the low grade stockpile, pit infill and in-situ mineralized zones respectively.

The Dombraly Estimate, included the results of 23 core holes (5,835 m) and 37 reverse circulation (“RC”) holes (880 m). Due to the timing of the Estimate, the Dombraly Estimate did not incorporate the analytical results for the 32 core hole (5,528 m) drilling program which was completed at the end of October 2011. These drill samples were assayed in January 2012 and the results have been received, interpreted and released in late April 2012. Two new zones (i.e. lenses) of gold mineralization were discovered and at least five known zones – significantly extended and upgraded. A northern extension of the mineralized lens 1 was identified as being about 120 m long. The intercepts in this part of the lens range from 0.77 g/t Au over 20.8 m to 9.95 g/t Au over 1.5 m. Drilling of the southern part of the same lens discovered 14.7 m of oxide mineralization grading 3.57 g/t Au. Three of four mineralized zones located on the southern edge of the deposit were extended by at least 60 m and remain open to the south. The best result returned here by one of the zones was 1.52 g/t Au over 3.0 m of oxide mineralization. Several new parts of mineralized lens 2 were discovered which have extended the mineralization by at least 240 m along strike and by 65 to 140 m along the dip. The best intercepts were 4.40 g/t Au over 14.1 m and 2.01 g/t Au over 9.0 m. Two new mineralized lenses have been discovered returning intercepts of 4.0 m at 1.18 g/t Au and 8.2 m at 1.66 g/t Au and remaining open along strike in the northerly direction.

## **Shirotnaia**

Alhambra also received the results of an initial independent NI 43-101 gold resource estimate (the “Shirotnaia Estimate”) for Shirotnaia in late February 2012. The resources identified in the initial Shirotnaia Estimate were 645,000 ozs of Inferred mineral resources contained in 34.6 million tonnes grading 0.58 g/t Au and an additional 71,000 ozs of Indicated mineral resources contained in 2.9 million tonnes grading 0.76 g/t Au were identified using natural cut-off grades of 0.1 g/t Au for oxide material and 0.2 g/t Au for transitional and primary mineralized zones respectively.

The Shirotnaia Estimate included the results of 73 core holes (9,597 m) and 43 RC holes (2,249 m). Due to the timing of the Estimate, it does not incorporate the analytical results for three core holes (489 m) from the 2011 drilling program as these drill samples were still in the process of being assayed. The assay results for the three core holes were received in January 2012, have been interpreted and are now being released. These three holes returned 12 mineralized intervals ranging in width from 1.0 to 29.5 m that had grades higher than 0.2 g/t Au. The best intercepts were 2.44 g/t Au over 3.0 m and 1.11 g/t Au over 2.7 m. The results will be included in the current geological model and in the next Shirotnaia resource estimate.

## **Uzboy**

In 2012, Alhambra’s independent consultants continued to work on updating the Uzboy NI 43-101 resource estimate and Preliminary Economic Assessment. It is anticipated that both of these updates will be completed and reported on prior to mid year 2012.

## **Remote Sensing and Gravity and Magnetic Survey**

In mid April 2012, the interpretation of the 1,360 km<sup>2</sup> (Phase one) ground gravity and magnetic surveys over the Dombraly-Shirotnaia gold trend was completed and resulted in outlining numerous oriented lineaments and areas of low magnetic signature leading to the identification of 18 new primary exploration targets which were juxtaposed with the results of an ASTER satellite imagery analysis.

These 18 new primary targets were prioritized, with five of them deemed as being high priority. It is anticipated that a soil sampling program followed by a reverse circulation drilling program will be implemented in 2012 to further test the gold potential of these five high priority targets.

## **LEGAL CHALLENGE OF TAX ASSESSMENT**

In 2010, Alhambra's 100% owned operating subsidiary, Saga Creek was assessed amounts that tax authorities in Kazakhstan believed were owed by Saga Creek for Historical Costs, MET as well as for their disallowance of certain corporate income tax deductions for the 2006 to 2009 taxation years ("CIT"). The total amount of the assessments including penalties and interest was approximately \$4.3 million. The Corporation believed that the assessments were not consistent with Kazakhstan legislation as well as the provisions of Saga Creek's foreign investment contract which governs the 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 the Corporation's appeal, the summary of which is as follows:

- (i) 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. As a result the Corporation reversed the full provision of \$13.8 million and an accrual of approximately \$2.5 million in interest and penalties to June 30, 2011, all of which were reversed in the third quarter of 2011.
- (ii) The assessment for CIT amounting to approximately \$0.4 million was cancelled and sent back to the lower court for review and re-consideration by a new panel of judges. The court subsequently ordered a review of the issues by a court appointed expert. The expert has yet to issue its decision regarding the validity of the Corporation's claim. Due to the continuing uncertainty regarding the outcome of the Corporation's appeal of the CIT assessment, the Corporation has continued to accrue interest and penalties related to the CIT portion of the assessment. As at December 31, 2011 the Corporation has accrued a total of \$0.6 million related to the CIT assessment including interest and penalties.
- (iii) 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 penalty has been paid by the Corporation of which approximately \$0.7 million relates to interest and penalties.

Both the Corporation and the tax authorities have one year to appeal all or part of the decision. The Corporation has made application to the Kazakhstan tax authorities to remove a lien filed against some of Saga Creek's assets to secure the government's claim for the indebtedness outstanding however to date the lien has not been removed.

As a result of the decision by the Cassation Chamber that no Historical Costs are payable, the Corporation has, as indicated, reversed the original provision and all related penalties and interest that had previously been recorded. As indicated, the tax authorities and the public prosecutor have until September 27, 2012 to appeal the decision of the Cassation Chamber to the Supreme Court. The Corporation is not aware of any legal arguments that would support overturning the decision of the Cassation Chamber.

## **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 relevant Kazakhstan authorities. 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 the relevant Kazakhstan

agency to have pre-approved, any shares that may be issued upon conversion of outstanding warrants and options as well as requested that the Government of Kazakhstan 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 the Kazakhstan agency. The Corporation is not aware of any such applications that have been rejected by the Government of Kazakhstan.

## **COMMERCIAL DISCOVERY BONUS**

On February 22, 2102 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 kilograms (“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 has 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 Corporation anticipates that the tax authorities will reject Saga Creek’s appeal which will then require Saga Creek to appeal that decision to the Kazakhstan courts. The Corporation also anticipates that the lower courts in Kazakhstan will uphold the tax authorities’ assessment which will necessitate Saga Creek filing its appeal to the Supreme Court of Kazakhstan. As the Corporation is uncertain at this time how the Kazakhstan courts will ultimately decide on Saga’s obligation regarding the Commercial Discovery Bonus, the Corporation has recorded the Bonus and related interest and penalties as of December 31, 2011. Saga Creek has estimated the amount of the Bonus to be \$0.7 million and has charged this amount to intangible assets. In addition Saga Creek has recorded \$0.5 million in interest and penalties related to the unpaid amount of the Bonus.

## **2012 OBJECTIVES**

During 2012, Alhambra is planning to accelerate the development of its advanced “resource definition” exploration projects of Uzboy, Shirotnaia and Dombraly. The Corporation also anticipates advancing numerous early stage exploration projects and assessing a number of other gold targets of anticipated high potential over its vast mineral license area. These projects include Vasilkovskoe East, Zhanatobe, and targets along the 60 km Dombraly-Shirotnaia trend, located on the eastern flank of the Uzboy Project exploration license.

Alhambra is anticipating spending approximately \$3.0 million on exploration activities in 2012, subject to sufficient cash flow and suitable financing. The main focus will continue to be on Uzboy, Dombraly and Shirotnaia with continuing resource development drilling and production development assessments, including metallurgical and gold recovery tests. In the second half of 2012 the Pre-Feasibility Study for the Uzboy primary gold (sulphide gold) production development project will be initiated. Utilizing the existing oxide heap leach production infrastructure should enhance the overall primary gold production economics while potentially reducing project start up time.

Alhambra will continue to position itself for ongoing growth and to create growing wealth for its shareholders through the ongoing exploitation of its vast exploration and development license. In addition, the Corporation will continue developing and upgrading its staff to meet its future challenges and objectives.

Alhambra will continue to work towards a dual listing of its common shares on an Asian stock exchange. The expected benefits of the dual listing are increased market liquidity and access to capital markets, which should support Alhambra’s share price moving to reflect intrinsic asset value, and greater access to capital in the rapidly developing and buoyant Asian capital market. The pursuit of the dual listing was halted in 2011 due to the delays incurred in generating and analyzing drill results, and in generating the new and updated NI 43-101 resource reports and Preliminary Economic Assessment (Scoping Study).

The Corporation has filed an application with MINT to obtain approval to proceed at its discretion with equity financing to raise capital through the issue of common share equity in 2012 to the extent it is deemed necessary to help finance the 2012 exploration program and other corporate objectives. While Alhambra anticipates spending approximately \$3 million on exploration activities during 2012, given early approval from MINT and additional financing, Alhambra could expand this program up to \$7.5 million.

## **AUDITED FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS** **(“MD&A”)**

The Corporation’s 2011 audited 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](http://www.sedar.com).

## **ABOUT ALHAMBRA**

Alhambra is a Canadian based international exploration and gold production corporation with NI 43-101 resources as noted below:

Project	Measured (M)			Indicated (I)			M + I			Inferred		
		Grade			Grade			Grade			Grade	
	Tonnes	(g/t)	Ounces	Tonnes	(g/t)	Ounces	Tonnes	(g/t)	Ounces	Tonnes	(g/t)	Ounces
Uzboy (1)	14,317,200	1.52	700,000	7,009,500	1.22	275,500	21,326,700	1.42	975,500	11,258,200	1.17	421,700
Dombraly (2)	-		-	559,000	1.22	22,000	559,000	1.22	22,000	9,317,000	1.01	301,000
Shirotnaia (3)	-		-	2,900,000	0.76	71,000	2,900,000	0.76	71,000	34,577,000	0.58	645,000
<b>TOTAL</b>	<b>14,317,200</b>	<b>1.52</b>	<b>700,000</b>	<b>10,468,500</b>	<b>1.09</b>	<b>368,500</b>	<b>24,785,700</b>	<b>1.34</b>	<b>1,068,500</b>	<b>55,152,200</b>	<b>0.77</b>	<b>1,367,700</b>

1. Effective as of Dec 31/09 as per ACA Howe per news release dated Apr 8/08 at a 0.40 g/t cut-off
2. Effective as of Nov 27/11 as per ACA Howe per news release dated Feb 7/12 using natural cut-off grades of 0.13 g/t, 0.1 g/t and 0.2 g/t for the low grade stockpile, pit infill and in-situ mineralized zones respectively.
3. Effective as of Jan 9/12 as per ACA Howe per news release dated Feb 28/12 using cut-off grades of 0.1 g/t for oxide material and 0.2 g/t for transitional and primary mineralized zones respectively.

Alhambra holds exploration and exploitation rights to a 2.4 million acre (9,800 km<sup>2</sup>), 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](http://www.alhambraresources.com).

Elmer B. Stewart, MSc. P. Geol., a technical consultant, is the Corporation’s nominated Qualified Person. Mr. Stewart has reviewed the technical information contained in this news release.

**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.**

*For further information please contact:*

<b>Ihor P. Wasyliw</b> VP & Chief Information Officer +1 (403) 508-4953	<b>Donald D. McKechnie</b> VP Finance & Chief Financial Officer +1 (403) 228-2855
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## **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 the discovery of potential new zones of gold mineralization of significant size, that the Uzboy updated resource report and Preliminary Economic Assessment will be completed and reported on prior to mid-year 2012, 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, updating the Uzboy resource report and Preliminary Economic Assessment prior to mid-year 2012, 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. 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.*

*This news release contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. When used herein, words such as "intended" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on assumptions by and information available to the Corporation. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Actual results may differ materially from those currently anticipated. The forward-looking statements contained herein are expressly qualified by this cautionary statement.*