



# NEWS RELEASE

**FOR IMMEDIATE RELEASE – September 2, 2008**

**FOR: Alhambra Resources Ltd.**

**SUBJECT: Financial and Operating Results for Second Quarter ending June 30, 2008**

**CALGARY, Alberta – Alhambra Resources Ltd. (“Alhambra” or the “Corporation”) announces its financial and operating results for the quarter ended June 30, 2008. All amounts related to the financial results are expressed in United States dollars unless otherwise indicated.**

## **HIGHLIGHTS:**

- Revenue from gold sales amounted to \$2.9 million based on the sale of 3,272 ounces
- Generated \$0.7 million of positive funds flow and marginal net income from mining operations
- The Corporation recorded funds flow provided from operating activities of \$0.2 million (\$0.00/share) and a net loss of \$1.0 million (\$0.01/share)
- Received an updated National Instrument 43-101 reserve estimate
- Spent \$2.0 million on capital expenditures of which \$0.7 million was on exploration
- Cash operating costs were \$589.86 per ounce of gold sold
- Completed 15,306 metres of Reverse Air Blast drilling
- Stacked 4,116 ounces of recoverable gold
- The recoverable gold in work in process as of June 30, 2008 was 24,124 ounces
- \$0.7 million in exploration capital planned for second half of 2008

## **OVERVIEW**

The crushing unit was commissioned at the Uzboy gold deposit in the second quarter of 2008. This unit is being used to crush the higher grade oxide gold ore from the West zone of the Uzboy gold deposit. It will ensure optimal crushing and it is expected that blending of the ore from both the West and East zones will lead to an overall higher average gold grade.

## **FINANCIAL HIGHLIGHTS**

(in US\$ except per share amounts)	Three Months ended June 30		Six Months ended June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from gold sales	\$ 2,927,788	\$ 3,215,853	\$ 5,827,782	\$ 5,442,632
Net loss	(973,943)	(871,412)	(1,789,663)	(1,470,289)
Per share (basic and diluted)	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average shares outstanding				
Basic and diluted	75,676,609	69,771,837	75,627,378	69,511,411
Shares outstanding at end of period	75,774,147	70,408,980	75,774,147	70,408,980

For the second quarter of 2008, the Corporation recorded a net loss of \$1.0 million, or \$0.01 per basic and diluted share. This compares to a loss of \$0.9 million or \$0.01 per basic and diluted share in 2007. Funds flow provided from operating activities for the quarter was \$0.2 million or \$0.00 per basic and diluted share as compared to funds flow utilized in operations of \$0.1 million or \$0.00 per basic and diluted share in 2007. This represents a positive increase of just over \$0.2 million.

Revenue from the sale of gold amounted to \$2.9 million. This was realized from the sale of 3,272 ounces (“ozs”) of gold at an average price of \$894.80 per ounce (“/oz”). The per oz operating cost for the second quarter of 2008 was \$589.86/oz sold. This was higher than the \$339.81/oz incurred during the second quarter of 2007. This per unit operating cost increase was due to three reasons: a lower average gold grade ore mined, a decrease in gold sales and a general escalation of costs in Kazakhstan. As mentioned in the first quarter 2008, Alhambra anticipates that as production and sales continue to increase in the third and fourth quarters of 2008, the unit operating costs will decline. However, mining activity is increasing in the mining business in Kazakhstan which has resulted in upward pressure on costs of goods and services.

## **OPERATIONS PREVIEW**

During the second quarter of 2008, a total of 510,128 tonnes of waste was mined and 212,250 tonnes of ore at a grade of 0.86 grams per tonne (“g/t”) of gold was stacked on the heap leach pads. This gold grade is 21% lower than that achieved in the second quarter of 2007, but is 6% higher than that achieved in the first quarter of 2008.

Alhambra began the quarter with 23,280 ozs of recoverable gold in work in progress and exited the quarter with 24,124 ozs after selling 3,272 ozs. Production for the quarter (defined as gold sales plus or minus the change in work in progress) totaled 4,116 ozs.

For the six months ended June 30, 2008, the Company produced 7,492 ozs of gold and sold 6,412 ozs of gold.

## **UPDATED RESERVE ESTIMATE**

In the second quarter of 2008, the Corporation received an updated independent National Instrument 43-101 compliant reserve estimate from ACA Howe International Ltd. (“Howe”). This estimate is for the oxide and transitional zones of the Uzboy gold deposit with an effective date of December 31, 2007. The Uzboy gold deposit consists of three distinct styles of gold mineralization, being the upper oxide zone, a transitional zone and a lower primary zone for the West and East zones. This updated reserve estimate was filed on Sedar and can be accessed at [www.sedar.com](http://www.sedar.com).

## **EXPLORATION PREVIEW**

In the second quarter, Alhambra spent \$0.7 million exploring the Uzboy gold deposit and the Shirotnaia zone. At the end of the first quarter, Alhambra shifted the focus of its exploration program to allow geophysical exploration of the main target areas prior to testing by diamond drilling. Yet, in the second quarter, Alhambra’s drilling program consisted of 15,306 metres (“m”) of Reverse Air Blast (“RAB”) drilling.

Certain results related to the activities discussed below have been previously released by way of news releases made by the Corporation.

### **1. Uzboy Gold Deposit**

#### **Diamond Drilling**

The logging and sampling of 11 diamond drill holes (2,553 m) completed during the first quarter of 2008 was completed in the second quarter of 2008. The analytical results for these samples are expected shortly.

## **Geophysical Surveys**

The Uzboy gold deposit is characterized by sericite-pyrite-carbonate alteration and exhibits a strong structural control (faulting and shearing). These features are being used to guide the exploration for other zones of gold mineralization within the area surrounding the Uzboy gold deposit. During the quarter, a total field magnetometer survey was completed over a 132 square kilometre (“km(s)”) area (approximately 17 kms long by 8 kms wide) that extended from the Uzboy gold deposit southwest towards the Aygabak zone. The objective of this work was to outline zones of metasomatic alteration, faulting and shearing and andesite that could host additional zones of gold mineralization. The preliminary results of the total field magnetometer survey are being compiled and are expected to be received in September. Based on the interpretation of this work, additional geophysical surveys consisting of Induced Polarization/Resistivity (“IP”) are planned over areas interpreted to be underlain by andesite that demonstrate alteration and faulting/shearing.

At the end of March, 2008 the diamond drilling program on the Uzboy Project was suspended to allow receipt of all outstanding analytical results, compile the technical information for the Uzboy, Dombraly and Shirotnaia areas and completion of geophysical surveys prior to commencement of further diamond drilling activities.

## **Metallurgical Test Work**

The work program related to the metallurgical test work to be completed on the primary gold mineralization of the Uzboy gold deposit was finalized during the second quarter. The metallurgical test work will be completed by SGS Lakefield located in Cornwall, UK and Kazmechanobr, a certified metallurgical laboratory in the Republic of Kazakhstan. The regulatory process related to mineral project development in Kazakhstan requires certification by geological engineering and metallurgical companies that are approved by the Government of Kazakhstan. The metallurgical test work program consists of the collection of three representative samples of the primary gold mineralization. The samples will cover a grade range from 1.0 to 5.0 g/t gold to reflect the open pit and underground development potential of the Uzboy gold deposit.

## **RAB Drilling**

During the quarter, a total of 2,522 m in 416 holes of RAB drilling was completed in an area located approximately 450 m northeast of the East zone of the Uzboy gold deposit. This work was completed to test the interpreted strike extension of several narrow intervals of low-grade oxide gold mineralization located in 2007. Analytical results for these RAB holes are pending.

## **2. Shirotnaia Zone**

### **Bedrock Geochemical Survey**

During the second quarter, a total of 10,758 m in 1,850 holes of RAB drilling was completed to delineate the dimensions of three bedrock gold anomalies discovered in late 2007 and in the first quarter of 2008 and to explore the eastern portion of the Shirotnaia zone.

The Shirotnaia zone covers a 20 km strike length of a major flexure in the Aksu-Balusti Mineral Trend that hosts the gold and uranium deposits currently being mined at Aksu.

The bedrock geochemical survey completed during the quarter located three new gold anomalies and has delineated the dimensions of several other previously discovered anomalies. These anomalies were outlined using a 0.05 g/t gold cut-off.

The centres of the three new bedrock geochemical gold anomalies are located approximately 6 kms east of the Shirotnaia diamond drilling discovery announced in 2007. These anomalies cover a 6 km strike length of the northwest trending Atansorsky Fault zone. The maximum width of the largest anomaly is approximately 1.5 kms.

Two shorter and narrower parallel gold anomalies occur to the north and south of the larger anomaly. Gold values within these anomalies range from 0.05 g/t to a maximum of 1.65 g/t.

The surface dimensions of the two bedrock geochemical gold anomalies discovered during the first quarter of 2008 located northwest of the Quartzite Hills gold deposit were further defined during the quarter. Gold values within these two anomalies range from 0.05 to 1.45 g/t. These anomalies are interpreted to be located along the same faults that host the Quartzite Hills gold deposit.

The analytical results for the bedrock geochemical sampling program for the northern portion of the Shirotnaia zone failed to locate anomalous concentrations of gold.

### **Geophysical Surveys**

The gold mineralization intersected by diamond drilling at Shirotnaia in 2007 exhibits a strong structural control (faulting and shearing) and is hosted in andesite that exhibits intense pyrite-sericite-carbonate alteration. These characteristics of the gold mineralization are being used to guide the future exploration for other zones of gold mineralization that could occur within the Shirotnaia zone. A total field magnetometer survey was commenced during the quarter to outline zones of metasomatic alteration, faulting and shearing and andesite that could host additional zones of gold mineralization. The area surveyed covers a 287 square kms (approximately 20 kms long by 14 kms wide) area of the major flexure in the Aksu-Balusti Mineral Trend. The preliminary results of the total field magnetometer survey are expected in the third quarter of 2008.

### **Topographic Survey**

During the quarter, a detailed topographic survey was completed over a portion of the Shirotnaia zone. This survey is required to comply with the regulations related to mineral exploration in Kazakhstan.

### **3. Aygabak and Kirtoge**

A limited RAB drilling program was completed on both zones to test the results of a limited geophysical exploration program completed in late 2007. A total of 2,026 m were completed in 295 holes on both zones. Analytical results for these samples are pending.

### **CAPITAL EXPENDITURES**

Expenditures on mining assets for the three months ended June 30, 2008 totaled \$2.0 million. Of this total, \$0.7 million was spent on exploration with the remaining \$1.3 million spent on capital projects. The majority of the \$1.3 million spent on capital projects was for the acquisition of the crushing unit.

### **EXPLORATION PROGRAM FOR REMAINDER OF 2008**

Subsequent to the end of the second quarter, Alhambra modified its 2008 exploration to reflect a change in exploration techniques and methodologies to be used on the Uzboy gold project. During the balance of 2008, Alhambra plans to focus its exploration efforts on completion of geophysical surveys, delineation of bedrock geochemical anomalies at Shirotnaia, additional RAB drilling at Dombaly and additional metallurgical test work on the primary (sulphide) gold mineralization from the East and West zones of the Uzboy gold deposit.

It is expected that the above planned activities should be completed by the end of 2008 at an estimated cost of approximately \$0.7 million. The results and interpretation of this work should form the basis for the 2009 exploration budget for the Uzboy Project.

## **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”) and FINANCIAL RESULTS**

A full MD&A and Financial Report of the Second Quarter of 2008 is available on the Corporation’s website, can be obtained on application from the Company and is available under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Elmer B. Stewart, MSc. P. Geol., a director of Alhambra and a technical consultant, is the Corporation’s nominated Qualified Person responsible for monitoring the supervision and quality control of the programs completed within the Uzboy Project. Mr. Stewart has reviewed and verified the technical information contained in this news release.

### **ABOUT ALHAMBRA**

Alhambra is a Canadian based gold exploration and production corporation engaged in the exploration of and production from its 100% owned Uzboy Project. Alhambra is currently celebrating its seventh year of operations in the Republic of Kazakhstan.

Alhambra shares trade in Canada on The TSX Venture Exchange under the symbol ALH and in Germany on the Frankfurt Open Market under the symbol A4Y. The Corporation’s website can be accessed at [www.alhambrasources.com](http://www.alhambrasources.com)

**The TSX Venture Exchange Inc. has neither approved nor disapproved the information contained herein.**

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### ***Forward-Looking Statements***

*This press release includes certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization, exploration results and timing and future plans, actions, objectives and achievements of Alhambra, are forward-looking statements. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.*

*Important factors that could cause actual results to differ materially from Alhambra’s expectations include fluctuations in gold prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits, the possibility of adverse developments in the financial markets generally, and other risks and uncertainties disclosed under the heading “Cautionary Note Concerning Reserve and Resource Estimates” and in other information released by Alhambra and filed with the appropriate regulatory agencies.*