



# NEWS RELEASE

**FOR IMMEDIATE RELEASE – August 26, 2010**

**FOR: Alhambra Resources Ltd.**

**SUBJECT: Financial and Operating Results for Second Quarter ending June 30, 2010**

**CALGARY, Alberta – Alhambra Resources Ltd. (“Alhambra” or the “Corporation”) announces its financial and operating results for the quarter ended June 30, 2010. All amounts related to the financial results are expressed in United States dollars unless otherwise indicated.**

## **HIGHLIGHTS:**

- Revenue from gold sales amounted to \$4.3 million based on the sale of 3,523 ounces (“ozs”)
- Mining operations generated \$1.6 million of positive funds flow and \$0.4 million of net income
- The Corporation recorded positive funds flow from operating activities of \$1.3 million (\$0.01/share) and net income of \$0.02 million (\$0.00/share)
- Spent \$0.4 million on capital expenditures
- Cash operating costs were \$533.53 per ounce (“/oz”) of gold sold
- Stacked 6,601 ozs of recoverable gold
- The recoverable gold in work in process (“WIP”) as of June 30, 2010 was 32,280 ozs

## **FINANCIAL HIGHLIGHTS**

**The financial results for the second quarter of 2010 include the contribution of Saga Creek while the second quarter of 2009 does not include Saga Creek. As a result, the financial results recorded for the second quarter of 2010 are not necessarily comparative to the financial results for the second quarter of 2009.**

(in US\$ except per share amounts)	Three Months ended June 30		Six Months ended June 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue from gold sales	\$ 4,247,238	\$ -	\$ 6,371,349	\$ -
Net income (loss)	19,156	(410,703)	(747,434)	(1,087,438)
Per share (basic and diluted)	0.00	(0.00)	(0.01)	(0.01)
Weighted average shares outstanding				
Basic	81,074,421	75,774,147	81,074,421	75,774,147
Diluted	85,843,615	75,774,147	81,074,421	75,774,147
Shares outstanding at end of period	81,074,421	75,774,147	81,074,421	75,774,147

For the second quarter of 2010, revenue from the sale of gold amounted to \$4.2 million. This was realized from the sale of 3,523 ozs of gold at an average price of \$1,205.57/oz.

For the second quarter of 2010, the Corporation recorded a net income of \$0.02 million, or \$0.00 per basic and diluted share. This compares to a net loss of \$0.4 million or \$0.00 per basic and diluted share for the second quarter of 2009. Funds flow provided from operating activities for the second quarter of 2010 was \$1.3 million or \$0.01 per basic and diluted share as compared to funds flow utilized in operations of \$0.2 million or \$0.00 per basic and diluted share for the second quarter of 2009. This represents a positive increase of just over \$1.5 million. Mining operations at Saga Creek continued to contribute positive funds flow of \$1.6 million for the second quarter of 2010.

## **OPERATING EXPENSES**

All process operating costs (including direct costs incurred in the mining, leaching and resin stripping processes (“process operating costs”)), transportation and refining of the cathodic sediment are charged to WIP when incurred. In addition the bump up to fair value assigned to WIP from the estimated cost of work in progress at September 15, 2009 (the “bump up”) has been included in WIP. The carrying value of WIP (including the bump up) is expensed as operating expenses on the basis of the quantity of gold sold as a percentage of total recoverable gold mined.

Operating costs for the six months ended June 30, 2010 totaled \$4.1 million or \$757.96/oz of gold sold. Included in this amount is \$1.1 million or \$208.50/oz related to the amortization of the bump-up to fair value from the estimated cost of WIP on re-valuation at September 15, 2009. Cash operating costs were therefore \$549.46/oz.

Operating costs for the three months ended June 30, 2010 totaled \$2.6 million or \$733.63/oz of gold sold. Included in this amount is \$0.7 million or \$200.10/oz related to the amortization of the bump-up to fair value from the estimated cost of WIP on re-valuation at September 15, 2009. Cash operating costs for the second quarter were therefore \$533.53/oz. This was lower than the \$578.24/oz incurred during the first quarter of 2010. This per unit cash operating cost decrease was due to three reasons: a higher average gold grade ore mined, an increase in gold sales and the decrease in value of the Kazakhstan Tenge in relation to the US dollar. Alhambra anticipates that production and sales will continue to increase in the third and fourth quarters of 2010, which the Corporation anticipates, will lead to a corresponding decline in the unit cash operating costs.

## **OPERATIONS REVIEW**

During the second quarter of 2010, a total of 546,681 tonnes of waste was mined and 272,573 tonnes of ore at a grade of 0.82 grams per tonne (“g/t”) of gold was stacked on the heap leach pads. This gold grade is 5% higher than that achieved in the first quarter of 2010.

Alhambra began the quarter with an estimated 31,127 ozs of recoverable gold in WIP and exited the quarter with 32,280 ozs after selling 3,523 ozs. Production for the quarter (defined as gold sales plus or minus the change in WIP) totaled 4,676 ozs.

## **EXPLORATION PREVIEW**

In the second quarter of 2010, Alhambra spent \$0.4 million exploring the Corporation’s Uzboy Project, concentrated mainly on the Uzboy Gold Deposit, both the Nova Zone (“Uzboy Nova”) and the North West Zone (“Uzboy NW”) and the early stage exploration project at Vasilkovskoe East.

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

#### **Uzboy Nova**

At Uzboy Nova, logistically part of the existing Uzboy gold deposit and heap-leach operation, 8 core holes totaling 571 metres (“m”) were drilled. Four oxide and four sulfide mineralization zones were successfully intercepted. Assay results are still pending.

#### **Uzboy NW**

At Uzboy NW, 127 hydro-core lift (“KKG”) holes totaling 4,183 m were completed. Favorable geology, suggesting gold mineralization, was drilled. Assay results are still pending.

## **2. Vasilkovskoe East**

Vasilkovskoe East, is one of the Corporation's early stage exploration projects. It is a 500 square kilometer project area located on the western section of Alhambra's license area, approximately 70 kilometres ("kms") west of the Uzboy Gold Deposit.

Exploration at Vasilkovskoe East included geological traverses, soil and rock-chip sampling at the Western, Akshasor and Ivanovka locations. In the Western part of this project area soil sampling was conducted along 4 North-South orientated lines from 5 to 7 kms long and situated 500 m apart. A total of 225 soil samples were taken. In the Akshasor area 9 NW orientated soil sampling lines, 1,000 to 1,650 m long and 200 m apart, were completed. In total, 336 samples were taken. In the Ivanovka area 30 kms of geological traverses covering an area of 12.7 square kms were done and 54 rock chip samples taken. The geological setting is characterized by interesting lithology and hydrothermal alterations and looks favorable for gold mineralization. All rock-chip and soil samples are in the laboratory and the results are pending.

## **2010 OUTLOOK**

During the remainder of 2010, Alhambra plans to continue exploration activity on its three priority project areas, the Uzboy Gold Deposit (Uzboy sulphide and Uzboy Nova), Shirotnaia and Dombraly, as well as at its early stage exploration projects of Zhanatobe, Kerbay and North Balusty.

Alhambra's other 2010 objectives include increasing current National Instrument ("NI") 43-101 resources and reserves and working towards advancing the Uzboy preliminary economic assessment to a pre-feasibility study.

Based on the first half 2010 capital expenditures, combined with the Corporation's planned exploration drilling program for the second half of 2010, Alhambra anticipates capital expenditures of up to \$2.5 million for the year.

For the six months ended June 30, 2010, the Corporation produced 6,601 ozs of gold and sold 5,415 ozs of gold. Based on first half results and the seasonality of increasing production and sales through the third and fourth quarters, the Corporation is projecting yearly gold sales of approximately 15,000 ozs.

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

A full MD&A and Financial Report of the Second Quarter of 2010 is available on the Corporation's website, can be obtained on application from the Corporation and is 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 celebrating its eighth year of operations in the Republic of Kazakhstan. Alhambra holds exploration and exploitation rights to a 2.7 million acre (11,000 km<sup>2</sup>), 100% owned, license called the Uzboy Project, located in the prolific Charsk Gold Belt which hosts numerous world-class gold deposits. Over 100 mineral targets, including 5 advanced exploration plays 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 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.

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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 that Alhambra will spend up to \$2.5 million in capital in 2010, availability of capital to fund ongoing projects, achieve yearly sales projections 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, availability of capital to fund exploration and production development; political, social and other risks inherent in carrying on business in a foreign jurisdiction, the effects of a recessionary economy 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.*