

NEWS RELEASE

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SHALINA RESOURCES LIMITED REPORTS OPERATIONAL AND FINANCIAL RESULTS FOR THE PERIOD ENDED 30th JUNE 2011

The company's results are prepared in accordance with International Financial reporting standards ("IFRS").

SUMMARY OPERATING AND FINANCIAL DATA		
	Half year ended June 30	
(US\$ M unless otherwise noted)	2011	2010
Production -Copper(tonnes)	9,143	6,805
Sales -Copper (tonnes)	9,045	6,714
Production -Cobalt Carbonate (tonnes)	1,093	1,319
Sales -Cobalt Carbonate (tonnes)	1,134	1,155
Realized Copper Price	8,818	6,974
Realized Cobalt Carbonate Price(per lbs)	11.94	15.10
Net Sales(US\$ M)	120.80	81.07
Gross Profit(US\$ M)	36.67	23.76
EBITDA(US\$ M)	41.05	35.00
Net earnings attributable to shareholders of the company(US\$ M)	18.76	12.00
Earnings per Share	41.69	26.66
Cash(US\$ M)	(0.53)	0.43

Increase in production and higher LME prices

- Profitability has increased by 55% mainly due to an increase in average copper sales price US\$ 1,845 per ton and sales quantity by 2,331 tons as compared to corresponding period of previous year.

- Copper Cathodes production has increased by 34% due to commissioning of HMS-II plant during 2011.
- Earnings per share are increased by US\$ 15 in H1-2011 as compared to corresponding period of previous year.

REVENUE AND COST OF PRODUCTION

	Half year ended June 30 (US\$ M)	
	2011	2010
Sales- Copper Cathode	81.11	47.76
Sales-Cobalt Carbonate	31.91	33.28
Sales-Cobalt Cathode	0.71	0.03
Sales-Others (Sulphur etc.)	7.07	-
Realized Copper price per MT	8,818	6,974
Copper unit cash cost of production /(per MT)	3,367	2,014
Realized Cobalt Carbonate price per lb	11.94	15.10
Cobalt unit cash cost of production /(per lb)	7.40	7.52

The average copper sales price has increased by US\$ 1,845 per ton due to favorable market conditions and sales quantity increased by 2,331 tons due to commissioning of HMS-II plant in 2011.

Cash cost of production per MT of copper cathode has increased by US\$ 1,353 (67%) in 1st 6 months of 2011 compared to corresponding period of previous year.

Cobalt Carbonate sales volume decreased by 4% year on year mainly because of drop average realized price in H1-2011.

The company has started processing sulphuric acid for external customers which has resulted revenue generation of \$ 6 million during first half of 2011.

PRODUCTION STATISTICS		
	Half year ended June, 30	
	2011	2010
Ore Mined(DMT)	522,404	675,871
Grade (% Cu)	2.51%	3.18%
Grade (% Co)	0.62%	0.78%
Ore Processed (tonnes)	1,170,780	173,307
Concentrate produced	95,642	27,198
Copper Contained in Concentrate	8,375	2,459
HMS Copper Grade (% Cu)	8.76%	9.04%
HMS Cobalt Grade (% Co)	1.18%	1.12%
Production-Copper	9,143	6,805
Production-Cobalt	1,093	1,319
Production-Sulphuric Acid	74,643	16,272
Recovery Copper %	85.87%	85.29%
Recovery Cobalt %	68.97%	69.57%

	Jun-11	2010	2009	2008
Ore Mined(DMT)	522,404	1,265,936	910,789	549,211
Ore processed	1,170,780	783,129	270,600	201,302
Waste Mined	4,024,282	10,124,098	5,436,082	1,123,069
Stripping Ratio	6.33	6.72	4.07	2.04

Ore mined from Etoile dropped by 22% in H1 2011 compared to previous year with drop in Cu grade by 0.67% and Co by 0.16%. However copper production has increased by 35%. Ore processing in HMS plants has given a positive push to the company's operations.

The production of Sulphuric Acid increased significantly due to commissioning of SAP 500 plant during the end of year 2010. The company started processing the Sulphur for external parties to utilize its production capacity.

COST AND EXPENSES

Particulars	Half year ended June 30 (US\$ M)	
	2011	2010
Gross Profit	36.67	23.76
General and Administrative	11.06	6.18
Selling and Distribution expenses	12.35	8.06
Other Income	0.07	4.75
Net Finance Costs	4.16	3.00
Income Taxes (Deferred Tax Revenue)	9.57	0.74
Comprehensive Income	18.76	12.00
Earnings attributable to Equity shareholders	19.03	12.18
Minority interest	(0.27)	(0.18)
No. of Shares Outstanding	450,004	450,004
Earnings per share	41.69	26.66

- The General and administrative expenses increased because of capitalization (SAP 500 plant commission during last quarter of 2010 and HMS-II plant during 1st quarter of 2011), Insurance cost of Chemaf plant, increased consultancy charges of HMS-II plant.

- Selling and Distribution expenses increased mainly due to increase in export fees and logistics expenses and additional marketing expenses on Cobalt Carbonate through Standard Bank.
- Finance costs have increased in H1-2011 due to bank overdraft and prepayment facility from Standard bank.

FINANCIAL POSITION AND LIQUIDITY

	Half year ended June 30 (US\$ M)	
	2011	2010
Cash Flows from Operating Activities		
- before working Capital	41.17	30.30
- after working Capital	30.28	14.82
Cash Flows from financing activities	(27.41)	5.23
Cash Flows from Investing activities	(14.13)	(21.40)
Net Cash flows	(11.26)	(1.35)
Cash Balance	(0.53)	0.43
Cash Flows from Operating activities per share		
- before working Capital	91.48	67.33
- after working Capital	67.28	32.94
Availed Credit Facilities		
-Bank Overdraft-Raw Bank	3.08	0.67
-Loan from Standard Bank	6.75	-
-Loan from Shalina Healthcare	31.58	30.01
-Loan from Mr. Shiraz Virji	9.57	7.22
-Loan from Trafigura	21.48	38.64

**Cash Flows per share are not recognized under IFRS.

Operating Cash flows before changes in working capital increased in H1-2011 mainly due to higher cost of depreciation, amortization cost on the exploration of various mining licenses and financing costs.

Cash outflow from working capital movements during the period is US\$ 10.89 million mainly due to increase in trade receivables and inventories.

Cash Outflow from financing activities includes US\$ 20 million repayment of loans from customers.

CONTRACTUAL OBLIGATIONS

	Carrying Amount (US\$ M)	Total Amount (US\$ M)	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
Trade and Other Payables	19.97	19.97	19.97		
Short term Loan (TRH)	1.74	1.74	1.74		
Due to Related Parties					
- ACE Limited	24.19	24.19	24.19		
- Preminco	28.18	31.84			31.84
- Shalina Healthcare	31.63	36.57			36.57
- Shiraz Virji	9.57	9.57	9.57		
Loan from Customers					
- Trafigura	21.48	21.92	21.92		
- Standard Bank	6.75	6.84	6.84		
	143.51	152.64	84.22	-	68.41

INVENTORY

	Tonnes	Value in US\$ M
Copper		
Lubumbashi	313	1.27
Ndola/ On the way to Ndola	190	0.77
Dar-es-salaam/ On the way to Dar-es-Salaam	-	-
Total	503	2.04
Cobalt carbonate		
Lubumbashi	97	2.10
Ndola/ On the way to Ndola		
Dar-es-salaam/ On the way to Dar-es-Salaam	196	4.22
Total	293	6.32

Finished copper inventory of 503 tonnes of copper valued of US\$ 2.04 million \$ as at 30th June, 2011 at factory and in transit to Ndola for which sales contract is there.

Finished cobalt Carbonate of 293 tonnes valued of US\$ 6.32 million as at 30th June, 2011 at factory and on the way to Dar-es-salaam for which formal sales contracts are in place.

HEDGING PROGRAM

The company enters into derivative contracts to directly offset pricing exposure on the provisionally priced contracts

	June 30,2011
Copper	
Hedged sales contracts –Copper (tonnes)	3,887
Average hedged price-Copper(US\$)	9,731

Cobalt Carbonate is sold on a provisional pricing basis and subject to adjustment as a result of changes in market prices subsequent to the recognition of sales revenues.

Shalina Resources Limited Consolidated Balance Sheets

(Expressed in US\$ M)

Particulars	June 30,2011	December 31,2010	December 31,2009
	(Unaudited)		
Assets			
Non-currents assets			
Property, plant and equipment	286.67	293.77	225.75
Intangible assets	143.76	150.24	165.00
Inventories	16.21	16.21	21.47
Deferred tax Assets	6.48	-	-
	-----	-----	-----
Total	453.12	460.22	412.22
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Current assets			
Inventories	71.41	67.60	44.21
Trade and other receivables	21.46	13.49	20.68
Due from related parties	0.07	1.85	0.02
Derivative financial asset	-	-	1.82
Cash and cash equivalents	2.56	10.73	2.93
Income tax asset	0.00	-	0.11
	-----	-----	-----
	95.49	93.67	69.77
Assets of disposal group classified as held for sale	-	-	0.24
	-----	-----	-----
Total	95.49	93.67	70.00
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Total assets	548.62	553.89	482.22
	=====	=====	=====

Particulars	June 30,2011	December 31,2010	December 31,2009
	(Unaudited)		
Equity			
Share capital	0.45	0.45	0.45
Retained earnings	396.05	377.02	348.46
Regulatory reserve	2.95	2.60	1.95
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	399.45	380.08	350.85
Minority interest	1.57	1.84	3.11
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Total equity	401.02	381.92	353.97
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Liabilities			
Non-current liabilities			
Loan from customers	-	30.67	29.86
Loan from a related party	59.76	52.98	38.31
Deferred tax liability	-	3.09	9.17
Provision for employees' end of service benefits	1.04	0.97	0.77
	-----	-----	-----
Total	60.81	87.70	78.12
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Current liabilities			
Trade and other payables	19.97	21.33	18.02
Loan from customers	28.23	18.00	-
Short term loans	1.75	2.74	4.37
Income tax liability	-	0.05	-
Due to related parties	33.76	42.14	24.59
Bank overdraft	3.08	0.00	1.14
	-----	-----	-----
	86.79	84.27	48.14
Liabilities of disposal group classified as held for sale	-	-	2.00
	-----	-----	-----
Total	86.79	84.27	50.14
	-----	-----	-----
Total liabilities	147.59	171.97	128.26
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Total equity and liabilities	548.62	553.89	482.22
	=====	=====	=====

Shalina Resources Limited Consolidated Statement of Earnings

(Expressed in US\$ M)

Particulars	June 30,2011 (Unaudited)	June 30,2010 (Unaudited)
Sales	120.80	81.07
Cost of sales	(84.13)	(57.31)
	-----	-----
Gross profit	36.67	23.76
Other income	0.07	4.75
General and administrative expenses	(11.06)	(6.18)
Selling and distribution expenses	(12.35)	(8.06)
	-----	-----
Operating profit	13.34	14.26
Finance income-net	(4.16)	(3.00)
	-----	-----
Profit before tax	9.19	11.26
Income tax		
- current year	-	(0.39)
- previous year	-	(0.17)
Deferred tax	9.57	1.29
	-----	-----
Total comprehensive income for the year	18.76	12.00
	=====	=====
Attributable to:		
Equity holders of Shalina Resources Limited	19.03	12.18
Minority interest	(0.27)	(0.18)
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Total	18.76	12.00
	=====	=====

Shalina Resources Limited
Consolidated Statement of Cash Flows

(Expressed in US\$ M)

Particulars	June 30,2011 (Unaudited)	June 30,2010 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITES		
Net Profit (Loss) for the year	9.19	11.26
Add:		
Depreciation	14.38	10.11
Amortization	13.33	10.63
Provision for end service benefits	0.12	0.03
Interest income	-	(0.00)
Interest expense	4.16	3.00
Loss on disposal of fixed Assets	-	0.03
Profit on disposal of Intangible Assets	-	(4.76)
Operating Profit before working capital changes	41.17	30.30
Payment of Income Tax	(0.05)	(0.56)
Payment of End of Service Benefits	(0.04)	-
(Increase) / Decrease in Inventories	(3.80)	(12.18)
(Increase)/ Decrease in Trade and other receivables	(7.97)	(12.98)
(Increase)/ Decrease in due from related parties	1.77	(0.58)
Increase/ (Decrease) in trade and other payables	0.45	4.69
Increase/ (Decrease) in due to related parties	(1.60)	1.42
Increase / (Decrease) in regulated provisions	0.35	0.30
Increase / (Decrease) in derivative financial assets/Liability	-	4.41
Net Cash Flows from Operating Activities (A)	30.28	14.82
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Tangible Assets	(7.29)	(24.23)
Advance received against sale of intangible assets	-	(2.00)
Proceed from Disposal of Fixed Assets	0.01	0.03
Proceed from Disposal of Intangible Assets	-	5.00
Interest Received	0.00	0.00
Cash out flow/ In Flow towards intangible assets	(6.85)	(0.20)
Net Cash Flows used in Investing Activities (B)	(14.13)	(21.40)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term loan	(1.00)	(1.97)
Interest paid	(5.97)	(1.58)
Loans from Customers	(20.44)	8.78
Net Cash Flows from financing activities (C)	(27.41)	5.23
Net increase / (decrease) in cash and equivalents - (A)+(B)+(C)	(11.26)	(1.35)
Cash and Cash Equivalent at the beginning of the year	10.73	1.78
Cash and Cash Equivalent at the end of the year	(0.53)	0.43

