

17 January 2011

Metal-Tech Ltd.
(“Metal-Tech” or “the Company”)

Business and Trading Update

Metal-Tech Ltd., the producer and recycler of speciality metals such as Tungsten and Molybdenum, provides the following business and trading update ahead of its full year results announcement for the year to 31 December 2010, expected to be made in March 2011.

Update on Mongolian Operations

Further to the announcement of 2 September 2010, Metal-Tech has received an update on its Mongolian joint venture, Shim-Technology Co. Ltd. (Shim-Tech). On 6 January 2011, Shim-Tech received notification from the Mongolian shareholder, Erdenet Mining Company Ltd. (EMC) of their intention to initiate bankruptcy proceedings against it.

As stated in the interim statement of 2 September 2010, Shim-Tech is in arrears on repayment of the \$6.0 million bank debt and that EMC is the guarantor of this loan and there is no claim against Metal-Tech, whose liability is limited to \$0.5 million.

In the letter to Shim-Tech, EMC states:

“As Shim-Technology Co. Ltd is not able to pay long-term credit at a sum of USD 7031323 payable to Mizrahi Bank, Israel, including overdue credit at a sum of USD 3,01 million or MNT 3,76 billion within the term indicated in the credit agreement, Mizrahi Bank is permanently demanding from Erdenet Mining Co. Ltd to pay the credit on behalf of Shim-Technology Co. Ltd.” As a result EMC has submitted the following claim:

1. To institute a bankruptcy case in relation to Shim-Tech
2. To issue a decision to consider Shim-Tech as bankrupt and to wind it up

The Board of Metal-Tech is deeply disappointed at the unilateral actions of EMC in not adhering to its contractual obligation to supply raw material to Shim-Tech and as a result, Shim-Tech was unable to restart its operations when prices increased. As a creditor and shareholder similar to Metal-Tech, EMC has now chosen to seek to wind up Shim-Tech.

Metal-Tech is currently assessing the situation in Mongolia, however it may have to be prudent and take substantial write-offs in its 2010 financial report.

The Board of Metal-Tech reiterates that there will not be any further negative impact on the Company’s cash flow as a result of EMC’s actions. This is due to the fact that Shim-Tech has not operated for almost two years and will continue not to operate or incur costs.

Metal-Tech reserves the right to proceed with any legal action deemed fit in order to compensate for its losses.

The Company will advise the market of further developments as and when appropriate.

Trading Update

Metal-Tech continued to see improved trading conditions in the second half of 2010 as a significantly higher demand for Tungsten led to a continued increase in the metals price by approximately 60% since the start of 2010.

As a result of these much improved trading conditions, the Company expects significant revenue growth with sales well above market expectations of approximately \$47 million, a 30% increase compared to the equivalent period last year. The Company also expects a reduced loss for the year compared to 2009, before any exceptional write off of Mongolian assets, ahead of expectations.

Despite increasing the Company's capacity, such was the level of demand in Tungsten that further increases in sales were restricted as Metal-Tech was unable to meet the strong demand from its customers. To rectify this, and as announced previously, the Company is in the process of installing additional production equipment in its plant in Israel and seeking other international opportunities for co-production.

Metal-Tech also benefited from tight cost control measures to improve efficiency. This tight cost control added to the increased sales contributed to improved gross margins.

The momentum of sales in Tungsten remains strong and whilst the pace of continuing growth over 2011 is difficult to predict at such an early stage, the Board believes that recovery is firmly established and therefore views the outlook for 2011 with confidence.

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