

2 September 2010

**Metal-Tech Ltd.**  
("Metal-Tech" or "the Company")

Results for the six months ended 30 June 2010

Metal-Tech, the producer and recycler of speciality metals such as Tungsten and Molybdenum, announces results for the six months ended 30 June 2010.

**Financial Summary:**

- Revenue increased to US\$21.3m (H1 2009: US\$20.4m), despite sales only coming from Tungsten products
- Net loss reduced to US\$5.4m (H1 2009 US\$7.7m)
- Loss per share of US\$0.14 (H1 2009: US\$0.18 loss)
- Operating expenses reduced 20% to US\$2.7m (H1 2009: US\$3.4m)
- Bank debt reduced to US\$26.2m at 30 June 2010 from US\$27.9m at 30 June 2009
- Cash generated from operations in H1 2010 of approximately US\$0.7m (H1 2009: US\$4.5m)
- Cash, cash deposits and restricted cash balance at 30 June 2010 were US\$8.2m (30 June 2009: US\$13.2m)

**Operational Summary:**

- Tungsten sales increased 83% to US\$21.3m (H1 2009: US\$11.6m) as demand increased and the Company focused its efforts on major international markets
- Increased market share and expanded customer portfolio with the addition of three significant new customers
- Increased recycling and production capacity in Israel to match the enlarged market demand at lower operating costs
- Recently agreed on the key principles for cooperation with an Asian producer with the intention of developing a co-production arrangement using the Company's surplus plant and machinery by year-end
- Testing of a pilot scale facility to recover valuable metals from mining waste, which utilises the Company's in-house hydrometallurgical technology, in association with a leading mining company, which continues on schedule in Israel
- Discussions with our partners in Mongolia to restore Molybdenum raw material supplies at an economic cost continue at a slow pace
- In January 2010, the Company filed a Request for Arbitration against the Republic of Uzbekistan related to that country's unlawful treatment of Metal-Tech's 50 per cent. investment in UzMetal-Technology

**Outlook for H2 2010:**

- Increased demand for Tungsten expected to continue with a significantly higher pipeline of orders for H2 2010, as key global end-user industries (automotive, drilling, cutting tools, aviation etc) recover
  - Tight cost control will be maintained throughout the Company's activities
  - Recycling opportunities including novel processing of spent oil refinery catalysts (which contain economic amounts of Tungsten and Molybdenum) will be expanded
-

Commenting on the results, Aik Rosenberg, Executive Chairman and CEO of the Company, said: “In spite of market conditions continuing to be difficult, Metal-Tech has delivered a creditable first half’s performance in 2010, increasing revenues and reducing losses despite sales coming only from Tungsten. We have reduced our debt to the banks and achieved a positive cash flow from operating activities.

“Looking ahead, I expect trading to continue to improve in the second half with increased demand for Tungsten from both established and new customers. With a strong order book in place, I expect sales to grow further in the second half and to be significantly higher in the full year than in 2009. As a result, the Board anticipates that 2010 performance will be a positive step in the recovery of Metal-Tech.”

**Enquiries:**

<b>Metal-Tech Ltd.</b> Ariel (Aik) Rosenberg	+972 544 215454
<b>Panmure Gordon</b> Edward Farmer, Stuart Gledhill	+44 20 7459 3600
<b>Corfin Public Relations</b> Harry Chathli, Alexis Gore	+44 20 7596 2860

## **Operating Review**

Metal-Tech is pleased to report a stronger performance in the first half of 2010 following the challenging trading conditions throughout 2009. Despite no sales of Molybdenum, total revenue increased by 5% to US\$21.3m (H1 2009: US\$20.4m), contributing to a reduced loss of US\$5.4m (H1 2009: US\$7.7m).

The revenue increase reflected a significant improvement in sales of Tungsten, which increased 83% compared to the same period last year as a result of firming of price and increase in tonnage. The Company increased its market share and secured three significant new customers in Europe and North America. This was the result of an aggressive sales approach and improved marketing system to take advantage of improving demand in end-markets such as automotive, drilling, aviation, cutting tools, construction and engineering, in which Metal-Tech's customers' products are used.

As anticipated, there were no sales of Molybdenum in the first half of the year and the Company does not expect any sales throughout 2010. As stated below, progress is ongoing to resolve operational issues throughout its Molybdenum businesses, especially in Mongolia and Uzbekistan.

In the first half the Company did not have sufficient capacity to fulfil customer demand for Tungsten. Accordingly, the Company has begun to install additional production equipment in its plant in Israel and is seeking other international opportunities for co-production. Metal-Tech recently agreed on the key principles for cooperation with an Asian producer with the intention of developing a co-production arrangement using the Company's surplus plant and machinery by year-end.

## **Focus on R&D**

Spending on R&D continued in the first half to be directed to new business development initiatives capable of yielding attractive returns in the short to medium terms.

As stated previously, the Company is pursuing a joint technical investigation with a leading mining company to demonstrate the continuous performance characteristics of the Company's proprietary pressure leaching technology at its semi industrial pilot plant facility at Ramat Hovav in Israel. This plant is performing as expected and the project is progressing on schedule.

## **Update on Mongolian Operations**

The Company remains in protracted negotiations with its Mongolian partner to secure suitable terms for the resumption of supply of raw materials to the Company's Mongolian operations which produce Molybdenum. Although Shim Technology is in arrears on repayment of the \$6.0 million bank debt, the Mongolian partner is the guarantor of this loan and there is no claim against Metal-Tech, whose liability is limited to \$0.5m. The key lending institution has offered to reschedule this loan.

## **Update on Uzbekistan Action**

As announced in January 2010, Metal-Tech filed a Request for Arbitration against the Republic of Uzbekistan related to that country's unlawful treatment of Metal-Tech's 50 percent investment in UzMetal-Technology, a joint venture to produce high-quality molybdenum products. The Request for Arbitration, filed with the International Centre for Settlement of Investment Disputes (ICSID) based in Washington, D.C., asserted Uzbekistan's breach of the Israel-Uzbekistan Bilateral Investment Treaty, as well as violations of various standards of treatment under international law and Uzbek legislation.

The current position is that a three strong tribunal comprising a nominee of the Republic of Uzbekistan, a nominee of the Company and an independent nominee as the Chair, has been appointed. An initial session of the tribunal has been held, but the process is expected to take up to 18 months to complete.

## **Financial Review**

Revenues for the six months ending 30 June 2010 were US\$21.3m, an increase from US\$20.4m in H1 2009. Loss attributed to equity holders was US\$5.4m, down from a loss of US\$6.9m in H1 2009. Gross loss was US\$2.1m (H1 2009: Gross loss: US\$3.6m)

Throughout the first half the Company continued to reduce operating expenses across all business functions. The Company maintained its focus on cash generation including the reduction of inventory levels. Inventory decreased by US\$4.1 m from US\$26.5m at 31 December 2009.

General and Administrative expenses decreased to US\$1.7m in the first half of 2010 compared with US\$2.4m in equivalent period in 2009. This decrease was the result of several factors, including decreased investment in new business development activity, streamlining business processes, and a substantial reduction in headcount.

The Company is committed to reduce its debt levels with a reduction of bank debt by 7% from US\$21.3 m at 30 June 2009 to US\$19.9 m at 30 June 2010.

At 30 June 2010, the cash, cash equivalents and restricted cash balance of the Company was US\$8.2m compared to US\$9.9m at 31 December 2009 and US\$13.2m at 30 June 2009. The Company believes this is sufficient to meet Metal-Tech's current financing costs and expected operating expenses. The Company will continue to prudently manage its affairs in order to maintain sufficient operating cash flow.

## **Outlook**

The strong trading shown by sales in the first half in Tungsten is continuing into the second half of 2010 with the Company having a robust order pipeline. Tungsten prices have appreciated by about 16% since 30 June 2009 and the benefit of this is likely to be seen in the second half revenue. This, together with the on-going focus on cost reduction, should lead to some margin improvement.

---

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Unaudited June 30,		Audited December 31,
	2010	2009	2009
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4,655	8,982	5,879
Restricted cash	3,493	4,211	3,992
Available for sale investments	-	38	86
Trade receivables	10,110	4,571	9,752
Other accounts receivable	3,475	2,230	1,067
Inventories	22,398	36,347	26,544
	<u>44,131</u>	<u>56,379</u>	<u>47,320</u>
NON-CURRENT ASSETS:			
Investment in joint ventures	-	-	-
Deferred finance costs	-	413	-
Deferred taxes	-	374	-
Property, plant and equipment	25,795	29,307	26,232
	<u>25,795</u>	<u>30,094</u>	<u>26,232</u>
<u>Total assets</u>	<u>69,926</u>	<u>86,473</u>	<u>73,552</u>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

	Unaudited June 30,		Audited December 31,
	2010	2009	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	3,609	6,765	5,915
Short-term loans and current maturities	17,960	13,515	20,174
Trade payables	11,331	7,614	8,342
Income taxes payable	6,700	5,972	6,981
Other accounts payable	4,561	4,853	4,385
	44,161	38,719	45,797
NON-CURRENT LIABILITIES:			
Long-term loans	5,081	8,041	1,863
Employee benefit obligations	453	211	305
Deferred tax liabilities	-	1,070	-
	5,534	9,322	2,168
<u>Total liabilities</u>	49,695	48,041	47,965
EQUITY:			
Equity attributable to the equity holders of the Company:			
Issued capital	2,399	2,399	2,399
Share premium	23,892	23,892	23,892
Other reserves	758	789	714
Retained earnings (accumulated deficit)	(6,818)	9,117	(1,418)
	20,231	36,197	25,587
Minority interests	-	2,235	-
<u>Total equity</u>	20,231	38,432	25,587
<u>Total liabilities and equity</u>	69,926	86,473	73,552

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

U.S. dollars in thousands (except share and per share data)

	Unaudited six months, ended June 30,		Audited year ended December 31,
	2010	2009	2009
Revenues	21,317	20,434	36,742
Cost of sales before write-down of inventories	23,491	23,986	45,164
Gross profit (loss) before write-down of inventories	(2,174)	(3,552)	(8,422)
Write-down of inventories	-	-	1,497
Gross profit (loss)	(2,174)	(3,552)	(9,919)
Research and development expenses ,net	415	317	655
Selling and marketing expenses	636	634	1,230
General and administrative expenses	1,671	2,423	4,562
Impairment loss on property, plant and equipment	-	-	2,227
<u>Total operating expenses</u>	<u>2,722</u>	<u>3,374</u>	<u>8,674</u>
Operating loss	(4,896)	(6,926)	(18,593)
Finance (costs)	(969)	(524)	(2,455)
Finance income	471	-	426
Other income (expense), net	(6)	292	(16)
Loss before tax	(5,400)	(7,158)	(20,638)
Income tax benefit (expense)	-	(557)	165
<u>Total comprehensive loss</u>	<u>(5,400)</u>	<u>(7,715)</u>	<u>(20,473)</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(5,400)	(6,934)	(17,469)
Minority interests	-	(781)	(3,004)
	<u>(5,400)</u>	<u>(7,715)</u>	<u>(20,473)</u>
Basic and diluted loss per share attributable to Ordinary equity holders of the Company	<u>(0.14)</u>	<u>(0.18)</u>	<u>(0.46)</u>
Weighted average number of shares used in computing basic and diluted net loss per share attributable to Ordinary equity holders of the Company	<u>38,376,923</u>	<u>38,376,923</u>	<u>38,376,923</u>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Share premium	Other reserves	Earnings (accumulated deficit)		
<b>Balance as of January 1, 2010</b>	2,399	23,892	714	(1,418)	-	25,587
Total comprehensive loss	-	-	-	(5,400)	-	(5,400)
Cost of share based payment	-	-	44	-	-	44
<b>Balance as of June 30, 2010</b>	2,399	23,892	758	(6,818)	-	20,231
	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings		
<b>Balance as of January 1, 2009</b>	2,399	23,892	624	16,051	3,004	45,970
Total comprehensive loss	-	-	-	(6,934)	(769)	(7,703)
Cost of share based payment	-	-	165	-	-	165
<b>Balance as of June 30, 2009</b>	2,399	23,892	789	9,117	2,235	38,432
	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings		
<b>Balance as of January 1, 2009</b>	2,399	23,892	624	16,051	3,004	45,970
Total comprehensive loss	-	-	-	(17,469)	(3,004)	(20,473)
Cost of share based payment	-	-	90	-	-	90
<b>Balance as of December 31, 2009</b>	2,399	23,892	714	(1,418)	-	25,587

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Unaudited six months, ended June 30,		Audited year ended December 31,
	2010	2009	2009
<u>Cash flows from operating activities:</u>			
Loss for the year	(5,400)	(7,715)	(20,473)
<u>Adjustments to reconcile net loss to net cash provided by operating activities:</u>			
Adjustments to the profit or loss items:			
Depreciation	1,313	1,284	2,335
Impairment of property, plant and equipment	-	-	2,227
Write-down of inventories	-	-	1,497
Amortization and impairment of deferred finance costs	-	76	528
Loss (profit) on marketable securities	(14)	(10)	(58)
Gain on sale of property, plant and equipment	(3)	41	(73)
Employee benefit obligations	148	(30)	64
Accrued interest and foreign exchange differences on short and long-term liabilities, net	163	306	1,183
Cost of share based payments	44	165	90
Deferred taxes	-	619	(79)
Income tax benefit	-	-	(86)
	1,651	2,451	7,628
Working capital adjustments:			
Decrease (increase) in trade receivables, net	(357)	6,581	1,401
Decrease (increase) in other accounts receivable	(1,565)	1,644	4,125
Decrease in inventory	4,141	11,555	19,861
Increase (decrease) in trade payables	2,883	(9,738)	(9,093)
Increase in related parties, net	(25)	-	(211)
Increase (decrease) in other accounts payable	(309)	155	(1,094)
	4,768	10,197	14,989
Cash paid and received during the year for:			
Interest received	-	11	18
Interest paid	(319)	(317)	(904)
Income tax received	3	-	834
Income tax paid	-	(83)	(121)
	(316)	(389)	(173)
Net cash provided by operating activities:	703	4,544	1,971

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Unaudited six months, ended June 30,		Audited year ended December 31,
	2010	2009	2009
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(880)	(1,017)	(1,148)
Proceeds from sale of property, plant and equipment	7	-	116
Proceeds from disposal of available for sale investments	100	-	-
Increase in restricted cash	(10)	(1,061)	(842)
Net cash used in investing activities	(783)	(2,078)	(1,874)
<u>Cash flows from financing activities:</u>			
Dividend paid	-	(112)	(180)
Proceeds from short -term loans	-	-	185
Repayment from short -term loans	(2,658)	-	-
Repayment of long-term loans	(1,759)	(4,950)	(1,607)
Proceeds of long-term loans	5,507	-	-
Decrease in short-term bank credit, net	(2,234)	(434)	(4,628)
Net cash used in financing activities	(1,144)	(5,496)	(6,230)
Decrease in cash and cash equivalents	(1,224)	(3,030)	(6,133)
Cash and cash equivalents at the beginning of the year	5,879	12,012	12,012
Cash and cash equivalents at the end of the year	4,655	8,982	5,879
<u>Significant non- cash transactions:</u>			
Purchase of property, plant and equipment on credit	-	-	73

The accompanying notes are an integral part of the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands

**NOTE 1 - GENERAL:**

The interim financial statement as of 30 June 2010 and for the six month period then ended (hereafter – the interim statements) were prepared in condensed form in accordance with IAS 34 – “Interim Financial Reporting”.

The accounting policies applied in preparation of the interim financial statements are consistent with those used in the 2009 annual financial statements but have not been audited by the auditors. Nevertheless, the interim statements do not include all the information and explanations required for annual financial statements, and should be read in conjunction with the 2009 annual financial statements.

Costs incurred unevenly during the year are brought forward or deferred, for interim reporting purposes if, and only if, such costs may be brought forward or deferred in the annual reporting.

Taxes on income for the interim periods are included based on the best estimate of the anticipated average annual tax expense for the entire year; changes in said estimate, as well as changes in the amount of the tax saving to be utilized in the following years, are included as an expense for the current quarter.

**NOTE 2 – REVENUES BY GEOGRAPHICAL SECTOR**

Revenues classified by geographical destinations based on the customer location:

	<b>Unaudited six month, ended June 30,</b>		<b>Audited year ended December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
United States	10,472	6,583	13,851
China	-	1,189	2,861
Japan	108	1,445	1,493
Korea	-	1,030	1,034
Europe	5,722	5,881	10,514
Israel	890	37	768
South Africa	3,963	1,914	5,359
Others	162	2,355	862
	<u>21,317</u>	<u>20,434</u>	<u>36,742</u>