

26 March 2008

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

Trading Update

Metal-Tech Ltd, the metal-based hydrometallurgy and chemical company focusing on the production and recycling of speciality metals such as Tungsten and Molybdenum, announces a trading update in advance of its results which are expected to be announced 11 May 2008. The Company expects to meet market expectations in respect of revenues but to fall significantly short of profit expectations.

While virtually all revenues are denominated in US Dollars, most costs (other than the cost of raw materials) are denominated in other currencies which have appreciated considerably against the US Dollar. This has led to an increase in both cost of sales and operating costs.

In addition to the falling US Dollar, and as previously announced, the Company has been fighting what it considers to be an illegal attempt to take control of its unit in Uzbekistan. As a result, the Company has incurred considerable costs, both legal and other costs as well as management time. A one-off write-off of USD8.3m has been taken to reflect a complete write-off of the Uzbek investment. The Company is contemplating further legal action, in an attempt to recover its investment in Uzbekistan. The cost of this potential additional legal action has been reflected in the Company's forecasts for the current year.

During the year, Metal-Tech also encountered a production problem in Mongolia that resulted in a by-product it could not immediately sell (Calcium Molybdenum, or CaMo). A solution has been developed to re-process the CaMo to separate the Molybdenum in saleable form, which is currently in experimentation. By December, the build-up of CaMo inventory was USD12m. To be prudent, and to prepare for the possibility of having to sell the CaMo as it is (un-beneficiated), which would require a substantial discount from the market price of the contained Molybdenum, the Company decided to write down the value of this inventory.

In 2007, the Company also increased its spending on R&D, with considerable investment in both hydrometallurgical technology and unique equipment design, which, if successful, should improve opportunities for growth. In addition to this, Metal-Tech has recently restructured its management team and intensified its investment in its organisational structures in preparation for future growth.

As well as the additional investment outlined above, the Company has also increased its investment in business development activities. Prospective opportunities include potential primary and secondary mining opportunities (such as metal recovery from slag dumps, tailings and industrial waste, for which industrial pilot tests have been conducted) and metal recycling initiatives.

Aik Rosenberg, Executive Chairman of Metal-Tech commented: “Market conditions for the Company remain favourable, with demand for Molybdenum and Tungsten remaining strong and with stable prices. We have continued to invest in the fabric of the business and in our organisation structures and management team. Metal-Tech's relationships with its customers are resilient and the medium-term outlook for this industry remains positive.”

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