

28 April 2009

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

Results for the year ended 31 December 2008

Metal-Tech, the producer and recycler of specialty metals such as Tungsten and Molybdenum, announces results for the year ended 31 December 2008.

Financial Summary:

- Revenues increased 1.2% to \$138.3m (2007: \$136.7m)
- Net loss of \$9.1m (2007: US\$0.7m loss) due to the significant drop in Molybdenum prices, the prudent write-down of Molybdenum inventory, increased Business Development, marketing and selling expenses, a weak US Dollar and management changes
- Gross profit margins were 2.4%(2007: 14.4%) impacted by significantly reduced sales prices against high-cost inventories, energy costs, and production difficulties in Mongolia
- Cash and cash deposits balance at 31 December 2008 were \$12.0m (31 December 2007:\$5.9m) excluding \$3.2m encumbered cash deposit (31 December 2007: \$6.5m)
- Cash and cash deposits are sufficient to meet the Company's current financing costs and expected operating expenses
- Net equity as a percentage of total assets at 31 December 2008 was 39% (31 December 2007: 39%)

Operational Summary:

- Demand for Tungsten remained favourable during 2008
- Molybdenum demand temporarily reduced to almost zero due to the worldwide economic crisis and the industrial slowdown in Q4 2008
- Relationships with customers remain resilient despite the market difficulties
- Significant progress in development of a proprietary leaching process
- Sale of equity investment in BIT Metals BV at a \$0.6m profit
- New management and business development team and organisational restructure

Current Year and Outlook

- Focus on maximizing existing manufacturing and marketing potential for Tungsten
- Increasing Tungsten and Molybdenum recycling capacity of low grade raw materials
- Streamlining activities not in core business while making best use of resources in metal recycling initiatives and lucrative production opportunities
- Further advancement in new hydrometallurgy technologies
- Continuation of inventory level reduction

Commenting on the results, Aik Rosenberg, Executive Chairman and acting CEO of the Company, said that: "Metal-Tech continues to be impacted by the global downturn affecting its end-markets. We are taking action to resolve those issues under the Company's direct control and are seeking to mitigate, where possible, external challenges such as changes in currencies and general cost-inflation in the industry. During 2009 the Company expects to implement some of its new technologies in the expansion of its

recycling and efficient production at its Israeli plant which will enable it to increase its competitive edge and financial strength.

With focused management and tight financial control we intend to ride the current economic tidal wave and emerge stronger and prepared for future expansion and success."

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Operational Review

Metal-Tech experienced strong demand for Molybdenum and Tungsten in the first half of the year, however, there was a sharp decline in the second half of the year resulting in full year 2008 revenues to be roughly flat at \$138.3m (2007: \$136.7m). The net loss of the year was \$9.1m (2007: US\$ 0.7m) due to cost escalation of labour and consumables and challenges with the Company's Mongolian plant. Additionally, investment in Business Development, marketing and selling expenses, a weak US Dollar and management changes all contributed to the significant full year loss.

The issues at the Mongolian plant deteriorated throughout the year. The plant experienced significant cost inflation driven by labour, raw materials and energy cost. Additionally, the operational challenges impacted on the quantity and quality of Molybdenum Oxide produced. The Company took steps to rectify the situation but this proved insufficient and as announced on 31 March 2009, the Company took the step to temporarily suspend production in the Mongolian plant and rearrange credit lines with the local supplier.

With markets and customers broadly spread geographically, the current crisis in the metals, construction and manufacturing sectors worldwide has impacted the Company negatively. Molybdenum Oxide, one of Metal-Tech's principal products, is used extensively in the production of steel, and this global industry has seen a major downturn in activity with its market price reaching an all time low since 2004.

The Company's Tungsten operations, which are located in Israel, are continuing as before, with Tungsten prices reduced slightly but remaining relatively stable. The Company is actively engaged in cost reduction and measures to improve efficiency at the plant in Israel, while seeking to capture new business opportunities that arise as a result of the continued turmoil in the sector.

Good progress is being maintained in R&D on a unique and strategically significant technology development, aimed at increasing recovery rates in the production of certain key metals, whilst reducing waste and environmental impact of large-scale operations. An industrial pilot plant has been commissioned and is testing various raw materials from different interested companies.

Relationships with customers remained resilient despite market difficulties and the Company saw significant progress in development of a proprietary leaching process.

Also in the year the Company sold its equity investment in BIT Metals BV at a \$0.6m profit and the Company appointed the highly experienced and operationally focused Executive Chairman Aik Rosenberg as Acting CEO of the Company.

Financial Review

Revenues for the year ended 31 December 2008 were \$138.3m, up 1.2% from \$136.7m at the same time in 2007. The Company made a net loss of \$9.1m, down from a loss of \$735,000 in 2007 and gross profit margins were 2.4% down from 14.4% in 2007, and were impacted by plummeting sales prices against high-cost inventories, energy costs, and production difficulties in Mongolia.

The cash and cash deposits balance at 31 December 2008 were \$12.0m up from \$5.9m in 2007 and \$3.2m excluding encumbered cash deposits, down from \$6.5m in 2007.

Net equity as a percentage of total assets at 31 December 2008 was 39%, equivalent to the same time in 2007.

Outlook

The Company has taken immediate actions to mitigate the impact of the current market situation on its results. It has ceased all operations not directly related to its core business, whilst maintaining its investment in important market-focussed research activities. It has reduced overheads, frozen non-critical capital expenditure, ceased staff recruitment and introduced voluntary salary cuts for all senior management. Additionally, there is an increased focus on maximising existing manufacturing and marketing potential for Tungsten, whilst continuing with an active programme of reducing inventory level. The Company is also restructuring bank debt with shift from short term to long-term credit.

Overall, the Board is confident that by responding appropriately to the challenges it is facing and the steps taken by management to improve production efficiency, capacity and quality, the Company is well positioned to deliver increased revenues when market conditions allow.

METAL-TECH LTD.
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	December 31,	
	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	12,012	5,939
Restricted cash	3,150	6,561
Available for sale investments	28	95
Trade receivables	11,153	10,543
Other accounts receivable	5,343	9,973
Inventories	47,902	69,527
	<u>79,588</u>	<u>102,638</u>
NON-CURRENT ASSETS:		
Investment in joint ventures	-	4,183
Deferred finance costs	377	528
Property, plant and equipment	29,616	26,022
	<u>29,993</u>	<u>30,733</u>
<u>Total assets</u>	<u>109,581</u>	<u>133,371</u>

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	<u>2008</u>	<u>2007</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	10,562	11,381
Short-term loans and current maturities	16,923	17,130
Trade payables	17,435	26,044
Income taxes payable	6,317	8,823
Other accounts payable	<u>5,834</u>	<u>8,123</u>
	57,071	71,501
NON-CURRENT LIABILITIES:		
Long-term loans	6,220	6,436
Employee benefit obligations	241	477
Deferred tax liabilities	<u>79</u>	<u>38</u>
	6,540	6,951
<u>Total liabilities</u>	<u>63,611</u>	<u>78,452</u>
EQUITY:		
Equity attributable to the equity holders of the Company-		
Issued capital	2,399	2,399
Share premium	23,892	23,892
Other reserves	624	425
Retained earnings	<u>16,051</u>	<u>25,176</u>
	42,966	51,892
Minority interests	<u>3,004</u>	<u>3,027</u>
<u>Total equity</u>	<u>45,970</u>	<u>54,919</u>
<u>Total liabilities and equity</u>	<u>109,581</u>	<u>133,371</u>

April 27, 2009

Date of approval of the
financial statementsAriel Rosenberg
Acting CEO and Chairman
of the Board Of Directors

CONSOLIDATED INCOME STATEMENTS

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

	Year ended December 31,	
	<u>2008</u>	<u>2007</u>
Revenues	138,333	136,713
Cost of sales before write-down of inventories	<u>127,518</u>	<u>114,471</u>
Gross profit before write-down of inventories	10,815	22,242
Write-down of inventories	<u>7,501</u>	<u>2,500</u>
Gross profit	<u>3,314</u>	<u>19,742</u>
net, Research and development expenses	1,497	1,991
Selling and marketing expenses	1,454	775
General and administrative expenses	<u>7,914</u>	<u>4,661</u>
<u>Total operating expenses</u>	<u>10,865</u>	<u>7,427</u>
Operating profit (loss)	(7,551)	12,315
Finance costs	(3,559)	(3,651)
Finance income	449	1,357
Other income	545	219
Share of profit (loss) of joint ventures including impairment loss	<u>1,593</u>	<u>(6,891)</u>
Profit (loss) before tax	(8,523)	3,349
Income tax expense	<u>41</u>	<u>4,084</u>
Loss for the year	<u>(8,564)</u>	<u>(735)</u>
Attributable to:		
Equity holders of the Company	(9,125)	(2,008)
Minority interests	<u>561</u>	<u>1,273</u>
	<u>(8,564)</u>	<u>(735)</u>
Basic and diluted loss per share attributable to Ordinary equity holders of the Company	<u>(0.24)</u>	<u>(0.05)</u>
computing Weighted average number of shares used in 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>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	U.S. dollars in thousands						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interests	Total equity
Balance as of January 1, 2007	2,399	23,892	(136)	28,373	54,528	1,754	56,282
Net loss on cash flow hedges	-	-	(85)	-	(85)	-	(85)
Foreign currency translation	-	-	140	-	140	-	140
Net income for the year recognized directly in equity	-	-	55	-	55	-	55
Profit (loss) for the year	-	-	-	(2,008)	(2,008)	1,273	(735)
Total recognized income (expense) for the year	-	-	55	(2,008)	(1,953)	1,273	(680)
Cost of share based payment	-	-	506	-	506	-	506
Dividend paid	-	-	-	(1,189)	(1,189)	-	(1,189)
Balance as of December 31, 2007	2,399	23,892	425	25,176	51,892	3,027	54,919
Net gain on cash flow hedges	-	-	85	-	85	-	85
Net income for the year recognized directly in equity	-	-	85	-	85	-	85
Profit (loss) for the year	-	-	-	(9,125)	(9,125)	561	(8,564)
Total recognized income (expense) for the year	-	-	85	(9,125)	(9,040)	561	(8,479)
Cost of share based payment	-	-	114	-	114	-	114
Dividend paid to minority interest	-	-	-	-	-	(584)	(584)
Balance as of December 31, 2008	2,399	23,892	624	16,051	42,966	3,004	45,970

CONSOLIDATED STATEMENTS OF CASH FLOWS**U.S. dollars in thousands**

	Year ended December 31,	
	2008	2007
<u>Cash flows from operating activities:</u>		
Loss for the year	(8,564)	(735)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities (a)	14,176	(9,211)
Net cash provided by (used in) operating activities	5,612	(9,946)
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(6,116)	(7,193)
Proceeds from sale of property, plant and equipment	411	54
Proceeds from disposal of investment in joint venture	5,737	-
Investment in joint ventures	-	(1,420)
Decrease (increase) in restricted cash	3,411	(4,663)
Investment in available for sale securities	-	(9,996)
Proceeds from sales of available for sale securities	-	10,743
Net cash provided by (used in) investing activities	3,443	(12,475)
<u>Cash flows from financing activities:</u>		
Dividend paid	(731)	(249)
Dividend paid to minority interest	(584)	-
Proceeds from short and long-term loans	10,267	19,457
Repayment of short and long-term loans	(11,116)	(7,662)
Increase (decrease) in short-term bank credit, net	(818)	1,059
Net cash provided by (used in) financing activities	(2,982)	12,605
Increase (decrease) in cash and cash equivalents	6,073	(9,816)
Cash and cash equivalents at the beginning of the year	5,939	15,755
Cash and cash equivalents at the end of the year	12,012	5,939

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

		Year ended December 31,	
		2008	2007
(a)	<u>Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:</u>		
	Income and expenses not involving cash flows:		
	Depreciation	2,306	1,756
	Amortization of deferred finance costs	151	151
	Share of losses (earnings) of joint ventures including impairment	(1,593)	6,891
	Gain on sale of equity interest	(604)	-
	Loss on marketable securities	67	-
	Gain on sale of property, plant and equipment	(195)	-
	Employee benefit obligations	(236)	55
	Accrued interest and foreign exchange differences on short and long-term liabilities, net	426	(118)
	Cost of share based payments	114	506
	Deferred taxes	41	2,068
	Other	(94)	(31)
		<u>383</u>	<u>11,278</u>
	Changes in operating assets and liabilities:		
	Decrease (increase) in trade receivables, net	(610)	2,777
	Decrease (increase) in other accounts receivable	4,646	(8,858)
	Decrease (increase) in inventory	21,625	(28,525)
	Increase (decrease) in trade payables	(8,609)	11,422
	Increase (decrease) in related parties, net	7	(801)
	Increase (decrease) in other accounts payable	(3,266)	3,496
		<u>13,793</u>	<u>(20,489)</u>
		<u>14,176</u>	<u>(9,211)</u>
(b)	<u>Supplemental disclosure of cash flows activities:</u>		
	Interest received	<u>242</u>	<u>714</u>
	Interest paid	<u>1,756</u>	<u>1,485</u>
	Income taxes paid	<u>4,012</u>	<u>2,654</u>
(c)	<u>Non-cash activities:</u>		
	Dividend payable	<u>-</u>	<u>940</u>