

Regulatory Announcement

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METAL-TECH LTD

Full Year Results for the 12 months ended 31 December 2006

Metal-Tech Ltd (“Metal-Tech” or the “Company”) (LSE: MTT), a leading speciality metal and metal-based chemicals company focusing on converting low grade metals, mining tailings and waste into higher value metal oxides and metal powder products, is pleased to announce the Company’s full year financial results for 2006.

Financial Highlights:

- Revenues decreased in comparison to the exceptionally strong results of 2005 by 5.4% to US\$119.1m (2005: \$125.9m).
- Net Profit decreased by 19% to \$12.8m (2005: US\$15.8m).
- Cash flow from operating activities up to \$14.8m (2005: US\$ -2.1m)
- Gross margins down to 17.8% (2005: 25.6%)
- Cash and cash deposits balance at 31 December 2006 was 16.5m (31 December 2005: \$14.4m)
- Net equity as percentage of total assets at 31 December 2006 is 50.9% (31 December 2005: 37.6%)

Operational Highlights

- Management continues to invest significant financial and technical resources in executing the Company’s R&D and expansion strategy, the main focus of which comprises entering into additional joint ventures and commissioning new speciality metal recycling plants which utilize the Company’s unique hydrometallurgy processes.
- Production output increased by 16% in comparison to 2005 despite shutting down production in Uzbekistan since July 2006.
- The implementation of the new ERP system is substantially underway with completion of this project expected in Q1 2008 in the Israeli site first.
- A new metal trading affiliate was established in the Netherlands in July 2006 which trades metals other than Molybdenum and Tungsten. This Company has been profitable since its establishment.
- A new pilot plant in the Czech Republic has successfully begun testing new production technology for recycling spent catalysts and results so far are encouraging.

Commenting on the results, Ran Maimon, Chief Executive of Metal-Tech, said:

“Metal-Tech overcame a significant production crisis during 2006 which had resulted from the ongoing dispute in our molybdenum plant in Uzbekistan, by successfully increasing capacities in our other plants. We are making significant efforts to develop technologies that will enable us to process low grade raw materials which other companies cannot. This will enable us to improve our gross margin which has declined as a result of the problems in Uzbekistan. The Company anticipates an increase of at least 10% in sales in 2007 in comparison to 2006, as a result of the expected increased capacities.”

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Chairman’s Statement

Metal-Tech is delighted to present its financial results for the 12 months ended 31 December 2006. Despite 2006 being one of the most challenging for the Company, it ended with revenues of \$119m and net profit of \$12.8m. During this year, our plant in Uzbekistan encountered a major dispute with its sole supplier which caused a pause in production. The company management continues to focus its effort in resolving the Uzbek challenges in the most appropriate way, whilst keeping the plant ready for operation when the issue is resolved. Metal-Tech management has succeeded in minimising the losses of sales and profits generated by this plant.

The company continues to focus its research and development in order to maintain its position as a specialist in unique technologies for processing and recycling speciality metals. The company has increased its R&D expenditure during 2006 approximately threefold compared to 2005.

The Metal-Tech plant in Mongolia is one of the first chemical plants to be built in the country, and has proved to be the right investment in the right place, especially in light of the continuing global increase in demand for Molybdenum products, the scarcity of proper treatment plants, and the new additional taxation for treating Molybdenum levied in China. The plant started its industrial production during 2006 and to date has successfully reached the goals established. Rhenium, an expensive metal which is a by product in the Molybdenum feed stock, is to be produced at the Mongolian plant. The production unit has been commissioned to recover Rhenium into a quality salt. Although revenues from Rhenium were not substantial to the Company in 2006, this represents a new metal in the Metal-Tech basket of products.

During the year, Metal-Tech engineers and scientists improved various hydrometallurgy technologies in the recovery of Molybdenum and other metals. The implementation of such technology was the establishment of Metal-Tech Cz.,. This Czech company started as an industrial pilot plant for the approval of our development of spent catalyst recycling technology. The technology is both efficient and environmentally friendly as it converts waste from oil refineries into metals, such as Molybdenum, Vanadium, Tungsten, Nickel and Cobalt. Successful trials were conducted that proved the technology and the company continue to optimise this process.

I am confident that Metal-Tech can now look to the future with great confidence. It will be able to further expand its sales operations worldwide and seek new opportunities for joint ventures and other projects that will increase production capacity, minimize costs of raw materials and maximize long term value for shareholders. The pipeline of such projects has significantly increased since the IPO both in terms of quality and quantity.

Our strategic objective is to continue to strengthen our science and technology base and our position as a leading speciality metals and chemicals producer and recycler. We will combine our strong focus on Molybdenum and Tungsten with planned diversification into other related metals, whilst continuing to develop new environmental and proprietary technologies, maximise operational efficiencies and deliver organic growth.

I would also like to take this opportunity to thank all our employees, scientists, management team, joint venture partners and advisors, who contributed to Metal-Tech's success in 2006, which has far exceeded our expectations given the difficult circumstances. Their dedication and commitment have been crucial in delivering these results and creating further shareholder value in the future

Financial Review

Revenues for the twelve month period ended 31 December 2006 decreased by 5.4% to \$119.1m (2005: \$125.9m), reflecting low level of sales from Uzbekistan but representing a significant improvement in Metal-Tech's production capacity from the other plants. Strong demand for Molybdenum and Tungsten products and strong prices supported this growth trend. Gross profit decreased to \$21.1m (2005: \$32.3m), mainly because of the dispute in Uzbekistan. Similarly, net profit decreased by 19% to \$12.8 million (2005: \$15.8m).

Operating income decreased by 39% to \$16.9m (2005: \$27.9m), again reflecting the effects of the dispute in Uzbekistan. General & Administrative costs decreased to \$2.2m (2005: \$3.2m).

During the period ended 31 December 2006 cash and short term cash deposits increased by \$2.1m to \$16.5m. There were no significant changes in the working capital balances of the Company during the year.

Inventory

Inventory level held on December 31 2006 was \$41.0m (2005: \$37.7m). This was primarily a result of the new inventory of Molybdenum (a result of production increases in the new plant in Mongolia) countered by more efficient inventory management of Tungsten..

Dividend

The Board recommends a final dividend payment of 3.1 cents per share to shareholders payable on July 24th 2007. The ex dividend date is June 27th 2007 and the record date is July 3rd 2007.

Operating review

The Company made better than expected progress during 2006 in increasing production volumes and revenues from existing customers and in broadening the Company's customer base, especially considering the production decrease from Uzbekistan. Consequently, Metal-Tech's results have significantly exceeded management expectations.

The main focus in 2006 was to commission the plant in Mongolia. The plant is now successfully producing quality Molybdenum oxides. In Israel the company is focusing on increasing its recycling capacities, an effort which is still progressing in 2007.

Tungsten prices remained stable during 2006. Molybdenum prices have gradually increased from a level of 22-23\$/lb at the beginning of 2006 to 25-26\$/lb most of 2006. This trend of price increases has continued into 2007 and prices have recently crossed the 30\$/lb mark.

Joint ventures

In July 2006, the Company's 50% owned Uzbek subsidiary, Uzmetal Technology Ltd, stopped production as a result of a dispute with its' sole local Molybdenum supplier. Whilst the Company is still making ongoing efforts to resolve this dispute no revenues generated by Uzmetal Technology are included in the management forecasts for 2007.

In July 2006 the Company established a new 49% owned affiliate company in the Netherlands with a local partner in order to develop relationships with customers in metals other than Tungsten and Molybdenum. This new affiliate is already profitable in 2006.

The pilot plant for recycling spent catalysts was established during 2006 in the Czech Republic. The production tests in this pilot plant are progressing according to plan.

Metal-Tech announced in November 2005 that it was in discussions that may lead to the formation of another joint venture related to the production of Molybdenum-based products. Those negotiations are currently on hold until further notice.

Outlook

After the challenges faced in 2006 in Uzbekistan, the Company has entered 2007 with growing production levels and sales at its existing plants, especially in Mongolia. Molybdenum prices increased during the first five month of 2007 as a result of increasing demand for Molybdenum worldwide. The Company anticipates an increase in sales of at least 10% in 2007 compared to 2006 due to the increased capacity.

The Company does not expect significant fluctuations in Tungsten and Molybdenum prices for the remainder of 2007. The Board is confident about the underlying long term growth of the business regardless of metal price fluctuations due to the expected implementation of additional new projects.

The Company continues to focus on developing its science and technology with novel processing technologies and believe that once these have been proven commercially, it will open up significant new expansion opportunities. Simultaneously, the Company is trying to increase its capacity in existing plants and establish new joint ventures in line with its ongoing strategy for growth. The Board is confident that these will significantly drive the Company's growth beyond 2007.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Revenues	119,146	125,875
Cost of revenues	<u>98,002</u>	<u>93,591</u>
Gross profit	<u>21,144</u>	<u>32,284</u>
Research and development expenses	1,083	310
Selling and marketing expenses	998	833
General and administrative expenses	<u>2,173</u>	<u>3,236</u>
Total operating expenses	<u>4,254</u>	<u>4,379</u>
Operating income	16,890	27,905
Results from associated companies at equity	(791)	
Financial expenses, net	(1,852)	(993)
Other income (expense), net	<u>10</u>	<u>(29)</u>
Income before taxes on income	14,257	26,883

Taxes on income	<u>412</u>	<u>5,712</u>
Net Income for the year	<u>13,845</u>	<u>21,171</u>
Attributable to:		
Equity holders of the Parent	<u>12,823</u>	<u>15,851</u>
Minority interest	<u>1,022</u>	<u>5,320</u>
	<u>13,845</u>	<u>21,171</u>
Basic and diluted earnings (loss) per share		
attributable to ordinary equity holders of the parent	<u>0.33</u>	<u>0.45</u>
Weighted average number of shares used in		
computing basic and diluted net earnings per share		
attributable to equity holders of the parent	<u>38,376,923</u>	<u>35,415,385</u>

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	15,755	14,258
Short-term deposits and short term securities	806	95
Short-term restricted cash	1,898	2,168
Trade receivables, net	13,326	23,438
Other accounts receivable	1,116	3,278
Inventories	41,002	37,661
	<u>73,903</u>	<u>80,898</u>
LONG TERM ASSETS		
Long-term restricted cash		744
Deferred tax assets	2,421	1,503
Deferred finance costs	679	830
Fixed assets	20,644	31,044
Investments in associated companies	9,192	
	<u>32,936</u>	<u>34,121</u>
TOTAL ASSETS	<u>106,839</u>	<u>115,019</u>

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

	December 31,	
	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	10,322	10,993
Short-term loans and current maturities	7,661	8,903
Trade payables	9,545	22,034
Related parties	6,080	1,066
Other accounts payable	12,230	13,373
	<u>45,838</u>	<u>56,369</u>
LONG-TERM LIABILITIES:		
Long-term loans	4,040	6,559
Deferred taxes	391	670
Accrued severance pay	422	294
	<u>4,853</u>	<u>7,523</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Ordinary shares of NIS 0.2 par value each:		
Authorized: 100,000,000 shares at December 31, 2006 and 2005; Issued and outstanding: 38,376,923 shares at December 31, 2006 and 2005	2,399	2,399
Additional paid-in capital	23,892	23,892
Currency translation differences	(131)	-
Retained earnings	28,233	16,911
	<u>54,393</u>	<u>43,202</u>
MINORITY INTEREST	1,755	7,925
Total Equity	<u>56,148</u>	<u>51,127</u>

TOTAL LIABILITIES AND EQUITY	<u>106,839</u>	<u>115,019</u>
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CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Net income	12,823	15,840
Adjustments required to reconcile net income to net cash provided by (used in) operating activities (a)	<u>1,993</u>	<u>(17,918)</u>
Net cash provided by (used in) operating activities	<u>14,816</u>	<u>(2,078)</u>
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(4,470)	(11,847)
Proceeds from sale of fixed assets		82
Investment in affiliated companies	(3,229)	
Short-term deposits, net	(711)	69
Deconsolidation of a subsidiary	(5,289)	
Restricted cash	<u>1,014</u>	<u>(669)</u>
Net cash used in investing activities	<u>(12,685)</u>	<u>(12,365)</u>
<u>Cash flows from financing activities:</u>		
Net proceeds from issuance of shares		16,855
Minority investment in a subsidiary	39	78
Proceeds from short and long-term loans	1,511	9,080
Repayment of short and long-term loans		(6,569)
Dividend paid to shareholders	(1,497)	
Short-term bank credit, net	<u>(687)</u>	<u>6,790</u>
Net cash provided by (used in) financing activities	<u>(634)</u>	<u>26,234</u>
Increase in cash and cash equivalents	1,497	11,791
Cash and cash equivalents at the beginning of the year	<u>14,258</u>	<u>2,467</u>
Cash and cash equivalents at the end of the year	<u>15,755</u>	<u>14,258</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
(a) <u>Adjustments required to reconcile net income to net cash provided by (used in) operating activities:</u>		
Income and expenses not involving cash flows:		
Minority interest	1,022	5,315
Depreciation	2,766	3,223
Accrued severance pay	129	105
Foreign exchange differences on short and long-term		

liabilities, net	683	(151)
Capital gains on sales of fixed assets		29
Deferred taxes	(787)	(833)
Amortization of Deferred finance costs		151
Losses of affiliated companies	596	-
	<u>4,409</u>	<u>7,835</u>
Changes in operating assets and liabilities:		
Decrease (increase) in related parties payables, net	5,014	(439)
Increase in trade receivables, net	10,112	(10,006)
Increase in other accounts receivable	905	(1,422)
Increase in inventory	(5,266)	(24,914)
Increase in trade payables	(12,489)	2,009
Increase in other accounts payable	(692)	9,019
	<u>(2,416)</u>	<u>(25,753)</u>
	<u>1,993</u>	<u>(17,918)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

a. Company description:

Metal-Tech Ltd., an Israeli corporation ("the Company") and its subsidiaries ("the Group") manufacture, process and market high purity and quality tungsten and Molybdenum oxide and powders. In addition, the Group is engaged in research and development in the fields of metallurgy, recycling and fuel conservation.

- b. The Group is currently dependent on two main suppliers for Molybdenum raw material one of which, in Uzbekistan has stopped supplying raw materials in July 2006 as a result of a major dispute. Both suppliers are minority shareholders in the Company's subsidiaries in Uzbekistan and in Mongolia. If either supplier should be unable or unwilling to continue to sell the Group raw materials in required volumes or on a timely basis, any resulting supply delays could result in the loss of sales, which could adversely affect operating results.

NOTE 2 – REVENUES BY GEOGRAPHICAL SECTOR

Revenues classified by geographical destinations based on the customer location:

	<u>2006</u>	<u>2005</u>
United States	24,691	27,809
China	17,768	18,744
Japan	21,215	50,523
Korea	23,317	1,200
Europe	18,082	15,778
Others	14,073	11,821
	<u>119,146</u>	<u>125,875</u>

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a historical cost basis except for derivative financial instruments which are measured at fair value.

a. Use of estimates:

The preparation of financial statements in accordance with IFRS requires estimates and assumptions by the management that affect the amounts and disclosures reported in the financial statements and the

Computers and peripheral equipment	20-33	Borrowing costs in respect of credit used to finance the acquisition of construction of property and equipment capitalized to the cost of such asset until the assets are ready for their intended use.
Office furniture and equipment	6-20	
Motor vehicles	15-20	

The carrying values of plant and equipment are reviewed for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is earlier). If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement in the cost of sales line item.

j. Revenue recognition:

The Group generates revenues mainly from selling tungsten and Molybdenum oxide and powders. The Company does not grant a right of return to its customers.

Revenues from tungsten and Molybdenum oxide and powders sales are recognized when the significant risks and benefits of ownership are transferred to the buyer, it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenues can be measured reliably.

k. Research and development:

Research and development costs are expensed to operations as incurred.

l. Income taxes:

The Company accounts for income taxes under the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities at enacted tax rates in effect in the year in which the differences are expected to reverse. Deferred tax assets in respect of carryforward losses and other temporary deductible differences are recognized to the extent that it is probable that they will be utilized.

m. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, short-term bank deposits, short-term restricted cash, trade receivables, other accounts receivable, short term bank credit, trade payables and other accounts payable approximate their fair value due to the short-term maturity of such instruments.

The carrying amounts of the Group's principal long-term loans approximate their fair value as the interest rates are variable.

The fair value of derivative instruments is based on current quotes from banks.

n. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short term deposits, short term and long term restricted cash and trade receivables.

Cash and cash equivalents are invested in U.S. dollars and in NIS with major banks in Israel. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

Trade receivables are mainly result from customers located in the Far East, Europe and the U.S. The Company performs ongoing credit evaluations of its customers and to date has not experienced any material losses.

o. Derivative instruments:

Derivative instruments are recognized as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging

relationship.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a forecasted transaction), the effective portion of the gain or loss on the derivative instrument is recognized directly in shareholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

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