

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Balance Sheet**As at 30 June 2007**

	As at 30 June 2007 (RM'000)	As at 30 June 2006 (RM'000) (Restated)
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	75,923	77,112
Prepaid Lease Rental	11,000	9,675
Investment in an Associate Company	35,435	35,267
Deferred Tax Assets	1,640	1,640
	<u>123,998</u>	<u>123,694</u>
CURRENT ASSETS		
Inventories	10,537	19,004
Trade receivables	19,201	36,715
Tax Refundable	1,062	1,063
Cash in Hand and at Banks	445	263
Other Debtors, Deposits and Prepayments	2,282	2,027
	<u>33,527</u>	<u>59,072</u>
TOTAL ASSETS	<u>157,524</u>	<u>182,766</u>
EQUITY AND LIABILITIES		
Share Capital	47,760	47,760
Share Premium	514	514
Negative Goodwill	-	2,674
Capital Reserve	1,154	-
Foreign Exchange Translation Reserves	194	907
Retained Profit / Accumulated Losses	(9,455)	(3,939)
TOTAL EQUITY	<u>40,168</u>	<u>47,916</u>
NON-CURRENT AND DEFERRED LIABILITIES		
Long Term Borrowings	17,132	18,160
CURRENT LIABILITIES		
Trade payables	14,255	26,464
Other payables and accruals	14,996	14,630
Amount owing to Directors	192	656
Short term borrowings	70,431	74,313
Hire purchase payables	350	625
	<u>100,224</u>	<u>116,689</u>
TOTAL LIABILITIES	117,356	134,849
TOTAL EQUITY AND LIABILITIES	<u>157,524</u>	<u>182,766</u>
Net assets per share based on number of shares in issue (RM)	0.8410	1.0033

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Income Statements**For the quarter ended 30 June 2007**

	FYE 2007 Current quarter ended 30-Jun-07 (RM'000)	FYE 2006 Comparative quarter ended 30-Jun-06 (RM'000) (Restated)	FYE 2007 Current cumulative 30-Jun-07 (RM'000)	FYE 2006 Comparative cumulative 30-Jun-06 (RM'000) (Restated)
Revenue	22,504	41,716	96,114	193,637
Cost of Sales	(23,785)	(37,253)	(94,142)	(179,483)
Gross Profit/(Loss)	(1,281)	4,463	1,972	14,154
Other income	683	(7)	805	83
Selling and distribution expenses	(88)	80	(279)	(509.6)
Administrative Expenses	(1,007)	(1,702)	(3,833)	(4,564)
Other operating expenses	(4,032)	-	(4,032)	-
Finance cost	(2,064)	(1,522)	(8,573)	(6,068)
Share of profit of associate	1,715	3,795	7,587	7,625
Profit/(Loss) before taxation	(6,061)	5,107	(6,528)	10,720
Taxation	(487)	(1,479)	(1,661)	(2,245)
Profit/(Loss) for the period	(6,547)	3,628	(8,189)	8,475
Basic earnings per ordinary share (RM)	(0.14)	0.08	(0.17)	0.18
Diluted earnings per ordinary share (sen)	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(The Condensed Consolidated Income Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Cash Flow Statement

For the quarter ended 30 June 2007

	FYE 2007 Cumulative Current period ended 30-Jun-07 (RM'000)	FYE 2006 Cumulative comparative period ended 30-Jun-06 (RM'000)
Cash Flow from operating activities		
Net Profit/(Loss) After Tax	(8,189)	1,572
Adjustments for non-cash flow:-		
Depreciation	5,290	1,225
Profit from disposal of Fixed Assets	(100)	
Reversal of scheduled waste treatment provision	-	(82)
Tax provision	1,661	199
Provision for bad debts	2,520	-
Interest expense	8,573	1,504
Share of Profits from Associated Company	(7,587)	(995)
Reversal of assets impairment	(273)	-
Operating Profit/(Loss) before changes in working capital	1,894	3,423
Changes in working capital		
(Increase)/Decrease in Inventories	8,467	70
Net change in other current assets	14,739	3,422
Net change in other current liabilities	(11,842)	(11)
Cash For Operations	13,258	6,904
Interest expense	(8,573)	(1,504)
Net Cash Flows From Operating Activities	4,685	5,400
Cash Flows From Investing Activities		
Purchase of plant and equipment	(5,571)	(1,065)
Disposal of fixed assets	1,674	-
Dividends received	5,045	-
Net Cash From Investing Activities	1,149	(1,065)
Cash Flows From Financing Activities		
Increase/(decrease) in bankers' acceptance / trust receipts	(993)	(1,266)
Additional/(repayment of) hire purchase obligations	(548)	(74)
Advances from / (Repayment to) Directors	(465)	11
Additional/(Repayment of) term loans	(2,062)	(2,939)
Net Cash From Financing Activities	(4,067)	(4,268)
Net Increase In Cash And Cash Equivalents	1,766	67
Cash And Cash Equivalents at Beginning Of The Financial Period	(6,833)	(3,353)
Cash And Cash Equivalents at End Of The Financial Period	(5,067)	(3,287)
Cash and Cash Equivalent (as per Balance Sheet)		
Cash and bank balances	445	2,841
Overdraft (Note 22)	(5,512)	(6,128)
	(5,067)	(3,287)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Changes in Equity
For the quarter ended 30 June 2007**

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Negative Goodwill RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Dividend Proposed RM'000	Total RM'000
Current period ended 30 June 2007								
Balance as at 30 June 2006	47,760	514	-	2,674	907	(3,940)	-	47,915
Adoption of FRS3				(2,674)		2,674		-
Adjusted Balance	47,760	514		-	907	(1,266)	-	47,915
Movements during the period/year	-	-	1,154	-	(713)	(8,189)	-	(7,747)
Dividend	-	-	-	-	-	-	-	-
Balance at end of period	47,760	514	1,154	-	194	(9,455)	-	40,167
Comparative period ended 30 June 2006								
Balance at beginning of year	47,760	514	-	2,674	95	(12,415)	-	38,628
Movements during the period/year	-	-	-	-	811	8,475	-	9,286
Dividend	-	-	-	-	-	-	-	-
Balance at end of period	47,760	514	-	2,674	907	(3,940)	-	47,915

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

1 Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2006.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 30 June 2006, save for the changes in accounting policies arising from the adoption of the new/revised Financial Reporting Standards (“FRS”) as disclosed in paragraph 2 below.

2. Adoption of revised financial reporting standards

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new/revised FRS effective for financial statements commencing 1 July 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets

The adoption of the FRS mentioned above does not have any significant financial impact on the Group except that the adoption of FRS 3 has resulted in the de-recognition of the negative goodwill of RM2,674,000 in the opening retained profits.

3. Qualification of Accounts

There were no qualifications in the audited financial statements for the period ended 30 June 2006.

4 Seasonal or cyclical factors

The Group’s operations in manufacturing and sale of lead and lead alloys are not materially affected by any seasonal or cyclical factors.

The principal activities of the associate, Nutek Pte. Ltd., incorporated in Singapore, have been those relating to the design, fabrication and sales of industrial machinery and equipment. Its revenue is directly or indirectly related to capital expenditure of the electronics and

semiconductor industries that may be affected by general economic conditions and industry patterns.

5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows.

6 Change in estimates

There were no changes in estimates reported in previous financial year, which would have a material effect in the current financial year to-date.

7 Debt and equity securities

There were no issuance or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

8 Dividend paid

No dividend was paid in the current financial period.

9 Segment information

Business Segments

	Lead and Lead Alloys (RM'000)	Industrial Machinery And Equipment (RM'000)	Total (RM'000)
Revenue	96,114		96,114
Profit/(Loss) Before Tax	(14,115)	7,587	(6,528)

Geographical Segment

	Malaysia (RM'000)	Singapore (RM'000)	Total (RM'000)
Turnover	96,114		96,114
Profit/(Loss) Before Tax	(14,115)	7,587	(6,528)

10 Valuations of Property, Plant and Equipment

The Group has not brought forward valuation of its property, plant and equipment.

11 Material subsequent events

There were no material events subsequent to the end of the current financial quarter that has not been reflected in the financial statements for the said period.

12 Changes in composition of the Group

There were no changes in the composition of the Group during the current financial period.

13 Changes in contingent liabilities

There were no contingent liabilities as at 25 August 2007, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

14 Review of performance for the quarter

- a) The lead price per tonne quoted at the London Metal Exchange (LME) in the June 2007 quarter averaged US\$2,175.86, which represented an increase of 21.88% when compared with the average of US\$1,785.31 recorded in the March 2007 quarter. In Ringgit terms, the increase was RM1,220.00, moving the average lead price to RM7,531.97 from RM6,311.96 per tonne.
- b) The average price of US\$2,175.86 per tonne in the current June quarter was 103.22% higher than the average price of US\$1,070.70 recorded for the previous financial year ended 30 June 2006.
- c) The average price per tonne in the June 2007 quarter was 97.74% (or US\$1,075.48) higher than the average price of US\$1,100.38 recorded in the previous June 2006 quarter. In Ringgit terms, after taking into account the strengthened foreign exchange rate, the average price of RM7,531.97 per tonne in the current June 2007 quarter was 86.10% (or RM3,484.62) higher than the average price of RM4,047.35 recorded in the June 2006 quarter.
- d) The Group recorded a Turnover of RM22.5 million for the current quarter and a total of RM96.1 million for the current financial year. After deducting the Cost of Sales of RM23.8 million and RM94.1 million respectively, the Group recorded a quarter Gross Loss of RM1.2 million and an annual Gross Profit of RM1.9 million.
- e) The Group has made a provision for doubtful debts of RM2.5 million and provision for slag disposal costs of RM1.4 million in the current June quarter.
- f) In keeping with the Group's policy to conduct a review of the valuation of its properties once in every five years, a valuation review was conducted on a subsidiary's leasehold land (Metal Reclamation (Industries) Sdn Bhd). The review resulted in the recognition of a revaluation surplus of RM273,000 in the current quarter.
- g) As indicated in the previous quarterly announcement, the Plant has been shut down since June 2007 to facilitate the installation of a new stainless steel dust filtration unit which will increase filtration capacity by 30% and achieving a higher feeding rate and resultant higher output for the plant. The Group took opportunity of the downtime to reschedule and bring forward its regular maintenance of the Plant. As a consequence of the downtime since June 2007 and the provisions above, the Group's lead refining operations recorded a pre-tax loss of RM7.78 million for the quarter.
- h) The Group's associate company in Singapore, Nutek Pte Ltd, contributed pre-tax and post-tax profits of RM1.71 million and RM1.22 million respectively to the current June quarter.
- i) Largely reflecting the lost productivity caused by the extended downtime and the need to make increased provisioning, the Group generated a loss of RM6.54 million and RM8.19 million for the current quarter and financial year respectively.

15 Variance of results against preceding quarter

The current quarter recorded a Loss After Tax of RM6.54 million compared to a Profit After Tax of RM1.5 million in the March 2007 quarter.

16 Current year prospects

On the resumption of the plant's operations, the Management foresees an increase in output to cater for the expected higher demand of the Group's products, which currently is being undersupplied. Now that the Group's plans to broaden and strengthen its financial structure have been finalised, as discussed under "corporate proposal" in section 21 below, the Group

can also look forward to a resumption of its trading of lead activities which the substantially improved working capital base can provide.

17 Profit forecast

Not applicable as no profit forecast was published.

18 Tax expense

There were no provisions for taxation for the Group's core business of manufacturing and trading of lead and lead alloy in the current financial quarter.

The Group has made a tax provision of RM487,000.00 on the share of profits from its associate company in the current quarter.

19 Unquoted investments and properties

Investment in Nutek Pte. Ltd., Singapore	RM'000
Cost of Investment in Associated Company	(a) 25,504
Shares of post-acquisition profits b/f	8,856
Current period share of net profits	5,926
Dividend received (net)	(5,045)
Shares of post-acquisition profits c/f	(b) 9,737
Foreign Exchange Translation Reserve	(c) 194
Total	(a) + (b) + (c) <u>35,435</u>
Represented by:	
Share of net assets of the associate company	23,694
Goodwill on acquisition	<u>11,741</u>
	<u>35,435</u>

20 Quoted investments

There were no purchases or disposals of quoted securities in the current financial period.

21 Status of corporate proposal announced

On 12 December 2005, the Company proposed to undertake a private placement of up to 4,776,000 of its new shares ("Private Placement") representing not more than 10% of its issued and paid-up share capital as at 15 November 2005.

On 21 December 2005, the Company was granted the approval for the proposed private placement by the Securities Commission. On 20 January 2006, the company obtained the approval of Bursa Malaysia Securities Berhad for the listing of the proposed private placement of new shares. When the approval lapsed on 20 June 2006, the Management announced that it would seek fresh approval for the proposed Private Placement.

On 23 March 2007, the Company announced a new proposal involving the proposed:

- a) private placement of new shares of up to ten percent (10%) of the Company's issued and paid-up share capital ("Proposed Placement"); and
- b) issuance of up to 25,000,000 warrants in the Company to the South East Asian Strategic Assets Fund L.P. ("SEASAF") in conjunction with the provision of credit

facilities of up to the USD equivalent of RM50 million by SEASAF to a company to be set-up and wholly owned by the Company (“Proposed Warrants”).

On 22 June and subsequently on 22 August, the Company announced that the above proposals were being finalized and the Company would submit the application to the relevant authorities for their approvals in due course.

22 Borrowings

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term borrowings			
Bankers' Acceptance	29,183	28,003	57,186
Trust Receipts	-	-	-
Bank Overdrafts	2,440	3,072	5,512
Revolving Credit	-	2,000	2,000
Term Loans payable within 12 months	4,489	1,245	5,734
Hire Purchase payable within 12 months	350	-	350
	<u>36,462</u>	<u>34,319</u>	<u>70,781</u>
Long Term borrowings			
Term loans	16,868	-	16,868
Hire purchase payables	264	-	264
	<u>17,132</u>	<u>-</u>	<u>17,132</u>

23 Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 25 August 2007, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

24 Changes in material litigation

There were no significant developments in material litigation since the quarterly report for the period ended 30 June 2006.

25 Dividend

The Board of Directors does not recommend any dividend payment for the current financial period.

26 Basic earnings per share

	<u>Current quarter</u>	<u>Year to-date</u>
Basic (Loss)/Earnings per share (RM)	<u>(0.14)</u>	<u>(0.17)</u>

The Company does not have any dilution of its earnings per share. Accordingly, no diluted earnings per share are presented.

On behalf of the Board

LIM SHENG SEAW @ LIM CHENG FIE
30 August 2007