

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

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

	As at 30 September 2007 (RM'000)	As at 30 June 2007 (RM'000)
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	75,883	75,923
Prepaid Lease Rental	10,972	11,000
Investment in an Associate Company	34,456	35,639
Deferred Tax Assets	1,384	1,384
	<u>122,695</u>	<u>123,946</u>
CURRENT ASSETS		
Inventories	9,307	10,252
Trade receivables	10,745	19,090
Tax Refundable	1,062	1,062
Cash in Hand and at Banks	1,142	445
Other Debtors, Deposits and Prepayments	4,481	2,282
	<u>26,737</u>	<u>33,130</u>
TOTAL ASSETS	<u>149,432</u>	<u>157,075</u>
EQUITY AND LIABILITIES		
Share Capital	47,760	47,760
Share Premium	514	514
Capital Reserve	659	659
Foreign Exchange Translation Reserves	843	191
Retained Profit / Accumulated Losses	(11,885)	(9,646)
TOTAL EQUITY	<u>37,891</u>	<u>39,477</u>
NON-CURRENT AND DEFEERED LIABILITIES		
Long Term Borrowings	17,117	17,132
CURRENT LIABILITIES		
Trade payables	9,617	14,090
Other payables and accruals	16,899	15,404
Amount owing to Directors	26	192
Short term borrowings	67,531	70,431
Hire purchase payables	350	350
	<u>94,423</u>	<u>100,466</u>
TOTAL LIABILITIES	111,541	117,598
TOTAL EQUITY AND LIABILITIES	<u>149,432</u>	<u>157,075</u>
Net assets per share based on number of shares in issue (RM)	0.7934	0.8266

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

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

	FYE 2008 Current quarter ended 30-Sep-07 (RM'000)	FYE 2007 Comparative quarter ended 30-Sep-06 (RM'000)	FYE 2008 Current cumulative 30-Sep-07 (RM'000)	FYE 2007 Comparative cumulative 30-Sep-06 (RM'000)
Revenue	<u>14,470</u>	<u>29,843</u>	<u>14,470</u>	<u>29,843</u>
Cost of Sales	<u>(14,764)</u>	<u>(27,800)</u>	<u>(14,764)</u>	<u>(27,800)</u>
Gross Profit/(Loss)	(294)	2,044	(294)	2,044
Other income	17	19	17	19
Selling and distribution expenses	(11)	(45)	(11)	(45)
Administrative Expenses	(951)	(956)	(951)	(956)
Other operating expenses	-	-	-	-
Finance cost	(2,341)	(2,325)	(2,341)	(2,325)
Share of profit of associate	1,685	1,916	1,685	1,916
Profit/(Loss) before taxation	<u>(1,896)</u>	<u>653</u>	<u>(1,896)</u>	<u>653</u>
Taxation	(337)	(383)	(337)	(383)
Profit/(Loss) for the period	<u>(2,233)</u>	<u>270</u>	<u>(2,233)</u>	<u>270</u>
Basic earnings per ordinary share (RM)	<u>(0.0468)</u>	<u>0.0057</u>	<u>(0.0468)</u>	<u>0.0057</u>
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 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Cash Flow Statement

For the quarter ended 30 September 2007

	FYE 2008 Cumulative Current period ended 30-Sep-07 (RM'000)	FYE 2007 Cumulative comparative period ended 30-Sep-06 (RM'000)
Cash Flow from operating activities		
Net Profit/(Loss) After Tax	(2,233)	270
Adjustments for non-cash flow:-		
Depreciation	1,201	1,327
Tax provision	337	383
Interest expense	2,370	2,325
Share of Profits from Associated Company	(1,684)	(1,916)
Reversal of assets impairment	-	-
Operating Profit/(Loss) before changes in working capital	(9)	2,389
Changes in working capital		
(Increase)/Decrease in Inventories	944	2,592
Net change in other current assets	5,847	9,808
Net change in other current liabilities	(2,686)	(6,681)
Cash For Operations	4,095	8,107
Interest expense	(2,370)	(2,325)
Net Cash Flows From Operating Activities	1,726	5,782
Cash Flows From Investing Activities		
Purchase of plant and equipment	(1,134)	(298)
Dividends received	3,183	2,463
Net Cash From Investing Activities	2,049	2,165
Cash Flows From Financing Activities		
Increase/(decrease) in bankers' acceptance / trust receipts	(3,155)	(1,990)
Additional/(repayment of) hire purchase obligations	(113)	(22)
Advances from / (Repayment to) Directors	(165)	23
Additional/(Repayment of) term loans	821	(1,229)
Net Cash From Financing Activities	(2,612)	(3,217)
Net Increase In Cash And Cash Equivalents	1,163	4,730
Cash And Cash Equivalents at Beginning Of The Financial Period	(5,067)	(6,833)
Cash And Cash Equivalents at End Of The Financial Period	(3,904)	(2,103)
Cash and Cash Equivalent (as per Balance Sheet)		
Cash and bank balances	1,142	4,147
Overdraft (Note 22)	(5,045)	(6,250)
	(3,904)	(2,103)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Changes in Equity
For the quarter ended 30 September 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 September 2007								
Balance as at 30 June 2007	47,760	514	658	-	190	(9,648)	-	39,474
Adoption of FRS3				-		-		-
Adjusted Balance	47,760	514	658	-	190	(9,648)	-	39,474
Movements during the period/year	-	-	-	-	653	(2,234)	-	(1,581)
Dividend	-	-	-	-	-	-	-	-
Balance at end of period	47,760	514	658	-	843	(11,882)	-	37,893
Comparative period ended 30 September 2006								
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	-	-	-	-	356	270	-	626
Dividend	-	-	-	-	-	-	-	-
Balance at end of period	47,760	514	-	-	1,263	(996)	-	48,541

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

Metal Reclamation Bhd (424773-V)
(Incorporated in Malaysia)

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 2007. 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 2007.

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 2007, 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. Qualification of Accounts

There were no qualifications in the audited financial statements for the period ended 30 June 2007.

3 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.

4 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.

5 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.

6 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.

7 Dividend paid

No dividend was paid in the current financial period.

8 Segment information

Business Segments

	Lead and Lead Alloys (RM'000)	Industrial Machinery And Equipment (RM'000)	Total (RM'000)
Revenue	14,470		14,470
Profit/(Loss) Before Tax	(3,581)	1,685	(1,896)

Geographical Segment

	Malaysia (RM'000)	Singapore (RM'000)	Total (RM'000)
Turnover	14,470		14,470
Profit/(Loss) Before Tax	(3,581)	1,685	(1,896)

9 Valuations of Property, Plant and Equipment

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

10 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.

11 Changes in composition of the Group

The Company incorporated a wholly owned subsidiary, Metal Reclamation Labuan ("MRL") under the Offshore Companies Act, 1990, Malaysia on 14 September 2007. The authorized and paid-up capital of MRL is US\$12,000.00 and US\$1.00 respectively.

12 Changes in contingent liabilities

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

13 Review of performance for the quarter

- The lead price per tonne quoted at the London Metal Exchange (LME) in the September 2007 quarter averaged US\$3,143.18, which represented an increase of 44.46% when compared with the average of US\$2,175.86 recorded in the June 2007 quarter. In Ringgit terms, the increase was RM3,463.61 moving the average lead price to RM10,995.57 from RM7,531.97 per tonne.
- The average price of US\$3,143.18 per tonne in the current September quarter was 85.50% higher than the average price of US\$1,694.46 recorded for the previous financial year ended 30 June 2007.
- The average price per tonne in the September 2007 quarter was 164.21% (or US\$1,953.55) higher than the average price of US\$1,189.63 recorded in the previous September 2006 quarter. In Ringgit terms, after taking into account the strengthened foreign exchange rate, the average price of RM10,995.57 per tonne in the current September 2007 quarter was 151.68% (or RM6,626.78) higher than the average price of RM4,368.8 recorded in the September 2006 quarter.
- The Group recorded a Turnover of RM14.4 million for the current quarter. After deducting the Cost of Sales of RM14.7 million, the Group recorded a quarter Gross Loss of RM0.29 million.

- e) 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 feed rate and resultant higher output for the plant. The Management has also made good use of the time afforded by this shutdown to bring forward its preventive maintenance programs for other support equipment. The installation was completed in October 2007. As a consequence of the downtime, the Group's lead refining operations recorded a loss of RM3.58 million for the September quarter.
- f) The Group's associate company in Singapore, Nutek Pte Ltd, contributed pre-tax and post-tax profits of RM1.68 million and RM1.35 million respectively to the current September quarter.
- g) Overall, the Group generated a loss of RM2.233 million for the current quarter.

14 Variance of results against preceding quarter

The current quarter recorded a Loss After Tax of RM2.233 million compared to a Loss After Tax of RM6.54 million in the June 2007 quarter.

15 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.

16 Profit forecast

Not applicable as no profit forecast was published.

17 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 RM337,000.00 on the share of profits from its associate company in the current quarter.

18 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	6,134
Dividend received (net)	(5,045)
Shares of post-acquisition profits c/f	(b) 9,944
Foreign Exchange Translation Reserve	(c) 191
Total	(a) + (b) + (c) <u>35,639</u>
Represented by:	
Share of net assets of the associate company	23,898
Goodwill on acquisition	<u>11,741</u>
	<u>35,639</u>

19 Quoted investments

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

20 Status of corporate proposal announced

On 23 March 2007, the Company announced a 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 26 September 2007, CIMB on the Company's behalf announced that in conjunction with the Proposed Warrants Issuance, a Facility Agreement was entered into by MRL, the Company, SEASAF, SEASAGP, CIMB Bank (L) Limited and CIMB, whereby SEASAF shall provide a credit facility of up to RM50 million (equivalent in US\$) to MRL.

On the same date, it was also announced that the exercise price of the Warrants be revised from RM1.26 per Share (as announced on 23 March 2007) to RM1.06 per Share.

On 5 November 2007, CIMB on the Company's behalf announced that Bank Negara Malaysia (Controller of Foreign Exchange) had, via its letter dated 31 October 2007, approved the issuance of up to 25,000,000 Warrants to SEASAF under the Proposed Warrants Issuance.

On 14 November 2007, CIMB on the Company's behalf announced that the SC and the SC (Equity Compliance Unit) under the FIC Guidelines had, via its letter dated 13 November 2007, approved the Proposals and the listing of and quotation for the Placement Shares on the Second Board of Bursa Securities, subject to the following conditions:

- (i) The Company/CIMB to fully comply with the relevant provisions in Guidance Note 8C and other relevant requirements of the Policies and Guidelines on Issue/Offer of Securities in implementing the Proposed Placement and Proposed Warrants Issuance;
- (ii) The Company is to increase its Bumiputera equity to 30% (representing 9,090,000 new Shares) within two (2) years from the date of implementation of the issuance of the Warrants under the Proposed Warrants Issuance. The Shares to be offered to Bumiputera investors for the purpose of complying with the condition should be approved by the MITI; and
- (iii) The Company should inform the SC upon completion of the Proposals.

21 Borrowings

	Secured	Unsecured	Total
	RM'000	RM'000	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

Secured	Unsecured	Total
17,132	-	17,132

22 Off balance sheet financial instruments

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

23 Material litigation

Save as disclosed below, as at 25 November 2007, our Board confirms that neither our Company nor any of our subsidiaries is engaged in any other material litigation, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Company or any of our subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position and business of our Company or any of our subsidiaries:

- (i) Ipoh High Court Suit No : 22-164-2005
 Plaintiff : MRI
 Defendants : Heracell Battery Sdn Bhd (“Heracell”) and Lee Wan Hyung

MRI has filed a Writ of Summons against Heracell and Lee Wan Hyung as the guarantor for the sum of RM675,326.98 owing and due for the claim of goods sold and delivered by MRI to Heracell.

A Judgment in Default was entered against the 1st and 2nd defendant dated 24 November 2005. A statutory notice pursuant to Section 218 of the Act (“**Section 218 Notice**”) was issued against Heracell. On 14 February 2007, a fresh Section 218 Notice was served on Heracell as the first Section 218 Notice was defective.

The Company has instructed the Solicitors to initiate the winding-up proceeding against Heracell as Heracell has yet to settle the judgment sum obtained in the High Court of Ipoh in respect of goods sold and delivered to Heracell after the service of Section 218 Notice on them. The Company also instructed the Solicitors to initiate the bankruptcy proceeding against Lee Wan Hyung, the guarantor of the Company.

- (ii) Shah Alam High Court Suit No : MT3-22-597-2006
 Plaintiff : MRI
 Defendants : ABI Malaysia Sdn Bhd (“ABI”)

MRI has filed as suit on 7 June 2006 to recover the sum of RM857,992.37 for goods sold and delivered to ABI. ABI has filed a defence and counterclaim for general damages in respect of purported supply of defective goods by MRI. MRI had filed a reply and a defence to the counterclaim on 27 November 2006.

On 30 January 2007, ABI gave a notice pursuant to Section 260(2) of the Act for the meeting of creditors at which the resolution for the voluntary winding-up of ABI is to be proposed.

The creditors’ meeting was held on 15 February 2007 whereby Mohd Anwar bin Yahya of PricewaterhouseCoopers was appointed as the liquidator of ABI. A list of creditors prepared revealed that there are approximately 152 creditors with debts amounting to RM191,367,919.75.

The solicitors for ABI wrote on 16 March 2007 and are of the view that MRI would have to procure the leave of the High Court pursuant to Section 263(2) of the Act to continue with the present proceedings.

Mr. Jasbeer Singh of PricewaterhouseCoopers is currently the liquidator of ABI after the resignation of Mohd Anwar Yahya. He has entered into a sale and purchase agreement on behalf of ABI and in his capacity as a liquidator with a Korean Company on 08.10.2007 for the sale of ABI's assets. The Korean Company has agreed to purchase ABI's assets with a purchase consideration of RM22.3million. The completion date of this sale and purchase agreement will be 3 months plus 1 month from 08.10.2007.

24 Dividend

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

25 Basic earnings per share

	<u>Current quarter</u>	<u>Year to-date</u>
Basic (Loss)/Earnings per share (RM)	(0.0468)	(0.0468)

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 November 2007