



FOR IMMEDIATE RELEASE

September 02, 2014

ALLOY STEEL INTERNATIONAL REPORTS THIRD QUARTER RESULTS

Perth, Australia, September 02, 2014 – Alloy Steel International, Inc. (OTC: AYSI) (“Alloy Steel” or “Company”) the manufacturer of Arcoplate and provider of anti-wear and hang-up solutions to the mining and bulk materials industries, based in Perth, Western Australia, today reported results for its third quarter ended June 30, 2014.

For the three months to June 30, 2014 the AYSI achieved a Net Income attributable to stockholders of \$377,898, or 2.2¢ per share, which result was well down on the comparative quarter result of 14.8¢ per share. This result reflects a 33% decline in sales, driven primarily by the drop off in mining activity, a 14% decline in gross margin resulting from the recognition in the current quarter of volume rebates prospectively payable, and a swing from exchange profits to losses equivalents to 5.4¢ per share.

For the nine months to June 30, 2014 the AYSI achieved a Net Income attributable to stockholders of \$2,876,684, or 16.6¢ per share, which result was well down on the comparative nine month result of 23.6¢ per share. This result reflects a decline in sales volumes of 10%, driven primarily by the drop off in mining activity, increase in admin expenses and a swing from exchange profits to losses equivalents to 5.1¢ per share.

PRIOR PERIOD ADJUSTMENT – Financial Year ended September 30, 2013

Subsequent to the end of the 2013 financial year, a customer achieved offtake milestones that qualified it for an annual volume rebate payable following the anniversary of a supply contract on March 26, 2014. The portion of the annual volume rebate relating to sales up to September 30, 2013 has now been recognised as a prior period adjustment.

The effect of recognizing this rebate is a reduction in Net Income of \$546,734 for the financial year ended September 30, 2013 with a corresponding reduction in net assets. Basic and diluted income per common share has reduced from 32¢ to 28¢.

Details of amendments to balances and results relating to the 2013 comparative year are disclosed in Appendix I.

EXCHANGE RATE MOVEMENTS

Predominantly all operations of Alloy Steel International are conducted by the Australian subsidiary, and therefore, the majority of the amounts reported are initially recorded in Australian dollars by the subsidiary. The value of the Australian dollar compared to the US dollar has been volatile over the reporting period, and therefore the exchange rate movement continues to have a noticeable impact upon the value reported by the Company.

ENQUIRIES

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ALLOY STEEL INTERNATIONAL, INC.

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ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
June 30, 2014 and September 30, 2013

	June 2014 (unaudited)	September 2013 (Restated)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,933,088	\$ 8,780,660
Accounts receivable, less allowance for doubtful accounts of \$nil at June, 2014 and September 30, 2013	6,417,891	4,164,441
Inventories	6,027,576	3,195,563
Prepaid expenses and other current assets	201,516	741,430
TOTAL CURRENT ASSETS	18,580,071	16,882,094
PROPERTY AND EQUIPMENT, net	10,718,023	10,128,639
OTHER ASSETS		
Deferred tax assets	364,293	654,300
Other assets	17,863	17,863
Total other assets	382,156	672,163
TOTAL ASSETS	\$ 29,680,250	\$ 27,682,896
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 143,893	\$ 166,692
Accounts payable	2,680,566	1,100,446
Royalties payable, related party	173,084	167,618
Current tax payable	552,336	1,472,612
Accrued payroll and related costs	546,850	710,218
Other accrued liabilities	644,963	2,173,588
TOTAL CURRENT LIABILITIES	4,741,692	5,791,174
LONG-TERM LIABILITIES		
Notes payable, less current portion	76,343	182,512
Deferred tax liabilities	199,154	245,083
Other liabilities	34,217	57,969
TOTAL LONG-TERM LIABILITIES	309,714	485,564
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stock: \$0.01 par value; authorized 3,000,000 shares; issued and outstanding – none	-	-
Common Stock: \$0.01 par value; authorized 50,000,000 shares; 17,350,000 issued and outstanding	173,500	173,500
Capital in excess of par value	1,769,382	1,769,382
Retained earnings	21,426,064	18,549,380
Accumulated other comprehensive income	1,289,104	940,735
Total Alloy Steel International, Inc. Shareholders equity	24,658,050	21,432,997
Non controlling interest	(29,206)	(26,839)
TOTAL STOCKHOLDERS' EQUITY	24,628,844	21,406,158
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 29,680,250	\$ 27,682,896

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Quarters Ended June 30, 2014 and 2013

	Three Months Ended		Nine Months Ended	
	June 30	June 30	June 30	June 30
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$ 6,207,823	\$ 9,282,635	\$ 19,058,290	\$ 21,213,273
Cost of Sales	(4,182,285)	(4,939,696)	(10,006,011)	(11,736,980)
Gross Profit	2,025,538	4,342,939	9,052,279	9,476,293
Operating Expenses				
Selling, general and administrative Expenses	(1,042,653)	(1,462,465)	(4,629,168)	(4,271,847)
Profit (Loss) From Operations	982,885	2,880,474	4,423,111	5,204,446
Other Income (Expense)				
Interest income	16,374	10,200	66,752	25,293
Interest expense	(4,382)	(8,434)	(19,215)	(31,348)
Sundry income (Expense)	18,824	69,023	53,540	69,023
Realised foreign exchange profit (loss)	(58,277)	80,510	(72,241)	49,255
Unrealised foreign exchange profit (loss)	(118,168)	676,313	(64,754)	692,037
	(145,629)	827,612	(35,918)	804,260
Income (Loss) Before Income Tax (Expense) Benefit	837,256	3,708,086	4,387,193	6,008,706
Income tax (expense) benefit	(459,820)	(1,136,683)	(1,512,876)	(1,917,745)
Net Income (Loss)	377,436	2,571,403	2,874,317	4,090,961
Net (income) loss attributable to non-controlling interests	462	-	2,367	1,100
Net Income (Loss) Attributable to Stockholders	\$ 377,898	\$ 2,571,403	\$ 2,876,684	\$ 4,092,061
Basic Income (Loss) and Diluted Income (Loss) per Common Share	\$ 0.022	\$ 0.148	\$ 0.166	\$ 0.236
Weighted Average Common Shares Used in computing basic and diluted income (loss) per share	17,350,000	17,350,000	17,350,000	17,350,000

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF SHAREHOLDER EQUITY
For the nine months ended June 30, 2014

	Common Stock Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Non Controlling Interest	Total Stockholders' Equity
Balances, September 30, 2013 (restated)	17,350,000	\$173,500	\$1,769,382	\$18,549,380	\$940,735	\$(26,839)	\$21,406,158
Net Income attributable to stockholders	-	-	-	2,876,684	-	(2,367)	2,874,317
Other comprehensive income	-	-	-	-	348,369	-	348,369
Balances, June 30, 2014	17,350,000	\$173,500	\$1,769,382	\$21,426,064	\$1,289,104	\$(29,206)	\$24,628,844

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2014 and 2013

	June-14	June-13
Cash Flows From Operating Activities		
Net income	\$ 2,876,684	\$ 4,092,061
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation and amortisation	806,784	799,062
Write off of Assets	200,822	1,066,758
Loss attributable to non controlling interest	2,367	1,100
<i>Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities:</i>		
Accounts receivable	(2,253,451)	3,009
Inventories	(2,832,013)	2,191,321
Prepaid expenses and other current assets	539,914	190,564
Accounts payable and other current liabilities	(130,159)	49,978
Income taxes payable	(676,198)	613,184
Net Cash Provided by (Used in) Operating Activities	<u>(1,465,250)</u>	<u>9,007,037</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,517,414)	(619,708)
Proceeds on sale of property, plant and equipment	-	-
Net Cash Provided by (Used in) Investing Activities	<u>(1,517,414)</u>	<u>(619,708)</u>
Cash Flows From Financing Activities		
Repayments on notes and loans payable	(128,967)	(238,270)
Net Cash Provided by (Used in) Financing Activities	<u>(128,967)</u>	<u>(238,270)</u>
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	<u>264,059</u>	<u>(2,811,978)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,847,572)	5,337,081
Cash and Cash Equivalents at Beginning of Period	8,780,660	(60,666)
Cash and Cash Equivalents at End of Period	<u>\$ 5,933,088</u>	<u>\$ 5,276,415</u>

APPENDIX 1

PRIOR PERIOD ADJUSTMENT

The effect of the prior period adjustment is detailed in the following table:

	Original Balance	Amount of Adjustment	Adjusted Balance
Consolidated Balance Sheet			
Deferred tax asset	435,164	219,136	654,300
Other accrued liabilities	1,443,134	730,454	2,173,588
Retained earnings	19,096,114	(546,734)	18,549,380
Accumulated other comprehensive income	905,319	35,416	940,735
Consolidated Statement of Operations			
Sales	28,759,998	(781,049)	27,978,949
Gross Profit	13,902,201	(781,049)	13,121,152
Profit (Loss) From Operations	7,122,752	(781,049)	6,341,703
Income (Loss) Before Income Tax (Expense) Benefit	7,780,427	(781,049)	6,999,378
Income tax (expense) benefits	(2,330,358)	234,315	(2,096,043)
Net Income (Loss)	5,450,069	(546,734)	4,903,335
Net Income (Loss) Attributable to Stockholders	5,451,477	(546,734)	4,904,743
Basic Income (Loss) and Diluted Income (Loss) per Common Share	0.32	(0.04)	0.28
Consolidated Statement of Comprehensive Income			
Net Income	5,450,069	(546,734)	4,903,335
Foreign currency translation adjustment	(2,401,369)	35,416	(2,365,953)
Total Other Comprehensive Income	(2,401,369)	35,416	(2,365,953)
Total Comprehensive Income	3,048,700	(511,318)	2,537,382
Total comprehensive income attributable to Parent entity	3,050,108	(511,318)	2,538,790
Consolidated Statement of Stockholders' Equity			
Retained earnings	19,096,114	(546,734)	18,549,380
Other comprehensive income	905,319	35,416	940,735
Consolidated Statement of Cash Flows			
No changes			

About Alloy Steel International, Inc

Alloy Steel International manufactures and distributes Arcoplate, a market leading wear-resistant alloy overlay wear plate. In mining processing industries, wear is the primary cause of down time, the period of time where machinery is not in operation because of the necessity of repairs or refurbishment. The Arcoplate product line substantially lowers down time, carry-back and the resulting lost production. Arcoplate is widely accepted in the mining and mineral processing industries to protect a host of fixed plant and mobile equipment applications. Alloy Steel International boasts major mining companies as its clients and services the global market place from its Australian manufacturing facilities.