



**FOR IMMEDIATE RELEASE**

**August 18, 2016**

**ALLOY STEEL INTERNATIONAL REPORTS 2016FY THIRD QUARTER RESULTS**

**Perth, Australia, Alloy Steel International, Inc. (OTC: AYSI) (“Alloy Steel” or “the Company”)** the manufacturer of Arcoplate and provider of equipment wear protection and enhanced material handling solutions to the mining and mineral processing industries, today reported results for its third quarter 2016 financial year ended June 30, 2016.

**About Alloy Steel**

Alloy Steel manufactures and distributes Arcoplate, a technically superior and market leading ‘alloy overlay’ wear plate, servicing the global market place from its modern manufacturing facilities in Perth, Australia. Arcoplate is used throughout the mining and materials processing industries, from opportunistic one-off specialty applications in small companies to large relationship based repeat business applications with leading international companies.

Arcoplate provides users with superior wear protection due to its premium alloy mix, its high ratio of carbide rich alloy and its unique manner of manufacture. The product’s technical superiority combined with its unbeatable ‘whole-of-life’ cost has resulted in Arcoplate’s wide acceptance in the mining and mineral processing industries to reduce wear in a host of fixed plant and mobile equipment applications.

In mining and materials processing industries, where premature equipment wear is the primary cause of downtime, to undertake repairs or refurbishment, Arcoplate can provide users with significant profit improvement. Arcoplate can substantially lower equipment downtime, resulting in higher production, whilst also lowering the overall cost of wear protection.

Furthermore, in applications where material ‘hang-up’ or ‘carry-back’ are also a significant cause of lost production, such as sticky materials that do not discharge freely from truck trays, buckets and chutes, Arcoplate’s unique characteristic of polishing to a very low friction factor has the potential to virtually eliminate these problems, whilst simultaneously providing enhanced equipment wear life.

**ENQUIRIES**

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Manufactured in Australia  
Used the World Over

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**ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEETS**  
**June 30, 2016 and September 30, 2015**

	June 2016 (unaudited) US\$	September 2015 (audited) US\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	14,007,627	12,025,603
Accounts receivable, less allowance for doubtful accounts of \$55,860 at June 30, 2016 and \$nil at September 30, 2015	2,416,207	3,023,770
Inventories	3,827,324	4,440,622
Prepaid expenses and other current assets	501,238	364,730
Land and building held for sale	4,198,405	4,000,000
Total Current Assets	24,950,801	23,854,725
<b>Property and Equipment, net</b>	1,932,343	2,087,358
<b>Other Assets</b>		
Deferred tax assets	555,489	451,149
Other assets	17,863	17,863
Total Other Assets	573,352	469,012
<b>Total Assets</b>	\$27,456,496	\$26,411,095
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable, current portion	22,422	36,825
Accounts payable	522,213	1,136,234
Royalties payable, related party	76,578	121,432
Current tax payable	294,376	1,082,527
Accrued payroll and related costs	489,176	435,789
Other accrued liabilities	25,632	24,079
Total Current Liabilities	1,430,397	2,836,886
<b>Long-Term Liabilities</b>		
Notes payable, less current portion	-	11,609
Deferred tax liabilities	113,222	192,622
Other liabilities	51,345	36,833
Total Long-Term Liabilities	164,567	241,064
<b>Stockholders' Equity</b>		
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	29,388,113	28,348,432
Accumulated foreign exchange losses	(5,447,746)	(6,923,649)
Total Equity before minority interests	25,883,249	23,367,665
Minority interests	(21,717)	(34,520)
Total Stockholders' Equity	25,861,532	23,333,145
<b>Total Liabilities and Stockholders' Equity</b>	\$27,456,496	\$ 26,411,095

**ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Sales</b>	3,803,780	5,069,435	13,132,627	19,325,870
<b>Cost of Sales</b>	(2,994,711)	(2,602,700)	(7,676,185)	(9,801,307)
<b>Gross Profit</b>	809,069	2,466,735	5,456,442	9,524,563
<b>Operating Expenses</b>				
Selling, general and administrative expenses	(1,182,980)	(1,349,374)	(3,588,451)	(3,849,361)
<b>Profit (Loss) From Operations</b>	(373,911)	1,117,361	1,867,991	5,675,202
<b>Other Income (Expense)</b>				
Interest income	27,540	30,797	83,009	84,474
Interest expense	(464)	(1,286)	(1,855)	(5,874)
Sundry income (expense)	84,561	10,818	192,105	157,869
Realised foreign exchange profit (loss)	55,897	20,826	109,476	481,482
Unrealised foreign exchange profit (loss)	129,282	24,650	(470,811)	730,456
Total Other Income (Expense)	296,816	85,805	(88,076)	1,448,407
<b>Profit (Loss) Before Income Tax</b>	(77,095)	1,203,166	1,779,915	7,123,609
Income tax (expense) benefit	(61,980)	(430,538)	(740,234)	(2,322,360)
<b>Net Profit (Loss)</b>	(139,075)	772,628	1,039,681	4,801,249
Net (profit) loss attributable to minority interests	-	463	(12,803)	2,306
<b>Net Profit (Loss) Attributable to Stockholders</b>	(139,075)	773,091	1,026,878	4,803,555
<b>Basic Income (Loss) and Diluted Profit (Loss) per Common Share</b>	(0.008)	0.045	0.059	0.277
Weighted average common shares used in computing basic and diluted profit (loss) per share	17,350,000	17,350,000	17,350,000	17,350,000

**ALLOY STEEL INTERNATIONAL INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Nine Months Ended June 30, 2016 and 2015**

	<b>June 2016 (unaudited) US\$</b>	<b>June 2015 (unaudited) US\$</b>
<b>Net Income</b>	1,039,681	4,801,249
<b>Other Comprehensive Income/(Loss)</b>		
Foreign currency translation adjustment	<u>1,475,903</u>	<u>(3,478,719)</u>
<b>Total Other Comprehensive Income/(Loss)</b>	<u>1,475,903</u>	<u>(3,478,719)</u>
<b>Total Comprehensive Income</b>	<u><u>2,515,584</u></u>	<u><u>1,322,530</u></u>
 Total comprehensive income attributable to:		
Stockholders of Alloy Steel International, Inc	2,515,584	1,322,530
Non-controlling interest	<u>12,803</u>	<u>(2,306)</u>
	<u><u>2,528,387</u></u>	<u><u>1,320,224</u></u>

**ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDER EQUITY**  
**Nine Months Ended June 30, 2016**  
**(Unaudited)**

	<u>Common Stock</u>		Capital in	Retained	Accumulated	Minority	Total
	Shares	Amount	Excess of	Earnings	Foreign	Interests	Stockholders'
		US\$	Par Value	US\$	Exchange	US\$	Equity
			US\$	US\$	Losses		US\$
					US\$		
<b>Balances as at</b>							
<b>Sep 30, 2015</b>	17,350,000	173,500	1,769,382	28,348,432	(6,923,649)	(34,520)	23,333,145
<b>Net Profit</b>							
<b>attributable to</b>							
<b>stockholders</b>	-	-	-	1,039,681	-	12,803	1,052,484
<b>Foreign exch.</b>							
<b>gain/(loss) for</b>							
<b>the period</b>	-	-	-	-	1,475,903	-	1,475,903
<b>Balances as at</b>							
<b>June 30, 2016</b>	17,350,000	173,500	1,769,382	29,388,113	(5,447,746)	(21,717)	25,861,532

**ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Nine Months Ended June 30, 2016 and 2015**

	<u><b>Nine Months Ended</b></u>	
	<b>June 30</b>	<b>June 30</b>
	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash Flows From Operating Activities</b>		
Net profit	1,039,681	4,801,249
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation and amortisation	439,160	439,544
Impairment of assets	-	290,888
Profit on sale of plant and equipment	-	(91,729)
Profit/(Loss) attributable minority interests	12,803	(2,306)
<i>Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities:</i>		
Accounts receivable	454,080	1,786,495
Inventories	827,317	(359,687)
Prepaid expenses and other current assets	(90,940)	174,117
Accounts payable and other current liabilities	(290,706)	(115,611)
Income taxes payable	(1,006,551)	764,461
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,384,844</b>	<b>7,687,421</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(105,737)	(155,667)
Proceeds on sale of property, plant and equipment	-	104,203
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(105,737)</b>	<b>(51,464)</b>
<b>Cash Flows From Financing Activities</b>		
Repayments on notes and loans payable	(28,612)	(172,229)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(28,612)</b>	<b>(172,229)</b>
<b>Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>731,529</b>	<b>(1,325,301)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,982,024</b>	<b>6,138,427</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>12,025,603</b>	<b>7,720,048</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>14,007,627</b>	<b>13,858,475</b>

**Exchange Rate Movements**

The operations of Alloy Steel International, Inc. are predominantly conducted by its Australian subsidiary with the majority of the amounts reported initially recorded in Australian dollars. The Australian dollar/US dollar exchange rate has been volatile over the reporting period, resulting in significant impact on the reported results of the Company.