



FOR IMMEDIATE RELEASE

February 14, 2017

ALLOY STEEL INTERNATIONAL REPORTS 2017 FIRST QUARTER RESULTS

Perth, Australia, February 14, 2017 – 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 2017 first quarter ended December 31, 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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ALLOY STEEL INTERNATIONAL, INC.

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and September 30, 2016

	December 2016 (unaudited)	September 2016 (audited)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,303,766	\$ 14,317,327
Accounts receivable, less allowance for doubtful accounts of \$54,138 at December 31, 2016 and \$57,394 September 30, 2016	2,623,342	2,660,879
Inventories	2,140,677	2,893,683
Prepaid expenses and other current assets	1,369,770	718,267
Land and building held for sale	3,753,792	4,000,000
TOTAL CURRENT ASSETS	19,191,347	24,590,156
PROPERTY AND EQUIPMENT, net	1,746,888	1,873,163
OTHER ASSETS		
Deferred tax assets	196,432	219,231
Total other assets	196,432	219,231
TOTAL ASSETS	\$ 21,134,667	\$ 26,682,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 2,049	\$ 12,698
Accounts payable	632,619	628,073
Royalties payable, related party	89,291	126,231
Current tax payable	193,110	-
Accrued payroll and related costs	613,403	495,673
Other accrued liabilities	24,842	26,336
TOTAL CURRENT LIABILITIES	1,555,314	1,289,011
LONG-TERM LIABILITIES		
Deferred tax liabilities	145,642	166,915
Other liabilities	53,093	46,269
TOTAL LONG-TERM LIABILITIES	198,735	213,184
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; 17,042,000 issued and outstanding	170,420	170,420
Capital in excess of par value	1,769,382	1,769,382
Retained earnings	23,443,449	27,980,975
Accumulated other comprehensive income (loss)	(6,002,633)	(4,740,422)
TOTAL STOCKHOLDERS' EQUITY	19,380,618	25,180,355
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,134,667	\$ 26,682,550

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Quarters Ended December 31, 2016 and 2015

	December 2016 (unaudited)	December 2015 (unaudited)
Sales	\$ 5,663,333	\$ 5,049,976
Cost of Sales	<u>(3,239,820)</u>	<u>(2,808,727)</u>
Gross Profit	2,423,513	2,241,249
Operating Expenses		
Selling, general and administrative Expenses	<u>(858,923)</u>	<u>(1,152,665)</u>
Profit From Operations	<u>1,564,590</u>	<u>1,088,584</u>
Other Income (Expense)		
Interest income	21,946	26,344
Interest expense	(99)	(277)
Sundry income	32,763	26,685
Realised foreign exchange profit (loss)	5,368	35,485
Unrealised foreign exchange profit (loss)	<u>330,071</u>	<u>(321,996)</u>
	<u>390,049</u>	<u>(233,759)</u>
Income Before Income Tax Expense	1,954,639	854,825
Income tax expense	<u>(611,722)</u>	<u>(331,934)</u>
Net Income Attributable to Stockholders	<u>\$ 1,342,917</u>	<u>\$ 522,891</u>
Basic Income and Diluted Income per Common Share	<u>\$ 0.08</u>	<u>\$ 0.03</u>
Weighted Average Common Shares Used in computing basic and diluted income (loss) per share	<u>17,042,000</u>	<u>17,350,000</u>

ALLOY STEEL INTERNATIONAL INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Quarters Ended December 31, 2016 and 2015

	December 2016 (unaudited)	December 2015 (unaudited)
Net Income	\$ 1,342,917	\$ 522,891
Other Comprehensive (Loss)		
Foreign currency translation adjustment	<u>(1,262,211)</u>	<u>1,064,138</u>
Total Other Comprehensive (Loss)	<u>(1,262,211)</u>	<u>1,064,138</u>
Total Comprehensive Income	\$ <u><u>80,706</u></u>	\$ <u><u>1,587,029</u></u>

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the three months ended December 31, 2016

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances, October 1, 2016	17,042,000	\$170,420	\$1,769,382	\$27,980,975	\$(4,740,422)	\$25,180,355
Net Income attributable to stockholders	-	-	-	1,342,917	-	1,342,917
Other comprehensive income	-	-	-	-	(1,262,211)	(1,262,211)
Common control reserve on acquisition of subsidiary	-	-	-	(5,880,443)	-	(5,880,443)
Balances, December 31, 2016	17,042,000	\$170,420	\$1,769,382	\$23,443,449	\$(6,002,633)	\$19,380,618

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2016 and 2015

	December-16	December-15
Cash Flows From Operating Activities		
Net income	\$ 1,342,917	\$ 522,891
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation and amortisation	145,913	143,481
(Profit)/loss on sale of plant and equipment	(725)	-
<i>Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities:</i>		
Accounts receivable	68,078	(4,687)
Inventories	595,789	400,586
Prepaid expenses and other current assets	(918,925)	25,080
Accounts payable and other current liabilities	(32,429)	(470,083)
Income taxes payable	403,361	7,888
Net Cash Provided by (Used in) Operating Activities	<u>1,603,979</u>	<u>625,156</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(99,128)	(6,908)
Proceeds on sale of property, plant and equipment	2,049	-
Investment in Subsidiary	(5,880,443)	-
Net Cash Provided by (Used in) Investing Activities	<u>(5,977,522)</u>	<u>(6,908)</u>
Cash Flows From Financing Activities		
Repayments on notes and loans payable	(10,335)	(9,750)
Net Cash Provided by (Used in) Financing Activities	<u>(10,335)</u>	<u>(9,750)</u>
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	<u>(629,683)</u>	<u>556,644</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,013,561)	1,165,142
Cash and Cash Equivalents at Beginning of Period	14,317,327	12,025,603
Cash and Cash Equivalents at End of Period	<u>\$ 9,303,766</u>	<u>\$ 13,190,745</u>

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.