

25 August 2016

ASX/MEDIA RELEASE

- **EBITDA of \$5.0m**
- **Profit after tax of \$1.7m down 38.2% on last year**
- **Net debt of \$7.7m (FY2015 - \$3.6m)**
- **Final dividend for the FY2016 year of 2.5cps, fully franked**

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported EBITDA (including a contribution from the Chinese Joint Venture before local taxes and finance charges), of \$5.0m (FY2015 \$6.8m). The reported earnings have been adversely impacted following the appointment of Voluntary Administrators to oversee the affairs of One Steel Metal Centre (a subsidiary of Arrium), one of Bisalloy's largest distributors in Australia. The Group had an outstanding debt from this distributor at the time it entered voluntary administration and whilst the company has settled its claims this has resulted in unusually higher levels of stock and debt levels, as at 30th June 2016. The Directors see this as a once off and the market should normalise over the next six months.

Results Summary	FY2016 \$m	FY2015 \$m	Change %
Revenue	55.0	61.0	-9.8%
EBITDA	5.0	6.8	-25.6%
Profit after tax	1.7	2.8	-38.2%
Earnings per share (cents)	3.5	5.7	-38.6%

Funding

The Group's net debt increased to \$7.7m at 30 June 2016, up from \$3.6m at 30 June 2015, adversely impacted by the outstanding receivable due from One Steel Metal Centre who appointed a Voluntary Administrator. The debt was settled in August 2016.

Outlook

Further market share gains are being targeted during 2017 through a restructured sales organisation, a focus on new markets away from the resource sector, a refresh of the branding including a targeted marketing campaign, and a revitalisation of existing and past key partners in Australian industries. An initiative to significantly penetrate several new markets is already underway.

Bisalloy, through close partnerships and technology sharing with major defence contractors, are researching innovative defence offerings. Through Bisalloy's Technical and R&D centre these can be utilised in to new, non-defence related applications requiring the highest level of strength and toughness.

The SEA1000 Future Submarine Program will be the largest defence program ever undertaken by Australia, and while submarines are the most complex, sensitive and expensive Defence capability acquisition Government can make, Bisalloy are well positioned to provide the grades of steel required for longer range, higher endurance and a greater breadth of capabilities than the existing Collins Class fleet, which used Bisalloy Steels products.. Time for this programme is expected in the next 24 to 36 months.

On the back of a strong and collaborative working relationship with the key primes to deliver the Bushmaster IMV, Bisalloy are continuing engagement with key stakeholders in the Bushmaster replacement project, Land 400 Phase 2 and Phase 3 military vehicles.

The Group's distribution subsidiaries in Indonesia and Thailand should continue to operate profitably despite difficult business conditions in both markets, with improvement plans in line with the Australian growth priorities to be delivered through FY2017, to increase profits from these businesses.

The Group's Cooperative Joint Venture (CJV) for the production and sale of quench & tempered steel plate into China and other North Asian markets continues to operate profitably, albeit at relatively low tonnages for the domestic market. Profit is up 10% for the year. A strengthening of the sales resources was undertaken, which included the appointment of a Vice General Manager of Sales to drive the strategic growth plan. A major upgrade is under way to improve the quality of the products, supply and improve stock levels to better serve the needs of the market.

Although the overall market environment in China has declined, there are still significant growth opportunities and Bisalloy's Cooperative Joint Venture in the People's Republic of China remains attractive with significant upside, in both the domestic China market and selected international markets. The CJV is forecasting a steady increase in its financial contributions to Group results through FY2017 with new resources in place to drive the business growth and improve operational efficiency and quality of products and supply.

Commenting on the result Managing Director, Greg Albert said "The challenges facing the mining services sector are well documented. Bisalloy currently supplies a high proportion of its production in Australia to the resource sector which experienced a significant downturn in 2016. Along with the resulting reduction in capital investment by the Australian mining companies, the market for repairs and maintenance spending was flat".

New Markets

Bisalloy's objective is to maintain its market share in the environment of a declining resource sector market and to start the process of widening its market penetration beyond the resource sector, and introduce products to allow it to compete more widely.

High strength steel is a material of the future offering a number of advantages which can be exploited in developing solutions to both every day and difficult or unusual engineering problems. High strength steel can offer environmentally positive benefits such as weight savings, reduced production costs, the possibility of high load or high fatigue operations, and greater load carrying capacities.

To date, Australian engineers have not fully exploited higher strength materials in all its capacities, and there remains considerable scope for innovative design. Following several years of strong activity in the broader mining markets in Australia and Asia, Bisalloy is looking to the future where applications require high strength materials. These applications include specialised renewable energy applications, offshore applications and transportation. High strength steel is the ideal material of choice, not only offering cost saving, but able to extend operation life even in the most demanding conditions.

To provide the solutions for these advanced applications, Bisalloy are continuing with ongoing production and operational efficiency increases and improvements and have activated a three year strategic plan.

This has already created opportunities to develop partnerships that can fill product gaps and provide the transfer of technical know-how, and with partners who can relatively easily open new markets for the Group's high strength products both in Australia and internationally.

-ENDS-

Bisalloy is Australia's only manufacturer of high-strength structural, wear-resistant and armour steel plates using quenched and tempered steel. Bisplate is used in the mining, construction, general fabrication and defence sectors. Bisalloy has an extensive distribution network across Australasia Indonesia, Thailand and the People's Republic of China. See our website at www.bisalloy.com.au.

For further information please contact:

Greg Albert
Managing Director/CEO
Phone: +61 2 4272 0402
Mobile: +61 407 487 051

Darren Collins
Chief Financial Officer & Company Secretary
Phone: +61 2 4272 0403
Mobile: +61 439 544 996