



BISALLOY STEEL GROUP LIMITED

A.C.N. 098 674 545

**Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2013 (“HY14”)
Results for announcement to the market**

		Absolute Change		HY14 \$'000	HY13 \$'000
(Loss)/Profit attributable to members	Down	120.2%	to	(568)	2,807
Revenue	Down	37.8%	to	28,270	45,481
(Loss)/Profit before income tax from continuing operations	Down	112.0%	to	(476)	3,965
(Loss)/Profit after income tax	Down	115.5%	to	(460)	2,966
Dividends					
		Amount per share		Franked amount per share	
<u>Half year ended 31 December 2013</u>					
Interim dividend		Nil		Nil	
<u>Half year ended 31 December 2012</u>					
Interim dividend		Nil		Nil	
Record date for determining entitlements to the dividend		N/A			
Other					
				HY14	HY13
Net tangible asset backing per share				46.5cps	49.8cps

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report.

BISALLOY STEEL GROUP LIMITED**A.B.N 22 098 674 545****CONDENSED CONSOLIDATED FINANCIAL REPORT****HALF YEAR ENDED 31 DECEMBER 2013**

CONTENTS	Page
Directors' Report	3
Auditor's Independence Declaration	5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of cash flows	8
Consolidated statement of changes in equity	9
Notes to the consolidated financial statements	10
Directors' declaration	18
Independent auditor's review report	19

Directors' Report

Your directors submit their report for the half year ended 31 December 2013.

Directors

The names of directors of the Company in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

Name	Office
Mr Phillip Cave AM	Non-Executive Chairman
Mr Kym Godson	Non-Executive Director
Mr Richard Grellman AM	Non-Executive Director
Mr Graeme Pettigrew	Non-Executive Director (resigned 30 September 2013)
Mr Dario Pong	Non-Executive Director (appointed 30 September 2013)
Mr Robert Terpening	Chief Executive Officer and Managing Director

Review of Operations

Operating results are summarised as follows:

	<u>December 2013</u>	<u>December 2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	28,270	45,481
(Loss)/Profit after income tax	(460)	2,966

Summary

Bisalloy Steel Group Limited comprises Bisalloy Steels Pty Limited in Australia, the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand) as well as the investment in the Chinese joint venture (Bisalloy Jigang (Shandong) Steel Plate Co., Limited).

Bisalloy Steels is Australia's only processor of Quenched and Tempered (Q&T) high-tensile, abrasion resistant and armour grade alloyed steel plates. Bisalloy Steels' processing operation is located in Unanderra near Wollongong, NSW. Bisalloy Steels distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and overseas.

The trading conditions facing the Australian domestic steel market have continued to deteriorate during the first six months of the financial year following the significant reduction on expenditure in project development by the resources industry. While resource projects undertaken in recent years are now moving into their production phase, this has yet to generate an increase in demand for steel, including Q&T plate, for on-going repairs and maintenance. The continuing strength in output associated with the Australian resources industry provides grounds for optimism on a recovery in steel demand over 2014, but the timing for such a recovery remains unclear. Even though demand for Q&T plate may grow, we need to recognise that the significant level of overstocking by our competitors of Q&T plate through all stages of the supply chain will maintain pressure on our sales volumes and prices over the coming months. These challenging trading conditions along with subdued exports and armour markets has resulted in a reduction in business activity levels and associated revenue for the half year to December 2013. Management have

positioned the Group to compete in the current highly competitive environment while remaining solidly placed to benefit from any improvement in Australian domestic demand, particularly if the Australian dollar remains materially below the high levels seen in recent years.

The distribution businesses in Indonesia and Thailand continued to operate profitably during the year, albeit on lower revenue as the resources and manufacturing industries in these countries were also affected by the same commodity price volatility and market uncertainty as experienced in Australia.

The Chinese Joint Venture (or CJV) remains profitable and has paid a maiden dividend of US\$400,000 which was received by the Group in September 2013. While the implementation program for the production of Bisplate high quality Q&T by the CJV has been highly successful, the change of focus and pace of China's economic development, and the associated decline in domestic manufacturing, have combined to extend the time needed to achieve the CJV's target sales levels into the Chinese Q&T market.

Results

Revenues of the Group in the period were \$28,270k, down 37.8% from the corresponding period. EBIT before the CJV contribution has fallen to \$32k from \$4,646k and the share of profit from the CJV has lifted to \$95k from \$50k in the corresponding period. The lower revenue has resulted in a loss after tax of \$460k.

Net debt at 31 December had increased to \$11.8m (30 June 2013 - \$10.4m), after the payment of \$1.1m in respect of the FY13 final dividend in November 2013. Inventory levels have fallen by \$5.5m in the six months to December 2013, however minimum inventory levels are required to be maintained to meet any opportunities for spot sales.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2013.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of this report.

Signed in accordance with a resolution of the directors.



Robert Terpening
Managing Director
21 February 2014



Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Bisalloy Steel Group Limited

In relation to our review of the financial report of Bisalloy Steel Group Limited for the half year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Trent van Veen
Partner
Sydney
21 February 2014

**Consolidated Statement of Comprehensive Income
Half year ended 31 December 2013**

	Notes	Consolidated	
		Half Year 31 Dec 2013 \$'000	Half Year 31 Dec 2012 \$'000
Continuing operations			
Revenue			
Sales of goods		28,270	45,481
Cost of sales		(23,052)	(35,730)
Gross profit		5,218	9,751
Other (expense) / income		(19)	4
Distribution expenses		(666)	(597)
Marketing expenses		(1,539)	(1,529)
Occupancy expenses		(359)	(385)
Administrative expenses		(2,603)	(2,598)
Operating profit		32	4,646
Finance costs	3(b)	(606)	(743)
Finance income	3(a)	3	12
Share of profit of interest in joint venture	7	95	50
(Loss) / Profit before income tax from continuing operations		(476)	3,965
Income tax expense		16	(999)
(Loss) / Profit after income tax		(460)	2,966
Other Comprehensive Income:			
Items that may be subsequently reclassified to net profit			
Fair value (loss) / gain on cash flow hedges		(110)	159
Foreign currency translation		(946)	(125)
Income tax on items in other comprehensive income		33	(48)
Items that will not be reclassified to net profit		-	-
Other Comprehensive Loss for the period		(1,023)	(14)
Total Comprehensive (Loss) / Income for the period		(1,483)	2,952
Profit for the period is attributable to:			
Non-controlling interest		108	159
Owner's of the parent		(568)	2,807
		(460)	2,966
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(245)	91
Owner's of the parent		(1,238)	2,861
		(1,483)	2,952
Earnings per share for (loss) / profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	(1.3)	6.5
- Diluted earnings per share (cents per share)	5	(1.3)	6.4

**Consolidated Statement of Financial Position
31 December 2013**

	Notes	Consolidated	
		31 Dec 2013 \$'000	30 June 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	871	693
Trade and other receivables		9,277	12,141
Inventories		16,215	21,670
Other current assets		961	862
Income tax receivable		79	-
Derivative financial instruments		13	268
Total current assets		27,416	35,634
Non current assets			
Property, plant and equipment		16,322	17,089
Other financial assets		163	185
Investment in joint venture	7	1,137	1,534
Total non current assets		17,622	18,808
Total assets		45,038	54,442
LIABILITIES			
Current liabilities			
Trade and other payables		6,069	13,151
Income tax payable		-	234
Provisions		2,277	2,321
Deferred contribution to joint venture	7	-	539
Interest bearing loans and borrowings		112	-
Derivative financial instruments		38	136
Total current liabilities		8,496	16,381
Non current liabilities			
Interest bearing loans and borrowings		12,571	11,055
Provisions		302	339
Deferred tax liabilities		542	794
Total non current liabilities		13,415	12,188
Total liabilities		21,911	28,569
NET ASSETS		23,127	25,873
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	11,478	10,874
Accumulated profits		7,515	9,801
Other reserves		1,203	1,976
Parent interests		20,196	22,651
Non-controlling interests		2,931	3,222
TOTAL EQUITY		23,127	25,873

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2013**

		Consolidated	
		Half Year 31 Dec 2013 \$'000	Half Year 31 Dec 2012 \$'000
Notes			
Cash flows from operating activities			
	Receipts from customers (inclusive of GST)	34,605	57,288
	Payments to suppliers and employees (inclusive of GST)	(33,551)	(55,334)
	Interest received	3	12
	Finance costs	(606)	(743)
	Income tax paid	(549)	(2,647)
	Net cash outflow from operating activities	(98)	(1,424)
Cash flows from investing activities			
	Payments for property, plant and equipment	(85)	(834)
	Proceeds from sale of fixed assets	9	4
	Payments for investments	(539)	-
	Dividends received from investments	491	-
	Net cash outflow from investing activities	(124)	(830)
Cash flows from financing activities			
	Increase of borrowings	1,628	2,253
	Dividend paid to non-controlling interest	(46)	(208)
	Dividend paid to shareholders of the parent	(1,128)	-
	Net cash inflow from financing activities	454	2,045
	Net increase/(decrease) in cash and cash equivalents	232	(209)
	Net foreign exchange differences	(54)	(18)
	Cash and cash equivalents at the beginning of period	693	1,225
	Cash and cash equivalents the end of period	871	998
	6(a)		

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2013

	<i>Attributable to equity holders of the Company</i>									
	Issued	Employee	Net gain/	Foreign	Asset	Equity	Retained	Total	Non-	Total
	capital	benefits	(loss)	currency	Revaluation	Settlement	earnings		controlling	equity
	\$'000	\$'000	on cash	translation	Reserve	Reserve	\$'000	interest	\$'000	\$'000
	reserve	flow	reserve	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		hedges								
At 30 June 2013	10,874	374	82	(1,020)	2,742	(202)	9,801	22,651	3,222	25,873
Profit/(Loss) for the period	-	-	-	-	-	-	(568)	(568)	108	(460)
Other comprehensive income	-	-	(77)	(592)	-	-	-	(669)	(354)	(1,023)
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	(77)	(592)	(14)	-	(554)	(1,237)	(246)	(1,483)
Transactions with owners in their capacity as owners:										
Ordinary dividends paid to shareholders	-	-	-	-	-	-	(1,732)	(1,732)	-	(1,732)
Dividend reinvestment plan	604	-	-	-	-	-	-	604	-	604
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(45)	(45)
Share based payments	-	29	-	-	-	-	-	29	-	29
Settlement of performance rights	-	(133)	-	-	-	14	-	(119)	-	(119)
At 31 December 2013	11,478	270	5	(1,612)	2,728	(188)	7,515	20,196	2,931	23,127
At 30 June 2012	10,874	525	(142)	(1,694)	2,771	-	6,289	18,623	3,186	21,809
Profit/(Loss) for the period	-	-	-	-	-	-	2,807	2,807	159	2,966
Other comprehensive income	-	-	111	(57)	-	-	-	54	(68)	(14)
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	111	(57)	(14)	-	2,821	2,861	91	2,952
Transactions with owners in their capacity as owners:										
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(208)	(208)
Share based payments	-	69	-	-	-	-	-	69	-	69
At 31 December 2012	10,874	594	(31)	(1,751)	2,757	-	9,110	21,553	3,069	24,622

Notes to the consolidated financial statements**1. Summary of significant accounting policies****a. Basis of preparation**

This general purpose condensed consolidated financial report for the half year ended 31 December 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for land and buildings and derivative financial instruments, which are measured at fair value.

The condensed consolidated half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated half year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the half year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules. The financial report has been prepared using the same accounting policies as used in the most recent annual financial report.

The condensed consolidated half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

b. New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

The Group has adopted the following amended AASB Standards and Interpretation as of 1 July 2013:

AASB 2011-8 Amendments to the Australian Accounting Standards arising from AASB 13, which has led to the inclusion of paragraph 16(j) in AASB134 *Interim Financial Reporting*, requiring financial instrument disclosures in a half yearly financial report. This interpretation had no impact on the financial position or performance of the Group.

The following amended AASB Standards and Interpretations became applicable to the Group from 1 July 2013 but had no impact on the half year reporting: AASB 10, AASB 11; AASB 12; AASB 13; AASB 119, AASB 2012-5 and AASB 2012-2.

c. Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited, and its subsidiaries ("the Group") as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group

transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

c. Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

		Consolidated	
		Half Year 31 Dec 2013 \$'000	Half Year 31 Dec 2012 \$'000
2.	Dividends paid and proposed		
	Cash dividends to the equity holders of the parent:		
	Dividends on ordinary shares declared and paid during the six month period:		
	Final dividend for 2013: 4 cents (2012: nil)	1,732	-
3.	Revenues and expenses		
(a)	Finance revenue		
	Interest	3	12
		3	12
(b)	Finance costs		
	Bank loans and overdrafts	606	743
	Total finance costs	606	743
(c)	Depreciation and amortisation included in the Statement of comprehensive income	742	727
(d)	Foreign exchange differences included in net profit		
	Fair value gain/(loss) on derivatives	25	(2)
	Foreign exchange gain/(loss)	(18)	(3)
	The fair value loss on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at 31 December 2013.		
(e)	Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	152	150
(f)	Employee benefits expense		
	Wages and salaries	4,680	5,372
	Superannuation costs	351	355
	Share based payments	29	69
		5,060	5,796

		Consolidated	
		31 Dec 2013 \$'000	30 June 2013 \$'000
4. Issued capital			
<i>Ordinary shares</i>			
<i>Issued and fully paid</i>		11,478	10,874
		Thousands	\$'000
<i>Movement in ordinary shares on issue</i>			
At 1 Jan 2013		43,292	10,874
Dividend reinvestment plan (i)		696	604
At 31 Dec 2013		43,988	11,478
(i)	The Group paid an ordinary fully franked dividend to shareholders for the year ended 30 June 2013 on 25 November 2013. The Dividend Reinvestment Plan (DRP) applied to the final dividend with a discount of 5% to the weighted average market price of shares in the Company traded on the ASX on the record date of 7 November 2013 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$0.8667cps.		
		Half Year 31 Dec 2013 '\$000	Half Year 31 Dec 2012 '\$000
5. Earnings per share			
	Calculation of the following in accordance with AASB 133:		
	Net (loss) / profit for the period	(460)	2,966
	Net (loss) / profit attributable to non-controlling interests	(108)	(159)
	Net (loss) / profit attributable to equity holders of the parent	(568)	2,807
		Thousands	Thousands
	Weighted average number of ordinary shares for basic earnings per share	43,465	43,291
	Effects of dilution:		
	Performance rights	547	808
	Adjusted weighted average number of ordinary shares for diluted earnings per share	44,012	44,099
	Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

		Consolidated	
		31 Dec 2013 \$'000	30 June 2013 \$'000
6. Cash and cash equivalents			
	Cash at bank and in hand	871	693
a. Reconciliation of cash			
	For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:		
	Cash at bank and in hand	871	693
		871	693
b. Non-cash financing activities			
	<i>Dividend reinvestment plan</i>		
	The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2013 was 695,725 (31 December 2012: nil).		
7. Investment in Joint Venture			
	On the 7 July 2011 Bisalloy Steel Group Limited (the Group) signed a Cooperative Joint Venture (JV) agreement with Jinan Iron and Steel Co., Limited. The Group contributed US\$1 million for a 50% share in the operating result of the joint venture. The Groups' share of the result of the joint venture on an equity accounted basis for the period is \$95k (2012- \$50k).		

Consolidated

31 Dec 2013 \$'000	30 June 2013 \$'000
--------------------------	---------------------------

8. Financial instruments

Set out below is an overview of derivative financial instruments held by the Group as at 31 December 2013:

Current Assets

Forward currency contracts - Cash flow hedges	4	131
Forward currency contracts – Fair value hedges	9	137
	<u>13</u>	<u>268</u>

Current Liabilities

Forward currency contracts - Cash flow hedges	2	17
Forward currency contracts – Fair value hedges	36	119
	<u>38</u>	<u>136</u>

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to fluctuations in foreign exchange rates.

Fair values

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is calculated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

31 December 2013
Financial assets measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Foreign exchange contracts	13	-	13	-

Financial liabilities measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Foreign exchange contracts	38	-	38	-

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. There were no transfers between levels during the period.

8. Financial instruments (continued)
30 June 2013
Financial assets measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts	268	-	268	-

Financial liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts	136	-	136	-

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. There were no transfers between levels during the period.

9. Commitments and contingencies

There has been no material change of any contingent liability or contingent asset since the last annual reporting date.

10. Events after the balance date

There have been no significant events after the balance date.

11. Segment information
Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics.

Geographical areas
Australian operations

The Australian operations comprise of Bisalloy Steels Pty Limited and Bisalloy Steel Group Limited.

Bisalloy Steels Pty Limited distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and Overseas. Bisalloy Steels is located in Unanderra, near Wollongong, NSW.

Bisalloy Steel Group Limited is the corporate entity, also located in Unanderra NSW, which incurs expenses such as head office costs and interest. All corporate charges relate to the Australian operations and are linked to Australian segment revenue only.

11. Segment information (continued)
Overseas operations

The overseas operations comprise of PT Bima Bisalloy and Bisalloy (Thailand) Co Limited located in Indonesia and Thailand respectively. These businesses distribute Bisalloy Q&T plate as well as steel plate products. From July 2011 the overseas operations include the co-operative joint venture Bisalloy Jigang Steel Plate (Shandong) Co., Ltd in the people's Republic of China for the marketing and distribution of quench and tempered steel plate.

Inter-segment transactions

Inter-entity sales are recognised based on an internally set transfer price. This price is set monthly and aims to reflect what the business operation could achieve if they sold their output to external parties at arm's length.

Major customers

The group has a number of customers to which it provides products. There are major distributors who account for 24% (2012: 23%), 17% (2012: 21%) and 17% (2012: 19%) of total external revenue.

Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2013 and 31 December 2012.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2013			
Sales to external customers	21,412	6,858	28,270
Inter-segment sales	3,701	-	3,701
Total segment revenue	25,113	6,858	31,971
Inter-segment elimination			(3,701)
Total consolidated revenue			28,270
Segment profit before income tax	(1,238)	762	(476)
31 December 2012			
Sales to external customers	38,670	6,811	45,481
Inter-segment sales	3,348	-	3,348
Total segment revenue	42,018	6,811	48,829
Inter-segment elimination			(3,348)
Total consolidated revenue			45,481
Segment profit before income tax	3,157	808	3,965

Directors' Declaration

In accordance with a resolution of the directors of Bisalloy Steel Group Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the financial position as at 31 December 2013 and of its performance for the half year ended on that date of the consolidated entity; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert Terpening
Managing Director
21 February 2014

To the members of Bisalloy Steel Group Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bisalloy Steel Group Limited (the company), which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bisalloy Steel Group Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bisalloy Steel Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Trent van Veen'.

Trent van Veen
Partner
Sydney
21 February 2014