



BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545

Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2015 (“HY16”)
Results for announcement to the market

		Absolute Change		HY16 \$'000	HY15 \$'000
Profit attributable to members	Up	60.2%	to	1,333	832
Revenue	Up	6.3%	to	30,505	28,685
Profit before income tax from continuing operations	Up	39.0%	to	2,224	1,600
Profit after income tax	Up	45.0%	to	1,437	991

Dividends	Amount per share	Franked amount per share
<u>Half year ended 31 December 2015</u>		
Interim dividend	Nil	Nil
<u>Half year ended 31 December 2014</u>		
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

	HY16	HY15
Other		
Net tangible asset backing per share	50.4cps	47.7cps

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 2015**

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Directors' Report

Your directors submit their report for the half year ended 31 December 2015.

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 Dario Pong	Non-Executive Director
Mr Greg Albert	Chief Executive Officer and Managing Director (appointed 4 January 2016)
Mr Robert Terpening	Chief Executive Officer and Managing Director (resigned 4 January 2016)

Review of Operations

Operating results are summarised as follows:

	<u>December 2015</u>	<u>December 2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	30,505	28,685
Profit after income tax	1,437	991

Summary

Bisalloy Steel Group Limited ("Group") 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 Group's ongoing commitment to the safety of its staff, contractors and visitors continues to underpin an excellent safety record into FY16. As of this report, the Group has gone 1,008 days without a Lost Time Injury.

Domestic demand for Quenched and Tempered (“Q&T”) steel plate decreased further in H1 FY16 on account of continued price decreases in bulk commodities such as iron ore and coal. This has resulted in less new capital equipment and in delayed repairs and maintenance (R&M) spend by miners in both fixed and mobile plant assets. The significant reduction in bulk commodity prices has also meant that many recently completed capital projects with higher per unit costs have gone into care and maintenance compounding the reduced demand for Q&T in the resources sector.

Notwithstanding the above the restructuring of the Group’s Australian operations undertaken in Q4 FY14 has continued to provide a platform for profitability based on the current domestic market requirements for Q&T steel plate.

To offset this market situation, Bisalloy is focusing on diversifying into additional complimentary products and an increased exposure into structural applications has been established for Bisplate with the inclusion of Q&T steels in the Australian Steel Structures Standard AS4100-1998.

Good penetration in armour plate sales in both domestic and international markets has been achieved. Armour plate sales are a niche market with demand in vehicle and sea applications in both military and civilian applications.

In addition to this platform for profitability, incremental increases in sales resources and focus on structural, as well as armour and export sales due to the softening of the A\$, have all contributed to an improvement in the H1 FY16 trading performance.

Previously mentioned success in an anti-dumping action against exports from Sweden, Finland and Japan into the Australian market has been eroded over the past 12 months due to the further dumping of Q&T steel plate into the Australian market on account of what appears to be circumvention activity allowable under current anti-dumping legislation.

With the costs of imported Q&T into Australia likely to increase over the coming year given possible further depreciation of the A\$ against US\$, Bisplate’s superior competitive offering based on availability, quality, technical support and price will be difficult to replicate.

The Group’s majority owned entities in Indonesia and Thailand continued to operate profitably during the period. The resources and manufacturing industries in Indonesia and Thailand continue to experience similarly weak market conditions as seen in Australia. Diversification into new market opportunities are being explored.

The Bisalloy Jigang Co-operative Joint Venture (“CJV”) in the People’s Republic of China has continued its steady growth in a challenging Chinese market. The Group’s profit contribution from the CJV increased by 131% from the corresponding period last year, and while the rate of growth is slower than originally anticipated, this growth opportunity for the Group remains extremely attractive as it is low risk and has scope for significant upside. The interaction between Bisalloy and its Chinese partners is regular, consultative and very positive.

Results

Revenues of the Group in the period were \$30,505k, up 6.3% from the corresponding period. EBIT before the CJV contribution has risen 13.2% to \$2,197k from \$1,941k and the share of profit from the CJV has increased 131% in the corresponding period. Higher revenue and reduced operating expenditure attributable to restructuring measures undertaken in Q4 FY14 has resulted in a profit after tax of \$1,437k.

Net operating cash inflow in the six months was \$1,871k compared to \$3,384k in the previous corresponding period, as a result of an increase in net working capital due to two trade receivable receipts delayed until the first business day in January.

Net debt at 31 December 2015 totals \$4.3m (30 June 2015 - \$3.6m), including a dividend payment to shareholders of \$1.7m on 30 November 2015. Inventory levels have decreased \$0.2m in the six months to December 2015.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2015.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this report.

Signed in accordance with a resolution of the directors.



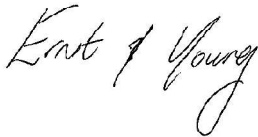
Greg Albert
Managing Director
26 February 2016

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

As lead auditor for the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bisalloy Steel Group Limited and the entities it controlled during the financial period.



Ernst & Young



Glenn Maris
Partner
Sydney
26 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2015

	Notes	Consolidated	
		Half Year 31 Dec 2015 \$'000	Half Year 31 Dec 2014 \$'000
Continuing operations			
Revenue			
Sales of goods		30,505	28,685
Cost of sales		(23,109)	(22,433)
Gross profit		7,396	6,252
Other income / (expense)		(72)	340
Distribution expenses		(754)	(745)
Marketing expenses		(1,446)	(1,271)
Occupancy expenses		(318)	(320)
Administrative expenses		(2,609)	(2,315)
Operating profit		2,197	1,941
Finance costs	3(b)	(304)	(494)
Finance income	3(a)	3	11
Share of profit of interest in joint venture	7	328	142
Profit before income tax from continuing operations		2,224	1,600
Income tax expense		(787)	(609)
Profit after income tax		1,437	991
Other Comprehensive Income:			
Items that may be subsequently reclassified to net profit			
Fair value gain on cash flow hedges		-	96
Foreign currency translation		55	1,329
Income tax on items in other comprehensive income		-	(28)
Items that will not be reclassified to net profit		-	-
Other Comprehensive Income for the period		55	1,397
Total Comprehensive Income for the period		1,492	2,388
Profit for the period is attributable to:			
Non-controlling interests		104	159
Equity holders of the parent		1,333	832
		1,437	991
Total comprehensive income for the period is attributable to:			
Non-controlling interests		144	447
Equity holders of the parent		1,348	1,941
		1,492	2,388
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	3.0	1.9
- Diluted earnings per share (cents per share)	5	3.0	1.9

**Consolidated Statement of Financial Position
31 December 2015**

	Notes	Consolidated	
		31 Dec 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	3,243	4,446
Trade and other receivables		10,739	12,222
Inventories		16,197	16,433
Other current assets		931	947
Derivative financial instruments		-	-
Total current assets		31,110	34,048
Non current assets			
Property, plant and equipment		14,876	15,155
Other financial assets		99	99
Investment in joint venture	7	1,531	1,203
Total non current assets		16,506	16,457
Total assets		47,616	50,505
LIABILITIES			
Current liabilities			
Trade and other payables		10,375	13,043
Income tax payable		855	171
Provisions		1,920	1,593
Interest bearing loans and borrowings		412	391
Total current liabilities		13,562	15,198
Non current liabilities			
Interest bearing loans and borrowings		7,167	7,666
Provisions		988	960
Deferred tax liabilities		736	927
Total non current liabilities		8,891	9,553
Total liabilities		22,453	24,751
NET ASSETS		25,163	25,754
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	11,531	11,478
Accumulated profits		8,555	8,967
Other reserves		2,118	2,231
Parent interests		22,204	22,676
Non-controlling interests		2,959	3,078
TOTAL EQUITY		25,163	25,754

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2015**

		Consolidated	
Notes	Half Year 31 Dec 2015 \$'000	Half Year 31 Dec 2014 \$'000	
Cash flows from operating activities			
	34,124	35,991	
Receipts from customers (inclusive of GST)			
	(31,658)	(31,877)	
Payments to suppliers and employees (inclusive of GST)			
	3	11	
Interest received			
	(304)	(494)	
Finance costs			
	(294)	(247)	
Income tax paid			
	1,871	3,384	
Net cash inflow from operating activities			
Cash flows from investing activities			
	(389)	(284)	
Payments for property, plant and equipment			
	-	-	
Proceeds from sale of fixed assets			
	-	-	
Payments for investments			
	-	-	
Dividends received from investments			
	(389)	(284)	
Net cash outflows used in investing activities			
Cash flows from financing activities			
	(698)	(2,489)	
(Decrease) / Increase in borrowings			
	(263)	(324)	
Dividend paid to non-controlling interests			
	(1,706)	-	
Dividend paid to equity holders of the parent			
	(2,667)	(2,813)	
Net cash outflow from financing activities			
	(1,185)	287	
Net (decrease)/increase in cash and cash equivalents			
	(18)	110	
Net foreign exchange differences			
	4,446	814	
Cash and cash equivalents at the beginning of period			
Cash and cash equivalents the end of period	6(a)	3,243	1,211

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2015

	<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	interests	\$'000	\$'000
	reserves	flow	reserve	Reserve	Reserve	\$'000	\$'000	\$'000	\$'000	
At 30 June 2015	11,478	270	-	(573)	2,684	(150)	8,967	22,676	3,078	25,754
Profit for the period	-	-	-	-	-	-	1,333	1,333	104	1,437
Other comprehensive income	-	-	-	15	-	-	-	15	40	55
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	-	15	(14)	-	1,347	1,348	144	1,492
Transactions with owners in their capacity as owners:										
Ordinary dividends paid to equity holders	-	-	-	-	-	-	(1,759)	(1,759)	-	(1,759)
Dividend reinvestment plan	53	-	-	-	-	-	-	53	-	53
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(263)	(263)
Share based payments	-	11	-	-	-	-	-	11	-	11
Modification of performance rights	-	(281)	-	-	-	156	-	(125)	-	(125)
At 31 December 2015	11,531	-	-	(558)	2,670	6	8,555	22,204	2,959	25,163
At 30 June 2014	11,478	396	(67)	(1,854)	2,713	(188)	6,448	18,926	2,755	21,681
Profit for the period	-	-	-	-	-	-	832	832	159	991
Other comprehensive income	-	-	68	1,041	-	-	-	1,109	288	1,397
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	68	1,041	(14)	-	846	1,941	447	2,388
Transactions with owners in their capacity as owners:										
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(324)	(324)
Share based payments	-	(58)	-	-	-	-	-	(58)	-	(58)
Settlement of performance rights	-	(114)	-	-	-	39	-	(75)	-	(75)
At 31 December 2014	11,478	224	1	(813)	2,699	(149)	7,294	20,734	2,878	23,612

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 2015 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, derivative financial instruments and share based liability, 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 2015 and considered together with any public announcements made by the Company during the half year ended 31 December 2015 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. 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.

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 profit or loss and other 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 2015 \$'000	Half Year 31 Dec 2014 \$'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 2015: 4 cents (2014: nil)	1,759	-
3.	Revenues and expenses		
(a)	Finance income		
	Interest	3	11
		3	11
(b)	Finance costs		
	Bank loans and overdrafts	304	494
	Total finance costs	304	494
(c)	Depreciation and amortisation included in the Statement of profit or loss and other comprehensive income	666	650
(d)	Foreign exchange differences included in net profit		
	Fair value gain on derivatives	-	279
	Foreign exchange gain	285	43
	The fair value gain on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at period end.		
(e)	Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	132	141
(f)	Employee benefits expense		
	Wages and salaries	5,172	4,890
	Superannuation costs	371	359
	Share based payments	11	(58)
		5,554	5,191

		Consolidated	
		31 Dec 2015 \$'000	30 June 2015 \$'000
4. Issued capital			
<i>Ordinary shares</i>			
<i>Issued and fully paid</i>		11,531	11,478
		Thousands	\$'000
<i>Movement in ordinary shares on issue</i>			
At 1 Jan 2015		43,987	11,478
Dividend Reinvestment Plan (i)		96	53
At 31 Dec 2015		44,083	11,531
(i)	The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2015 on 30 November 2015. 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 6 November 2015 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$0.5551cps.		
		Half Year 31 Dec 2015 '\$000	Half Year 31 Dec 2014 '\$000
5. Earnings per share			
	Calculation of the following in accordance with AASB 133:		
	Profit for the period	1,437	991
	Profit attributable to non-controlling interests	(104)	(159)
	Profit attributable to equity holders of the parent	1,333	832
		Thousands	Thousands
	Weighted average number of ordinary shares for basic earnings per share	44,011	43,987
	Effects of dilution:		
	Performance rights	167	214
	Adjusted weighted average number of ordinary shares for diluted earnings per share	44,178	44,201

		Consolidated	
		31 Dec 2015 \$'000	30 June 2015 \$'000
6. Cash and cash equivalents			
	Cash at bank and in hand	3,243	4,446
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	3,243	4,446
		<u>3,243</u>	<u>4,446</u>
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 2015 was 95,539 (31 December 2014: 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 Group's share of the result of the joint venture on an equity accounted basis for the period is \$328k (2014: \$142k).		

Consolidated

31 Dec 2015 \$'000	30 June 2015 \$'000
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8. Assets / Liabilities Measured at Fair Value
Fair Values

The Group uses various methods in estimating the fair value of assets and liabilities. 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 assets and liabilities as well as the methods used to estimate the fair value are summarised in the table below. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Land and Buildings
31 December 2015
Assets measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and Buildings	7,782	-	-	7,782

30 June 2015
Assets measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and Buildings	7,837	-	-	7,837

At 30 June 2015 the fair value of land, buildings and improvements was determined by reference to valuations performed in June 2014. For December 2015, it was determined by Directors valuation that there was no significant change in fair value.

Transfer between categories

There were no transfers between levels during the year. The fair value of interest bearing loans and borrowings approximates the carrying value.

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 informationIdentification 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.

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% (2014: 16%), 20% (2014: 16%) and 15% (2014: 20%) of total external revenue.

11. Segment information (continued)
Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2015 and 31 December 2014.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2015			
Sales to external customers	23,863	6,642	30,505
Inter-segment sales	3,080	-	3,080
Total segment revenue	26,943	6,642	33,585
Inter-segment elimination			(3,080)
Revenue			30,505
Segment profit before income tax	1,709	515	2,224
31 December 2014			
Sales to external customers	22,788	5,897	28,685
Inter-segment sales	3,565	-	3,565
Total segment revenue	26,353	5,897	32,250
Inter-segment elimination			(3,565)
Revenue			28,685
Segment profit before income tax	781	819	1,600

Directors' Declaration

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

In the opinion of the directors:

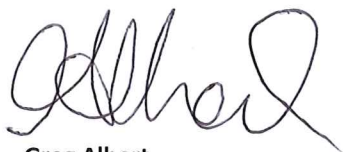
(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the financial position as at 31 December 2015 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



Greg Albert
Managing Director
26 February 2016

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 consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2015 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.

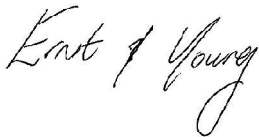
Independence

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 2015 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*.



Ernst & Young



Glenn Maris
Partner
Sydney
26 February 2016