

23 February 2017

ASX / Media Release

Financial Results Half Year ended 31 December 2016 ("HY17")

- **EBITDA of \$1.6m**
- **Net debt of \$8.9m with gearing now at 29%**

Results Summary	HY17 \$m	HY16 \$m	Change %
Revenue	27.5	30.5	-9.8%
EBITDA	1.6	3.3	-50.1%
Profit after tax	0.1	1.4	-92.2%
Earnings per share (cents)	(0.1)	3.0	-102.5%

Bisalloy today reported EBITDA of \$1.6m for the six months to 31 December 2016 (HY16: \$3.3m) in line with budget expectations, with improvements expected in the second half as outlined below.

Operating cash flow for the period was \$0.8m (HY16: \$1.9m), and has declined in line with the reduction in operating profit. Net debt at 31 December 2016 stood at \$8.9m (June 2016: \$7.7m) with the increase applied to fund the 2016 final dividend paid to shareholders on 30 November 2016, gearing now stands at 29%.

Commenting on the result Managing Director, Greg Albert said "The first half of the 2017 fiscal year has been challenging for Bisalloy as a result of the reduction in domestic sales demand for its Quenched and Tempered (Q&T) steel plate in the resource sector, coupled with the pressure on mining companies to reduce repair and maintenance costs which has put downward pressure on Bisalloy's Q&T pricing compared to the corresponding period last year".

Partially offsetting the reduced domestic demand for wear plates in Australia, sales of armour grade steels increased compared to the corresponding period with a number of projects in hand for the second half of the fiscal year.

Defence Market Development

Bisalloy was recently selected as the key armour material supplier for the Hawkei protected mobility vehicle (the replacement vehicle for the Bushmaster Protected Mobility Vehicle) as part of the Project Land 121 Phase 4 program, with material already being supplied for testing, and further orders to continue through 2017.

Following the announcement by The Department of Defence on the selection of two tenderers to participate in the next stage of evaluation for Land 400 Phase 2, Bisalloy has engaged with both BAE Systems Australia Limited and Rheinmetall around the potential supply of Bisalloy's armour grades.

Engagement is ongoing with both the French and Australian arms of DCNS, the French industrial group specialising in naval defence, who are the preferred international partner for the design of twelve future submarines for the Royal Australian Navy as part of the SEA1000 Future Submarine program.

Bisalloy is also engaging with the BAE Global Access Program to have Bisalloy registered as an approved supplier to BAE Systems, USA.

Bisalloy has supplied armour to companies and the military in Turkey where ongoing prototyping and development work is underway. Material has also been provided to a major customer in Israel to fulfil ongoing project requirements, and in addition the first shipments of material have been made to key customers in the UAE where there are strong growth opportunities, especially in the civilian armoured vehicle market.

Research and development activities of new ballistics grades are progressing in conjunction with Bisalloy's major steel supplier. These new grades are being developed in line with the global increase in requirement for ballistic protection.

In recognition of the significant future potential to Bisalloy in the supply of defence materials, additional resources have been allocated internally with the creation of a new business unit. This new business unit will be focused on leveraging Bisalloy's excellent brand and product reputation to meet market demand through the development of a series of strategic joint ventures, initially focusing on the UAE.

Outlook

The second half has begun to see increased demand for Bisalloy products. A focus on existing and past customers through a restructured sales and customer services organisation is underway.

The Group expects EBITDA for FY17 to be in line with that for FY16 (\$5.0M).

Domestic sales for wear grade steels are now steadily increasing to healthy production levels. Re-engagement with larger yellow goods manufacturers in Australia and Indonesia has resulted in production levels being incrementally increased to support demand and an additional shift is planned from February.

Bisalloy is actively broadening its development into a speciality steel supplier. As an example, both the national road and tunnel infrastructure programmes and the demand for heavy transport and construction equipment, are now a high focus, and recent product extensions have opened new opportunities to target this new segment.

Entry into markets away from the resource sector through product extensions and partnerships has begun, including entry into the UAE, Middle East and parts of Africa for wear, structural and armour grade material.

The Group's distribution subsidiaries in Indonesia and Thailand both returned improved results compared to the corresponding period in 2016, with further improvement plans to increase profits from these businesses, in line with the Australian growth priorities, to be delivered through FY17.

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. The process to have material tested and accredited for use by a number of Chinese heavy equipment manufacturers has been successful, with orders expected to begin during the remainder of the year.

-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