



FOR FURTHER INFORMATION:

AT THE COMPANY:

Barry Woodhouse - Chief Financial Officer
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FOR IMMEDIATE RELEASE

Friday, December 23, 2011

**ALLOY STEEL INTERNATIONAL REPORTS FISCAL YEAR AND FOURTH
QUARTER 2011 RESULTS**

Perth, Australia, December 23, 2011 – Alloy Steel International, Inc. (OTC PK: 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 the fiscal year ended September 30, 2011 (“Fiscal Year 2011”) and the fourth quarter, ended September 30, 2011 (“Q4 2011”).

Financial Results - Quarter

For Q4 2011, total sales were \$7.5 million compared to \$8.8 million in the quarter ended September 30, 2010 (“Q4 2010”). These sales consist solely of the Company’s Arcoplate products. Income before tax for Q4 2011 was \$1.0 million or \$0.06 per common share, compared to income before tax of \$2.7 million or \$0.16 per common share for Q4 2010. Net income after tax was \$0.6 million, or \$0.04 per common share, for Q4 2011, compared to income after tax of \$1.9 million, or \$0.11 per common share, for Q4 2010.

Financial Results - Fiscal Year ended September 30, 2011

For Fiscal Year 2011 total sales were \$22.0 million compared to \$24.5 million for Fiscal Year 2010. Income before tax for Fiscal Year 2011 was \$3.3 million or \$0.19 per common share, compared to income before tax of \$7.3 million or \$0.42 per common share for Fiscal Year 2010. Net income after tax was \$2.4 million or \$0.14 per common share, for Fiscal Year 2011, compared to income after tax of \$4.8 million, or \$0.28 per common share, for Fiscal Year 2010.

Results of Operations

For Q4 2011, sales were 15% lower than Q4 2010. This reduction in sales comparing quarter upon quarter reflects the adverse effect of Australian domestic business conditions, which to a significant degree, resulted from poor government policy making in the onshore manufacturing sector.

The reduction in Gross Margin from 46% to 39% for Fiscal Year 2011 compared to Fiscal Year 2010 is largely attributed to increase in wages and other employee related costs; a change in depreciation estimate; a reduction in the proportion of processed and finished product included in sales resulting in a changed sales mix for the year; as well as the continued strength of the Australian dollar against the US Dollar.

Barry Woodhouse, CFO, stated, "The Company has had a disappointing yearly result when compared to its record 2010 fiscal year with a reduction in annual sales of 10% and a reduction in gross profit of 24%. The Company faced difficult domestic trading conditions in the first three quarters of the fiscal year and this was exacerbated by the trend to lower margin products with customers going offshore for fabricating and finishing. The Board has addressed these issues and will continue to do so throughout the 2012 financial year as it strives to expand its manufacturing capacity within the constraints of its cash flow."

Excerpts of the financial statements are attached to this report.

The audited 2011 Fiscal Year Annual Financial Statements will be available on the Company's website at www.alloysteel.net .

-- FINANCIAL TABLES FOLLOW --

NOTES

FORWARD-LOOKING STATEMENTS

This Press Release contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Such risks and uncertainties include our projected sales and profitability, growth strategies, anticipated trends in our industry segment, our future financing plans, anticipated needs for working capital and those risks and uncertainties referenced under the headings entitled "Risk Factors" contained in our 2009 Annual Report on Form 10-K. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. The forward-looking statements contained in this Press Release speak only as of the date hereof and we expressly disclaim any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in our expectations of future events.

EXCHANGE RATE MOVEMENTS

It is noted that 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 an impact upon the value reported by the Company.



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ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
September 30, 2011 and September 30 2010

	September 2011 Audited	September 2010 Audited
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,259,820	\$ 3,504,350
Accounts receivable, less allowance for doubtful accounts of \$nil at June, 2011 and September 30, 2010	2,389,731	5,597,253
Inventories	5,187,261	3,287,138
Prepaid expenses and other current assets	152,846	90,998
TOTAL CURRENT ASSETS	10,989,658	12,479,739
PROPERTY AND EQUIPMENT, net	8,239,853	6,558,410
OTHER ASSETS		
Investments	-	75,493
Deferred tax asset	348,049	332,113
Other assets	17,863	17,863
Total other assets	365,912	425,469
TOTAL ASSETS	\$ 19,595,423	\$ 19,463,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 224,157	\$ 217,553
Royalties payable, related party	128,998	1,148,335
Current tax payable	788,358	1,981,375
Accounts Payable	2,784,226	2,311,855
Other current liabilities	643,149	1,122,891
TOTAL CURRENT LIABILITIES	4,568,888	6,782,009
LONG-TERM LIABILITIES		
Notes payable, less current portion	363,901	581,492
Notes payable, officers	-	255
Deferred tax liabilities	219,485	189,026
TOTAL LONG-TERM LIABILITIES	583,386	770,773
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; 17,350,000 issued and outstanding	173,500	173,500
Capital in excess of par value	1,769,382	1,767,512
Retained earnings	10,144,416	7,704,279
Accumulated other comprehensive income	2,377,915	2,272,956
Total Alloy Steel International, Inc. Shareholders equity	14,465,213	11,918,247
Non controlling interest	(22,064)	(7,411)
TOTAL STOCKHOLDERS' EQUITY	14,443,149	11,910,836
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,595,423	\$ 19,463,618

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Quarters Ended September 30, 2011 and 2010

	Three Months Ended		Twelve Months Ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2011	2010	2011	2010
	(audited)	(audited)	(audited)	(audited)
Sales	\$ 7,467,503	\$ 8,802,419	\$ 21,977,139	\$ 24,544,217
Cost of Sales	5,105,642	4,218,283	13,429,238	13,194,975
Gross Profit	2,361,861	4,584,136	8,547,901	11,349,242
Operating Expenses				
Selling, general and administrative Expenses	1,653,779	1,740,410	5,461,682	3,910,039
Profit (Loss) From Operations	708,082	2,843,726	3,086,219	7,439,203
Other Income (Expense)				
Interest income	4,591	6,310	95,670	39,125
Interest expense	(19,361)	(44,511)	(59,378)	(74,123)
Dividend Income	-	8,637	-	8,637
Insurance recovery	-	3,802	-	13,927
Sundry income	64,540	(8,154)	115,254	21,975
Impairment Expense	-	20,913	-	-
Realised foreign exchange profit (loss)	(29,348)	84,379	(255,596)	84,379
Unrealised foreign exchange profit (loss)	299,596	(160,821)	277,338	(160,821)
	320,018	(89,445)	173,288	66,901
Income (Loss) Before Income Tax (Expense) Benefit	1,028,100	2,754,281	3,259,507	7,372,302
Income tax (expense) benefit	(387,112)	(856,737)	(834,022)	(2,501,943)
Net Income (Loss)	640,988	1,897,544	2,425,485	4,870,359
Net (income) loss attributable to non-controlling interests	2,287	1,155	14,653	3,199
Net Income (Loss) Attributable to Stockholders	\$ 643,275	\$ 1,898,699	\$ 2,440,138	\$ 4,873,558
Basic Income (Loss) and Diluted Income (Loss) per Common Share	\$ 0.04	\$ 0.11	\$ 0.14	\$ 0.28
Weighted Average Common Shares Used in computing basic and diluted income (loss) per share	17,350,000	17,350,000	17,350,000	17,350,000

Business Overview

Alloy Steel International manufactures and distributes Arcoplate, a wear-resistant continuous fused alloy wear plate produced through a patented process. It has been recognized that wear is the largest single factor leading to production losses in the mining, mineral-processing, and steel manufacturing industries. Consequently, wear solutions are indispensable for these businesses. Without products such as Arcoplate, these industries' increased downtime would significantly affect performance. The wearing of metal parts is generally defined as a gradual decay or breakdown of the metal. This wear of equipment may be due to many causes and accordingly, the selection of wear plate solutions can be a relatively complex process.

In order to minimize the effects of wear, businesses have traditionally employed various wear-combating materials with limited success. Alloy Steel International believes that Arcoplate provides industry with a cost effective solution to most wear-related problems.

Reclassification of costs

An internal review of the Company's accounting system in place for the past fiscal year revealed that certain expenditures directly relating to the manufacture of ArcoPlate were categorized as SG&A expenditures in financial year 2010. These costs are now recognized as cost of goods sold and include logistics, repairs and maintenance and depreciation of the mills. Costs itemized as SG&A in Q4 2010 amounted to \$572,925 and \$1,724,451 for the 2010 year which now have been re-allocated to Cost of Goods Sold. After this reclassification, the gross profit margin for Q4 2010 decreased from 52% to 46%. There was a corresponding reduction in SG&A for Q4 2010 and, therefore, no change to the Profit from Operations for Q4 2010. The figures reported in this release reflect results and financial position after these reclassification entries.

Gross Profit and Cost of Sales

Cost of goods sold (COGS) was \$5.1 million for Q4 2011, compared to COGS of \$4.2 million for Q4 2010. Gross profit was \$2.3 million for Q4 2011, compared to a gross profit of \$4.5 million for Q4 2010.

The reduction in gross profit is attributed to low quarterly sales, a change in depreciation estimate and a reduction in the proportion of processed and finished product included in sales resulting in a changed sales mix for Q4 2011, as well as foreign exchange movements.

Operating Expenses

Selling, general and administrative expenses were \$5.5 million for 2011, compared to \$3.9 million for 2010. These expenditures increased for 2011 compared to 2010 due to increasing administration resources and associated costs.

Income before Taxes

Net income before income tax was \$3.2 million for the twelve months ended September 30, 2011, compared to net income before income tax of \$7.3 million for the twelve months ended September 30, 2010.

Net income before income tax was \$1 million for Q4 2011, compared to income before income tax of \$2.7 million for Q4 2010.

Net Income

Net income after tax was \$2.4 million or \$0.14 per share, for the twelve months ended September 30, 2011, compared to net income after tax of \$4.9 million, or \$0.28 per share, for the twelve months ended September 30, 2010.

Net income after tax was \$0.6 million, or \$0.04 per share, for Q4 2011, compared to net income after tax of \$1.9million, or \$0.11 per share, for Q4 2010.