



FOR FURTHER INFORMATION:

AT THE COMPANY:

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FOR IMMEDIATE RELEASE

Wednesday, November 2, 2011

ALLOY STEEL INTERNATIONAL REPORTS THIRD QUARTER 2011 RESULTS

Perth, Australia, November 2, 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 third quarter ended June 30, 2011 (“Q3 2011”).

Financial Results - Quarter

For Q3 2011, total sales were \$4.1 million versus \$4.8 million in the quarter ended June 30, 2010 (“Q3 2010”). These sales consist solely of the Company’s Arcoplate products. Income (loss) before tax for Q3 2011 was \$(0.5) million or \$(0.03) per common share, compared with income before tax of \$0.7 million or \$0.04 per common share for Q3 2010. Net income (loss) after tax was \$(0.5) million, or \$(0.03) per common share, for Q3 2011, compared to income after tax of \$0.4 million, or \$0.02 per common share, for Q3 2010.

Financial Results – Year to Date

For Q3 2011 year-to-date, total sales were \$14.5 million versus \$15.7 million for Q3 2010 year-to-date. Income before tax for Q3 2011 year-to-date was \$2.2 million or \$0.13 per common share, compared with income before tax of \$4.6 million or \$0.27 per common share for Q3 2010 year-to-date. Net income after tax was \$1.8 million, or \$0.10 per common share, for Q3 2011 year-to-date, compared to income after tax of \$3.0 million, or \$0.17 per common share, for Q3 2010 year-to-date.

Results of Operations

For Q3 2011, sales were 13.43% percent lower than Q3 2010. This reduction in sales comparing quarters, year-on-year, indicates the cumulative effect of Australian domestic political conditions on the local market.

The reduction in Gross Margin from 47% to 43% for Q3 2011 year-to-date versus Q3 2010 year-to-date is attributed to 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 Q1, Q2 and Q3 2011, as well as continuing fluctuations in the Australian dollar in comparison the US Dollar.

Barry Woodhouse, CFO, stated, "The Company remains optimistic about sales for the remainder of the calendar year following particularly tough trading conditions for the first three quarters. This is also reflected in lower sales and lower margins, particularly for Q3 2011. Since early July 2011, conditions have improved and the order book has strengthened remarkably."

Excerpts of the financial statements are attached to this report.

-- 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.



Manufactured in Australia
Used the World Over

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ALLOY STEEL INTERNATIONAL, INC.

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

	June 2011 (unaudited)	September 2010 Audited
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,822,753	\$ 3,504,350
Accounts receivable, less allowance for doubtful accounts of \$nil at June, 2011 and September 30, 2010	1,682,076	5,597,253
Inventories	5,560,928	3,287,138
Prepaid expenses and other current assets	137,520	90,998
TOTAL CURRENT ASSETS	10,203,277	12,479,739
PROPERTY AND EQUIPMENT, net	8,805,915	6,558,410
OTHER ASSETS		
Investments	-	75,493
Deferred tax asset	421,180	332,113
Other assets	17,863	17,863
Total other assets	439,043	425,469
TOTAL ASSETS	\$ 19,448,235	\$ 19,463,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 183,838	\$ 217,553
Royalties payable, related party	208,839	1,148,335
Current tax payable	561,131	1,981,375
Accounts payable and other current liabilities	2,865,673	3,434,746
TOTAL CURRENT LIABILITIES	3,819,481	6,782,009
LONG-TERM LIABILITIES		
Notes payable, less current portion	493,309	581,492
Notes payable, officers	255	255
Deferred tax liabilities	173,512	189,026
TOTAL LONG-TERM LIABILITIES	667,076	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	1,767,512	1,767,512
Retained earnings	9,501,142	7,704,279
Accumulated other comprehensive income	3,539,302	2,272,956
Total Alloy Steel International, Inc. Shareholders equity	14,981,456	11,918,247
Non controlling interest	(19,778)	(7,411)
TOTAL STOCKHOLDERS' EQUITY	14,961,678	11,910,836
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,448,235	\$ 19,463,618

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Quarters Ended June 30, 2011 and 2010

	Three Months Ended		Nine Months Ended	
	June 30 2011 (unaudited)	June 30 2010 (unaudited)	June 30 2011 (unaudited)	June 30 2010 (unaudited)
Sales	\$ 4,130,087	\$ 4,770,846	\$ 14,509,636	\$ 15,741,798
Cost of Sales	2,877,867	3,443,608	8,323,596	8,402,512
Gross Profit	1,252,220	1,327,238	6,186,039	7,339,286
Operating Expenses				
Selling, general and administrative Expenses	1,553,741	607,064	3,807,903	2,743,809
Profit (Loss) From Operations	(301,521)	720,174	2,378,136	4,595,477
Other Income (Expense)				
Interest income	11,626	13,062	91,079	32,815
Interest expense	(12,760)	(8,727)	(40,017)	(29,612)
Insurance recovery	-	1,682	-	10,125
Sundry income	1,130	5,820	50,714	30,129
Impairment expense	-	(33,026)	-	(20,913)
Realised foreign exchange profit (loss)	15,463	-	(226,248)	-
Unrealised foreign exchange profit (loss)	(167,440)	-	(22,258)	-
	(151,981)	(21,189)	(146,765)	22,544
Income (Loss) Before Income Tax (Expense) Benefit	(453,502)	698,985	2,231,406	4,618,021
Income tax (expense) benefit	(22,986)	(341,821)	(446,910)	(1,645,206)
Net Income (Loss)	(476,488)	357,164	1,784,496	2,972,815
Net (income) loss attributable to non-controlling interests	12,212	155	12,366	2,044
Net Income (Loss) Attributable to Stockholders	\$ (464,275)	\$ 357,319	\$ 1,796,863	\$ 2,974,859
Basic Income (Loss) and Diluted Income (Loss) per Common Share	\$ (0.03)	\$ 0.021	\$ 0.10	\$ 0.17
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

Alloy Steel International, Inc.**Supplemental Information****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 Q3 2010 amounted to \$800,388 which now have been re-allocated to Cost of Goods Sold. After this reclassification, the gross profit margin for Q3 2010 decreased from 53% to 46%. There was a corresponding reduction in SG&A for Q3 2010 and, therefore, no change to the Profit from Operations for Q3 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 \$2.9 million for Q3 2011, compared to COGS of \$3.4 million for Q3 2010. Gross profit was \$1.3 million for Q3 2011, compared to a profit of \$1.3 million for Q3 2010.

Alloy Steel's gross profit was 30.3% of sales, and 27.8% of sales, for Q3 2011 and 2010 respectively. Notwithstanding a slight increase in gross profit margin comparing Q3 2011 to Q3 2010, the reduction in gross profit in dollar terms 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 Q3 2011, as well as foreign exchange movements.

Operating Expenses

Selling, general and administrative expenses were \$1.5 million for Q3 2011, compared to \$0.6 million for Q3 2010. These expenditures increased for Q3 2011 compared to Q3 2010 due to increasing administration resources and associated costs.

Income Before Taxes

Net income before income tax was \$2.2 million for the nine months ended June 30, 2011, compared to income before income tax of \$4.6 million for the nine months ended June 30, 2010.

Net income (loss) before income tax was \$(0.5) million for Q3 2011, compared to income before income tax of \$0.7 million for Q3 2010.

Net Income

Net income after tax was \$1.8 million, or \$0.10 per share, for the nine months ended June 30, 2011, compared to net income after tax of \$2.97 million, or \$0.17 per share, for the nine months ended June 30, 2010.

Net income (loss) after tax was \$(0.48) million, or \$(0.03) per share, for Q3 2011, compared to income after tax of \$0.36 million, or \$0.02 per share, for Q3 2010.