



**FOR FURTHER INFORMATION:**

**AT THE COMPANY:**

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**FOR IMMEDIATE RELEASE**

**Thursday, April 21, 2011**

**ALLOY STEEL INTERNATIONAL REPORTS FIRST QUARTER 2011 RESULTS**

**Perth, Australia, April 21, 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 first quarter ended December 31, 2010 (“Q1 2011”).

**Financial Results**

For Q1 2011, total sales were \$5.1 million versus \$5.8 million in the quarter ended December 31, 2009 (“Q1 2010”). These sales consist solely of the Company’s Arcoplate products. Income before tax Q1 2011 was \$1.0 million or \$0.06 per common share, compared with income before tax of \$2.2 million or \$0.13 per common share for Q1 2010. Net income after tax was \$0.8 million, or \$0.05 per share, for Q1 2011, compared to income after tax of \$1.5 million, or \$0.09 per common share, for Q1 2010.

**Results of Operations**

For Q1 2011, sales were 12.1% percent lower than Q1 2010. The reduction in sales is attributed to the effect of the strengthening Australian dollar on exports and delayed investment decisions for several key Western Australian resource expansion projects.

The reduction in Gross Margin from 53% to 41% for Q1 2011 is attributed to a change in depreciation policy and a reduction in the proportion of processed and finished product included in sales resulting in a changed sales mix for Q1 2011, as well as foreign exchange movements.

John Cleland, CEO stated “the Company remains optimistic about sales for the remainder of the financial year and notes that sales are usually lower in the December and March quarters. Further, the Company continues to optimize its Australian production facilities to ensure increased demand can be satisfied from available capacity. The Company continues to evaluate the development of expanded capacity in Australia and new capacity in Indonesia.”

**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 a reasonable 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**  
December 31, 2010 and September 30 2010

	<b>December 2010 (unaudited)</b>	<b>September 2010 Audited</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,550,586	\$ 3,504,350
Accounts receivable, less allowance for doubtful accounts of \$nil at December, 2010 and September 30, 2010	2,622,122	5,597,253
Inventories	4,305,091	3,287,138
Prepaid expenses and other current assets	89,614	90,998
<b>TOTAL CURRENT ASSETS</b>	<b>12,567,413</b>	<b>12,479,739</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>8,050,217</b>	<b>6,558,410</b>
<b>OTHER ASSETS</b>		
Investments	91,957	75,493
Deferred tax asset	347,184	332,113
Other assets	17,863	17,863
Total other assets	457,004	425,469
<b>TOTAL ASSETS</b>	<b>\$ 20,074,634</b>	<b>\$ 19,463,618</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable, current portion	\$ 174,570	\$ 217,553
Royalties payable, related party	871,201	1,148,335
Current tax payable	2,328,144	1,981,375
Accounts payable and other current liabilities	2,566,925	3,434,746
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,940,840</b>	<b>6,782,009</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	559,583	581,492
Notes payable, officers	255	255
Employee entitlement provisions	-	-
Deferred tax liabilities	164,630	189,026
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>724,468</b>	<b>770,773</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
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	8,640,096	7,704,279
Accumulated other comprehensive income	2,835,783	2,272,956
Total Alloy Steel International, Inc. Shareholders equity	13,416,891	11,918,247
Non controlling interest	(7,565)	(7,411)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>13,409,326</b>	<b>11,910,836</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 20,074,634</b>	<b>\$ 19,463,618</b>

**ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
Quarters Ended December 31, 2010 and 2009

	<b>December 2010 (unaudited)</b>	<b>December 2009 (unaudited)</b>
<b>Sales</b>	\$ 5,116,548	\$ 5,842,028
<b>Cost of Sales</b>	3,014,824	2,743,309
<b>Gross Profit</b>	2,101,724	3,098,719
<b>Operating Expenses</b>		
Selling, general and administrative Expenses	1,012,776	872,095
<b>Profit (Loss) From Operations</b>	1,088,948	2,226,624
<b>Other Income (Expense)</b>		
Interest income	37,499	3,721
Interest expense	(40,728)	(10,266)
Dividend income	-	-
Insurance recovery	-	7,336
Sundry income	6,287	18,682
Realised foreign exchange profit (loss)	15,603	-
Unrealised foreign exchange profit (loss)	(75,152)	-
	(56,491)	19,473
<b>Income (Loss) Before Income Tax (Expense) Benefit</b>	1,032,457	2,246,097
Income tax (expense) benefit	(213,894)	(740,074)
<b>Net Income (Loss)</b>	818,563	1,506,023
Net (income) loss attributable to non-controlling interests	154	1,929
<b>Net Income (Loss) Attributable to Stockholders</b>	\$ 818,717	\$ 1,507,952
<b>Basic Income (Loss) and Diluted Income (Loss) per Common Share</b>	\$ 0.047	\$ 0.087
<b>Weighted Average Common Shares Used in computing basic and diluted income (loss) per share</b>	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 now are recognized as cost of goods sold and include logistics, repairs and maintenance and depreciation of the mills. Costs itemized as SG&A in Q1 2010 amounted to \$254,444 which now have been re-allocated to Cost of Goods Sold. After this reclassification, the gross profit margin for Q1 2010 decreased from 57.4% to 53.4%. There was a corresponding reduction in SG&A for Q1 2010 and, therefore, no change to the Profit from Operations for Q1 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 was \$3.0 million for Q1 2011, compared to COGS of \$2.7 million for Q1 2010. Gross profit was \$2.1 million for Q1 2011, compared to \$3.1 million for Q1 2010.

Alloy Steel's gross profit was 41.1% of sales, and 53.0% of sales, for Q1 2011 and 2010 respectively. The reduction in gross profit is attributed to a change in depreciation policy and a reduction in the proportion of processed and finished product included in sales resulting in a changed sales mix for Q1 2011, as well as foreign exchange movements.

**Operating Expenses**

Selling, general and administrative expenses were \$1.0 million for Q1 2011, compared to \$0.9 million for Q1 2010. These expenditures increased for Q1 2011 compared to Q1 2010 due to increasing administration resources and costs.

**Income Before Taxes**

Net income before income tax was \$1.0 million for Q1 2011, compared to income before income tax of \$2.2 million for Q1 2010.

**Net Income**

Net income after tax was \$0.8 million, or \$0.05 per share, for Q1 2011, compared to income after tax of \$1.5 million, or \$0.09 per share, for Q1 2010. Less tax has been charged in Q1 2011 as compared to Q1 2010 as the royalty payments are being appropriately matched to the relevant income source.