ALLOY STEEL INTERNATIONAL, INC.
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF ALLOY STEEL INTERNATIONAL, INC.

We have audited the accompanying consolidated financial statements of Alloy Steel International, Inc. and Controlled Entities (the "Company"), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the consolidated related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alloy Steel International, Inc. and Controlled Entities as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moore Stephens
/s/ Moore Stephens
Chartered Accountants

Perth, Australia
Dated: 12 January 2016

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
September 30, 2015 and 2014

	Note		Sep - 15		Sep – 14
ASSETS	**Note**				
CURRENT ASSETS					
Cash and cash equivalents	3	$	12,025,603	$	7,720,048
Accounts receivable, less allowance for doubtful accounts of $nil at September 30, 2015 and 2014			3,023,770		5,076,839
Inventories	4		4,440,622		6,439,409
Prepaid expenses and other current assets			364,730		422,573
Land and building held for sale	5		4,000,000		-
TOTAL CURRENT ASSETS			23,854,725		19,658,869
PROPERTY AND EQUIPMENT, net	6		2,087,358		8,645,891
OTHER ASSETS					
Deferred tax asset	8		451,149		471,571
Other assets			17,863		17,863
Total other assets			469,012		489,434
TOTAL ASSETS		$	26,411,095	$	28,794,194
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Notes payable, current portion	7	$	36,825	$	110,429
Accounts payable			1,136,234		691,175
Royalties payable, related party			121,432		121,348
Current tax payable			1,082,527		656,858
Accrued payroll and related costs			435,789		523,907
Other accrued liabilities			24,079		2,292,606
TOTAL CURRENT LIABILITIES			2,836,886		4,396,323
LONG-TERM LIABILITIES					
Notes payable, less current portion	7		11,609		60,578
Deferred tax liabilities	8		192,622		330,547
Other liabilities			36,833		36,303
TOTAL LONG-TERM LIABILITIES			241,064		427,428
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		1,769,382
Retained earnings			28,348,432		23,041,226
Accumulated other comprehensive income (loss)			(6,923,649)		(982,595)
Total Alloy Steel International, Inc. stockholders' equity			23,367,665		24,001,513
Non controlling interest			(34,520)		(31,070)
TOTAL STOCKHOLDERS' EQUITY			23,333,145		23,970,443
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$	26,411,095	$	28,794,194

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended September 30, 2015 and 2014

	Sep-15	Sep-14
Sales	$ 24,134,703	$ 27,041,021
Cost of Sales	(12,708,020)	(14,369,038)
Gross Profit	11,426,683	12,671,983
Operating Expenses		
Selling, general and administrative expenses	(5,172,346)	(6,570,371)
Impairment Expenses	(813,521)	(303,468)
Profit (Loss) From Operations	5,440,816	5,798,144
Other Income		
Interest income	135,588	86,106
Interest expense	(6,754)	(22,858)
Sundry income	352,960	146,447
Realised foreign exchange profit	1,402,283	23,355
Unrealised foreign exchange profit	620,119	512,513
	2,504,196	745,563
Income Before Income Tax (Expense)	7,945,012	6,543,707
Income tax (expense)	(2,641,256)	(2,056,092)
Net Income	5,303,756	4,487,615
Net loss attributable to non-controlling interest	3,450	4,231
Net Income (Loss) Attributable to Alloy Steel International, Inc.	$ 5,307,206	$ 4,491,846
Basic and Diluted Income per Common Share	$ 0.31	$ 0.26
Weighted Average Common Shares Used in computing basic and diluted income per share	17,350,000	17,350,000

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended September 30, 2015 and 2014

		Sep-15		**Sep-14**
Net Income	$	5,303,756	$	4,487,615
Other Comprehensive (Loss)				
Foreign currency translation adjustment		(5,941,054)		(1,923,330)
Total Other Comprehensive (Loss)		(5,941,054)		(1,923,330)
Total Comprehensive Income	$	(637,298)	$	2,564,285
Total comprehensive income attributable to:				
Stockholders of Alloy Steel International, Inc	$	(637,298)	$	2,564,285
Non-controlling interest		(3,450)		(4,231)
	$	(640,748)	$	2,560,054

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended September 30, 2015 and 2014

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Non Controlling Interest	Total Stockholders' Equity
Balances, October 1, 2013	17,350,000	$173,500	$1,769,382	$18,549 ,380	$940,735	$(26,839)	$21,406,158
Net Income attributable to stockholders	-	-	-	4,491,846	-	(4,231)	4,487,615
Other comprehensive income	-	-	-	-	(1,923,330)	-	(1,923,330)
Balances, September 30, 2014	17,350,000	$173,500	$1,769,382	$23,041,226	$(982,595)	$(31,070)	$23,970,443
Net Income attributable to stockholders	-	-	-	5,307,206	-	(3,450)	5,303,756
Other comprehensive income	-	-	-	-	(5,941,054)	-	(5,941,054)
Balances, September 30, 2015	17,350,000	$173,500	$1,769,382	$28,348,432	$(6,923,649)	$(34,520)	$23,333,145

ALLOY STEEL INTERNATIONAL, INC. AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2015 and 2014

		Sep-15		Sep-14
Cash Flows From Operating Activities				
Net income	$	5,303,756	$	4,487,615
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortisation		587,576		1,715,777
Impairment		813,521		287,612
Credit for deferred income taxes		-		(121,871)
Profit/Loss on sale of plant and equipment		(90,835)		(66,378)
Loss attributable to non controlling interest		(3,450)		(4,231)
Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities:				
Accounts receivable		4,224,459		(1,300,258)
Inventories		1,093,357		(3,533,752)
Prepaid expenses and other current assets		(29,629)		310,563
Accounts payable and other current liabilities		(4,844,004)		(481,173)
Income taxes payable		649,973		(167,587)
Net Cash Provided by Operating Activities		7,704,724		1,126,317
Cash Flows From Investing Activities				
Purchase of property, plant and equipment		(438,790)		(1,611,327)
Proceeds on sale of property, plant and equipment		115,529		145,114
Net Cash (Used in) Investing Activities		(323,261)		(1,466,213)
Cash Flows From Financing Activities				
Loans to companies		(503,233)		(40,698)
Repayments on notes and loans payable		(99,557)		(164,795)
Net Cash (Used in) Financing Activities		(602,790)		(205,493)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(2,473,118)		(515,223)
Net Increase (Decrease) in Cash and Cash Equivalents		4,305,555		(1,060,612)
Cash and Cash Equivalents at Beginning of Period		7,720,048		8,780,660
Cash and Cash Equivalents at End of Period	$	12,025,603	$	7,720,048
Supplemental disclosures of cash flow information,				
Cash paid during the year for:				
Income taxes	$	2,003,079	$	1,715,494
Interest	$	6,754	$	22,858

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

Alloy Steel International, Inc. (ASII), its 99.99% owned subsidiary, Alloy Steel Australia (Int) Pty Limited (ASAI) and its wholly owned entity PT Alloy Manufacturing Indonesia (PTAM), wholly owned subsidiaries Alloy Steel North America LLC (ASNA) and Team Arcoplate LLC (TA) and majority owned subsidiary Alloy Steel Mongolia LLC (ASM) (collectively the "Company") manufacture and distribute Arcoplate, a wear-resistant fused-alloy steel plate, to customers throughout the world.

2. Summary of significant accounting policies

Basis of Presentation

The Company adheres to accounting standards set by the Financial Accounting Standards Board (FASB). FASB sets generally accepted accounting principles (GAAP) in the United States of America that the Company follows to ensure the Company consistently reports its financial condition, results of operations and cash flows. References to GAAP issued by FASB in these notes are to *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

The Company's consolidated financial statements are denominated in United States dollars.

Principles of Consolidation

The consolidated financial statements include the accounts of ASII, ASAI, PTAM, ASNA, TA and ASM. All material intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenues when products are shipped and title passes to customers. Provisions are established, as appropriate, for returns and allowances and warranties in connection with sales.

Cash and Cash Equivalents

The Company considers all highly-liquid instruments purchased with initial maturities of three months or less to be cash equivalents.

	2015	2014
Cash at bank	$ 12,025,603	$ 7,720,048
	$ 12,025,603	$ 7,720,048

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its receivables and establishes an allowance for doubtful accounts, based on the history of past write-offs and collections and current credit conditions. The Company has reviewed its outstanding accounts and, given the company’s credit criteria and quality of clients, notwithstanding the current economic climate, has assessed that there is no need to raise an allowance for doubtful debts. Accounts are written off as uncollectible once the Company has exhausted its collection efforts.

Inventories

Inventories consist of Arcoplate and the materials used to manufacture Arcoplate. Inventories are valued at the lower of cost or net realizable value. Cost is determined principally on the first-in, first-out method.

2. Summary of significant accounting policies (continued)

Impairment of Long-Lived Assets

The Company periodically assesses the recoverability of the carrying amounts of long-lived assets, including intangible assets. A loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the difference by which the carrying amount of the asset exceeds its fair value. An impairment loss of $453,000 on long lived assets was recognised during the financial year ended September 30, 2015.

An impairment charge of $360,000 in respect of the building under construction in Company's Indonesian subsidiary has been recognised during the financial year. The Board is confident that this impairment charge, which has been based on an assessment of the fair value is sufficient to cover any future losses arising from the Group's Indonesian activities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both the straight-line and declining value method over the estimated useful lives of the assets as follows:

Asset	Estimated Useful Lives
Plant and equipment	5-10 years
Furniture and fixtures	5-7 years
Vehicles	3-8 years
Office and computer equipment	3-5 years

Maintenance and repairs are charged to operations, while betterments and improvements are capitalized.

Advertising

Advertising costs are charged to operations as incurred and were approximately $35,751 and $26,251 for the years ended September 30, 2015 and 2014, respectively.

Income Taxes

The Company uses an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves are recorded based on a determination of whether and how much of a tax benefit taken in its tax filings or positions is more likely than not to be realized, assuming that the matter in question will be raised by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. The Company has made a comprehensive review of its uncertain tax positions. The Company believes appropriate provisions for outstanding issues have been made.

Income per Common Share

Basic income per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted income per common share was the same as basic income per common share since there were no common stock equivalents outstanding for both years presented.

2. Summary of significant accounting policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

Assets and liabilities of the Company's subsidiaries are translated into U.S. dollars at year-end exchange rates, revenues and expenses and cash flows are translated at average rates prevailing during the year. Share capital and retained earnings are translated at historical rates. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income.

Where the Company's subsidiaries undertake transactions in currencies other than their functional currency, the resulting gain or loss is recorded as income or expenditure as appropriate at the time the transaction is settled. Unsettled accounts at year end are revalued at the spot exchange rate as at that date and unrealized gains or losses are recorded in the Company's statement of operations.

The functional currencies of each of the entities are

- Alloy Steel International Inc – US Dollars
- Alloy Steel Australia (Int) Pty Ltd – Australian Dollars
- PT Alloy Manufacturing Indonesia – Australian Dollars
- Alloy Steel North America LLC – US Dollars
- Team Arcoplate LLC – US Dollars
- Alloy Steel Mongolia LLC – US Dollars

The consolidated group maintain cash balances at several financial institutions located within Australia, North America and Mongolia. The total of all accounts at each institution is insured up to $250,000 at 30 September 2015 and $250,000 at 30 September 2014. At 30 September 2015 the group's uninsured cash balance was approximately $11,697,000 and $7,492,000 at 30 September 2014.

2. Summary of significant accounting policies (continued)

In March 2013, the FASB issued guidance to address the accounting for the cumulative translation adjustment when a parent entity sells or transfers either a subsidiary or a group of assets within a foreign entity. The guidance was effective for the Company beginning the first quarter of fiscal 2015 and was applied prospectively. The adoption of this guidance did not have a significant impact on our consolidated financial position, results of operations, or cash flows.

3. Cash and cash equivalents	**2015**	**2014**
Cash at bank	$ 12,025,603	$ 7,720,048
	$ 12,025,603	$ 7,720,048

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Consolidated Balance Sheet as follows

Cash and cash equivalents	$ 12,025,603	$ 7,720,048
	$ 12,025,603	$ 7,720,048

Currency Risk

Cash balances are held in the following denominations.

US Dollars
Australian Dollars
Mongolian Tugrik
European Union Euros

The US Dollar value of local currency balances were as follows

	2015	**2014**
Australian Dollars	$ 6,764,473	$ 5,575,906
Mongolian Tugrik	10,560	11,421
European Union Euros	51	57
	$ 6,775,084	$ 5,587,384

Exposure to currency risk may result in the fair value of future cash flows of cash fluctuating due to movement in foreign exchange rates of currencies in which the group hold which are in currencies other than USD.

4. Inventories

Inventories consist of the following at September 30, 2015 and 2014:

	2015	**2014**
Raw materials	$ 1,440,586	$ 1,676,217
Work in progress	452,219	172,175
Finished goods	2,547,817	4,591,017
	$ 4,440,622	$ 6,439,409

5. Land and building held for sale

		2015		2014
Leasehold Land	$	2,359,090	$	-
Less: accumulated amortization		(278,282)		-
	$	2,080,808	$	-
Building under construction	$	2,279,586	$	-
Less: accumulated impairment		(360,394)		-
	$	1,919,192	$	-
		4,000,000		

During the financial year the Board made a decision to sell the land and building of the Indonesian Subsidiary. The property is currently on market and accordingly it was reclassified as a current asset.
Management consider Net Realisable Value of the land and buildings to be $ 4,000,00 and have thus recognised an impairment charge of $360,000 in respect there of land and buildings in the Company's Indonesian subsidiary. The Board is confident that this impairment charge, which has been based on an assessment of the fair value is sufficient to cover any future losses arising from the Group's Indonesian activities.

Reconciliation of the movement of land and building during the year was as follows:

Balance as at 1 October 2014	$	5,536,683
Additions during the year		15,011
Amortisation of land during the year		(74,679)
Impairment		(360,394)
Exchange differences		(1,116,621)
Balance as at 30 September 2015	$	4,000,000

6. Property and equipment

Property and equipment consists of the following at September 30, 2015 and 2014:

		2015		2014
Leasehold Land	$	-	$	2,944,755
Less: accumulated amortization		-		(240,413)
	$	-	$	2,704,342
Building under construction	$	-	$	2,832,341
Less: accumulated impairment		-		-
	$	-	$	2,832,341
Plant and equipment		2,414,373		3,078,427
Furniture and fixtures		58,813		70,992
Vehicles		621,604		716,402
Leasehold Improvements		174,190		195,682
Office and computer equipment		403,187		493,705
		3,672,167		4,555,208
Less accumulated depreciation		(1,584,809)		(1,446,000)
	$	2,087,358	$	3,109,208
Net property and equipment	$	2,087,358	$	8,645,891

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 was approximately $587,000 and $1, 715,000 respectively. Impairment expense of property and equipment for the years ended September 30, 2015 and 2014 was approximately $453,000 and $288,000 respectively.
At September 30, 2015 and 2014, property and equipment included approximately $224,000 and $600,000 and accumulated depreciation included approximately $104,000 and $254,000 related to assets acquired under notes payable, respectively.

7. Notes Payable

Notes payable at September 30, 2015 and 2014 consist of the following:

	2015	2014
Note payable (a)	$ -	$ 4,293
Note payable (b)	-	63,245
Note payable (c)	30,427	64,367
Note payable (d)	18,007	39,102
	48,434	171,007
Less current portion	36,825	110,429
	$ 11,609	$ 60,578

(a) The note was payable in monthly instalments of $696 including interest at a rate of 8.55% per annum, with a final payment in February 2015. The note was collateralized by certain equipment.

(b) The note was payable in monthly instalments of $5,771 including interest at a rate of 8.11% per annum, with a final payment in June 2015. The note was collateralized by certain equipment.

(c) The note is payable in monthly instalments of $1,986 including interest at a rate of 6.99% per annum, with a final payment in December 2016. The note is collateralized by certain equipment.

(d) The note is payable in monthly instalments of $1,863 including interest at a rate of 7.39% per annum, with a final payment in December 2016. The note is collateralized by certain equipment.

As of September 30, 2015, aggregate annual principal payments for each of the following years are as follows:

Year ending September 30,	
2015	9,714
2016	38,720
	$ 48,434

8. Income Taxes

Income before income tax expense for the years ended September 30, 2015 and 2014 were derived in the following jurisdictions:

	2015	2014
Australia	$ 8,230,750	$ 7,573,922
Mongolia	(8,624)	(10,577)
Indonesia	450,229	(272,839)
United States	(727,345)	(746,799)
	$ 7,945,010	$ 6,543,707

Net income tax expense for the years ended September 30, 2015 and 2014 were incurred in the following jurisdictions:

	2015	2014
Australia	$ 2,641,256	$ 2,056,092
Mongolia	-	-
Indonesia	-	-
United States	-	-
	$ 2,641,256	$ 2,056,092

8. Income taxes (continued)

The components of the income tax expense (benefit) are as follows for the years ended September 30, 2015 and 2014:

		2015		2014
Current				
Foreign	$	2,805,624	$	2,016,973
Deferred				
Foreign		(164,368)		39,119
	$	2,641,256	$	2,056,092

As of September 30, 2015 the Company had net operating loss carried forwards of approximately $727,345 expiring through 2035.

The components of the deferred tax assets and liabilities consist of the following at September 30, 2015 and 2014:

		2015		2014
Deferred tax assets				
Net operating loss carried forward	$	247,297	$	253,912
Timing differences		451,149		471,571
		698,446		725,483
Less: Valuation Allowance		(247,297)		(253,912)
		451,149		471,571
Deferred tax liabilities				
Other		(192,622)		(330,547)
Deferred tax assets/(liabilities), net	$	258,527	$	141,024

The effective tax rate in 2015 and 2014 differs from the U.S. federal statutory rate as follows:

	2015	2014
U.S. federal statutory rate	34%	34%
(Benefit)of lower foreign effective tax rate	(1)%	(3)%
Effective tax rate	33%	31%

The Company has considered its income tax positions, including any positions that may be considered uncertain by the relevant tax authorities in the jurisdictions in which the Company operates. As of September 30, 2015 and 2014, the Company had no uncertain tax positions. The following table summarizes tax years that remain subject to examination by major tax jurisdictions:

Jurisdiction	**Open Years**
United States	2012-2015
Australia	2011-2015

9. Commitments and contingencies

Operating Lease

The Company leases its office and manufacturing space from a related party for approximately $735,000 for the year ended September 30, 2015 plus certain expenses (as defined in the agreement). The Company entered in to a new lease agreement on March 01, 2014 for a five year term with the option of renewing for a further nine years. Rent expense for the years ended September 30, 2015 and 2014 was approximately $735,000 and $932,000 respectively.

Operating Lease Commitments

Non cancellable operating lease commitments not capitalised in the financial statements

Minimum lease payments payable	2015	2014
2015	$ -	$ 873,104
2016	648,183	810,694
2017	603,036	754,227
2018	603,036	754,227
2019	251,265	314,262
	$ 2,105,520	$ 3,506,514

Building Construction

The Company entered into an agreement with PT Bimo Prasetyo through its Indonesian subsidiary PT Alloy Manufacturing Indonesia for the construction of a building. The contract value for the building was 35,600,000,000 Indonesian Rupiah (IRP) (approximately US $ 2,410,000) as at September 30, 2015. The construction of the building is currently on hold and land and building was placed on sale due to changes in business conditions. Payments of IRP 20,186,000,000 (approximately US$ 1,367,000) have been made to balance date. Further payments of IRP 15,414,000,000 (approximately US$ 1,043,000) remain outstanding at balance date.

Royalty Agreements

Under the terms of the royalty agreement, the Company is required to pay royalties of 6% (2014 – 6%) on the gross sales of Arcoplate products, calculated monthly to a Shareholder. At September 30, 2015 and 2014, approximately $137,000 and $121,000 respectively, was payable under this agreement. The royalty expense was approximately $1,335,000 and $1,618,000 for the years ended September 30, 2015 and 2014, respectively.

10. Major customers, suppliers and geographic information

The Company had revenues from a customer for the year ended September 30, 2015 and two customers for the year ended September 30, 2014 of approximately $6,936,757 and $14,198,071 respectively. Accounts receivable due from the respective customers were approximately $478,032 and $1,894,820 at September 30, 2015 and 2014.

	2015 Revenue
Customer A	29%

	2014 Revenue
Customer A	36%
Customer B	16%

For the years ended September 30, 2015 and 2014, the Company purchased approximately 38% and 41% of its inventories from two suppliers, respectively.

For the years ended September 30, 2015 and 2014, revenues were derived from the following:

	2015	**2014**
Australia	77%	79%
Americas	11%	9%
Other	12%	12%
	100%	100%

Revenue is attributed to each country based on the location of the customer.

For the years ended September 30, 2015 and 2014, assets were located in the following countries:

	2015	**2014**
Indonesia	61%	64%
Australia	36%	33%
Americas	3%	2%
	100%	100%

11. Recently issued accounting standards

In January 2015, the Financial Accounting Standards Board (“FASB”) issued guidance which eliminates the concept of an extraordinary item. As a result, entities will no longer segregate an extraordinary item from the results of ordinary operations; separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and disclose income taxes and earnings per share data applicable to an extraordinary item. The guidance is effective for the Company beginning the first quarter of fiscal 2017 with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on our consolidated financial position, results of operations, or cash flows.

In May 2014, the FASB issued guidance on revenue from contracts with customers. The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. The guidance is effective for the Company beginning the first quarter of fiscal 2018. In April 2015, the FASB issued a proposal that would defer the effective date by one year. The Company is in the process of determining the impact of this guidance on our consolidated financial positions, results of operations, and cash flows.

11. Recently issued accounting standards (Continued)

In April 2014, the FASB issued guidance that changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. The guidance is effective for the Company beginning the first quarter of fiscal 2016. The adoption of this guidance is not expected to have a significant impact on our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued guidance on the presentation of unrecognized tax benefits when a net operating loss carry forward, a similar tax loss, or a tax credit carry forward exists. The guidance requires entities to present an unrecognized tax benefit netted against certain deferred tax assets when specific requirements are met.

12. Subsequent Events

Management has performed a review of subsequent events through to January 12, 2016, the date the financial statements were available to be issued. No events requiring disclosure were noted.