



BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2016 (“HY17”)
Results for announcement to the market

		Absolute Change		HY17 \$'000	HY16 \$'000
Profit/(Loss) attributable to members	Down	102.5%	to	(34)	1,333
Revenue	Down	9.8%	to	27,525	30,505
Profit before income tax from continuing operations	Down	83.1%	to	376	2,224
Profit after income tax	Down	92.2%	to	113	1,437

Dividends	Amount per share	Franked amount per share
<u>Half year ended 31 December 2016</u>		
Interim dividend	Nil	Nil
<u>Half year ended 31 December 2015</u>		
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

	HY17	HY16
Other		
Net tangible asset backing per share	48.6cps	50.4cps

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report.

BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF YEAR ENDED 31 December 2016

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Directors' Report

Your directors submit their report for the half year ended 31 December 2016.

Directors

The names of directors of the Company in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

Name	Office
Mr Phillip Cave AM	Non-Executive Chairman
Mr Kym Godson	Non-Executive Director
Mr Richard Grellman AM	Non-Executive Director
Mr Dario Pong	Non-Executive Director
Mr Greg Albert	Chief Executive Officer and Managing Director

Review of Operations

Operating results are summarised as follows:

	<u>December 2016</u>	<u>December 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	27,525	30,505
Profit after income tax	113	1,437

Summary

Bisalloy Steel Group Limited ("Group") comprises Bisalloy Steels Pty Limited in Australia, the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand) as well as the investment in the Chinese joint venture (Bisalloy Jigang (Shandong) Steel Plate Co., Limited).

Bisalloy Steels is Australia's only processor of Quenched and Tempered ("Q&T") high-tensile, abrasion resistant and armour grade alloyed steel plates. Bisalloy Steels' processing operation is located in Unanderra near Wollongong, NSW. Bisalloy Steels distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and overseas.

The Group's ongoing commitment to the safety of its staff, contractors and visitors continues to underpin an excellent safety record into FY17. As of this report, the Group has gone 1,371 days without a Lost Time Injury.



Bisalloy currently supplies a high proportion of its production in Australia to the resource sector which experienced a significant downturn in 2016. Domestic demand for Quenched and Tempered (Q&T) steel plate decreased in H1 FY17 driven by weak demand from 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.

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 FY2017.

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.

Results

Revenues of the Group in the period were \$27,525k, down 9.8% from the corresponding period last year. Operating Profit before the CJV contribution reduced 76.0% to \$528k from \$2,197k and the share of profit from the CJV decreased 30.5% compared to the prior corresponding period. Profit after tax decreased 92.2% to \$113k from \$1,437k in the prior corresponding period.

Net operating cash inflow in the six months was \$800k compared to \$1,871k in the previous corresponding period, and has declined in line with the reduction in operating profit.

Net debt at 31 December 2016 totals \$8.9m (30 June 2016 - \$7.7m). Inventory levels have decreased \$0.4m in the six months to December 2016.



Dividend

No dividend will be paid in respect of the half year ended 31 December 2016.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Greg Albert', is written in a cursive style.

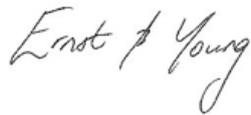
Greg Albert
Managing Director
23 February 2017

Auditor's Independence Declaration to the Directors of Bisalloy Steel Group Limited

As lead auditor for the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bisalloy Steel Group Limited and the entities it controlled during the financial period.



Ernst & Young



Glenn Maris
Partner
Sydney
23 February 2017



Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2016

	Notes	Consolidated	
		Half Year 31 Dec 2016 \$'000	Half Year 31 Dec 2015 \$'000
Continuing operations			
Revenue			
Sales of goods		27,525	30,505
Cost of sales		(21,666)	(23,109)
Gross profit		5,859	7,396
Other income		58	48
Distribution expenses		(804)	(754)
Marketing expenses		(1,644)	(1,446)
Occupancy expenses		(303)	(318)
Administrative expenses		(2,638)	(2,729)
Operating profit		528	2,197
Finance costs	3(b)	(385)	(304)
Finance income	3(a)	5	3
Share of profit of interest in joint venture	7	228	328
Profit before income tax from continuing operations		376	2,224
Income tax expense	13	(263)	(787)
Profit after income tax		113	1,437
Other Comprehensive Income:			
Items that may be subsequently reclassified to net profit			
Fair value loss on cash flow hedges		(24)	-
Foreign currency translation		(160)	55
Income tax on items in other comprehensive income		-	-
Items that will not be reclassified to net profit		-	-
Other Comprehensive Income for the period		(184)	55
Total Comprehensive Income for the period		(71)	1,492
Attributable to:			
Non-controlling interests		147	104
Equity holders of the parent		(34)	1,333
		113	1,437
Total comprehensive income for the period is attributable to:			
Non-controlling interests		(69)	144
Equity holders of the parent		(2)	1,348
		(71)	1,492
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings/(loss) per share (cents per share)	5	(0.1)	3.0
- Diluted earnings/(loss) per share (cents per share)	5	(0.1)	3.0



Consolidated Statement of Financial Position
31 December 2016

	Notes	Consolidated	
		31 Dec	30 June
		2016	2016
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,238	896
Trade and other receivables		12,898	10,310
Income tax receivable		123	-
Inventories		15,225	15,579
Other current assets		1,295	1,037
Derivative financial instruments		-	13
Total current assets		30,779	27,835
Non current assets			
Property, plant and equipment		14,661	14,762
Other financial assets		36	57
Investment in joint venture	7	1,678	1,450
Total non current assets		16,375	16,269
Total assets		47,154	44,104
LIABILITIES			
Current liabilities			
Trade and other payables		9,072	6,085
Income tax payable		-	297
Provisions		1,384	1,294
Derivative financial instruments		33	-
Interest bearing loans and borrowings	8	10,126	1,433
Total current liabilities		20,615	9,109
Non current liabilities			
Interest bearing loans and borrowings	8	-	7,167
Provisions		1,204	1,264
Deferred tax liabilities		854	951
Total non current liabilities		2,058	9,382
Total liabilities		22,673	18,491
NET ASSETS		24,481	25,613
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	11,575	11,531
Accumulated profits		7,656	8,778
Other reserves		2,305	2,202
Parent interests		21,536	22,511
Non-controlling interests		2,945	3,102
TOTAL EQUITY		24,481	25,613



Consolidated Statement of Cash Flows
Half Year ended 31 December 2016

	Consolidated		
	Notes	Half Year 31 Dec 2016 \$'000	Half Year 31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		26,067	34,124
Payments to suppliers and employees (inclusive of GST)		(24,107)	(31,658)
Interest received		6	3
Finance costs		(385)	(304)
Income tax paid		(781)	(294)
		800	1,871
Cash flows from investing activities			
Payments for property, plant and equipment		(628)	(389)
Proceeds from sale of fixed assets		-	-
Payments for investments		-	-
Dividends received from investments		-	-
		(628)	(389)
Cash flows from financing activities			
Increase / (Decrease) in borrowings		1,309	(698)
Dividend paid to non-controlling interests		(88)	(263)
Dividend paid to equity holders of the parent		(1,059)	(1,706)
		162	(2,667)
Net increase / (decrease) in cash and cash equivalents		334	(1,185)
Net foreign exchange differences		8	(18)
Cash and cash equivalents at the beginning of period		896	4,446
Cash and cash equivalents the end of period	6(a)	1,238	3,243

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2016

	Attributable to equity holders of the Company									
	Issued	Employee	Net gain/ (loss)	Foreign	Asset	Equity	Retained	Total	Non-	Total
	capital	Benefits	on cash	currency	Revaluation	Settlement	earnings	Total	controlling	Equity
	\$'000	Reserve	flow	translation	Reserve	Reserve	\$'000	\$'000	interests	\$'000
At 30 June 2016	11,531	39	9	(507)	2,655	6	8,778	22,511	3,102	25,613
Profit/(Loss) for the period	-	-	-	-	-	-	(34)	(34)	147	113
Other comprehensive income	-	-	(24)	56	-	-	-	32	(216)	(184)
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	(24)	56	(14)	-	(20)	(2)	(69)	(71)
Transactions with owners in their capacity as owners:										
Ordinary dividends paid to equity holders	-	-	-	-	-	-	(1,102)	(1,102)	-	(1,102)
Dividend reinvestment plan	44	-	-	-	-	-	-	44	-	44
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(88)	(88)
Share based payments	-	85	-	-	-	-	-	85	-	85
At 31 December 2016	11,575	124	(15)	(451)	2,641	6	7,656	21,536	2,945	24,481
At 30 June 2015	11,478	270	-	(573)	2,684	(150)	8,967	22,676	3,078	25,754
Profit for the period	-	-	-	-	-	-	1,333	1,333	104	1,437
Other comprehensive income	-	-	-	15	-	-	-	15	40	55
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	-	15	(14)	-	1,347	1,348	144	1,492
Transactions with owners in their capacity as owners:										
Ordinary dividends paid to equity holders	-	-	-	-	-	-	(1,759)	(1,759)	-	(1,759)
Dividend reinvestment plan	53	-	-	-	-	-	-	53	-	53
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(263)	(263)
Share based payments	-	11	-	-	-	-	-	11	-	11
Modification of performance rights	-	(281)	-	-	-	156	-	(125)	-	(125)
At 31 December 2015	11,531	-	-	(558)	2,670	6	8,555	22,204	2,959	25,163

Notes to the consolidated financial statements

1. Summary of significant accounting policies

a. Basis of preparation

This general purpose condensed consolidated financial report for the half year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for land and buildings, derivative financial instruments and share based liability, which are measured at fair value.

The condensed consolidated half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated half year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules. The financial report has been prepared using the same accounting policies as used in the most recent annual financial report.

The condensed consolidated half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191.

b. Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited, and its subsidiaries ("the Group") as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

		Consolidated	
		Half Year 31 Dec 2016 \$'000	Half Year 31 Dec 2015 \$'000
2. Dividends paid and proposed			
	Cash dividends to the equity holders of the parent:		
	Dividends on ordinary shares declared and paid during the six month period:		
	Final dividend for 2016: 2.5 cents (2015: 4 cents)	1,102	1,759
3. Revenues and expenses			
(a) Finance income			
	Interest	5	3
		5	3
(b) Finance costs			
	Bank loans and overdrafts	385	304
	Total finance costs	385	304
(c) Depreciation and amortisation included in the Statement of profit or loss and other comprehensive income		733	666
(d) Foreign exchange differences included in net profit			
	Fair value gain on derivatives	24	-
	Foreign exchange gain	58	285
	The fair value gain on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at period end.		
(e) Lease payment and other expenses included in the Statement of comprehensive income			
	Rental – operating leases	115	132
(f) Employee benefits expense			
	Wages and salaries	5,166	5,172
	Superannuation costs	445	371
	Share based payments	85	11
		5,696	5,554

		Consolidated	
		31 Dec 2016 \$'000	30 June 2016 \$'000
4. Issued capital			
	<i>Ordinary shares</i>		
	<i>Issued and fully paid</i>	11,575	11,531
		No. of shares '000	\$'000
	<i>Movement in ordinary shares on issue</i>		
	At 1 July 2016	44,083	11,531
	Dividend Reinvestment Plan (i)	105	44
	At 31 Dec 2016	44,188	11,575
(i)	The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2016 on 30 November 2016. The Dividend Reinvestment Plan (DRP) applied to the final dividend with a discount of 5% to the weighted average market price of shares in the Company traded on the ASX on the record date of 8 November 2015 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$0.4096cps.		
		Half Year 31 Dec 2016 \$'000	Half Year 31 Dec 2015 \$'000
5. Earnings per share			
	Calculation of the following in accordance with AASB 133:		
	Profit for the period	113	1,437
	Profit attributable to non-controlling interests	(147)	(104)
	Profit/(Loss) attributable to equity holders of the parent	(34)	1,333
		Thousands	Thousands
	Weighted average number of ordinary shares for basic earnings per share	44,109	44,011
	Potential dilution:		
	Performance rights	1,700	167
	Adjusted weighted average number of ordinary shares for diluted earnings per share	45,809	44,178

	Consolidated	
	31 Dec 2016 \$'000	30 June 2016 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	1,238	896
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,238	896
	1,238	896
b. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2016 was 104,507 (31 December 2015: 95,539).		
7. Investment in Joint Venture		
On the 7 July 2011 Bisalloy Steel Group Limited (the Group) signed a Cooperative Joint Venture (JV) agreement with Jinan Iron and Steel Co., Limited. The Group contributed US\$1 million for a 50% share in the operating result of the joint venture. The Group's share of the result of the joint venture on an equity accounted basis for the period is \$228k (2015: \$328k).		
8. Interest Bearing Loans and Borrowings		
Following the Group's assessment of its funding arrangements, on 23 November 2016 Bisalloy Steel Group Limited renegotiated the term of its facility with Harrenvale Corporation (Australia) Pty Ltd (formerly GE Commercial Corporation (Australia) Pty Ltd). Pursuant to the deed of variation entered into on this date the facility matures on 31 December 2017.		

Consolidated

31 Dec 2016 \$'000	30 June 2016 \$'000
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9. Assets / Liabilities Measured at Fair Value
Fair Values

The Group uses various methods in estimating the fair value of assets and liabilities. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is calculated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the assets and liabilities as well as the methods used to estimate the fair value are summarised in the table below. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31 December 2016
Assets measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and Buildings	7,782	-	-	7,782

Liabilities measured at fair value

Foreign Exchange Contracts	33	-	33	-
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30 June 2016
Assets measured at fair value

Land and Buildings	7,733	-	-	7,733
Foreign Exchange Contracts	13	-	13	-

Liabilities measured at fair value

Foreign Exchange Contracts	-	-	-	-
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At 30 June 2016 the fair value of land, buildings and improvements was determined by reference to valuations performed in June 2014. For December 2016, it was determined by Directors valuation that there was no significant change in fair value.

Transfer between categories

There were no transfers between levels during the year. The fair value of interest bearing loans and borrowings approximates the carrying value.

10. Commitments and contingencies

There has been no material change of any contingent liability or contingent asset since the last annual reporting date.

11. Events after the balance date

There have been no significant events after the balance date.

12. Segment informationIdentification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics.

Geographical areas*Australian operations*

The Australian operations comprise of Bisalloy Steels Pty Limited and Bisalloy Steel Group Limited.

Bisalloy Steels Pty Limited distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and Overseas. Bisalloy Steels is located in Unanderra, near Wollongong, NSW.

Bisalloy Steel Group Limited is the corporate entity, also located in Unanderra NSW, which incurs expenses such as head office costs and interest. All corporate charges relate to the Australian operations and are linked to Australian segment revenue only.

Overseas operations

The overseas operations comprise of PT Bima Bisalloy and Bisalloy (Thailand) Co Limited located in Indonesia and Thailand respectively. These businesses distribute Bisalloy Q&T plate as well as steel plate products. From July 2011 the overseas operations include the co-operative joint venture Bisalloy Jigang Steel Plate (Shandong) Co., Ltd in the People's Republic of China for the marketing and distribution of quench and tempered steel plate.

Inter-segment transactions

Inter-entity sales are recognised based on an internally set transfer price. This price is set monthly and aims to reflect what the business operation could achieve if they sold their output to external parties at arm's length.

Major customers

The group has a number of customers to which it provides products. There are major distributors who account for 21% (2015: 20%), 16% (2015: 15%) and 13% (2015: 24%) of total external revenue.

12. Segment information (continued)
Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2016 and 31 December 2015.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2016			
Sales to external customers	19,728	7,797	27,525
Inter-segment sales	5,017	-	5,017
Total segment revenue	24,745	7,797	32,542
Inter-segment elimination Revenue			(5,017)
			<u>27,525</u>
Segment profit/(loss) before income tax	(615)	991	376
31 December 2015			
Sales to external customers	23,863	6,642	30,505
Inter-segment sales	3,080	-	3,080
Total segment revenue	26,943	6,642	33,585
Inter-segment elimination Revenue			(3,080)
			<u>30,505</u>
Segment profit before income tax	1,709	515	2,224

13. Income Tax

The income tax expense of \$263K for the half year differs from what it would have been under the Group's statutory income tax rate of 30% (\$113K) primarily due to controlled foreign company (CFC) attributed income.

Directors' Declaration

In accordance with a resolution of the directors of Bisalloy Steel Group Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the financial position as at 31 December 2016 and of its performance for the half year ended on that date of the consolidated entity; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Greg Albert
Managing Director
23 February 2017

To the members of Bisalloy Steel Group Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bisalloy Steel Group Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bisalloy Steel Group Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

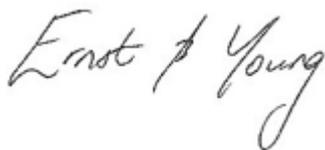
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bisalloy Steel Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Glenn Maris
Partner
Sydney
23 February 2017