



**AGM 2021**

**CHAIRMAN'S REPORT**

## 1. CHAIRMAN'S ADDRESS

I will now provide some perspectives that I hope will be helpful to shareholders to better understand how the new Board, appointed immediately after last year's AGM, are working with senior management to build a stronger and more profitable business. Today's 2021 AGM is the first opportunity that many of our shareholders have had to hear from us in this regard.

As Chairman for the last 12 months I am most pleased to report that our earnings are up by 25% and our share price by more than 50%. Our dividend has been increased by 80% over the same period. Your Board believes that the company has only begun to demonstrate the potential that exists for this small, long established Australian manufacturer with an internationally regarded brand to grow and deliver stronger earnings into the future.

Looking ahead over the next couple of years, there will be a relentless and sharper focus on financial and operating performance that strengthens and builds a more sustainable business for shareholders. We will enable this in three ways.

1. **Ensure a sharper strategic overlay as to how the business positions itself and operates** so we are ready to take long term advantage of opportunities when they emerge.
2. **Increase our emphasis on building customer and supplier partnerships founded upon being the only producer of Q+T plate in Australia.** Bisalloy is uniquely positioned to be the supplier of choice for Australian Q+T plate users. We have a world class product. We have an internationally regarded brand. We have been in business for over 40 years. We have a much shorter supply chain than international Q+T plate producers who export their product into

Australia. We also have a tailwind to support Australian manufacturing that is driving end users of Q+T plate to buy from Bisalloy. These are the foundations upon which to forge stronger personal relationships with our distributors and end users and to provide better availability than our competitors whilst having the humility to accept that our Australian customers have choices to buy their Q+T plate elsewhere.

- 3. Deepen the Board's involvement and engagement in setting the strategic direction of the business and driving customer and financial performance.** An active Board working with senior management in these key areas is typical of smaller high performing companies. Although it was unexpected, the need to appoint a new CEO and CFO will add urgency and capability and give us the opportunity to propel the company forward along the lines described above.

With Michael Gundy, as our interim CEO, the business will continue to vigorously pursue this agenda until our new CEO is recruited. Although we made a formal announcement to the market on 20 October 2021 today's AGM gives me the opportunity to welcome our new CFO, Carl Bowdler, to Bisalloy. I would like to thank our departing CEO and CFO for their service and leadership over the last few years. We know they take great pride in what they have accomplished. Their choices to move on are understood and respected and they leave with our best wishes.

We are grateful to our employees for their service and efforts, and to our distributors, end users and of course shareholders for their support.

Looking ahead I would like to comment on four operational and strategic matters that have had and will have a material impact on our business:

1. The outstanding operational and safety performance of our Unanderra operations is a compliment to our people who work in our plant. This level and quality of performance positions us well to grow in the Australian market subject to my next point
2. The Anti-Dumping Commission (ADC) is currently investigating whether a major international Q+T supplier, which currently has significant ADC imposed tariffs on supply from its European mills into Australia, is dumping from their US mill into our domestic market. This review is ongoing and its outcome will have a material impact on the operation of, and pricing in, the Australian Q+T market
3. The impressive progress of our Co-operative Chinese Joint Venture. The CJV's sales volumes continue to grow as have their profits. They continue to be a reliable and high-quality source of greenfeed for us. We have renewed our partnership agreement with Shandong by establishing a Foreign Invested Limited Liability Company. This means that the current terms, conditions and working arrangements with the CJV are ongoing with no set end date
4. COVID has had three impacts on our business. In Australia lockdowns imposed by state governments, particularly in Western Australia, have severely restricted the ability of our sales team to grow market share and strengthen our relationships with the major Perth based truck body manufacturers and their mining customers. Restrictions on international travel have severely hampered the development of our armour business. COVID's spread in Thailand and Indonesia has slowed down those economies which has reduced their demand for both Q+T plate and black steel. The results from our two joint ventures have therefore disappointed.

Looking to FY22 performance, we are confident that FY22 earnings will be up on last year based on a strong year to date.

Looking beyond FY22 earnings, your Board is very optimistic about our company's future and earnings potential. We believe there is much to improve over the next couple of years. However, we cannot be certain about the challenges the international political, business, and competitive environment will dish up. Nevertheless, your company will be a stronger, more sustainable, and much more profitable one if we successfully progress the initiatives and approaches outlined above.

24 November 2021