FORM 10KSB/A

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]
[amend]

Filing Date: **2003-02-10** | Period of Report: **2002-09-30**
SEC Accession No. 0001015402-03-000274

(HTML Version on secdatabase.com)

FILER

ALLOY STEEL INTERNATIONAL INC

CIK:**1127454**| IRS No.: **980233941** | Fiscal Year End: **1231**
Type: **10KSB/A** | Act: **34** | File No.: **000-32875** | Film No.: **03545842**
SIC: **3320** Iron & steel foundries

Mailing Address
MILAGA DC 6945
WESTERN AUSTRALIA

Business Address
MILAGA DC 6945
WESTERN AUSTRALIA

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB/A 1

Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended SEPTEMBER 30, 2002

Commission File Number 000-32875

ALLOY STEEL INTERNATIONAL, INC.
(Name of Small Business Issuer in its charter)

Delaware	98-0233941
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

42 Mercantile Way Malaga
P.O. Box 3087 Malaga D C 6945
Western Australia
(Address of Principal Executive Offices)

Issuer's telephone number: 61 + (8) + 9248 3188

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $0.01 Par Value

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: [X] No: [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-KSB or any amendment to this Form 10-KSB [_]

The Issuer's revenue for the fiscal year ended September 30, 2002 was $2,116,314.

As of December 20, 2002, the issuer had a total of 16,950,000 shares of Common Stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes [ ] No [X]

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Alloy Steel International, Inc. was incorporated in Delaware in May 2000. Our principal executive office is located at 42 Mercantile Way Malaga, Malaga D C 6945, Western Australia. Our telephone number is 61 + (8) + 9248 3188. Our Internet address is www.alloysteel.net.

OVERVIEW OF BUSINESS

ARCOPLATE

We manufacture and distribute Arcoplate, a wear-resistant fused-alloy-clad steel wear plate, through a patented production process. The Arcoplate process enables an alloy overlay to be smoothly and evenly applied to a sheet of steel, creating a metallurgical bond between the alloy and the steel that is resistant to wear caused by impact, abrasion and erosion. We believe that, in the mining and mineral processing industries, wear is the primary cause of down time, the period of time when machinery is not in operation due to wear or malfunction. We believe that our Arcoplate product line will substantially lower down time and the resulting loss of production for our customers. Alloy Steel International was incorporated in Delaware in May 2000.

Although welded wear plates have been used in the manufacturing, mining and construction industries for more than half a century, they are characterized by several functional limitations. Conventional welded wear plates have:

- the tendency to separate into chips or fragments when subjected to high impact;

- uneven base metal dilution resulting in uneven alloy content; and

- rough surfaces resulting in poor material flow.

We believe that Arcoplate has properties that allow it to overcome the limitations of conventional wear plate. Based upon independent laboratory and field tests we believe that Arcoplate is up to six times more wear-resistant than conventional single or multiple layer wear plates due to a higher carbide content and a more homogeneous surface layer. In addition, based upon independent laboratory and field tests, we believe that Arcoplate wear plate sheets will withstand rolling and pressing, within the fabrication guidelines, into various shapes for commercial distribution.

Our equipment is presently operating at full capacity. We anticipate that additional machinery to expand our capacity will be completed in February, 2003. Upon completion of the additional equipment, we intend to increase our sales and marketing efforts.

We are presently marketing Arcoplate products to customers in the United States, South America and Australia. We intend to expand our marketing to include mining companies, original equipment manufacturers, cement plants and dredging companies in Australia, as well as in Korea, India, Indonesia, Singapore, South Africa, Japan and China.

Unless the context otherwise requires, the description of our business, includes the operations of our predecessor, the Arcoplate Division of the Collier Unit Trust and the following:

- the acquisition of a license for the worldwide rights to commercially exploit the Arcoplate process, with the exception of the United States, in May 2000;

- the acquisition of certain plant equipment assets of Collier Unit Trust in October 2000; and

- the acquisition of the 3-D Pipe Fitting Cladder Process in October 2000.

The Arcoplate Division of Collier Unit Trust commenced operations in 1990 and is an entity controlled by Gene Kostecki, our chief executive officer, director and principal stockholder. Our initial prototype equipment commenced producing Arcoplate for sale to customers in 1991. Arcoplate Holdings (UK) PLC holds the United States rights to the Arcoplate process through Arcoplate, Inc. Arcoplate Holdings (UK) PLC received these rights from Kenside Investments Ltd., an entity controlled by Mr. Kostecki, our chief executive officer, director and principal stockholder. Presently, such rights are not being exploited. Arcoplate Holdings (UK) PLC is an affiliate of Mr. Kostecki, our chief executive officer, director and principal stockholder and Mr. Winduss, our chief financial officer, principal stockholder and a director. Arcoplate Holdings (UK) PLC is in violation of this license and Kenside Investments Ltd. has attempted to revoke the license. Certain directors of Arcoplate Holdings (UK) PLC are disputing this revocation. Until this matter is resolved, neither Arcoplate Holdings (UK) PLC nor Kenside Investments Ltd. are in a position to grant to us a U.S. license. Once this matter is resolved, we will attempt to negotiate a U.S. license in an arms-length transaction.

3-D PIPE FITTING CLADDER PROCESS

We intend to commercially utilize the 3-D Pipe Fitting Cladder process, a computer-driven and software-based mechanical system for industrial use. The 3-D Pipe Fitting Cladder process enables wear resistant alloy coatings to be applied to pipe fittings, where wear is most likely to occur. In pipefittings, wear generally occurs in pipe bends, elbow pipe joints, pipe "T" sections and pipe "Y" sections. Through the 3-D Pipe Fitting Cladder process, we apply alloy coatings to the interior surfaces of pipefittings. We believe that the mining and mineral industries, among others, would benefit from the reduced abrasive wear and downtime associated with the use of the 3-D Pipe-Fitting Cladder process.

THE WEAR PLATE SOLUTIONS INDUSTRY

We believe that wear in the operating workplace is the largest factor leading to production losses in the mining, mineral-processing, and steel manufacturing industries and, consequently, wear plate solutions are an integral resource for businesses with wear-related concerns. The wearing of metal parts is generally defined as a gradual decay or breakdown of the metal. A metal part is usually worn by combinations of two or more types of wear. Because the wear of equipment may have multiple causes, the selection of alloy wear plate solutions can be a relatively complex process. There are five major types of wear: abrasive wear, sliding wear, erosion, fretting and gouging.

In order to minimize the effects of wear, businesses have traditionally employed such wear-combating materials as rubber compounds, ceramics, alloy castings, welded overlay wear plate, and quenched and tempered carbon steel plate. We believe that each of these materials offers a limited solution to the problem of wear, and that conventional welded overlay wear plate has a tendency to spall (separate) under high impact conditions. While tungsten carbide is generally recognized by the mining, mineral-processing and steel manufacturing industries as the most wear-resistant material available for industrial use due to its high carbide content, we believe that the costs associated with tungsten carbide are too high to be a practical wear plate solution for most businesses. We believe that the Arcoplate process provides businesses with solutions to most wear-related problems at a cost competitive with traditional welded overlay wear plate, and substantially lower than tungsten carbide. In addition, we believe that the 3-D Pipe Fitting Cladder process will provide businesses with solutions for the problem of wear and down time in pipe fitting systems, reducing the costs associated with lost production and the replacement of worn pipe fittings.

OUR STRATEGY

Our objective is to become an international market leader in wear-resistant alloy steel products and to establish significant market share and brand awareness for Arcoplate and the 3-D Pipe Fitting Cladder process within the mining, mineral-processing and steel industries. We intend to accomplish our objectives by first establishing a market presence in Australia, and then developing an international market presence, focusing on India, South America, Brazil, Indonesia, the United States, and Canada. We believe that we can capitalize on our existing patented process for producing Arcoplate through the direct manufacture and sale of Arcoplate-based products to original equipment manufacturers and distributors worldwide. At the local level, we intend to combine targeted marketing with advertising in trade journals, newspapers and magazines. At the international level, we intend to establish market presence by visiting international trade shows, presenting technical papers at industry conferences, and appointing distributors who will be supplied with samples of Arcoplate and who will be trained to present Arcoplate products as a solution for wear-related problems.

PRODUCTS AND APPLICATIONS

CHARACTERISTICS OF ARCOPLATE

Many of our claims with respect to the physical characteristics of Arcoplate have been subjected to studies and testing, performed by independent laboratories, universities and other testing facilities, of Arcoplate's various properties such as bond strength, specific hardness, density, hardness, resonance and wear resistance.

Based upon independent laboratory and field tests, we believe that Arcoplate is adaptable to a wide range of industrial applications, and that Arcoplate significantly reduces wear in any application where abrasive materials come into contact with steel surfaces.

Arcoplate is designed for installation and use where the wear of parts and machinery frequently occurs, including:

- the mining of iron, gold, nickel, copper and other ores;

- brick and cement works and power stations;

- the manufacture of ore feed bins, transfer chutes, dredging systems and conveyor side skirts;

- bulldozer arms and blades; and

- truck box liners and bucket loader liners.

Our product lines include a range of standard alloy overlay plates. Our products are designed for ease of handling and can be fabricated to suit our customers' equipment and needs regarding shape, size, weight, and other factors. Sheets of Arcoplate can be welded together to cover large surface areas, and can be cut into a range of shapes, while still maintaining resistance to wear. We also provide consultation services to customers and their design engineers with particular wear-related problems, and we can formulate Arcoplate to meet the specific requirements of our customers.

Based upon independent laboratory and field tests, we believe that our proprietary method of manufacturing Arcoplate results in a product that has many technical advantages over conventional weld clad plates. Conventional weld clad plates are generally characterized by structural weaknesses and limited wear resistance resulting from inefficient production methods. In order to achieve a wear-resistant flat surface, conventional wear plates must be rolled and pressed after its layers of hardfacing have been welded together. Post production rolling and pressing can result in a weakened surface structure that cannot withstand high impact conditions. The Arcoplate process does not require post production rolling and pressing. During the Arcoplate process, the plate is coated with the desired alloy thickness in one application, resulting in a uniform and, therefore, structurally sound, surface. The Arcoplate process also ensures that the overlay has a uniform and high carbide content, which makes the plate more resistant to wear than a traditional welded wear plate. The higher content of carbide in Arcoplate greatly increases its wear resistance.

CHARACTERISTICS OF THE 3-D PIPE FITTING CLADDER PROCESS

We believe that the 3-D Pipe Fitting Cladder process overcomes many of the problems associated with pipe fitting wear. Pipefittings are extensively used in the dredging, mineral processing, coal-fired power generation, cement manufacturing, and oil refinery industries, where materials are frequently transported in enclosed pipe. Due to their angled and/or curved structures, pipefittings generally have higher wear resulting in a much shorter working life than ordinary straight pipe, because material flow does not flow uniformly through pipe fittings. In order to increase the wear-resistance of the pipefittings, the 3-D Pipe Fitting Cladder process deposits a profiled layer of wear-resistant alloy on to wear-susceptible interior surfaces.

We believe that the wear of pipefittings in industrial pipe results in substantial production losses due to down time and cost expenditures for replacement parts. By uniformly applying alloy coatings to the interior surfaces of pipe fittings with the 3-D Pipe Fitting Cladder process, we believe that the need for replacement parts, abrasive wear and down time will be greatly reduced. We believe that the 3-D Pipe Fitting Cladder process enables a variety of different alloys to coat the interior surfaces of pipefittings, and it will therefore be adaptable for use in many different industrial settings.

INDEPENDENT LABORATORY AND FIELD TESTS

We base our beliefs regarding Arcoplate's high wear-resistance on our observations of Arcoplate's performance in industrial use, our correspondence with mining and mineral processing businesses that have used Arcoplate, and the results of independent laboratory and field tests.

A study conducted by the Central Power Research Institute of Bangalore, India, in 1997, concluded that Arcoplate has 13.6 times less erosion loss and 65.0 times less abrasion than mild steel. The study further concluded that Arcoplate offers wear-resistance against low stress abrasion at a factor of 6.5:1 or greater over several times of multiple layer wear plates. A study conducted by Metlabs (a division of AUST-AMET Pty. Ltd.) of Welshpool, Australia in November 1997 reported that "[t]he abrasion and wear resistance of [Arcoplate] would be expected to be good due to the consistency of the microstructure and high hardness values and the underlying steel structures." A trial of Arcoplate conducted by the Hamersley Iron Paraburdoo iron ore processing plant, in October 1992 in Western Australia, concluded that Arcoplate was eight times more wear resistant than its multiple layer wear plate counterpart.

SALES AND MARKETING

To date, most of our orders have been the result of unsolicited inquiries from prospective customers who have learned of our Arcoplate products on a word-of-mouth basis in their respective industries. For the year ended September 30, 2002, 13 customers accounted for 90% of sales. Sales to such customers ranged from 1% of sales to 25% of sales.

We intend to achieve market penetration in selected major markets through a multi-step process consisting of:

- presentation of technical papers at industry related seminars;

- initial discussions of the application highlighting the advantages of Arcoplate;

- initial discussions of the application highlighting the advantages of the 3-D Pipe Fitting Cladder process;

- an engineering and marketing evaluation by the prospective customer of sample material and demonstration products; and

- licensing a production program where appropriate expenditures are made on tooling, equipment and quality control necessary to fulfill market requirements.

We anticipate incurring increased expenditures in connection with our marketing activities. Our marketing activities are also expected to include substantial applications engineering support to assist in the development of products for specific customers and markets, evaluation of Arcoplate and the 3-D Pipe Fitting Cladder by institutions that specialize in technology and/or markets of this type, development of appropriate sales materials such as specification sheets and corporate brochures, and promotion through appearances at selected trade shows and selective advertising in journals and the trade press.

In order to develop our Australian and international customer base, we intend to contact many major mining and mineral processing companies to determine their current methods for minimizing down time due to wear-related problems. We intend to establish initial contact with these companies by telephone, followed by a targeted mailing containing a letter with brochures and case histories provided to us by current customers. After prospective customers have had the opportunity to review the contents of our targeted mailing, we will attempt to set up a meeting with key employees of the prospective customer in order to review their operations, materials, wear-related problems, and frequency of shut-downs so that we may then suggest specific Arcoplate products, 3-D Pipe Fitting Cladder procedures and other solutions to reduce down time. For original equipment manufacturers, we will attempt to review existing operations in order to determine how our products may assist in enhancing equipment performance. We intend to hold seminars in our offices, or at our customers' places of business, with operations managers, maintenance superintendents and maintenance schedulers, individuals who are directly responsible for production and machinery performance.

In addition, we intend to market our Arcoplate products to consultant engineering companies so that they may ultimately incorporate Arcoplate materials into their equipment designs. We will offer the services of our own engineering department to assist consultant engineers with design planning in order to maximize material flow, and to minimize wear and down time.

ACQUISITION OF TECHNOLOGY

In May 2000 we acquired an exclusive license from Kenside Investments, Ltd., for a 25 year term, to develop and market the proprietary Arcoplate process, and to commercially exploit the patent rights and technology rights related to the Arcoplate process worldwide, with the exception of the United States in exchange for 4,760,000 shares of our common stock. The patent rights include those rights encompassed by a U.S. patent and a Canadian patent which were initially assigned to investors George W. Browne and Gene Kostecki, our chief executive officer. The rights to the patents, and the underlying Arcoplate process technology, were ultimately transferred to Kenside Investments, Ltd.

Pursuant to the license from Kenside Investments, we have the option to extend the license for three terms of 10 years each. The license provides for royalty payments to Kenside Investments, Ltd., in an amount equal to 2% of our net sales of Arcoplate products. Gene Kostecki, our chief executive officer, director and principal stockholder, controls Kenside Investments, Ltd.

In October 2000, we acquired, from Gene Kostecki and Alan Winduss, the right to utilize and commercially exploit the 3-D Pipe Fitting Cladder process in exchange for an aggregate of 3,413,750 shares of common stock. In October 2000, we acquired from Collier Unit Trust, certain mill and office equipment assets relating to the manufacture, sale and

distribution of Arcoplate in exchange for 1,250,000 shares of common stock. In October 2000, we acquired, from Collier Unit Trust, certain plant machinery relating to the manufacture, sale and distribution of Arcoplate for a purchase price of $880,891. Mr. Kostecki controls Collier Unit Trust.

INTELLECTUAL PROPERTY

We believe that protection of our licensed proprietary technology and know-how is critical to the development of our business. We have obtained patents for process in United States, Mexico, Brazil, Canada, Japan, Burma, South Korea, Australia, France, Germany, Great Britain, Greece, Italy, Belgium, Netherlands and Sweden. We do not have intellectual property protection for the 3-D Pipe Fitting Cladder process. We cannot assure you that our existing patent rights, or any other patent rights that may be granted, will be valid and enforceable or provide us with meaningful protection from competitors. We cannot assure you that any pending patent application will issue as a patent or that any claim thereof will provide protection against infringement. If our present or future patent rights are ineffective in protecting us against infringement, our marketing efforts and future revenues could be materially and adversely affected. In addition, if a competitor were to infringe our patent rights, the costs of enforcing our patent rights may be substantial or even prohibitive.

RESEARCH AND DEVELOPMENT

We are engaged in the development of new products and improvements to our existing products and we intend to maintain laboratory facilities for these purposes as well as a network of outside independent test laboratories and specialty subcontractors. Our past research and development efforts were focused on Arcoplate's wear resistance, as compared with the wear plate solutions of our competitors. For the year ended September 30, 2002, we incurred no research and development expenses. In the future, we intend to allocate one-half of 1% of sales to research and development expenditures. We expect that our techniques will continue to be developed and refined through empirical tests and prototype development. We expect that we will devote substantial resources to research and development efforts.

MANUFACTURING AND SUPPLY

The raw materials we employ are principally steel and a proprietary alloy compound. We presently purchase steel from and alloy materials from various suppliers. Two of our suppliers, Cometals and Di Candilo Steel City, account for more than 10% of the raw material we require. They supply our Company with Ferro Chrome and mild steel plates. We also rely heavily on the use of fluxes, devices designed to remove impurities, during the manufacturing process. We purchase our requirements for fluxes from various suppliers, we cannot assure you that we will be able to continue to obtain desired quantities of steel, alloy and fluxes on a timely basis at prices and terms deemed reasonable by us. We monitor the quality of our products by frequent tests and material certification, and we intend to maintain a strict internal quality control system to monitor the quality of production at our facility.

GOVERNMENT REGULATION

Our Arcoplate manufacturing plant is subject to many laws and regulations relating to the protection of the environment. These laws and regulations impose requirements concerning, among other matters, the treatment, acceptance, identification, storage, handling, transportation and disposal of industrial by-products, hazardous and solid waste materials, waste water, air emissions, noise emissions, soil contamination, electromagnetic radiation, surface and groundwater pollution, employee health and safety, operating permit standards, monitoring and spill containment requirements, zoning, and land use. We frequently examine ways to minimize any impact on the environment and to effect cost savings relating to environmental compliance. Our management believes that we are in material compliance with all applicable environmental laws and that our products and processes do not present any unusual environmental concerns. Our management further believes that the cost of compliance with all applicable environmental laws is approximately $5,000 per year.

Our operations are also governed by laws and regulations relating to workplace safety and health, principally under the Australian Occupational Safety and Health Act -- 1984 (WA), which, among other requirements, establish employee training, supervision and general safety standards. Our management believes that we are in material compliance with all applicable workplace safety and health laws and that our products and processes do not present any unusual safety concerns.

We require, and must comply with, various authorizations, permits and licenses to conduct our operations. Government agencies continually monitor our compliance with authorization, permits and licenses and our facilities are subject to periodic unannounced inspection by local, state and federal authorities. Violations of any permit or license, if not remedied, could result in our incurring substantial fines, or suspension of our operations.

COMPETITION

The wear plate solutions industry is highly competitive. We compete in our chosen markets against several larger multi-national companies, all of which are well-established in those markets and have substantially greater financial and other resources than we do. Competitive market conditions could adversely affect our results of operations if we were required to reduce product prices to remain competitive or if we are unable to achieve significant sales of our products. Wear-resistant alloy steel plates are manufactured by numerous corporations worldwide. In the United States and Canada, major manufacturers of wear plates include Triton, Inc. and Trimay, Ltd. In Australia, major manufacturers of wear plates include Australian National Industries, Ltd. and Australian Overseas, Ltd. Other major manufacturers in the European Union and Asia include Vautid (Gmd.) and Duraweld.

EMPLOYEES

We employed 11 persons on a full-time basis and 6 contract employees as of December 20, 2002, including two executive officers, and nine manufacturing personnel. None of our employees is a member of a labor union. We consider our relationship with our employees to be good. We anticipate hiring approximately four additional manufacturing employees, and one additional research and product development employee in the next twelve months.

ITEM 2. DESCRIPTION OF PROPERTY

We lease our facility in Perth, Australia, at a monthly rental of $7,083 per month. The lease expires in June 2005. Of the total 26,000 square foot area of the facility, approximately 4,000 square feet will be utilized for office space and approximately 22,000 square feet will be utilized for manufacturing operations dedicated to Arcoplate manufacturing, secondary processes and warehousing. The facility is designed for expansion of capacity to match our anticipated needs. We believe that the replacement value of the facility is presently adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending or, to our best knowledge, threatened against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security-holders through the solicitation of proxies or otherwise during the three months ended September 30, 2002.

FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this filing may contain forward-looking statements within the meaning of Section 27A of the

Securities Act and Section 21E of the Exchange Act. 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. 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.

This filing contains forward-looking statements, including statements regarding, among other things, (a) Alloy Steel's projected sales and profitability, (b) Alloy Steel's growth strategies, (c) anticipated trends in Alloy Steel's industry, (d) Alloy Steel's future financing plans and (e) Alloy Steel's anticipated needs for working capital. These statements may be found under "Management's Plan of Operation" and "Business," as well as in this filing generally. 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. In addition to the information expressly required to be included in this filing, Alloy Steel will provide such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Alloy Steel's common stock has been quoted on the Over-the-Counter Bulletin Board maintained by National Association of Securities Dealers since August 2001 until October 2002. Since that date the Company's stock has been traded on the pink sheets. Since August 28, 2001, Alloy Steel's common stock has been quoted under the symbol "AYSI."

The following table sets forth the range of high and low bid quotations for each calendar quarter for Alloy Steel's common stock since its stock began trading on August 28,2001.

	Bid Price Per Share	
	High	Low
August 28, 2001 - September 30, 2001	$ 2.50	$ 1.00
October 1, 2001 - December 31, 2001	$ 3.50	$ 1.02
January 1, 2002 - March 31, 2002	$ 1.01	$ 0.05
April 1, 2002 - June 30, 2002	$ 0.30	$ 0.07
July 1, 2002 - September 30, 2002	$ 0.20	$ 0.10

The above prices were obtained from Nasdaq, Inc. The quotations represent inter-dealer quotations, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

As of December 20, 2002, Alloy Steel's believes there were approximately 34 holders of record of Alloy Steel's common stock.

The Directors may from time to time declare, and Alloy Steel may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law. To date, no dividends have been declared or paid by Alloy Steel.

EQUITY COMPENSATION PLANS

<TABLE>
<CAPTION>

EQUITY COMPENSATION PLAN INFORMATION TABLE

	(a)	(b)	(c)
<S> Plan Category	<C> Number of securities to be issued upon exercise of outstanding options, warrants and rights	<C> Weighted-average exercise price of outstanding options, warrants and rights	<C> Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	None	None	2,000,000
Equity compensation plans not approved by security holders	----	----	----
Total	None	None	2,000,000

<FN>
(1) Includes the Company's 2000 Stock Plan.
</TABLE>

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements, the notes to our financial statements and the other financial information contained elsewhere in this filing.

OVERVIEW

We manufacture and distribute Arcoplate, a wear-resistant fused-alloy-clad steel plate, which is manufactured by a patented production process. The Arcoplate process enables an alloy overlay to be evenly applied to a mild steel backing, creating a metallurgical bond between the alloy and the mild steel that is resistant to wear caused by impact, abrasion and erosion. We believe that wear is the primary cause of down time and lost production in mining and mineral processing, and that our Arcoplate product line will substantially lower the down time and lost production for our customers.

We are also developing, for manufacture and distribution, the 3-D Pipe Fitting Cladder process, a computer-driven and software-based mechanical system for industrial use. The 3-D Pipe Fitting Cladder process enables wear resistant alloy coatings to be applied to pipefittings, where wear is most likely to occur. In pipefittings, wear generally occurs in pipe bends, elbow pipe joints, pipe "T" sections and pipe "Y" sections. Through the 3-D Pipe Fitting Cladder process, we apply alloy coatings to the interior surfaces of pipefittings. We believe that the mining and mineral industries, among others, would benefit from the reduced abrasive wear and downtime associated with the use of the 3-D Pipe-Fitting Cladder process.

PLAN OF OPERATION

Our objective during the next 12 months is to expand our capacity to produce Arcoplate. We believe that additional machinery to produce Arcoplate will be operational by February 2003. The additional machinery will supplement our prototype machinery which we have utilized to generate our sales. We believe that with the addition of new equipment we will have the capacity to produce Arcoplate which will have a resale value of $7,500,000-$10,000,000. However, we cannot assure you that we will achieve such capacity or generate such sales. We will also attempt to further increase the capacity of our facility. In addition, we intend to build the machinery for the 3-D Pipe Fitting Cladder Process, the cost of which is approximately $500,000. We intend to seek additional financing for these capital expenditures, but we cannot assure you that we will be able to obtain such financing. In the event that we are not able to obtain such additional financing, we will attempt to finance such expenditures out of operations or we will attempt to continue operations without such capital expenditures.

We intend to achieve market penetration through a multi-step process consisting of:

- presentation of technical papers at industry related seminars;

- initial discussions of the application highlighting the advantages of Arcoplate;

- an engineering and marketing evaluation by the prospective customer of sample material and demonstration products; and

- licensing a production program where approximate expenditures are made on tooling, equipment and quality control necessary to fulfill market requirements.

We also intend to continue our research and development activities with respect to our products. We intend to allocate approximately one-half of 1% of sales to research and development activities.

RESULTS OF OPERATIONS

SALES

Alloy Steel had sales of $2,116,314 for the year ended September 30, 2002, compared to sales of $2,862,228 for the year ended September 30, 2001. These sales consist primarily of the sale of our Arcoplate product. Substantially all of our sales during the periods were denominated in Australian dollars. Sales were converted into U.S. dollars at the conversion rate of $0.54314 representing the average foreign exchange rate for the year ended September 30, 2002. Sales have decreased compared with the year ended September 2001 primarily due to a discount structure negotiated with appointed distributors.

COSTS OF SALES

Alloy Steel had cost of sales of $1,184,491 for the year ended September 30, 2002, compared to cost of sales of $1,235,181 for the year ended September 30, 2001. The gross profit amounted to $931,823 compared to $1,627,047 for the year ended September 30, 2001. The gross profit percentage decreased from 57% to 44% as a result of the discount structure previously referred to as well as fixed costs representing a larger proportion of cost of sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Alloy Steel had selling, general and administrative expenses of $1,128,238 for the year ended September 30, 2002, compared to $1,524,457 in the year ended September 30, 2001. The decrease was primarily due to a reduction of consulting and professional fees in the year ended September 30, 2002.

INCOME BEFORE TAXES

Alloy Steel's loss before taxes was $795,280 for the year ended September 30, 2002, compared to a profit of $103,733 for the year ended September 30, 2001 The increase in the loss for the year ended September 30, 2002 is due to the write off of costs incurred in connection with the issue of shares to the facilitators of an equity line of credit arrangement that was not finalized. These costs were previously charged against capital in excess of par value in the year ended September 30, 2001.

INCOME TAXES

Alloy Steel had income taxes of $3,467 for the year ended September 30, 2002 compared to $247,072 for the year ended September 30, 2001. This income tax expense related to taxes payable in Australia.

NET LOSS

Alloy Steel had net loss of $798,747 or $0.05 per share, for the year ended September 30, 2002, compared to a net loss of $143,339 or $0.01 per share for the year ended September 30, 2001.

LIQUIDITY

For the year ended September 30, 2002, the total cash provided by operating activities was $274,327, consisting of an increase in accounts payable and other current liabilities of $215,751 and a decrease in inventories of $119,683 and a decrease in income tax payable $81,641 and a decrease of accounts receivable of $78,234.

As of the year ended September 30, 2002, we had a working capital deficit of $233,377.

We anticipate that the funding of our working capital needs will come primarily from the cash generated from our operations. To the extent that the cash generated from our operations is insufficient to meet our working capital needs or the purchase of machinery or equipment, then we will need to raise capital from the sale of securities in private offerings or loans. We have no commitments for capital. The sale of additional equity or convertible debt securities could result in dilution to our stockholders. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all.

We anticipate that the machinery to expand our capacity to produce Arcoplate will be completed in February 2003 and will cost approximately $175,000. In addition, we anticipate that the cost of the machinery necessary for the 3-D Pipe Fitting Cladder process will be approximately $500,000. This machine is expected to be in operation by December 2003. The 3-D Pipe Fitting Cladder machinery includes a computer driven software mechanical system which has been designed to overlay with super alloys wear resistant coating into pipe fittings. We have no material commitments for the additional financing for the addition of the machinery to expand our capacity to produce Arcoplate or the machinery for the 3-D Pipe Fitting Cladder process.

In May 2000, we acquired an exclusive worldwide license, with the exception of the United States, from Kenside Investments, Ltd., for a 25-year term, in connection with certain patent and technology rights related to the Arcoplate process, in exchange for 4,760,000 shares of our common stock. The license provides for royalty payments to Kenside Investments, Ltd., in an amount equal to 2% of our net sales of Arcoplate products. Our Chief Executive Officer, director and principal shareholder, Gene Kostecki controls Kenside Investments, Ltd.

In June 2000, we completed the sale of 2,217,500 shares of common stock at a price of $0.16 and $0.25 per share in a private financing transaction to 18 accredited investors resulting in gross proceeds of $420,000. In August 2000, we completed the sale of 1,718,750 shares of common stock to nine accredited investors at a price of $0.16 per share in a private financing transaction resulting in gross proceeds of $275,000. The net proceeds of the offerings were utilized for construction of equipment in the amount of approximately $555,000 and the balance of the funds were utilized in connection with working capital and registration expenses.

In October 2000, we acquired, from Gene Kostecki and Alan Winduss, the right to utilize and commercially exploit the 3-D Pipe Fitting Cladder process in exchange for an aggregate of 3,413,750 shares of common stock. In October 2000, we acquired from Collier Unit Trust, certain mill and office equipment assets relating to the manufacture, sale and distribution of Arcoplate in exchange for 1,250,000 shares of common stock. In October 2000, we acquired, from Collier Unit Trust, certain plant machinery relating to the manufacture, sale and distribution of Arcoplate for a purchase price of $880,891. Mr. Kostecki controls Collier Unit Trust.

In October 2000 we entered into five-year employment agreements with Gene Kostecki, our president and chief executive officer and Alan Winduss, our chief financial officer, which provide for annual salaries of $150,000 and $80,000, respectively.

SIGNIFICANT CHANGES IN NUMBERS OF EMPLOYEES

We anticipate hiring approximately four additional manufacturing employees, one additional research and product development employee in the next 12 months.

PURCHASE OR SALE OF PLANT AND SIGNIFICANT EQUIPMENT

We anticipate that the machinery to expand our capacity to produce Arcoplate will be completed in February, 2003 and will cost approximately $175,000. In addition, we anticipate that the cost of the machinery necessary for the 3-D Pipe Fitting Cladder process will be approximately $500,000. This machine is expected to be in operation by December 2003. The 3-D Pipe Fitting Cladder machinery includes a computer driven software mechanical system which has been designed to overlay with super alloys wear resistant coating into pipe fittings. We have no material commitments for the additional financing for the addition of the machinery to expand our capacity to produce Arcoplate or the machinery for the 3-D Pipe Fitting Cladder process.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No.'s 141 and 142, "Business Combinations" and "Goodwill and Other Intangibles". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill is subjected to at least an annual assessment for impairment applying a fair-market value based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), addresses the impairment for all tangible assets. In July 2002, the FASB issued SFAS No. 146 "Accounting For Costs Associated With Exit or Disposal Activities "SFAS No. 146", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred I a Restructuring)." SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier application encouraged. In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" ("SFAS 148"), which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for voluntary changes to the fair value based method made in fiscal years beginning after December 15, 2003. The Company does not anticipate these pronouncements will have a significant impact on its consolidated financial position and results of operations.

RISK FACTORS

Alloy Steel is subject to various risks that may materially harm our business, financial condition and results of operations. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW AND THE OTHER INFORMATION IN THIS FILING BEFORE DECIDING TO PURCHASE OUR COMMON STOCK. THESE ARE NOT THE ONLY RISKS AND UNCERTAINTIES THAT WE FACE. IF ANY OF THESE RISKS OR UNCERTAINTIES ACTUALLY OCCURS, OUR BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS COULD BE MATERIALLY HARMED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

WE HAVE A LIMITED OPERATING HISTORY AND WE MAY NOT BE ABLE TO ACHIEVE OR MAINTAIN PROFITABILITY

We have a limited operating history. We may incur significant operating losses as we attempt to develop and grow our business. We cannot assure you that we will achieve or maintain profitability. Until we achieve the manufacturing capacity sufficient to sustain continuous production of Arcoplate or Arcoplate-based products, we will have substantial production under capacity, and we may be unable to fill customer orders. Such events could cause us to incur substantial operating losses.

WE WILL NOT GENERATE SUFFICIENT REVENUE TO CONTINUE OPERATIONS IF WE ARE UNABLE TO PRODUCE SIGNIFICANT COMMERCIAL QUANTITIES OF ARCOPLATE AND FUTURE ALLOY-BASED PRODUCTS

Although we have prototype equipment, we do not currently have the equipment necessary for the manufacturing of Arcoplate in significant commercial quantities. We do not anticipate the completion of additional equipment until March, 2002 at the earliest. In addition, we do not currently manufacture the commercial equipment necessary for the implementation of the 3-D Pipe Fitting Cladder process. Accordingly, we have limited internal manufacturing capacity and no experience in manufacturing our products in industrial or significant commercial quantities. Due to our limited production capacity, we may be unable to meet demand for our products. In addition, our manufacturing operations use certain equipment which, if damaged or otherwise rendered inoperable or unavailable, could result in the disruption of our manufacturing operations. Any extended interruption of operations at our manufacturing facility would have a material adverse effect on our business.

IF WE ARE UNABLE TO RAISE ADDITIONAL CAPITAL, WE MAY NOT BE ABLE TO EXPAND OPERATIONS

We believe that the available cash and anticipated cash flow from operations will be sufficient to satisfy our anticipated capital requirements for approximately 6 months. Accordingly, we anticipate that we will require additional financing to expand operations and pursue our plans for expansion. Such financing may take the form of the issuance of common stock or preferred stock or debt securities, or may involve bank or other lender financing. We cannot assure you that we will be able to obtain such additional financing on a timely basis, on favorable terms, or at all.

IF WE ARE UNABLE TO EFFECTIVELY MANAGE OUR PLAN OF EXPANSION, WE WILL NOT ACHIEVE PROFITABILITY

We plan to rapidly expand all aspects of our operations. As a result, we need to expand our financial and management controls, reporting systems and procedures. We will also have to expand, train and manage our work force for marketing, sales, engineering and technical support, product development, and manage multiple relationships with various customers, vendors, strategic partners and other third parties. We will need to continually expand and upgrade our technology and develop new products. If we are unable to manage our growth effectively, we may be unable to handle our operations, control costs or otherwise function in a profitable manner, or at all.

THE LOSS OF ANY KEY PERSONNEL WOULD DISRUPT OUR OPERATIONS AND HURT OUR PROFITABILITY

Our future success depends to a significant extent on the continued services of our senior management and other key personnel, particularly, Gene Kostecki, Chairman and Chief Executive Officer, and Alan Winduss, Chief Financial Officer. We do not presently maintain keyman life insurance on the life of either Mr. Kostecki or Mr. Winduss. The loss of the services of Mr. Kostecki or Mr. Winduss would likely have a significantly detrimental effect on our business. We currently have employment agreements with each of Mr. Kostecki and Mr. Winduss. However, if Mr. Kostecki or Mr. Winduss becomes unwilling or unable to continue in their current positions, it would be significantly more difficult to operate our business, which could hurt our financial condition and results of operations.

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY TECHNOLOGY, WE COULD LOSE OUR COMPETITIVE ADVANTAGE

We currently have only limited patent protection for our technology, and may be unable to obtain even limited protection for our proprietary technology in certain foreign countries. Currently, we have patents in various countries. We cannot assure you that any granted patent or pending patent application will provide protection against infringement.

IF WE DO NOT CORRECTLY ANTICIPATE THE MAGNITUDE AND DIRECTION OF CURRENCY EXPOSURE, THERE COULD BE A MATERIAL ADVERSE IMPACT ON OUR PROSPECTS FOR PROFITABILITY

All of our production will take place overseas, and many of the raw materials and supplies for our products will be purchased in foreign currencies. In addition, international sales will likely be denominated in local currencies. These factors may combine to expose us to currency gains and losses in addition to gains and losses from our basic operations. The magnitude and direction of future currency exposure cannot be predicted, nor can we assure you that we will be able to manage such exposure to our benefit or to a neutral effect.

OUR BUSINESS WOULD BE MATERIALLY AND ADVERSELY AFFECTED IF WE WERE UNABLE TO RECEIVE MATERIALS AT PRICES AND ON TERMS PRESENTLY MADE AVAILABLE TO US BY OUR PRINCIPAL SUPPLIERS

We presently purchase our principal raw materials, steel and alloy compound components, from a limited number of suppliers. There are no written contracts between us and our suppliers, and requirements are purchased using individual purchase orders, with customary terms regarding payment, quality and delivery. Although we believe that alternatives are readily available from other suppliers, we cannot assure you that we will be able to continue to obtain desired quantities of materials on a timely basis at prices and on terms deemed reasonable by us. Our business would be materially and adversely affected if we are unable to continue to receive materials at prices and on terms comparable to those presently made available to us by our principal suppliers.

SINCE WE DEPEND HEAVILY UPON ELECTRICAL POWER FOR OUR OPERATIONS, ANY INCREASE IN PRICES WOULD ADVERSELY AFFECT OUR BUSINESS AND PROFITABILITY

We consume a large amount of electrical power during production. The amount of electrical power consumed during the Arcoplate process represents approximately 5% of our overall production costs. There may be fluctuations in the price of electricity due to changes in the regulation of utility companies in Australia, and in other jurisdictions where we may engage in production. We cannot assure you that we will be able to continue to obtain our energy supplies at current prices, and any material increase in prices of electricity would adversely affect our business and profitability.

OUR COMMON STOCK MAY BE AFFECTED BY LIMITED TRADING VOLUME AND MAY FLUCTUATE SIGNIFICANTLY

There has been a limited public market for our common stock and there can be no assurance that an active trading market for our common stock will develop. As a result, this could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially.

WE NEED TO RAISE ADDITIONAL CAPITAL TO FINANCE OPERATIONS

We have relied on significant external financing to fund our operations. Such financing has historically come from a combination of borrowings from and sale of common stock to third parties and funds provided by certain officers and directors. We may need to raise additional capital to fund our anticipated operating expenses and future expansion. We cannot assure you that financing whether from external sources or related parties will be available if needed or on favorable terms. The sale of our common stock to raise capital may cause dilution to our existing shareholders. Our inability to obtain adequate financing will result in the need to reduce or curtail our business operations. Any of these events would be materially harmful to our business and may result in a lower stock price.

WE HAVE A LIMITED CUSTOMER BASE

At present, our customer base consists primarily of companies involved in the mining and dredging industries. Our ability to operate depends on increasing our customer base and achieving sufficient gross profit margins. We cannot assure you that we will be able to increase our customer base or to operate profitably. If any of our major customers stop or delay its purchases of our products, our revenue and profitability would be adversely affected. For the year ended September 30, 2002, 13 customers accounted for 90% of our sales. We anticipate that sales of our products to relatively few customers will continue to account for a significant portion of our revenue. If these customers cancel or delay their purchase orders, our revenue may decline and the price of our common stock may fall. We cannot assure you that our current customers will continue to place orders with us, that orders by existing customers will continue at the levels of previous periods or that we will be able to obtain orders from new customers. Although our financial performance depends on large orders from a key customers and resellers, we do not have binding commitments from any of them.

OUR COMMON STOCK IS DEEMED TO BE "PENNY STOCK," WHICH MAY MAKE IT MORE DIFFICULT FOR SHAREHOLDERS TO SELL THEIR SHARES DUE TO SUITABILITY REQUIREMENTS

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stock:

- With a price of less than $5.00 per share;

- That are not traded on a "recognized" national exchange;

- Whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than $5.00 per share); or

- In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult our shareholders to resell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

WE FACE SIGNIFICANT COMPETITION WITHIN OUR MARKET

We expect competition to persist and intensify in the future. The wear plate solutions industry is highly competitive. We have numerous competitors worldwide, including Triton, Inc., Trimay, Ltd., Australian National Industries, Ltd., Australian Overseas, Ltd., Abresist Corporation and Duraweld, Ltd. We compete in our chosen markets against several larger multi-national companies, all of which are well-established and have substantially greater financial and other resources than we maintain. Competitive market conditions could adversely affect our results of operations if we are required to reduce product prices to remain competitive or if we are unable to achieve significant sales of our products.

Many of our competitors (including those identified above) are substantially larger than we are and have significantly greater financial, sales, marketing, technical, manufacturing and other resources and more established distribution channels. These competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than we can. Furthermore, some of our competitors may make strategic acquisitions or establish cooperative relationships to increase their ability to rapidly gain market share by addressing the needs of our prospective customers. These competitors may enter our existing or future markets with solutions that may be less expensive, provide higher performance or additional features or be introduced earlier than our solutions. If any technology is more reliable, resistant, and less expensive or has other advantages over our technology, then the demand for our products and services would decrease, which would seriously harm our business.

We expect our competitors to continue to improve the performance of their current products and introduce new products and technologies as industry standards and customer requirements evolve. These new products and technologies could supplant or provide lower cost alternatives to our products. To be competitive, we must continue to invest significant resources in research and development, sales and marketing, and customer support.

Increased competition is likely to result in price reductions, reduced gross margins, longer sales cycles, and loss of market share, any of which would seriously harm our business and results of operations.

WE HAVE LIMITED MARKETING AND SALES CAPABILITY

Because of our limited working capital, we have not had the resources to fully implement our marketing and sales strategy. In order to increase our revenues, we are in the process of further implementing a marketing and sales force with technical expertise and marketing capability. Currently, we are dependant on the technical expertise, sales, and marketing capability, of Gene Kostecki, our Chief Executive Officer, and distributors. There can be no assurance that we will be able to:

- Establish and develop such a sales force;

- Gain market acceptance for our products;

- Obtain and retain qualified sales personnel on acceptable terms; and

- Meet our proposed marketing schedules or plans.

To the extent that we arrange with third parties to market our products, the success of such products may depend on the efforts of such third parties.

MANAGEMENT CONTROLS APPROXIMATELY 74.0% OF OUR OUTSTANDING CAPITAL STOCK, WHICH MEANS THAT MANAGEMENT HAS THE ABILITY TO APPROVE ANY MATTER REQUIRING SHAREHOLDER APPROVAL

Management controls approximately 74.0% of our outstanding capital stock. Management can approve any matter requiring the vote of our shareholders, including the election of directors. As such, management could, without other shareholders, vote to approve a transaction that is not necessarily in the best interests of other shareholders or to reject a transaction that may be in the best interests of other shareholders. For example, management's stock ownership may prevent a third party from acquiring a controlling position in our common stock. In many instances, a third party desiring to purchase a controlling position is willing to pay a premium to the market price. Management's stock ownership in Alloy Steel would likely prevent such an event from occurring.

ITEM 7. FINANCIAL STATEMENTS

Alloy Steel's audited consolidated financial statements for the year ended September 30, 2002 are attached to this filing.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On August 14, 2001, Alloy Steel dismissed Feldman Sherb and Co., P.C. as its independent certified public accountant. Feldman Sherb's report on Alloy Steel's financial statements from May 4, 2000 (inception) to September 30, 2000 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles. Feldman Sherb's dismissal was recommended and approved by Alloy Steel's Board of Directors. Since May 4, 2000 (inception), as well as any subsequent interim period prior to dismissal, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement. Since May 4, 2000 (inception), as well as any subsequent interim period prior to dismissal, Feldman Sherb did not advise Alloy Steel of any of the matters identified in paragraph (a)(1)(iv)(B) of Item 304 of Regulation S-B.

On August 14, 2001, Alloy Steel engaged HJ & Associates, LLC as its principal accountant to audit Alloy Steel's financial statements. Alloy Steel did not consult HJ & Associates, LLC on any matters described in paragraph (a)(2)(i) or (ii) of Item 304 of Regulation S-B since Alloy Steel's inception on May 4, 2000 or any subsequent interim period prior to engaging HJ & Associates, LLC.

On January 16, 2002, Alloy Steel dismissed HJ & Associates, LLC as its independent certified public accountant. HJ & Associates, LLC reviewed Alloy Steel's quarterly reports for the period ended June 30, 2001, but did not initiate an audit or render an audit report on Alloy Steel's financial statements. HJ & Associates, LLC's dismissal was recommended and approved by Alloy Steel's Board of Directors. For the interim periods reviewed by HJ & Associates, LLC prior to dismissal, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement. For the interim periods reviewed by HJ & Associates, LLC prior to dismissal, HJ & Associates, LLC did not advise Alloy Steel of any of the matters identified in paragraph (a)(1)(iv)(B) of Item 304 of Regulation S-B.

On January 16, 2002, Alloy Steel engaged Rothstein, Kass & Company, P.C. as its principal accountant to audit the Alloy Steel's financial statements. Alloy Steel did not consult Rothstein, Kass & Company, P.C. on any matters described in paragraph (a)(2)(i) or (ii) of Item 304 of Regulation S-B since Alloy Steel's inception on May 4, 2000 or any subsequent interim period prior to engaging Rothstein, Kass & Company, P.C.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Alloy Steel's present directors and executive officers are as follows:

NAME	AGE	POSITION
Gene Kostecki	57	President, Chief Executive Officer and Director
Alan Charles Winduss	61	Chief Financial Officer, Director and Corporate Secretary

The following is a brief summary of the background of each executive officer and director:

Gene Kostecki has served as our Chief Executive Officer, President, and Director since June 2000. From July 1997 to the present, Mr. Kostecki served as the Chief Executive Officer and director of Arcoplate, Inc. and Arcoplate Holdings (UK) PLC. From July 1995 to July 1997, Mr. Kostecki served as Managing Director of the Collier Unit Trust, an engineering business and distributor based in Western Australia. Mr. Kostecki intends to resign from his positions in Arcoplate, Inc. and Arcoplate (UK) PLC. He intends to act as President and Chief Executive Officer of Alloy Steel International on a full-time basis.

Alan Charles Winduss has served as our Chief Financial Officer, Vice President and Director since June 2000. From July 1997 to the present, Mr. Winduss served as the Chief Financial Officer and director of Arcoplate, Inc. and Arcoplate Holdings (UK) PLC. From July 1979 to the present, Mr. Winduss has served as the senior principal of Winduss & Cook, an accounting firm in Western Australia, which specializes in commercial accounting, corporate finance and management. Mr. Winduss intends to resign from his positions in Arcoplate, Inc. and Arcoplate (UK) PLC. He intends to devote approximately 70% of his time to his duties as Chief Financial Officer and a director of Alloy Steel International.

BOARD COMPOSITION

Our board of directors currently consists of two directors. At each annual meeting of our stockholders, all of our directors are elected to serve from the time of election and qualification until the next annual meeting following election. In addition, our bylaws provide that the maximum authorized number of directors may be changed by resolution of the stockholders or by resolution of the board of directors.

Each officer is elected by, and serves at the discretion of, our board of directors. There are no family relationships among any of our directors, officers or key employees.

CONTROL BY OFFICERS AND DIRECTORS

Our directors and executive officers own approximately 74.0% of the outstanding shares of our common stock. Accordingly, these stockholders possess substantial control over our operations. This control may allow them to amend corporate filings, elect all of our board of directors, and substantially control all matters requiring approval by our stockholders, including approval of significant corporate transactions. If you purchase our common stock, you may have no effective voice in our management.

DIRECTORSHIPS HELD IN REPORTING COMPANIES

None of the executive officers or directors held any directorships in reporting companies.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our directors and executive officers, and persons who beneficially own more than ten percent of a registered class of Alloy Steel's equity securities, to file with the Securities and Exchange Commission (the "Commission") initial reports of ownership and reports of changes in ownership of Common Stock and the other equity securities of Alloy Steel. Officers, directors, and persons who beneficially own more than ten percent of a registered class of Alloy Steel's equities are required by the regulations of the Commission to furnish Alloy Steel with copies of all Section 16(a) forms they file. To our knowledge, based solely on review of the copies of such reports furnished to us, during the fiscal year ended September 30, 2002, our officers, directors, and greater than ten percent beneficial owners complied with all Sections 16(a) filing requirements applicable to them.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the annual cash compensation for services rendered by our chief executive officer for the fiscal year ended September 30, 2002. No other executive officer earned or secured more than $100,000 in salary and bonus for services rendered during the fiscal year ended September 30, 2002:

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION

NAME AND POSITION	YEAR	SALARY	BONUS	AWARDS	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION
Gene Kostecki	2002	$150,000	$ 0	--	--	--
President, Chief	2001	$150,000	$ 0	--	--	--
Executive Officer and Director	2000	$ 0	$ 0	--	--	--

STOCK OPTION PLAN

In May 2000, we adopted the 2000 Stock Option Plan. The purpose of the plan is to enable us to attract, retain and motivate key employees, directors, and consultants, by providing them with stock options. Options granted under the plan may be either incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986, or non-qualified stock options. We have reserved 500,000 shares of common stock for issuance under the plan. As of the date of December 20, 2002, no options have been granted pursuant to the plan.

Our board of directors will administer the plan. Our board has the power to determine the terms of any options granted under the plan, including the exercise price, the number of shares subject to the option, and conditions of exercise. Options granted under the plan are generally not transferable, and each option is generally exercisable during the lifetime of the holder only by the holder. The exercise price of all incentive stock options granted under the plan must be at least equal to the fair market value of the shares of common stock on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of our stock, the exercise price of any incentive stock option granted must be equal to at least 110% of the fair market value on the grant date. Our board of directors approves the terms of each option. These terms are reflected in a written stock option agreement.

EMPLOYMENT AGREEMENTS

We have entered into five-year employment agreements, commencing as of October 2, 2000, with Gene Kostecki, our President and Chief Executive Officer, and Alan Charles Winduss, our Chief Financial Officer, which provide for an annual salary of $150,000 and $80,000, respectively. The employment agreements provide that each of Mr. Kostecki and Mr. Winduss are eligible to receive incentive bonus compensation, at the discretion of the board of directors, based on their respective performance and contributions to our success. The employment agreements provide for termination based on death, disability or voluntary resignation and each provides for severance payments upon termination in the event that there is termination without cause, if the employee terminates his employment for good reason or in the event of a change in control of Alloy Steel. The employment agreement defines "good reason" as any violation of the employment agreement by Alloy

Steel International, any reduction in the employee's salary or benefits or the assignment to the employee of duties inconsistent with his position. If the employment agreement is terminated without cause, as a result of change of control, or terminated by the employee for good reason, the amount of the severance payment will be equal to three times that average annual compensation payable under the employment agreement.

We have entered into consulting agreements with Berryhill Investments, Ltd., Chartreuse Nominees Pty., Ltd., Persia Consulting Group, Inc., Ames Nominees Pty. Ltd., Alan Winduss Pty. Ltd and Ragstar Investments, Ltd., commencing as of October 2, 2000, which provide for compensation in the amount of 150,000, 500,000, 1,350,000, 937,500, 312,500 and 90,000 shares, respectively, of our common stock. Pursuant to the terms of each agreement, the consultants shall provide certain advisory services with regard to corporate development.

LIMITATIONS OF LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our certificate of incorporation and bylaws limit the liability of directors and officers to the maximum extent permitted by Delaware law. We will indemnify any person who was or is a party, or is threatened to be made a party to, an action, suit or proceeding, whether civil, criminal, administrative or investigative, if that person is or was a director, officer, employee or agent of ours or serves or served any other enterprise at our request.

In addition, our certificate of incorporation provides that generally a director shall not be personally liable to us or our stockholders for monetary damages for breach of the director's fiduciary duty. However, in accordance with Delaware law, a director will not be indemnified for a breach of its duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or a knowing violation or any transaction from which the director derived improper personal benefit.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of December 20, 2002, the number and percentage of outstanding shares of common stock beneficially owned by:

- each person who we know beneficially owns more than 5% of the outstanding shares of our common stock;

- each of our executive officers and directors; and

- all of our officers and directors as a group.

Except as otherwise noted, the persons named in this table, based upon information provided by these persons, have sole voting and investment power with respect to all shares of common stock owned by them. The number of shares of common stock outstanding used in calculating the percentage for each listed person includes the shares of common stock underlying options or warrants held by such person that are exercisable within 60 days of the date of December 20, 2002, but excludes shares of common stock underlying options or warrants held by any other person. Unless otherwise indicated, the address of each beneficial owner is c/o Alloy Steel, 42 Mercantile Way Malaga, P.O. Box 3087 Malaga D C 6945, Western Australia.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED
<S>	<C>	<C>
Gene Kostecki	10,598,000(1)	62.5%

Alan Charles Winduss	1,893,250(2)	11.2%
All present officers and directors as a group (Two persons)	12,491,250	74.0%

<FN>

(1) The number of shares of common stock beneficially owned by Mr. Kostecki includes (i) 4,760,000 shares issued to Kenside Investments, Ltd., (ii) 1,250,000 shares issued to Collier Unit Trust, and (iii) 937,500 shares issued to Ames Nominees Pty. Ltd.

(2) The number of shares of common stock beneficially owned by Mr. Winduss includes (i) 500,000 shares issued to Chartreuse Nominees Pty. Ltd., (ii) 90,000 shares issued to Ragstar Investments, Ltd., and (iii) 312,500 shares issued to Alan Winduss Pty. Ltd.
</TABLE>

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Messrs. Gene Kostecki and AlanWinduss are both directors of Alloy Steel International, Inc. and its subsidiary, Alloy Steel Australia (Int) Pty Ltd.

Mr. Winduss is a director of a public accounting firm Winduss & Associates Pty Ltd, which provides accounting and secretarial services to Alloy Steel's subsidiary, Alloy Steel Australia (Int.) Pty Ltd. These services are provided at normal commercial rates and conditions. The cost of these services are recovered under the fees paid by Mr Winduss' consulting agreement.

Alloy Steel Australia (Int.) Pty Ltd. paid rent of $85,000, for commercial premises it occupied during the year, to Raglan Securities Pty Ltd., a company controlled by Gene Kostecki.

In October 2000, Alloy Steel International, Inc. acquired from Mr. Kostecki and Mr. Winduss the right to utilize and commercially exploit the 3-D Pipe Fitting Cladder process in exchange for 3,413,750 shares of common stock.

In May 2000, we acquired an exclusive worldwide license from Kenside Investments, Ltd., excluding the United States, for a 25-year term, in connection with certain patent and technology rights related to the Arcoplate process, in exchange for 4,760,000 shares of our common stock. The license provides for royalty payments to Kenside Investments, Ltd., in an amount equal to 2% of our net sales of Arcoplate products. Our Chief Executive Officer, director and principal shareholder, Gene Kostecki controls Kenside Investments, Ltd. Research and development expenses of approximately $1,800,000 were incurred in developing the technology and building the equipment for the technology by entities controlled by Mr. Kostecki.

Arcoplate Holdings (UK) PLC holds the United States rights to the Arcoplate process through Arcoplate, Inc. Arcoplate Holdings (UK) PLC received these rights from Kenside Investments Ltd., an entity controlled by Messrs. Kostecki and Winduss. Presently, such rights are not being exploited. Arcoplate Holdings (UK) PLC is an affiliate of Mr. Kostecki, our chief executive officer, director and principal stockholder and Mr. Winduss, our chief financial officer, principal stockholder, and a director. Arcoplate Holdings (UK) PLC is in violation of this license and Kenside Investments Ltd. has attempted to revoke the license. Certain directors of Arcoplate Holdings (UK) PLC are disputing this revocation. Until this matter is resolved, neither Arcoplate Holdings (UK) PLC nor Kenside Investments Ltd. are in a position to grant us a U.S. license. Once this matter is resolved, we will attempt to negotiate a U.S. license in an arms-length transaction.

In October 2000, we acquired certain assets of Collier Unit Trust in exchange for 1,250,000 shares of our common stock. In October 2000, we also acquired the Arcoplate manufacturing plant and plant equipment from Collier Unit Trust for an aggregate purchase price of $880,891. Our Chief Executive Officer, director and principal shareholder, Gene Kostecki controls the Collier Unit Trust.

In October 2000, we entered into 12-month consulting agreements with Chartreuse Nominees Pty., Ltd., Ames Nominees Pty. Ltd., Alan Winduss Pty. Ltd. and Ragstar Investments, Ltd., which provide for compensation in the amount of 500,000, 937,500, 312,500 and 90,000 shares, respectively. Mr. Winduss controls Chartreuse Nominees Pty. Ltd., Alan Winduss Pty. Ltd. and Ragstar Investments, Ltd. Mr. Kostecki controls Ames Nominees Pty. Ltd. Each of the consultants provided corporate development and other advisory services including strategic planning, investigation of potential strategic alliances, structuring potential capital transactions, preparation of internal financial statements, reports and projections, and financial analysis of competitors and new operations.

We entered into a 12-month consulting agreement with Persia Consulting Group, Inc. in October 2000. Pursuant to the consulting agreement we have issued 1,350,000 shares of common stock to Persia Consulting Group. The consulting services to be performed by Persia will primarily be performed by Hamid Fashandi. Mr. Fashandi has been in the financial services industry for six years. Persia Consulting Group will provide services to us as we request. Persia Consulting Group has provided us with due diligence on potential acquisition candidates, provided advice on doing business in the United States and financial advisory services with respect to our transition from a private company to a public company. Persia Consulting Group will also provide investor and public relations services as well as crisis management services.

In July 2000, we entered into a lease agreement with Raglan Securities Pty. Ltd., for our office facilities, for a term of five years, at an annual rent of $85,000. Mr. Kostecki controls Raglan Securities Pty. Ltd.

In June 2000, we sold 919,500 shares of our common stock to Gene Kostecki, and 308,000 shares of our common stock to Alan Winduss at a price of $0.16 per share.

Mr. Kostecki and Mr. Winduss may be deemed promoters of Alloy Steel International.

ITEM 13. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this registration statement:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	LOCATION
<C>	<S>	<C>
3.1	Certificate of Incorporation	Incorporated by reference to Exhibit 3.1 to Alloy Steel's Registration Statement on Form SB-2, as amended (the 'Registration Statement"), filed with the SEC on November 2, 2000.
3.2	By-laws	Incorporated by reference to Exhibit 3.2 to Alloy Steel's Registration Statement.
4.1	Specimen Certificate	Incorporated by reference to Exhibit 4.1 to Alloy Steel's Registration Statement.
10.1	Stock Option Plan	Incorporated by reference to Exhibit 10.1 to Alloy Steel's Registration Statement.
10.2	License Agreement, dated May 4, 2000, between Alloy Steel and Kenside Investments, Ltd.	Incorporated by reference to Exhibit 10.2 to Alloy Steel's Registration Statement.
10.3	Employment Agreement, dated October 2, 2000, between Alloy Steel and Gene Kostecki	Incorporated by reference to Exhibit 10.3 to Alloy Steel's Registration Statement.
10.4	Employment Agreement, dated October 2, 2000, between Alloy Steel and Alan Winduss	Incorporated by reference to Exhibit 10.4 to Alloy Steel's Registration Statement.
10.5	Consulting Agreement, dated October 2, 2000, between Alloy Steel and Berryhill Investments, Ltd.	Incorporated by reference to Exhibit 10.5 to Alloy Steel's Registration Statement.
10.6	Consulting Agreement, dated October 2, 2000, between Alloy Steel and Chartreuse Nominees Pty. Ltd.	Incorporated by reference to Exhibit 10.6 to Alloy Steel's Registration Statement.
10.7	Amended and Restated Consulting Agreement,	Incorporated by reference to Exhibit 10.7 to Alloy

	dated October 2, 2000, between Alloy Steel and Persia Consulting Group, Inc.	Steel's Registration Statement.
10.8	Consulting Agreement, dated October 2, 2000, between Alloy Steel and Ragstar Investments, Ltd.	Incorporated by reference to Exhibit 10.8 to Alloy Steel's Registration Statement.
10.9	Consulting Agreement, dated October 2, 2000, between Alloy Steel and Alan Winduss Pty. Ltd.	Incorporated by reference to Exhibit 10.9 to Alloy Steel's Registration Statement.
10.10	Consulting Agreement, dated October 2, 2000, between Alloy Steel and Ames Nominees Pty. Ltd.	Incorporated by reference to Exhibit 10.10 to Alloy Steel's Registration Statement.
10.11	Lease Agreement, dated July 1, 2000, between Alloy Steel and Raglan Securities Pty. Ltd.	Incorporated by reference to Exhibit 10.11 to Alloy Steel's Registration Statement.
10.12	Asset Purchase Agreement, dated October 2, 2000 between Alloy Steel and Collier Unit Trust	Incorporated by reference to Exhibit 10.12 to Alloy Steel's Registration Statement.
10.13	Equipment Purchase Agreement, dated October 2, 2000, between Alloy Steel and Collier Unit Trust	Incorporated by reference to Exhibit 10.13 to Alloy Steel's Registration Statement.
10.14	Asset Purchase Agreement, dated October 2, 2000, by and among Alloy Steel and Gene Kostecki and Alan Winduss	Incorporated by reference to Exhibit 10.14 to Alloy Steel's Registration Statement.

<FN>

(b) Reports on Form 8-K:
</TABLE>

We filed a Current Report on Form 8-K on September 6, 2001. The form 8-K related to a change in the registrant's certified accountants under Item 4.

We filed a Current Report on Form 8-K on August 16, 2001. The form 8-K related to a change in the registrant's certified accountants under Item 4.

SIGNATURES

In accordance with the Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 6, 2003

ALLOY STEEL INTERNATIONAL INC.

By: /s/ Gene Kostecki
Name: Gene Kostecki
Title: Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Gene Kostecki Gene Kostecki	Chairman, Chief Executive Officer and Director	Date: February 6, 2003
/s/ Alan Winduss Alan Winduss	Chief Financial Officer (Principal Accounting Officer) and Director	Date: February 6, 2003

26

SECTION 906 CERTIFICATION

I, Gene Kostecki, Chief Executive Officer of Alloy Steel International Inc., certify, pursuant to 18 U.S.C. Sec. 1350, as enacted by Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-KSB for the year ended September 30,2002 (the "Annual Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Alloy Steel International Inc.

Dated: February 6, 2003

/s/ Gene Kostecki

Gene Kostecki
Chief Executive Officer

27

SECTION 906 CERTIFICATION

I, Alan Winduss, Chief Financial Officer of Alloy Steel International Inc., certify, pursuant to 18 U.S.C. Sec. 1350, as enacted by Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-KSB for the year ended September 30, 2002 (the "Annual Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Alloy Steel International Inc.

Dated: February 6, 2003

/s/ Alan Winduss

Alan Winduss
Chief Financial Officer

28

SECTION 302 CERTIFICATION

I, Gene Kostecki, certify that:

1. I have reviewed this annual report on Form 10-KSB of Alloy Steel International Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 6, 2003 /s/ Gene Kostecki

Gene Kostecki
Chief Executive Officer

SECTION 302 CERTIFICATION

I, Alan Winduss, certify that:

1. I have reviewed this annual report on Form 10-KSB of Alloy Steel International Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the

equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 6, 2003 /s/ Alan Winduss

Alan Winduss
Chief Financial Officer

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(ITEM 7)

ALLOY STEEL INTERNATIONAL, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2002

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Alloy Steel International, Inc.

We have audited the accompanying consolidated balance sheet of Alloy Steel International, Inc. and Subsidiary (the "Company") as of September 30, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended September 30, 2002 and 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2002, and the results of its operations and its cash flows for the years ended September 30, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

\\Rothstein, Kass & Company, P.C.

Roseland, New Jersey
January 9, 2003

<TABLE>
<CAPTION>

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
September 30, 2002

ASSETS

<S>	<C>
CURRENT ASSETS	
Cash and cash equivalents	$ 288,448
Accounts receivable, less allowance for doubtful accounts of $20,272	131,316
Inventories	158,269
Prepaid expenses and other current assets	39,155
Total current assets	617,188
PROPERTY AND EQUIPMENT, net	1,266,856
OTHER ASSETS	
Intangibles	90,512
	$ 1,974,556

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Notes payable, current portion	$ 32,814
Accounts payable and other current liabilities	666,634
Income taxes payable	151,188
Total current liabilities	850,636
LONG-TERM LIABILITIES	
Notes payable, less current portion	107,602
Total liabilities	958,238
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred stock, $.01 par value, authorized 3,000,000 shares; issued and outstanding - none	
Common stock, $.01 par value, authorized 50,000,000 shares; issued and outstanding 16,950,000 shares	169,500
Capital in excess of par value	1,773,382
Accumulated deficit	(961,945)
Accumulated other comprehensive income	35,381
Total stockholders' equity	1,016,318
	$ 1,974,556

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended September 30, 2002 and 2001

<S>	2002 <C>	2001 <C>
SALES	$ 2,116,314	$ 2,862,228
COST OF SALES	1,184,491	1,235,181
GROSS PROFIT	931,823	1,627,047
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,128,238	1,524,457
COST IN CONNECTION WITH EQUITY LINE OF CREDIT	600,000	-
	1,728,238	1,524,457
INCOME (LOSS) FROM OPERATIONS	(796,415)	102,590
INTEREST EXPENSE	(8,827)	(3,140)
INTEREST INCOME	9,962	4,282
INCOME (LOSS) BEFORE INCOME TAXES	(795,280)	103,732
INCOME TAXES	3,467	247,072

NET LOSS	$ (798,747)	$ (143,340)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.05)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN COMPUTING BASIC AND DILUTED LOSS PER COMMON SHARE	16,950,000	16,688,335

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended September 30, 2002 and 2001

	Common Stock		Capital in excess	Accumulated
	Shares	Amount	of par value	Deficit
<S>	<C>	<C>	<C>	<C>
Balances, October 1, 2000	8,696,250	$ 86,963	$ 512,449	$ (19,858)
Costs associated with issuance of common stock			(89,442)	
Common stock issued for services	3,390,000	33,900	508,500	
Common stock issued in connection with acquisitions	4,663,750	46,637	243,875	
Common stock issued in connection with the equity line of credit	200,000	2,000	598,000	
Costs incurred in connection with issuance of common stock related to the equity line of credit			(600,000)	
Net loss				(143,340)
Other comprehensive loss, foreign currency translation adjustment				
Total comprehensive loss - Year ended September 30, 2001				
Balances, September 30, 2001	16,950,000	169,500	1,173,382	(163,198)
Costs incurred in connection with issuance of common stock related to the equity line of credit			600,000	
Net loss				(798,747)
Other comprehensive income, foreign currency translation adjustment				
Total comprehensive loss - Year ended September 30, 2002				
Balances, September 30, 2002	16,950,000	169,500	$ 1,773,382	$ (961,945)

Comprehensive Loss	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity

<S>

	<C>	<C>	<C>
Balances, October 1, 2000	$ -	$ -	$ 579,554
Costs associated with issuance of common stock			(89,442)
Common stock issued for services			542,400
Common stock issued in connection with acquisitions			290,512
Common stock issued in connection with the equity line of credit			600,000
Costs incurred in connection with issuance of common stock related to the equity line of credit			(600,000)
Net loss	(143,340)		(143,340)
Other comprehensive loss, foreign currency translation adjustment	(84,566)	(84,566)	(84,566)
Total comprehensive loss - Year ended September 30, 2001	$ (227,906)		
Balances, September 30, 2001		(84,566)	1,095,118
Costs incurred in connection with issuance of common stock related to the equity line of credit			600,000
Net loss	$ (798,747)		(798,747)
Other comprehensive income, foreign currency translation adjustment	119,947	119,947	119,947
Total comprehensive loss - Year ended September 30, 2002	$ (678,800)		
Balances, September 30, 2002		$ 35,381	$ 1,016,318

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 2002 and 2001

<S>

	2002 <C>	2001 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(798,747)	$(143,340)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	82,158	40,087
Costs in connection with equity line of credit	600,000	
Common stock issued for compensation and services		542,400
Deferred income taxes		(3,343)
Provision for loss on investment	3,926	
Plant under construction written off	40,211	
Changes in operating assets and liabilities:		
Accounts receivable	78,234	(222,365)
Inventories	119,683	(275,425)
Prepaid expenses and other current assets	14,752	(48,186)
Accounts payable and other current liabilities	215,751	398,320
Income taxes payable	(81,641)	247,071
NET CASH PROVIDED BY OPERATING ACTIVITIES	274,327	535,219

NET CASH USED IN INVESTING ACTIVITIES, purchases of property and equipment	(219,077)	(270,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	79,026	
Repayment of borrowings	(26,183)	
Costs associated with the issuance of common stock		(89,442)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	52,843	(89,442)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,221	3,722
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,314	179,134
CASH AND CASH EQUIVALENTS, beginning of period	179,134	
CASH AND CASH EQUIVALENTS, end of period	$ 288,448	$ 179,134
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Common stock issued in connection with acquisitions	$ -	$ 290,512
Accrued legal services related to common stock issued	$ -	$ 48,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION, cash paid during the years for:		
Income taxes	$ 108,622	$ -
Interest	$ 8,827	$ 3,140

</TABLE>

See accompanying notes to consolidated financial statements.

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Alloy Steel International Inc. (ASII) and its wholly-owned subsidiary, Alloy Steel Australia (Int.) Pty Limited (ASAI) (collectively the "Company") manufacture and distribute Acroplate, 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 principles generally accepted in the United States of America. The Company's consolidated financial statements are denominated in United States dollars.

Principles of Consolidation

The consolidated financial statements include the accounts of ASII and ASAI. 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 uncollectible accounts, returns and allowances and warranties in connection with sales.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures About Fair Value of Financial Instruments," approximates the carrying amounts presented in the accompanying consolidated balance sheet.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined principally on the average cost method, which approximates 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.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line 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	3-5 years
Office and computer equipment	3-5 years

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

Intangibles

Intangibles include intellectual rights of $90,512, which will be amortized over the lesser of the estimated useful or economic life, or five years.

Advertising

Advertising costs are charged to operations as incurred and were $12,939 and $7,085 for the years ended September 30, 2002 and 2001, respectively.

Income Taxes

The Company complies with SFAS No. 109, "Accounting for Income Taxes", which requires 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.

==

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss Per Common Share

SFAS No. 128, "Earnings Per Share", requires dual presentation of basic and diluted income per share for all periods presented. Basic loss per share excludes dilution and is computed by dividing net loss 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 net loss per common share was the same as basic net loss per common share since there were no common stock equivalents outstanding.

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.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No.'s 141 and 142, "Business Combinations" and "Goodwill and Other Intangibles". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill is subjected to at least an annual assessment for impairment applying a fair-market value based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), addresses the impairment for all tangible assets. In July 2002, the FASB issued SFAS No. 146 "Accounting For Costs Associated With Exit or Disposal Activities "SFAS No. 146", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred I a Restructuring)." SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier application encouraged. In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" ("SFAS 148"), which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for voluntary changes to the fair value based method made in fiscal years beginning after December 15, 2003. The Company does not anticipate these pronouncements will have a significant impact on its consolidated financial position and results of operations.

ALLOY STEEL INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

==

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translation

Assets and liabilities of the Company's wholly-owned subsidiary are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average rates prevailing during the year. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income.

3. INVENTORIES

Inventories consist of the following at September 30, 2002:

Raw materials	$ 50,748
Finished goods	107,521
	$158,269

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following at September 30, 2002:

Prepaid expenses	$20,727
GST receivable	18,428
	$39,155

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2002:

Plant and equipment	$ 358,986
Furniture and fixtures	16,985
Vehicles	7,435
Office and computer equipment	16,854
	400,260
Less accumulated depreciation	123,697
	276,563
Construction in progress	990,293
	$1,266,856

==

5. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended September 30, 2002 and 2001 was $82,158 and $40,087, respectively.

6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities consist of the following at September 30, 2002:

Trade accounts payable	$345,053
Accrued salary	211,711
Royalties payable	98,244
	11,626

	$666,634
	========

As of September 30, 2002, approximately $116,000 of accounts payable and other current liabilities are due to a related party.

7. NOTES PAYABLE

Notes payable at September 30, 2002 consists of the following:

Note payable (a)	$ 49,441
Note payable (b)	66,255
Note payable (c)	24,720

	140,416
Less current portion	32,814

	$107,602
	========

(a) The note is payable in monthly installments of approximately $1,186 including interest at a rate of 6.60% per annum, with a final payment in November 2005. The note is collateralized by the underlying equipment.

(b) The note is payable in monthly installments of approximately $1,626 including interest at a rate of 6.435% per annum, with a final payment in October 2005. The note is collateralized by the underlying equipment.

(c) The note is payable in monthly installments of approximately $593 including interest at a rate of 6.6% per annum, with a final payment in November 2005. The note is collateralized by the underlying equipment.

==

7. NOTES PAYABLE (CONTINUED)

Aggregate annual principal payments for each of the following years areas follows:

YEAR ENDING SEPTEMBER 30,	
2003	$ 32,814
2004	35,019
2005	37,373
2006	35,210

8. INCOME TAXES

Income (loss) before income taxes for the years ended September 30, 2002 and 2001 were taxed in the following jurisdictions:

	2002	2001
Australia	$ (34,998)	$ 725,370
US	(760,282)	(621,638)
	----------	----------

$(795,280)	$ 103,732
==========	==========

The components of income tax expense (benefit) are as follows for the years ended September 30, 2002 and 2001:

	2002	2001
CURRENT		
Foreign	$3,467	$250,415
DEFERRED		
Foreign	-	(3,343)
	$3,467	$247,072

As of September 30, 2002, the Company had US net operating loss carryforwards of approximately $1,392,000 expiring through 2022 and Australian net operating loss carryforwards of approximately $48,000.

8. INCOME TAXES (CONTINUED)

The components of the net deferred income tax asset consist of the following at September 2002 and 2001:

	2002	2001
Deferred tax assets		
Net operating loss carryforwards	$481,191	$217,783
Other	7,355	4,254
	488,546	222,037
Less valuation allowance	488,546	217,783
	-	4,254
Deferred tax liabilities		
Other		1,104
Net deferred income tax asset	$ -	$ 3,150

SFAS No. 109, requires that the Company record a valuation allowance when it is more likely than not that some portion or all of the deferred income tax asset will not be realized. The change in the valuation allowance amounted to approximately $271,000 and $211,000 for the years ended September 30, 2002 and 2001, respectively. The ultimate realization of this deferred income tax asset depends on the Company's ability to generate sufficient taxable income in future years.

The effective tax rate in 2002 and 2001 differs from the U.S. federal statutory rate as follows:

	2002	2001
U.S. federal statutory rate	(34.0)%	34.0%
Change in valuation allowance	34.0 %	204.0
Effective tax rate	- %	238.0%

==

9. STOCK OPTIONS

During 2000, the Company's Board of Directors adopted, and the stockholders approved, the 2000 stock option plan (the Plan) pursuant to which 500,000 shares of common stock were reserved for issuance upon the exercise of options granted to key employees, members of the Board of Directors and consultants of the Company. Options under the Plan may be incentive stock options, nonqualified stock options, or any combination thereof, and the Board of Directors (Committee) may grant options at an exercise price which is not less than the fair market value on the date such options are granted. The Plan further provides that the maximum period in which stock options may be exercised will be determined by the Committee, except that they may not be exercisable after ten years from the date
of grant or five years from the date of grant for any person owning more than ten percent of the voting power of all classes of the Company's stock. At September 30, 2002, there were no stock options granted.

10. COMMITMENTS AND CONTINGENCIES

The Company leases its office and manufacturing space from a related party, for approximately $85,000 per annum plus certain expenses (as defined in the agreement). The lease expires on June 30, 2005.

Rent expense for the years ended September 30, 2002 and 2001, was approximately $86,000 and $90,000, respectively.

Royalty Agreements

The Company has a licensing agreement relating to the sale of certain products. Under the terms of the agreement, the Company is required to pay royalties of 2% on the net sales of the related products, calculated at the end of each quarter. The agreement expires in 2025 and has three ten-year renewal options to extend unless written notice of non-renewal is given by either party within 120 days prior to its expiration. At September 30, 2002, approximately $98,244 was payable under this agreement and is included in accounts payable and other current liabilities.

Royalty expense was approximately $42,000 and $56,000, respectively, for the years ended September 30, 2002 and 2001.

Employment Agreements

The Company has employment agreements with two of its executives, who are principal stockholders, requiring the payment of a minimum annual base compensation of approximately $80,000 and $150,000, adjusted annually for increases approved by the Board of Directors, but not less than the base year amount, plus incentive compensation based on the executives performance and the Company's success. The agreements expire in 2005 and are automatically renewed for an additional year unless written notice of non-renewal is given by either party within 180 days prior to their expiration. Approximately $230,000 has been expensed under these agreements in the years ended September 30, 2002 and 2001, and is included in selling, general and administrative expenses.

==

11. STOCKHOLDERS' EQUITY

Common Stock

In October 2000, the Company issued 1,250,000 shares of common stock to a related party to acquire substantially all of the net assets of the Collier Unit Trust-Acroplate Division. In addition the Company acquired equipment from the related party, which is under construction for approximately $880,000.

In October 2000, the Company issued 3,413,750 shares of common stock to two of its officers, directors and stockholders of the Company to acquire a license to utilize the 3-D Pipe Fitting Cladder process. The Cladder is a computer-driven, software-based mechanical system for industrial use, which the Company intends to commercialize worldwide. The acquisition was recorded at $90,512.

In October 2000, the Company issued 3,340,000 shares of common stock in exchange for consulting services. Aggregate compensation for such services amounted to $534,400, of which approximately $486,400 relates to agreements with related parties.

The Company issued 50,000 shares to an officer and director for legal services amounting to $8,000 recorded in the year ended September 30, 2001.

In September 2001, the Company issued 200,000 shares to Cornell Capital Partners ("Cornell") relating to an equity line of credit agreement pursuant to which the Company could sell up to $10,000,000 of common stock back to Cornell. During the fiscal year ended September 30, 2002 this agreement was terminated and the Company expensed the $600,000 relating to the stock issued for the equity line of credit and paid in capital was increased by $600,000.

12. MAJOR CUSTOMERS, SUPPLIERS AND GEOGRAPHIC INFORMATION

The Company had revenues from two customers in the years ended September 30, 2002 and 2001 aggregating approximately $1,260,000 and $981,000, respectively. Accounts receivable due from these customers were approximately $89,000 and $62,000 at September 30, 2002 and 2001, respectively.

For the years ended September 30, 2002 and 2001, the Company purchased approximately 86% and 62% of its inventories from three suppliers.

For the years ended September 30, 2002 and 2001 revenues were derived from the following:

	2002	2001
Australia/Asia	35 %	65%
South America	42 %	20%
US & Other	23 %	15%
	100 %	100%