Total pages (including this one) = 9

# MinterEllison
LAWYERS

28 January 2009

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TELEPHONE +61 2 9921 8888 FACSIMILE +61 2 9921 8123

The Company Secretary
Bisalloy Steel Group Limited
Level 23 HWT Tower
40 City Road
Southbank VIC 3006

**Fax: (03) 9674 0400**

Company Announcements Platform
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

**Fax: 1300 135 638**

Dear Sirs

**Bisalloy Steel Group Limited: Form 603 Notice of initial substantial holder**

Please find enclosed Form 603 in respect of initial substantial holdings in Bisalloy Steel Group Limited held by Anchorage (BSG) Pty Limited and Phillip Cave.

Yours faithfully
**MINTER ELLISON**

Contact: Robert Starke Direct phone: +61 2 9921 4661 Direct fax: +61 2 9921 8292
Email: robert.starke@minterellison.com
Partner responsible: Callen O'Brien Direct phone: +61 2 9921 4730 Direct fax: +61 2 9921 8145
Email: callen.obrien@minterellison.com
Our reference: COB:RWS:20-5973203

# Form 603

Corporations Act 2001
Section 671B

## Notice of initial substantial holder

To Company Name/Scheme: Bisalloy Steel Group Limited

ACN/ARSN: 098 674 545

**1. Details of substantial holder (1)**

Name: Anchorage (BSG) Pty Limited ACN 132 491 466 and the other Anchorage entities set out in section 3 ("**Anchorage**") and Phillip Cave ("**Cave**")

ACN/ARSN (if applicable): see above

The holder became a substantial holder on: 21/01/2009

**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

| Class of securities (4) | Number of securities | Person's votes (5) | Voting power (6) |
|---|---|---|---|
| Ordinary Shares | 35,954,050 (Anchorage plus Cave) | 35,954,050 | 19.1% |
| | | | |

**3. Details of relevant interests**

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

| Holder of relevant interest | Nature of relevant interest (7) | Class and number of securities |
|---|---|---|
| Anchorage (BSG) Pty Limited | Holder of securities (s608(1)(a) of the Corporations Act) pursuant to sub underwriting agreement attached as Annexure A | Ordinary shares 29,162,488 |
| Anchorage Capital Partners Pty Limited (manager of Anchorage Capital Partners 1 Fund) | Control over voting or disposal of securities (s608(1)(b) and (c)) | Ordinary shares 29,162,488 |
| Anchorage Capital Partners Pty Limited atf Anchorage Capital Partners Trust A | Control over voting or disposal of securities (s608(3)(a)) | Ordinary shares 29,162,488 |
| AET Limited atf Anchorage Capital Partners Trust B | Control over voting or disposal of securities (s608(3)(a)) | Ordinary shares 29,162,488 |
| Phillip Cave | Holder of securities (s608(1)(a)) | Ordinary shares 6,791,562 |

**4. Details of present registered holders**

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

| Holder of relevant interest | Registered holder of securities | Person entitled to be registered as holder (8) | Class and number of securities |
|---|---|---|---|
| Anchorage (BSG) Pty Limited | Anchorage (BSG) Pty Limited | N/A | Ordinary Shares 29,162,488 |
| Anchorage Capital Partners Pty Limited | Anchorage (BSG) Pty Limited | N/A | Ordinary Shares 29,162,488 |
| Anchorage Capital Partners Pty Limited atf Anchorage Capital Partners Trust A | Anchorage (BSG) Pty Limited | N/A | Ordinary Shares 29,162,488 |
| AET Limited atf Anchorage Capital Partners Trust B | Anchorage (BSG) Pty Limited | N/A | Ordinary Shares 29,162,488 |
| Phillip Cave | Phillip Cave | N/A | Ordinary Shares 6,791,562 |

ME_78816023_1 (W2003)

## 5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

| Holder of relevant interest | Date of acquisition | Consideration (9) | Class and number of securities |
|---|---|---|---|
| | | | |
| Anchorage | 21/01/09 | $7,290,622 cash | Ordinary Shares 29,162,488 |
| Cave | 07/01/09 | $754,618 cash | Ordinary Shares 3,018,472 (balance of shareholding acquired more than 4 months prior) |

## 6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

| Name and ACN/ARSN (if applicable) | Nature of association |
|---|---|
| Phillip Cave | Cave may be regarded as an associate of Anchorage (BSG) Pty Limited pursuant to s12(2)(b) or (c) of the Corporations Act |
| | |

## 7. Addresses

The addresses of persons named in this form are as follows:

| Name | Address |
|---|---|
| Bisalloy Steel Group Limited | Level 23, HWT Tower, 40 City Road, Southbank, Victoria, 3006 |
| Anchorage (BSG) Pty Limited and Anchorage Capital Partners Pty Limited | Level 4, 6 Bridge Street, Sydney, NSW 2000 |
| Phillip Cave | Level 4, 6 Bridge Street, Sydney, NSW 2000 |
| AET Limited | Level 22, 207 Kent St, Sydney NSW 2000 |

## Signature

print name MICHAEL BRIGGS capacity DIRECTOR

sign here date 28/01/2009

## Signature

print name capacity ~~DIRECTOR~~

sign here date 28/01/2009

ME_78618023_1 (W2003)

**BISALLOY STEEL GROUP LIMITED**

**ACN 098 674 545**

This is Annexure A of 5 pages referred to in Form 603, Notice of Initial Substantial Shareholder. I certify that this is a true and complete copy of the Sub-underwriting Agreement between ABN AMRO Morgans and Anchorage (BSG) Pty Limited dated 1 December 2008.

..............................................................

Signed by:

Anchorage (BSG) Pty Limited

Date: 28 Jan '09

..............................................................

Signed by:

Phillip Cave

Date: 28 Jan '09

**ABN·AMRO Morgans**

**ABN AMRO Morgans Corporate Limited**
**A.B.N. 49 010 669 726 – AFSL 235408**

Level 7, ABN AMRO Tower
88 Phillip St Sydney NSW 2000 Australia

GPO Box 4675 Sydney NSW 1042 Australia

DX 9007

Telephone: 61 2 8215 5000
Facsimile: 61 2 9258 8061

info@abnamromorgans.com.au
www.abnamromorgans.com.au

**PRIVATE AND CONFIDENTIAL**

1 December 2008

Mr Michael Briggs / Daniel Wong
Anchorage (BSG) Pty Limited
Level 4, 6 Bridge Street
Sydney NSW 2000

Dear Michael and Daniel

**BISALLOY STEEL GROUP LIMITED – RIGHTS ISSUE**
**OFFER OF GENERAL SUB-UNDERWRITING**

Bisalloy Steel Group Limited (ABN 22 098 764 545) ("Bisalloy" or the "Company") is intending to undertake a 4 for 5 pro-rata renounceable rights issue of fully paid ordinary shares in the Company ("New Shares") at an issue price of $0.25 per New Share ("Rights Issue") to raise approximately $20.9 million ("Rights Issue Amount"). The proceeds will be used to provide additional working capital and strengthen the Company's balance sheet.

ABN AMRO Morgans Corporate Limited ("the Underwriter") is proposing to underwrite the Rights Issue for an underwriting fee of 2.25% of the Rights Issue Amount ("Underwriting Fee") and a management fee of $120,000.

**Draft Prospectus**

A copy of the draft Prospectus ("Prospectus") which sets out the terms of the Rights Issue has been forwarded to you and should be considered in assessing this offer. This draft Prospectus should be kept confidential and should only be circulated to the persons directly involved in your decision whether or not to accept this offer.

Except for any liability which cannot be excluded and except as expressly set out in this letter, ABN AMRO Morgans Corporate Limited and ABN AMRO Morgans Limited do not accept any responsibility for the contents of the Prospectus or in relation to the Rights Issue.

**Confidentiality**

This offer is made to you on the express condition that you agree to keep confidential, all documents and information relating to the Rights Issue until the Prospectus has been lodged with the Australian Securities and Investments Commission and the Prospectus is released to the market.

**Offer of general sub-underwriting participation**

We are pleased to offer you the following general sub-underwriting participation of the Rights Issue:

**Sub-underwriting of 83,654,286 New Shares at $0.25 each for a total of $20,913,571.50 ("Sub-Underwritten Amount").**

Acceptance of this offer should be made by completing the attached Acceptance Form and faxing it to be received by the Underwriter no later than **9am (AEDS Time) 2 December 2008**.

**Sub-underwriting commission (the "Sub-Underwriting Commission")**

As sub-underwriter, you will be paid a commission of 1.5% of the Sub-Underwritten Amount. The Sub-Underwriting Commission will be paid to you within 3 Business Days (as defined in the ASX Listing Rules) after the Underwriter receives payment of the Underwriting Fee.

If Bisalloy does not pay the Underwriting Fee to the Underwriter under the terms of the Underwriting Agreement, the Sub-Underwriting Commission will not be paid to you.

**Obligations of Sub-Underwriter**

If by the closing date for acceptances under the Rights Issue, the monetary amount of the aggregate subscriptions received is less than the Underwritten Amount, the resulting shortfall (the "Shortfall") will revert to the Underwriter and its sub-underwriter for subscription. You agree to lodge with the Underwriter a valid application for Your Shortfall Obligation (as defined below), together with payment in full for Your Shortfall Obligation within 12 Business Days after the Underwriter has notified you in writing of the amount of Your Shortfall Obligation.

If you accept this offer, your share of the Shortfall ("Your Shortfall Obligation") will be determined in accordance with the following calculation:

| | | | | |
|---|---|---|---|---|
| Your Shortfall Obligation | = | Total size of Rights Issue | less | New Shares taken up by shareholders of the Company and purchasers of Rights under the Rights Issue |

For the avoidance of doubt, the Underwriter is not entitled to reduce Your Shortfall Obligation or reject a valid application that is lodged by you in accordance with the terms in this agreement.

It is a condition of this sub-underwriting offer that you agree not to deal with, lay off or sub-syndicate your sub-underwriting obligation without the prior written agreement of the Underwriter.

You shall pay your own costs in relation to this letter.

**Termination of Underwriter's & Sub-underwriter's respective obligations**

The rights of termination under the Underwriting Agreement appear in Section 6.5 of the Prospectus and we note you have been provided with a final execution draft of the Underwriting Agreement.

Subject to the following paragraph, the rights of termination and all other rights under the Underwriting Agreement are at the sole discretion of the Underwriter and if the Underwriter elects not to terminate, or exercise any other right under the Underwriting Agreement in circumstances in which the Underwriter is entitled to do so, you will be bound by such an election and will be obliged to fulfil the obligations as set out in this offer.

In the event that the Underwriter becomes aware of circumstances that could in the Underwriter's opinion (acting reasonably and in good faith) trigger a right of termination under the terms of the Underwriting Agreement, the Underwriter agrees to promptly consult with you in good faith to determine whether the Underwriter should exercise any right of termination. In relation to the foregoing, you acknowledge and agree that ultimately the decision whether or not to terminate the Underwriting Agreement lies solely with the Underwriter. However, if the Underwriter receives a notice in writing from you (provided you are acting reasonably and in good faith in determining that an event has occurred that would enable the Underwriter to terminate the Underwriting Agreement) requesting that the right of termination be exercised, and the Underwriter nevertheless determines for whatever reason not to exercise such a right of termination, you may terminate this sub-underwriting agreement immediately without any further liability to the Underwriter hereunder. The termination of this Agreement will discharge your obligations under this Agreement.

Other than as provided for in the paragraph above, you have no right to terminate this sub-underwriting agreement.

Should an Underwriting Agreement between ABN AMRO Morgans Corporate Limited and Bisalloy not be entered into or be entered into and subsequently terminated or determined, the contract arising out of your acceptance of this offer will consequently terminate. Correspondingly, all obligations of the Underwriter under this contract including the obligation to make payment of the Sub-Underwriting Commission will terminate if the Underwriting Agreement is not entered into, is terminated or determined.

You also should be aware that, in accordance with the Corporations Act, Bisalloy may be required to issue a supplementary prospectus and that if any supplementary prospectus is issued, you will still be bound by an acceptance of this offer.

**Anticipated Rights Issue Timetable**

The following is the anticipated timetable for the Rights Issue:

| | |
|---|---|
| Announcement of Rights Issue & Lodgement of Prospectus | 2 December 2008 |
| Shares Quoted ex Rights | 4 December 2008 |
| Record Date | 10 December 2008 |
| Rights Trading ends | 18 December 2008 |
| Rights Issue closes | 30 December 2008 |
| Allotment and Despatch Date of shortfall shares | 21 January 2009 |
| Normal trading of shortfall shares expected to commence | 22 January 2009 |

**Disclaimer**

ABN AMRO Morgans Corporate Limited, its servants or agents, make no recommendation as to whether you should participate in the sub-underwriting of the Rights Issue nor does it make any representations or warranty to you concerning the Rights Issue. You should make your own decision whether to participate based on your own enquiries and the Prospectus.

**Governing Law and Jurisdiction**

The interpretation and construction of this Agreement shall be governed and determined in accordance with the law of the State of New South Wales and the parties submit to the non-exclusive jurisdiction of the courts of that State.

**Notices**

All notices given and other communications required or permitted to be given under the contract arising from your acceptance of this offer shall be in writing addressed to the address set out on the attached Acceptance Form in the case of the Underwriter, and the address as completed by you on the attached Acceptance Form when accepting this offer, or at such other address as any such party may have substituted by notice to the other party. Unless a specific method of communication is stipulated in relation to a specific notice or communication, the notice or communication shall be either delivered personally, or sent by facsimile communication, or by ordinary airmail postage paid.

In the case of a notice sent by facsimile communication, it shall be deemed to have been received on the day of actual receipt if received between the hours of 9.00am and 6.00pm (AEDS time) at the place of receipt on a Business Day or otherwise on the next following Business Day in the place of receipt. In the case of a notice sent by mail, it shall be deemed to be received only when actually received.

**Reply**

This offer is open for reply until **9am (AEDS Time) 2 December 2008**. An early reply by telephone would be appreciated. To reply formally, please sign and return the attached acceptance by facsimile. If you wish to discuss any matters concerning this offer, please feel free to contact Mr Mark Gross on (02) 8215 5059 or Mr Chris Gerahty on (02) 8215 5061.

Yours faithfully
**ABN AMRO MORGANS CORPORATE LIMITED**

**MARK GROSS**
Executive Director, Corporate Finance

*attachment*

**GENERAL SUB-UNDERWRITING ACCEPTANCE FORM – RIGHTS ISSUE**
**BISALLOY STEEL GROUP LIMITED**

Private and Confidential

To: The Underwriter
C/- ABN AMRO Morgans Corporate Limited
Level 7
ABN AMRO Tower
88 Phillip Street
Sydney NSW 2000
Attention: Mr Chris Gerahty
Facsimile No. (02) 9258 8061

We are pleased to accept your offer of general sub-underwriting of 83,654,286 New Shares at $0.25 each for a total of $20,913,571.50 for a sub-underwriting commission of 1.5% of the proposed Rights Issue Amount on the terms and conditions as outlined in your Letter of Offer dated 1 December 2008.

**Please note the following details:**

Name of Sub-Underwriter: Anchorage (BSG) Pty Limited

Attention (your ref): Daniel Wong

Address: Level 4
6 Bridge Street
Sydney NSW 2000

Telephone & Facsimile: Ph: (02) 8259 7777, Fx: (02) 8259 7778

Sub-Underwriting Commission Payable to (Payee): Anchorage (BSG) Pty Limited

Dated this First day of December 2008

Accepted for and on behalf of: . .Anchorage (BSG) Pty Limited

Authorised Signature: ........................ Witnessed By: ........................

Name and Title of Authorised Signatory: Daniel Wong, Director

Anchorage (BSG) Pty Ltd
Level 4, 6 Bridge Street
Sydney NSW 2000