

3 December 2008

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Rights Issue Letters to shareholders

Dear Sir/Madam

Attached are copies of the letters being sent today to Eligible and Ineligible Shareholders pursuant to the Prospectus lodged with ASX on 2 December 2008.

Regards



David Cleland
Company Secretary

3 December 2008

Dear Shareholder

Bisalloy Steel Group Limited announces 4 for 5 pro-rata renounceable rights issue

Bisalloy Steel Group Limited (the **Company**) is undertaking a 4 for 5 pro-rata renounceable rights issue of approximately 83.7 million fully paid ordinary shares in the Company (**New Shares**) to raise approximately A\$20 million (**Offer**). The Company lodged the prospectus for the Offer (**Prospectus**) with ASIC on 2 December 2008.

The Offer is fully underwritten by ABN AMRO Morgans Corporate Limited (**Underwriter**). Anchorage (BSG) Pty Ltd a wholly owned subsidiary of Anchorage Capital Partners 1 Fund (a private equity fund in which the Chairman of the Company, Mr Phil Cave AM, and Non-executive director Mr Kym Godson, have an interest) has been appointed by the Underwriter to sub-underwrite the entire Offer (**Sub-Underwriter**). As such, the independent directors of the Company, being Mr Richard Grellman and Mr Graeme Pettigrew have represented the Company on behalf of all directors in relation to the Offer. Details of the potential effect of the Offer on control of the Company, further details of the interests of Mr Cave AM and Mr Godson in the Sub-Underwriter and information on the sub Underwriting Agreement are set out in sections 1.8 and 6.6 respectively of the Prospectus.

The price of New Shares under the Offer is \$0.25 cents each (**Issue Price**).

The Company will use the net proceeds of the Offer to provide funding for working capital requirements and to strengthen the Company's balance sheet.

The Offer is being made to all shareholders of the Company named on the register at 7.00 pm on 10 December 2008 (**Record Date**), whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

New Shares will rank equally with all fully paid ordinary shares (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 83.7 million New Shares resulting in total Shares on issue of approximately 188.2 million.

The Company must pay to the Underwriter an underwriting fee of 2.25% of the amount of the Offer, a management of \$120,000 and all other reasonable costs and expenses incurred by the Underwriter. The Underwriter has agreed to pay the Sub-Underwriter 1.5% of the amount of the Offer.

A copy of the Prospectus is available on ASX's website at www.asx.com.au. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 12 December 2008. Your Entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' Entitlement, fractions of Entitlements have been rounded up to the nearest whole number of New Shares.



Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take:

- You may take up all or some of your Rights. To take all or some of your Rights you will need to ensure your application money for the Rights you wish to take up is received by Computershare Investor Services Pty Ltd (**Share Registry**) by no later than 5.00pm (Melbourne) on 30 December 2008 by either completing and returning your Entitlement and Acceptance Form together with your application money or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.
- You may seek to sell all or some of your Rights on ASX. You can seek to sell your Rights on ASX from 4 December 2008 until the close of market on 19 December 2008. To sell any of your Rights you need to contact your stockbroker as soon as possible.
- You may transfer all or some of your Rights to another person other than on ASX. To transfer all or some of your Rights you will either need to contact your Chess Controlling Participant (usually your stockbroker) and follow their instructions or complete a renunciation and transfer form (which can be obtained from Share Registry) and return it, together with the purchaser's cheque for the Rights they wish to take up so that it is received by the Share Registry by no later than 5.00pm (Melbourne time) on 30 December 2008.
- You may do nothing. If you choose to do nothing with your Rights, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Key dates for the Offer

Event	Date
Date of Prospectus	Tuesday, 2 December 2008
Shares trade "ex-rights" and Rights trading commences on ASX	Thursday, 4 December 2008
Record Date to determine Entitlements under the Rights Issue (7.00pm)	Wednesday, 10 December 2008
Prospectus and Entitlement and Acceptance Form despatched	Friday, 12 December 2008
Last day of Rights trading	Friday, 19 December 2008
Trading of New Shares commences on a deferred settlement basis	Monday, 22 December 2008
Closing Date for Applications (5.00pm)	Tuesday, 30 December 2008
Allotment and issue of New Shares [*]	Wednesday, 7 January 2009
Despatch of shareholding statements for New Shares [*]	Thursday, 8 January 2009
Trading of New Shares commences on a normal settlement basis [*]	Friday, 9 January 2009
Allotment and issue of any Shortfall Shares to the Sub-Underwriter.	Wednesday, 21 January 2009
Trading of any Shortfall Shares commences on a normal settlement basis.	Thursday, 22 January 2009

* Not including any New Shares not subscribed for under the Offer that are to be issued to the Sub-Underwriter pursuant to the sub-underwriting agreement.



For further information on the Offer you should contact your professional adviser.

Yours sincerely

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

Richard Grellman AM
Independent Non-executive Director

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

Graeme Pettigrew
Independent Non-executive Director

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A Shareholder who has a registered address outside Australia and New Zealand or is in the United States or who is, or holds for the account or benefit of, a US Person (**Ineligible Shareholder**) will not be eligible to participate in the Offer.

You are not eligible to participate in the Offer and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside of Australia and New Zealand compared with the small number of Ineligible Shareholders and the number and value of New Shares to which they would otherwise be entitled.



The Company has appointed the Lead Manager and Underwriter (or its associates) as nominee to sell the Ineligible Shareholders' Rights (**Nominee**). The Nominee will only sell the Ineligible Shareholders' Rights if there is a viable market in the Rights and a premium over the expenses of the sale can be obtained. Any such sale will be at a price and in a manner that the Nominee will determine in its absolute discretion. The ability to sell the Ineligible Shareholders' Rights and the price obtained will be dependent, amongst other things, on market conditions. The proceeds of the sale (in Australian dollars) will be distributed to the Ineligible Shareholders for whose benefits the Rights have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale and the costs of distributing the proceeds).

There is no guarantee that the Nominee will be able to sell Ineligible Shareholders' Rights on ASX and Ineligible Shareholders may receive no value for the Rights. Both the Company and the Nominee take no responsibility for the outcome of the sale of Ineligible Shareholders' Rights or the failure to sell such Rights.

If you have any questions in relation to any of the above matters, please contact your professional adviser.

Yours sincerely

Mr Richard Grellman AM
Independent Non-executive Director

Mr Graeme Pettigrew
Independent Non-executive Director