

## Supplementary prospectus dated 24 December 2008 to be read together with the prospectus dated 2 December 2008 issued by Bisalloy Steel Group Limited ABN 22 098 674 545

---

This supplementary prospectus (**Supplementary Prospectus**) is issued pursuant to orders made by the Takeovers Panel on 23 December 2008. It supplements the prospectus dated 2 December 2008 issued by Bisalloy Steel Group Limited for a renounceable rights issue of 4 New Shares for every 5 Shares held at an issue price of \$0.25 per New Share (the **Prospectus**). This Supplementary Prospectus must be read together with the Prospectus. A term with a defined meaning in the Prospectus has the same meaning in this Supplementary Prospectus. This Supplementary Prospectus is dated 24 December 2008 and was lodged with ASIC on that date. This Supplementary Prospectus contains information relating to new circumstances that have arisen after the date that the Prospectus was lodged with ASIC.

As previously announced to ASX, Balron Nominees Pty Limited (**Balron**) made an application to the Takeovers Panel on 15 December 2008 in relation to the Rights Issue (**Application**). The Takeovers Panel heard the Application and on 23 December 2008 made a declaration of unacceptable circumstances. A copy of the declaration is available from the ASX and the Takeovers Panel websites. The Panel also made orders (**Orders**) to remedy the unacceptable circumstances, by revising the sub-underwriting arrangements for the Rights Issue on the basis described below. Copies of the Panel's Orders are also available from the ASX and the Takeovers Panel websites.

### **Delete the last paragraph of section 1.8 of the Prospectus and insert the following:**

"The Orders provide that any Shortfall Shares in excess of those which will result in Anchorage and the Company's Chairman, Mr Phillip Cave (and their associates) collectively holding more than 20% of the voting power in the Company following the Rights Issue (**Excess Shortfall Shares**) must be shared in equal proportion between Anchorage, Balron and Investors Mutual Limited (**Investors Mutual**) to the extent that those parties want any of those Shares.

In accordance with the Panel's Orders, this arrangement will be implemented by Anchorage subscribing for all of the Shortfall Shares in accordance with its sub-underwriting arrangements and then transferring the appropriate number of Excess Shortfall Shares to each of Balron and Investors Mutual at cost net of sub-underwriting fee. If either Investors Mutual or Balron elect not to take their full entitlement, the remainder will be divided equally between the other remaining parties. The parties have 24 hours from being notified by Anchorage of the Excess Shortfall Shares to subscribe and pay for the Shares.

Prior to the Rights Issue being announced Balron and its associates held 16.5% of the Shares. Balron has advised the Company that it and its associates have purchased 5,596,427 Rights. Balron has also advised the Company that Balron and its associates intend to subscribe for all of their Entitlements under the Rights Issue. Upon subscription by Balron and its associates for all of their Entitlements and the exercise by Balron and its associates of the Rights it has purchased, Balron and its associates will collectively hold approximately 19.5% of the Shares. Balron may following the date of this Supplementary Prospectus and prior to the date on which it acquires any Excess Shortfall Shares, purchase additional Shares such that its holding is up to 19.9% of the Shares.

Prior to the Rights Issue being announced Investors Mutual had disclosed that it held 10.6% of the Company. Investors Mutual has advised the Company that each of Investors Mutual and its associates intend to subscribe for all of their Entitlements under the Rights Issue. Further, Investors Mutual has advised the Company that it and its associates have purchased additional Shares on market since the date of its last substantial holder notice prior to 2 December 2008 and have acquired 520,000 Rights on market. Upon subscription by each of Investors Mutual and its associates for their respective Entitlements and exercise of the Rights purchased, Investors Mutual and its associates will collectively hold approximately 12% of the Shares.

Anchorage, Balron and Investors Mutual have each advised the Company that they reserve the right to take up all of the Excess Shortfall Shares available to them in accordance with the Orders.

For more information about the potential effect of the sub-underwriting arrangements described above on the voting power in the Company, see section 6.6.”

**At the end of the part of section 6.5 of the Prospectus titled “Termination of the Underwriting Agreement” the following is inserted:**

“The Orders issued by the Takeovers Panel prevent the Underwriter terminating the Underwriting Agreement because of the application made to the Takeovers Panel by Balron on 15 December 2008.”

**A new paragraph is inserted as the fifth paragraph of section 6.6(a) of the Prospectus as follows:**

“The Orders issued by the Takeovers Panel prevent the Sub-Underwriter terminating the Sub-Underwriting Agreement because of the application made to the Takeovers Panel by Balron.”

**At the end of section 6.6(a) of the Prospectus the following is inserted:**

“Anchorage has advised the Company that:

1. The extent of any influence that Anchorage may have on the affairs of Bisalloy will depend on the extent of the Shortfall Shares, and the proportion that the Shortfall Shares which are retained by Anchorage bear to all Shares after the issue of the New Shares.
2. Subject to paragraph 3, Anchorage has not formed any specific intentions regarding the business or affairs of Bisalloy. Anchorage’s general intention with respect to any shareholding in Bisalloy is to use any influence that the shareholding brings it to contribute to the direction of Bisalloy and then to exit its investment on favourable terms, preferably with all other shareholders having an opportunity to participate in the exit event.
3. Anchorage does consider that the senior management of the Bisalloy business has delivered excellent results from its operations for a number of years and should be retained.
4. Any intentions or plans developed by Anchorage following such a review will be formed on the basis of facts and information concerning Bisalloy, and the circumstances affecting the business of Bisalloy that are known to Anchorage at the relevant time. Further, final decisions on any plans or intentions will only be made by Anchorage after a full consideration of all the material facts, information and circumstances at the relevant time. Accordingly, the intentions described in paragraphs 2 and 3 above are statements of current intention only, which may change as new information becomes available or circumstances change.”

**Section 6.6(b) of the Prospectus is deleted and replaced with:**

“Anchorage has sub-underwritten the entire Rights Issue.

Anchorage and Balron have each advised the Company that they will take up all of the Excess Shortfall Shares available to them in accordance with the Order.

Investors Mutual has advised the Company that it will take up such number of the Excess Shortfall Shares available to it in accordance with the Order as will result in Investors Mutual holding not more than 15% of the Company’s Shares.

The following table sets out the effect on Anchorage and Mr Cave’s, Balron’s and Investors Mutual voting power in the Company following the Rights Issue assuming the number of Excess Shortfall Shares is equal to:

- 50% of the Illustrative Excess Shortfall; and
- the Illustrative Excess Shortfall.

**Illustrative Excess Shortfall** is the number of New Shares available under the Offer less:

- those subscribed for by Balron through taking up its Entitlement and exercising the Rights it has purchased;
- those subscribed for by Investors Mutual through taking up its Entitlement and exercising the Rights it has purchased;
- those subscribed for by Mr Cave (by taking up his Entitlement) and Anchorage which gives them combined voting power of 20% of Shares after completion of the Rights Issue; and

- those subscribed for by the Directors of the Company (excluding Mr Cave).

	Voting power as at 2 December 2008, being the date of the Prospectus	Voting power where the number of Excess Shortfall Shares is equal to 50% of Illustrative Excess Shortfall	Voting power where the number of Excess Shortfall Shares is equal to the Illustrative Excess Shortfall
Voting power of Anchorage and Mr Cave (and their associates)	3.6%	21.9%	23.5%
Voting power of Balron (and its associates)	16.5%	21.4%	23.0%
Voting power of Investors Mutual (and its associates)	10.6% <sup>1</sup>	13.4%	14.9%

If:

- neither Balron nor Investors Mutual elect to take up Shares available to them as Excess Shortfall Shares;
- Balron and Investors Mutual each take up their Entitlements;
- Balron, exercises the Rights purchased on market; and
- each of the Directors takes up their entire Entitlement,

Anchorage will be entitled to retain all of the Shortfall Shares and, together with Mr Cave, will have voting power in the Company of 31%.

#### **Balron's intentions**

Balron has advised the Company that it currently intends to hold any Shares it acquires as a result of the Orders, and exercise the rights to such Shares consistently with its position as a Shareholder of the Company. In the event that Balron receives a shareholding of over 20% in Bisalloy, Balron will seek to obtain representation on the board of Bisalloy. If its shareholding brings it sufficient influence, after the issue to it of the Shortfall Shares Balron will consider and review all material factors affecting the business of Bisalloy and determine how, if at all, it is able to influence the day to day management of Bisalloy in order to contribute to Bisalloy's profitable growth. Any intentions or plans developed by Balron following such a review will be formed on the basis of facts and information concerning Bisalloy, and the circumstances affecting Bisalloy that are known to Balron at the relevant time. Further, final decisions on any plans or intentions will only be made by Balron after a full consideration of all the material facts, information and circumstances at the relevant time. Accordingly, the intentions described above are statements of current intention only, which may change as new information becomes available or circumstances change.

The Board notes that the day to day control of the Company will remain vested in the Board and that any influence to be exercised by either Anchorage or Balron will be exercised in the context of the Board's duties to the Company as a whole."

<sup>1</sup> Investors Mutual has purchased additional Shares since the date of its last substantial holder notice and prior to 2 December 2008. As such Investors Mutual's voting power may have been between 9.7% and 11.5% on 2 December 2008. The voting power of Investors Mutual (and its associates) at the date of this supplementary prospectus is 11.75%.

## Consents

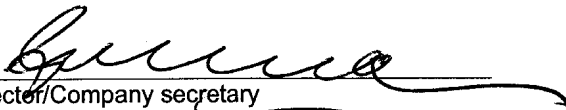
Each of Balron Nominees Pty Limited, Investors Mutual Limited and Anchorage (BSG) Pty Ltd:

- (a) has given and has not, before the lodgement of this supplementary prospectus with ASIC, withdrawn its written consent:
- (1) to be named in this supplementary prospectus in the form and context in which it is named; and
  - (2) to the inclusion in this supplementary prospectus of the statements made by it or based on statements made by it, in the form and context in which those statements appear in this supplementary prospectus,
- (b) other than referred to in paragraph (a)(2) has not made any statement in this supplementary prospectus or any statement on which a statement in this supplementary prospectus is based; and
- (c) to the maximum extent permitted by law expressly disclaims and takes no responsibility for any statements or omissions from this supplementary prospectus.

## General

Applications for New Shares close at 5.00pm on Wednesday 30 December 2008. New Shares (other than Shortfall Shares) are expected to be issued on 7 January 2009 and to commence trading on a normal settlement basis on 9 January 2009. Shortfall Shares are expected to be issued on 21 January 2009.

## Signed

sign here ►   
Director/Company secretary

print name RICHARD GRELLMAN