



# **Long Term Incentive Plan Rules**

**(Pending Shareholder Approval)**

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**BISALLOY STEEL GROUP LIMITED  
LONG TERM INCENTIVE PLAN RULES**

**DATE** 2009

**1. INTRODUCTION**

The purpose of the Bisalloy Steel Group Long Term Incentive Plan is to provide certain senior executives and key employees of Bisalloy Steel Group with the opportunity to receive rights to receive fully paid shares in Bisalloy Steel Group as an incentive, subject to certain specified restrictions and performance criteria.

**2. DEFINITIONS AND INTERPRETATION**

**2.1 Definitions**

In these Plan Rules:

**Associate** has the meaning given to it in Division 13A of Part III of the *Income Tax Assessment Act 1936* (Cth).

**ASX** means ASX Limited ABN 98 008 624 691.

**ASX Listing Rules** means the official listing rules of ASX.

**Attorney** has the meaning given to that term in Rule 12.1.

**Board** means the board of directors of Bisalloy Steel or the remuneration committee of the Board, as constituted from time to time.

**Bisalloy Steel** means Bisalloy Steel Group Limited ABN 22 098 674 545.

**Bisalloy Steel Group** means Bisalloy Steel and each of its related bodies corporate.

**Change of Control** means:

- (a) a takeover bid is announced for all of the Shares and the bidder has acquired voting power in more than 50% of the Shares;
- (b) a court sanctions a compromise or arrangement for the purposes of, or in connection with, a scheme for the amalgamation of Bisalloy Steel with any other company or companies under Part 5.1 of the Corporations Act; or
- (c) a transaction has occurred (other than a takeover or a scheme of arrangement) under which control of Bisalloy Steel has passed from the then existing shareholders.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Disposal Restriction** means restrictions on disposal or dealing in a Right or a Share determined by the Board.

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**Director** means a director of Bisalloy Steel.

**Employee** means a full-time or permanent part time employee (including an executive director) of the Bisalloy Steel Group.

**Grant Date** means the date on which Rights are granted, as specified in the Invitation.

**Invitation** has the meaning given in Rule 4.3.

**Participant** means an Employee who accepts an Invitation to participate in and has been granted Rights under the Plan.

**Performance Condition** means a condition specified in the Terms and Conditions which must be satisfied before the Right becomes a Vested Right.

**Plan** means the Bisalloy Steel Group Long Term Incentive Plan as set out in these Plan Rules, as altered or added to under Rule 10.

**Plan Rules** means the rules of the Plan contained in this document.

**Record Date** has the meaning given by the ASX Listing Rules.

**Redundancy**, in relation to a Participant, means termination or cessation of employment as a result of redundancy, as determined by the Board.

**Retirement**, in relation to a Participant, means cessation of employment in circumstances where the Board is satisfied that the Participant has genuinely and permanently retired from the workforce.

**Right** means a right to acquire a Share on the terms set out in these Plan Rules.

**Security Interest** means a mortgage, charge, pledge, lien or other encumbrance of any nature.

**Share** means a fully paid ordinary share in the capital of Bisalloy Steel .

**Special Circumstances**, in relation to a Participant, means ceasing to be an Employee by reason of:

- (a) Redundancy;
- (b) Retirement; or
- (c) other circumstances which are considered by the Board to be extraordinary.

**Terms and Conditions** means the terms and conditions applicable to a Right granted to a Participant under these Plan Rules as set out in the Invitation.

**Total and Permanent Disablement**, in relation to a Participant, means that the Participant has, in the opinion of the Board, become permanently incapacitated to such an extent as to render the Participant unlikely to again engage in the Participant's primary occupation.

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**Trust** means the trust established in accordance with Rule 5.

**Trustee** means the trustee of the Trust from time to time.

**Unvested Right** means a Right which is neither a Vested Right nor a Right that has lapsed, expired or been forfeited in accordance with these Plan Rules or the Terms and Conditions.

**Vested Right** has the meaning given in Rule 6.4.

**Vesting Notice** means a notice given to a Participant pursuant to clause 6.5 specifying the number of Rights held by the Participant that have become Vested Rights and the number of Shares the Participant is entitled to receive.

## 2.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
  - (i) legislation (including subordinate legislation) is to that legislation as amended, modified re-enacted or replaced, and includes any subordinate legislation issued under it;
  - (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or notated;
  - (iii) a party to a document or agreement includes a permitted substitute or a permitted assign of that party;
  - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
  - (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word is defined, another part of speech has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The terms **related body corporate**, **takeover bid** and **voting power** have the meaning given in the Corporations Act.

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### 3. **COMMENCEMENT**

The Plan will commence on the date determined by the Board.

### 4. **ELIGIBILITY AND INVITATION**

#### 4.1 **Eligibility**

In its discretion, the Board may, from time to time, invite any Employee to participate in and be granted Rights under the Plan on such terms and conditions (subject to these Plan Rules) as the Board determines.

#### 4.2 **Matters Board may take into account**

In exercising its discretion under Rule 4.1, the Board may take into account any matter which it considers relevant including, but not limited to:

- (a) **(position)** the position in the Bisalloy Steel Group held or to be held by the Employee;
- (b) **(employment arrangements)** the Employee's employment arrangements with the Bisalloy Steel Group;
- (c) **(contribution)** the contribution made by, or the potential contribution to be made by, the Employee to the Bisalloy Steel Group (or any member of it); and
- (d) **(company)** the interests of Bisalloy Steel.
- (e) **(cap on rights to be issued)** the total number of rights which may be granted under this or any other employee share plan and which remain unvested is not to exceed 5% of issued capital..

#### 4.3 **Invitation**

An invitation to participate in the Plan (**Invitation**):

- (a) **(timing)** may be made by the Board at any time;
- (b) **(form)** subject to these Plan Rules, may be in such form as the Board determines;
- (c) **(matters to be included)** must specify:
  - (i) **(name)** the name of the Employee;
  - (ii) **(number of Rights)** the number of Rights granted to the Employee;
  - (iii) **(Terms and Conditions)** the Terms and Conditions applicable to the Rights (see Rule 6.1);

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- (iv) **(manner of acceptance)** the time by which, and manner in which, the Participant must indicate that he or she does or does not accept the Invitation;
  - (v) **(Grant Date)** the date on which the Rights were granted to the Participant.

#### 4.4 **Grant of Rights**

On the Grant Date, Bisalloy Steel must grant the number of Rights specified in the Invitation to the Participant.

#### 4.5 **Plan Rules, terms and constitution binding**

Where a Participant accepts an Invitation and has been granted Rights, that Participant will be bound by these Plan Rules, the Terms and Conditions and, in respect of Shares provided to the Participant when the Rights become Vested Rights, the constitution of Bisalloy Steel .

#### 4.6 **Personal nature**

An Invitation is not transferable and an Employee may only accept or reject a grant of Rights in the Employee's name (or, with the permission of the Board, in the name of an Associate) and not on behalf of any other person.

### 5. **TRUST IN CONNECTION WITH RIGHTS AND SHARES**

Bisalloy Steel may establish a trust and arrange for the Trustee to subscribe for or purchase Shares to be held on trust for a class of discretionary beneficiaries. The terms of the trust will provide for the following:

- (a) **(directions)** the Trustee must comply with directions of Bisalloy Steel to purchase or subscribe for Shares, subject to the Trustee having sufficient funds to purchase or subscribe for the Shares;
- (b) **(dividends and voting)** the treatment of dividends and distributions received by the Trustee in respect of Shares held by the Trustee, and arrangements for voting of Shares held by the Trustee;
- (c) **(transfer)** transferring Shares to Participants when Rights become Vested Rights; and
- (d) **(any other matters)** any other matter that Bisalloy Steel considers necessary or desirable to ensure that the trust complies with all applicable laws and that the position of Bisalloy Steel and Participants is not adversely impacted.

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## 6. RIGHTS

### 6.1 Terms and Conditions

The Terms and Conditions applicable to a Right must include:

- (a) **(description)** a description of the Rights;
- (b) **(amount payable)** the amount (if any) payable by the Participant for the Rights or the Shares to which the Rights relate;
- (c) **(time vesting)** the period of time before Rights may become Vested Rights;
- (d) **(Performance Conditions)** Performance Conditions;
- (e) **(Disposal Restrictions)** Disposal Restrictions (if any);
- (f) **(expiry or lapse)** the circumstances in which a Right will expire or lapse;
- (g) **(forfeiture conditions)** the circumstances in which the Participant will forfeit Rights or any interest in, or right to receive, Shares; and
- (h) **(other conditions)** any other condition that the Board may determine.

### 6.2 Board determination

The Board will determine whether or not a Performance Condition in respect to some or all of a Participant's Rights has been satisfied in accordance with the Terms and Conditions and any determination by the Board is final and conclusive.

### 6.3 Board discretion

Subject to the Terms and Conditions, the Board may at any time by written notice to a Participant vary or waive a Performance Condition.

### 6.4 Vesting of Rights

A Right becomes a Vested Right when the Performance Conditions applicable to that Right are satisfied or waived in accordance with these Plan Rules and the Terms and Conditions.

### 6.5 Vesting Notice

The Board will give a Participant a Vesting Notice as soon as practicable after the Right becomes a Vested Right in accordance with the Terms and Conditions.

### 6.6 Issue or Transfer of Shares to Participants

Subject to Rule 6.7, as soon as practicable after a Right becomes a Vested Right, the Board will cause shares to be issued to the Participant or if a Trust has been established under clause 5 and shares deposited with the Trustee notify the Trustee and assist the Trustee to transfer to the Participant the number of Shares specified in the Vesting Notice.

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## 6.7 Cash in lieu of Shares

Where the Board determines that a Participant's entitlement to Shares under a Vested Right may be satisfied wholly or partly in the form of cash rather than Shares, then the Participant shall receive, in lieu of all of the Shares which would otherwise have been issued or transferred to him or her, the aggregate market value of such Shares, as determined by the Board, as at the date on which the Board gives a Vesting Notice under Rule 6.5.

## 6.8 No dealing with Rights

Without the prior approval of the Board, a Participant must not grant any Security Interest in or over or otherwise dispose of or deal with any Rights or any interest in Rights (including by way of hedging activities) until the relevant Shares are either issued or transferred to that Participant, and any such Security Interest or disposal or dealing will not be recognised in any manner by Bisalloy Steel. Participants are required to abide by any share trading policy of Bisalloy Steel which applies to Employees. A Right dealt with in breach of this Rule 6.8 lapses immediately.

## 6.9 Lapse of Rights

Subject to the Terms and Conditions, unless the Board determines otherwise, all Unvested Rights automatically lapse if:

- (a) **(Performance Condition not satisfied)** a Performance Condition in relation to some or all of a Participant's Rights is not satisfied to any extent; and
- (b) **(expiry of Performance Condition)** the period for satisfaction of that Performance Condition has expired.

## 6.10 No compensation

A Participant will not be entitled to any payment or compensation from any person as a result of the lapse or expiry of any Right in accordance with these Plan Rules or the Terms and Conditions.

## 7. ACCELERATION OF VESTING

Subject to the Terms and Conditions, the Board may determine that all or a portion of Unvested Rights become Vested Rights in any of the following circumstances:

- (a) **(Death or Total and Permanent Disablement)** the Participant ceases to be an Employee by reason of death or Total and Permanent Disablement;
- (b) **(Special Circumstances)** a Participant ceases to be an Employee by reason of Special Circumstances;
- (c) **(Change of Control)** there is a Change of Control;
- (d) **(delisting)** Bisalloy Steel ceases to be listed on ASX; or

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- (e) **(other matters)** such other circumstances as the Board determines.

## 8. **RANKING**

Shares acquired under the Plan will rank equally with all existing Shares in all respects from the date of issue or transfer to the Participant.

## 9. **PARTICIPATION IN FUTURE ISSUES**

### 9.1 **Participation generally**

A Participant may only participate in new issues of Shares or other securities to holders of Shares if Rights held by that Participant have become Vested Rights and the Shares in respect of those Vested Rights have been issued or transferred (as the case requires) to, and registered in the name of, that Participant before the Record Date for determining entitlements to the new issue. For the avoidance of doubt, this Rule will not cause an Unvested Right to become a Vested Right.

### 9.2 **Effect on Unvested Rights**

If a Right has not become a Vested Right or became a Vested Right and the Shares have not been transferred before the Record Date for determining entitlements to the issue (and the Right has not lapsed, expired or been forfeited), then the following provisions will apply:

- (a) **(Rights issue)** if Bisalloy Steel makes a pro-rata offer or invitation to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price, the price (if any) payable by a Participant when the Right becomes a Vested Right will not be altered;
- (b) **(Pro-rata bonus issues)** if Bisalloy Steel makes a pro-rata bonus issue of Shares or other securities to holders of Shares (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment)
  - (i) the number of Shares to be transferred or issued to the Participant when the Right becomes a Vested Right is the number of Shares before that bonus issue plus the number of Shares which would have been issued to the Participant under the bonus issue if the Right had become a Vested Right before the Record Date for the bonus issue; and
  - (ii) the price (if any) payable by the Participant when the Right becomes a Vested Right will be adjusted proportionately;
- (c) **(Sub-division or consolidation)** if Bisalloy Steel subdivides or consolidates its Shares, the Rights must be subdivided or consolidated (as the case may be) in the same ratio as the Shares;
- (d) **(Return of capital)** if Bisalloy Steel makes a return of capital, the number of Rights remain unaltered;

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- (e) **(Cancellation of capital that is lost)** if Bisalloy Steel makes a cancellation of any paid up share capital that is lost or not represented by available assets, the number of Rights remains unaltered;
  - (f) **(Pro rata cancellation of capital)** if Bisalloy Steel reduces its issued share capital on a pro rata basis, the number of Rights must be reduced in the same ratio as the Shares; and
  - (g) **(General reorganisation)** If Bisalloy Steel reorganises its issued share capital in any way not contemplated by this Rule 9.2, the number of Rights must be reorganised so that the Participant will not receive a benefit that holders of Shares do not receive.

### 9.3 **Cumulative adjustments**

Each adjustment under Rule 9.2 must be made for every Unvested Right or Vested Right where the Share issue or transfer has not occurred at the Record Date every time the relevant Rule applies while a Participant holds an Unvested Right or vested Right where the Share issue or transfer has not occurred at the Record Date.

### 9.4 **Rounding**

Until a Right becomes a Vested Right, all calculations adjusting the number of Shares must be carried out to include all fractions, but when the Right becomes a Vested Right the number of Shares to be issued or transferred to the Participant is rounded up to the next whole number.

### 9.5 **Notice of adjustment**

Bisalloy Steel must give notice to Participants of any adjustment to the number, description or items of security which are to be issued or transferred to the Participant when a Right becomes a Vested Right, and must do so in accordance with the ASX Listing Rules.

### 9.6 **Compliance with ASX Listing Rules**

An adjustment must not be made under this Rule 9 unless it is consistent with the ASX Listing Rules. Bisalloy Steel may amend the terms of any Right, or the rights of any Participant under this Plan, to comply with the ASX Listing Rules applying at the time to any reorganisation of capital of Bisalloy Steel .

## 10. **ADMINISTRATION OF THE PLAN**

### 10.1 **Board administration**

The Plan will be administered by the Board.

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## 10.2 Board powers

The Board may:

- (a) **(procedures)** decide on appropriate procedures for administering the Plan, including the form of application forms and other forms and notices to be issued under the Plan;
- (b) **(resolve questions)** resolve conclusively all questions of fact or interpretation concerning the Plan and these Plan Rules and any dispute of any kind that arises under the Plan;
- (c) **(delegate)** delegate to any person for any period and on the terms it decides the exercise of any of its powers or discretions under the Plan;
- (d) **(amend or waive)** subject to the ASX Listing Rules and Rules 10.4 to 10.6, amend, add to or waive any Rule of the Plan (including this Rule) or any Terms and Conditions, or any restriction or other condition relating to any Right granted under the Plan; and
- (e) **(waive a breach)** waive any breach of a provision of the Plan.

## 10.3 Non-residents of Australia

The Board may adopt additional rules of the Plan applicable in any jurisdiction outside Australia under which Rights granted under the Plan may be subject to additional or modified terms, having regard to any securities, exchange control or taxation laws or regulations or similar factors which may apply to the Participant or to Bisalloy Steel Group in relation to the Rights. Any additional rule must conform to the basic principles of the Plan.

## 10.4 Limitation on amendments

The Board must not make any amendment to these Plan Rules, or to any restriction or other condition relating to any Rights granted under the Plan, which reduces the rights of Participants in respect of Rights granted to them before the date of the amendment. However, this Rule 10.4 does not apply to any amendment made for the purpose of:

- (a) **(comply with laws)** complying with present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan Rules or similar plans;
- (b) **(corrections)** correcting any manifest error; or
- (c) **(tax implications)** considering possible adverse tax implications in respect of the Plan Rules arising from, among other things:
  - (i) adverse rulings from the Commissioner of Taxation;
  - (ii) changes to tax legislation (including an official announcement by the Commonwealth of Australia); or

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- (iii) changes in the interpretation of tax legislation by a court or tribunal of competent jurisdiction.

#### 10.5 **Termination, suspension and reinstatement of the Plan**

- (a) The Board may resolve at any time to terminate, suspend or reinstate the operation of the Plan.
- (b) If the Plan is suspended or terminated, the Board will decide how Rights and Shares are to be dealt with.

#### 10.6 **Board's discretion**

Subject to Rule 10.4, the Board has an unfettered and absolute discretion:

- (a) **(exercise of power or discretion)** in exercising any power or discretion concerning the Plan Rules, Terms and Conditions or any Rights; and
- (b) **(act)** to act or refrain from acting under these Plan Rules or concerning the Plan or any Rights.

### 11. **PARTICIPANT'S OBLIGATIONS**

A Participant must complete and execute any document (including but not limited to applications for Shares and Share transfers) and must do all acts or things on behalf of and in the name of the Participant which the Board considers necessary or desirable for the purpose of giving effect to these Plan Rules or the Terms and Conditions.

### 12. **ATTORNEY**

#### 12.1 **Appointment**

Each Participant, in consideration of the grant of Rights, shall be deemed to irrevocably appoint each Director, Bisalloy Steel and any person nominated from time to time by the Board as its attorney to complete and execute any document and do all things the Board considers necessary or desirable to give effect to these Plan Rules or the Terms and Conditions.

#### 12.2 **Ratification**

The Participant shall be deemed to covenant that the Participant shall ratify and confirm any act or thing done pursuant to Rule 12.1 and shall release Bisalloy Steel Group, each Director and each Attorney from any liability whatsoever arising from the exercise of the powers conferred by this Rule 12 and shall indemnify and hold harmless Bisalloy Steel Group, each Director and the Attorney in respect any such liability.

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### 13. **DUTIES AND TAXES**

Bisalloy Steel :

- (a) **(duties and taxes)** is not responsible for any duties or taxes which are or may become payable on the grant of Rights, or on the transfer, acquisition or issue of Shares when Rights become Vested Rights or any other dealing with the Shares (except for payroll tax or other taxes imposed on Bisalloy Steel in its capacity as employer of the Participant or to the degree it determines to accept those costs); and
- (b) **(withholding)** may make any withholding or payment which it is required by law to make in connection with the Plan, the Rights or transfer, acquisition or issue of Shares under the Plan.

### 14. **NO COMPENSATION OR DAMAGES**

#### 14.1 **Terms of employment not affected**

The rights and obligations of a Participant as an Employee are not affected by his or her participation in the Plan.

#### 14.2 **No right to compensation**

No Participant has any right to compensation or damages as a result of the termination of his or her employment for any reason, so far as those rights arise or may arise from the Participant ceasing to have rights under the Plan as a result of the termination.

### 15. **NOTICES**

Any notice to Participants may be given in such manner as the Board determines.

### 16. **GOVERNING LAW**

The Plan is governed by the laws of New South Wales.