



Investor Update
September 2010



Who we are

- ✓ Australia's only manufacturer of quenched and tempered ("Q&T") steel plate
- ✓ 'Bisplate' Q&T steel brand has premier market recognition in Australia and many parts of Asia
- ✓ Extensive distribution network across Australia, Indonesia and Thailand
- ✓ Customer base diversified across the mining, construction, general fabrication and defence sectors
- ✓ Highly efficient manufacturer with growth potential domestically, regionally and in niche products, such as armour and structural applications.

Bisalloy Steel Group

Bisalloy Steels

Bisalloy Asia

Bisalloy Steels

- Australia's only manufacturer of high strength structural and wear resistant Q&T steel plate (Bisplate®) for Australian and international markets
- Purpose built facility at Unanderra, NSW

Bisalloy Asia

- Distribution in Thailand and Indonesia via majority ownership in local companies.
- Representative office in Vietnam

What we do

- World class, continuous flow processing plant in Unanderra, New South Wales with a theoretical capacity of around 65,000 tonnes per annum.
- Raw material, in the form of steel plate (i.e. “greenfeed”), sourced from multiple steel mills located both domestically and overseas.
- Greenfeed heated and rapidly cooled so as to alter grain structure of the steel plate to achieve desired physical properties.
- Significant barriers to entry – product quality and cost competitive output highly dependent on:
 - IP associated with greenfeed and production processes
 - Reliability and suitability of the continuous processing equipment
 - Quality and experience of the management and workforce
- Q&T products sold under the Bisplate® brand through network of distributors across Australia and New Zealand, subsidiaries in Indonesia (60% ownership) and Thailand (85% ownership) and agents elsewhere in the world.

Financial performance

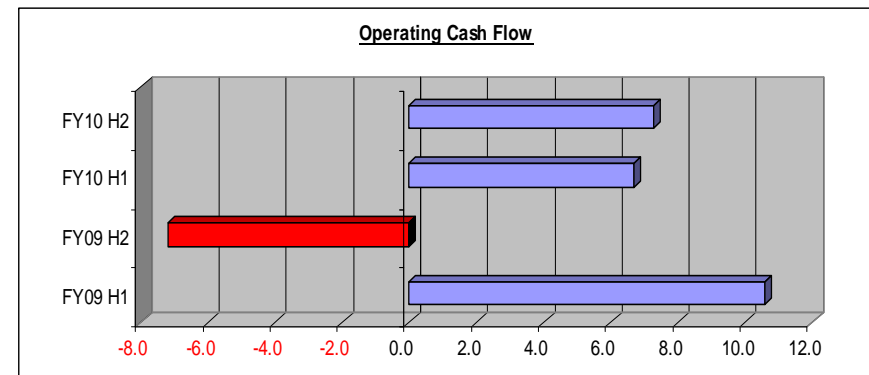
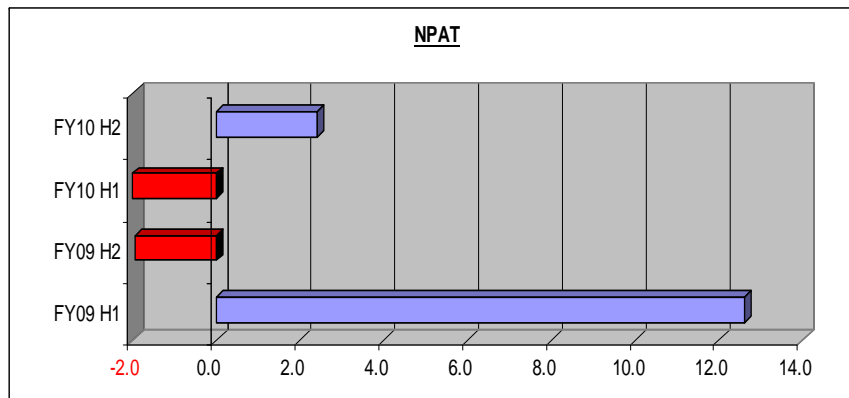
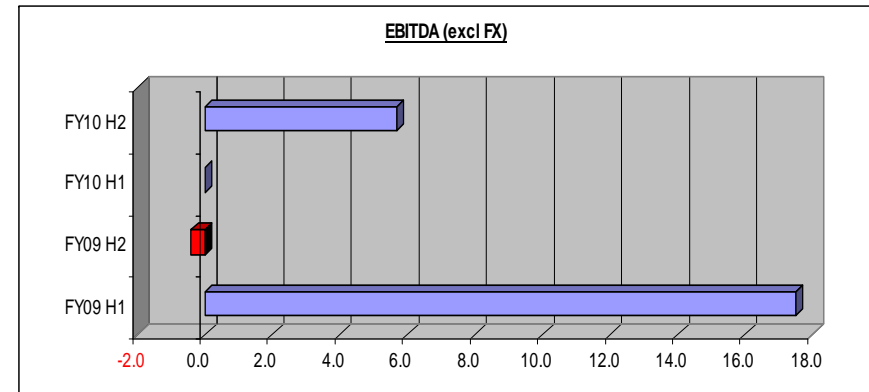
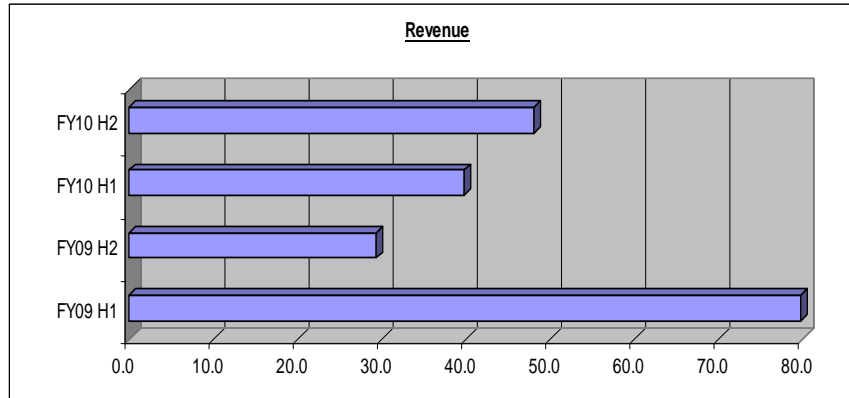
		<u>FY09*</u>		<u>FY10</u>		
		<u>H1</u>	<u>H2</u>	<u>H1</u>	<u>H2</u>	<u>FY10</u>
Revenue	\$m	79.7	29.3	39.6	48.0	87.6
EBITDA (excl FX)	\$m	17.5	-0.4	0.0	5.7	5.7
NPAT	\$m	12.6	-1.9	-2.0	2.4	0.4
EPS (diluted)	cps	18.4	-3.2	-1.0	1.0	0.0
Operating cash flow	\$m	10.6	-7.2	6.7	7.3	14.0

*FY09 excludes Distribution business which was sold in November 2008 and one off gain from close-out of par value hedges.

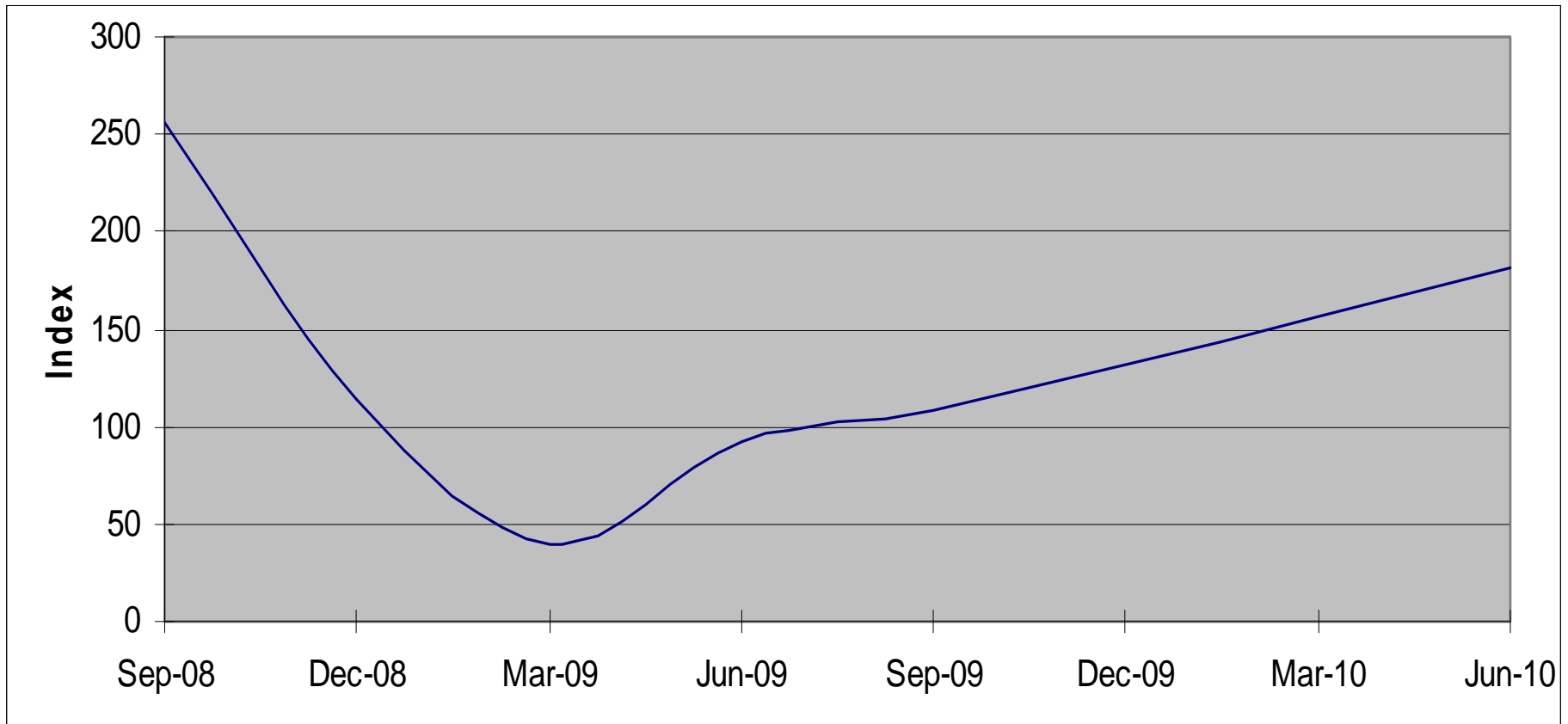
Financial performance - cont

- FY09 H1 saw peak demand at the height of the resources boom. Stocks built up to unprecedented levels to meet demand.
- GFC brought sharp contraction in demand followed by extended de-stocking cycle. Rapid drop in global steel prices. Demand remained subdued during FY10 H1 and margins depressed as higher priced stock cleared from the system.
- Steady growth in domestic demand during FY10 H2 as distributors rebuilt stock holdings.
- Strong margin recovery during H2 as high priced inventory cleared from the system and increased competition delivered competitively priced greenfeed.
- Strong operating cash flow on the back of the improved trading performance.
- Plant operated at around 50% capacity for FY10.

Financial summary



3 month average order intake



Index where 100 is tonnes order intake required for breakeven profit.

Balance sheet performance

		<u>Dec-08</u>	<u>June-09</u>	<u>Dec-09</u>	<u>June-10</u>
Total equity	\$m	-10.6	6.3	8.4	11.9
Total borrowings	\$m	43.6	34.5	24.7	18.1
Gearing (debt/debt + equity)	%	132%	85%	75%	60%
Working Capital	\$m	25.5	27.2	17.9	14.3
Bank Facilities (secured)	\$m	52.0	52.0	52.0	32.0
FX facilities (unsecured)	\$m	25.0	0.0	6.0	17.75

Balance sheet performance - cont

- Equity raising of \$19.7m in January 2009 and \$4.9m in August 2009 used to pay down debt and fund working capital.
- Borrowings continued to be paid back from operational cash flow during second half of FY10. Group borrowings reduced to \$18.1m at 30 June 2010 from \$34.5m at June 2009.
- Working capital being tightly controlled and remains key focus of management.
- Access to bank facilities at June 2009 was limited by covenant constraints. Facility renewed with GE Capital in June 2010 for two year period to October 2012 at significantly lower cost.
- Restricted access to facilities for hedging against FX exposure limited the Group's ability to offset FX risk during 2009 calendar year.
- Capital expenditure in FY10 held at \$950k. Based on current outlook, management expects capital expenditure to be between \$2.5m and \$3.0m in FY11, with focus on further improving quality and continuous improvement in plant reliability.

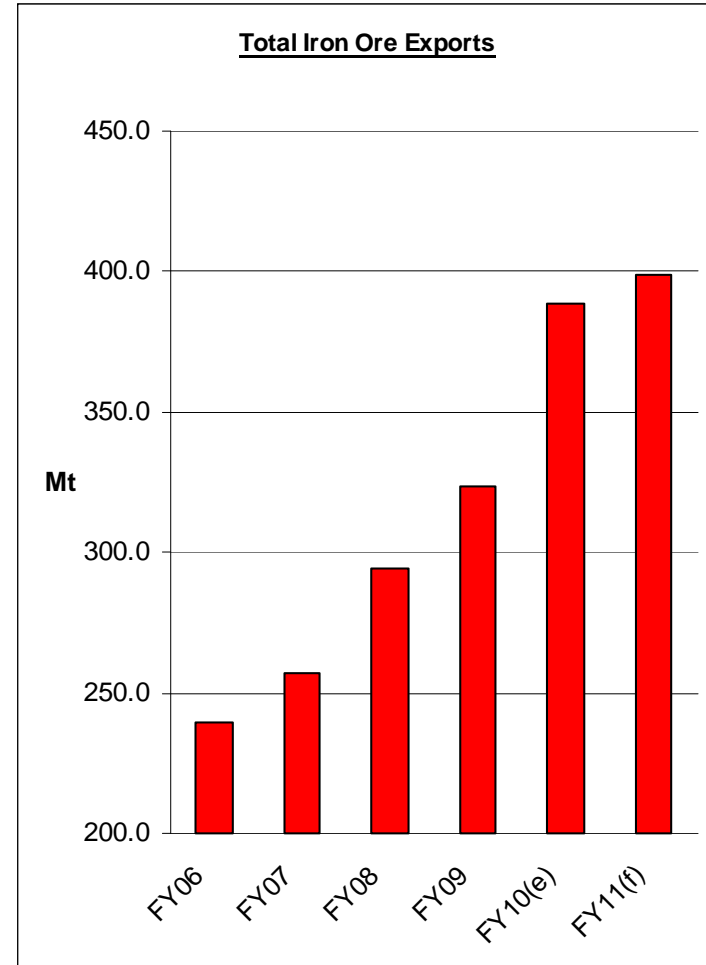
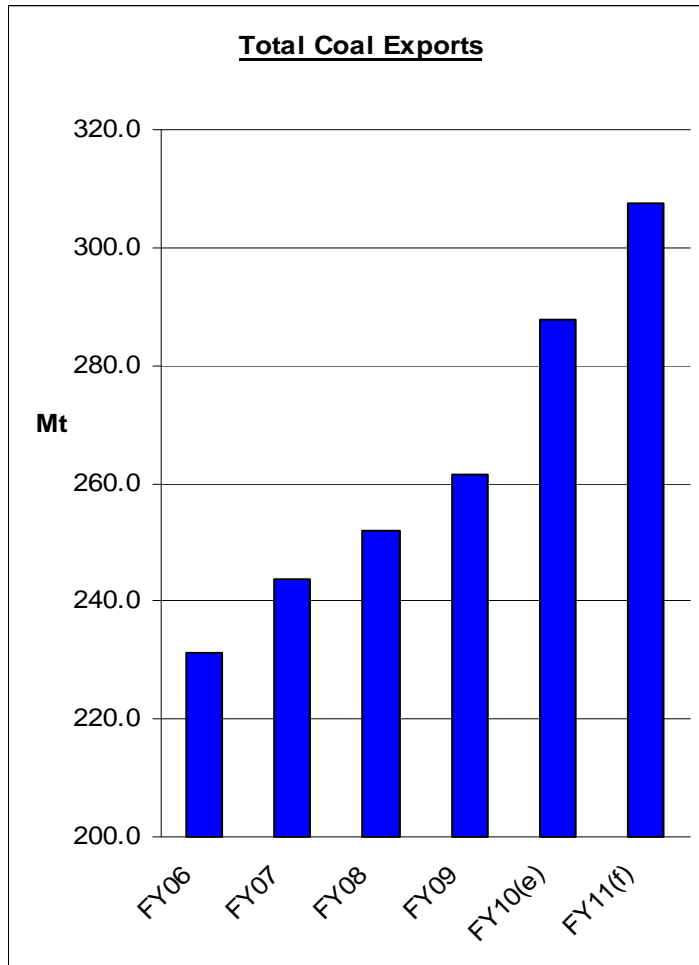


- STAR Safety Program is focused on risk assessment and preventative measures.
- Lost Time Injury Frequency Rate (LTIFR) at 4.0 for the Group (FY09 - 3.9; FY08 – 15.5).
- One LTI recorded in the Australian operations in FY10.
- Asian operations remain LTI free for the fifth consecutive year.

Growth initiatives

- Growth in resources demand will underpin both maintenance and new capital equipment requirements, especially capital expenditure on “mobile” mining equipment.
- Targeted initiatives to build presence and deliver market share growth in West Australia.
- Stock holding strategy being rolled out that will significantly improve delivery times.
- Roll-out to market in Q2 of increased range of wear grade plate which eliminates gap in product portfolio.
- Armour plate growth domestically and internationally. Specialist sales team to develop these opportunities.
- Increase exposure to structural applications through AS 4100 - 1998 Steel Structures standard inclusion.
- Source greenfeed both domestically and internationally to maximise opportunities from global steel pricing while reducing risk from single dominant supply relationship.

Australian resources outlook



Source: ABARE – Australian commodities – vol 17 no 2 – June quarter.

Outlook



- Although the Company operates within the steel sector its marketing mix indicates a strong leverage to the resource sector.
- Overall market conditions remain positive. Notwithstanding pricing remaining competitive, production volumes continue to increase. Whilst there have been some increases in steel input costs, margins have recovered from the level experienced throughout calendar year 2009.
- Key commodity prices, while somewhat volatile quarter on quarter, appear to have stability over the medium term with prospects for future growth (i.e. emerging market industrialisation and urbanisation expected to underpin demand for commodities).

Based on current market conditions, the Board expects the improvement in the quench and tempered steel market conditions experienced during the second half of FY10 will continue into FY11.

Our business model



Performance drivers

Performance drivers vary across the business.

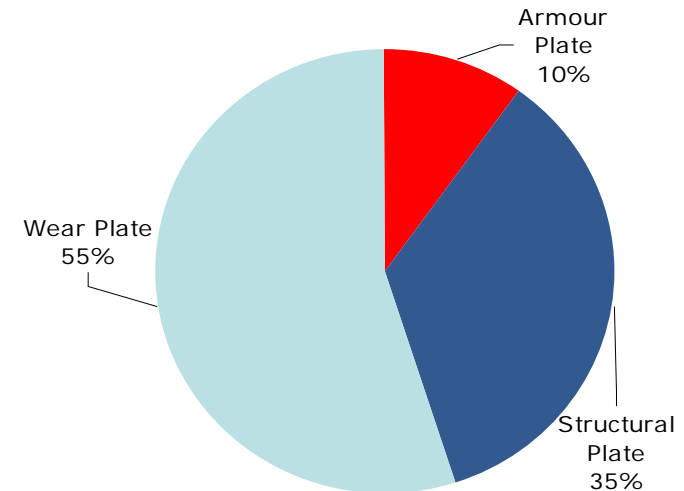
- The Australian processing operation is volume and margin driven:
 - Largest component of cost is raw materials (approximately 80% of total cost at historical volumes)
 - Simple variable cost structure (freight, energy, overtime)
 - Modest fixed cost base. Less than 75 full-time employees.
 - Movement of the A\$ impacts both competitors pricing and greenfeed input costs
- The Asian distribution businesses also driven by volumes and margins, however:
 - Distribution cost structure, low fixed cost base
 - No processing activity, therefore minimum variable cost other than cost of product.

Products diversified across industries and applications.

KEY PRODUCTS

- **Wear plate** – Bisplate 400, 450, 500 for mining applications such as dump trucks and dragline buckets
- **Structural plate** – Bisplate 60, 70, 80, 80PV for applications such as booms on cranes and other light weight/high strength applications
- **Armour plate** – Bisplate HHA, HTA, UHTA, HIA Class 1 & 2 for applications such as armoured personnel carriers

PRODUCT BY TONNES*



* Historically



Side Loader made from Bisplate® Q&T



"Bushmaster IMV" made from Bisplate® Q&T



Lining plates made from Bisplate® Q&T

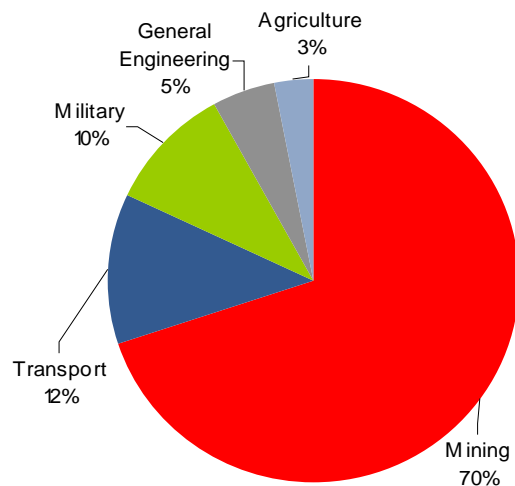


Ore dump truck made from Bisplate® Q&T

Marketing mix

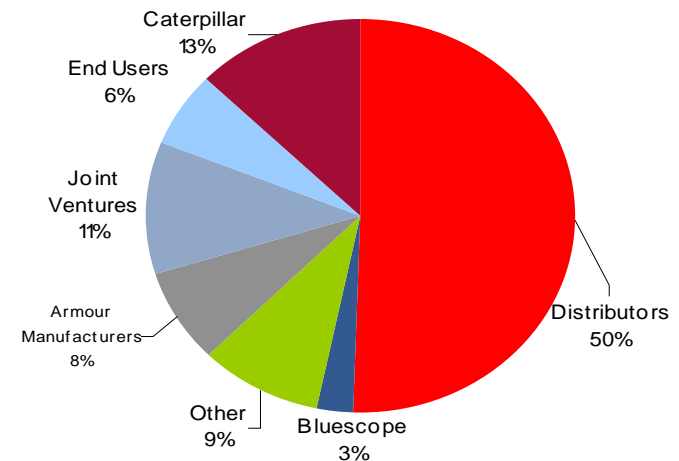
Revenues diversified across industries and customers.

INDUSTRY SECTORS*



- Leverage to resource sector and infrastructure led growth
- Expanding military applications for armoured plate
- Exposure to high growth Asian markets including Thailand and Indonesia

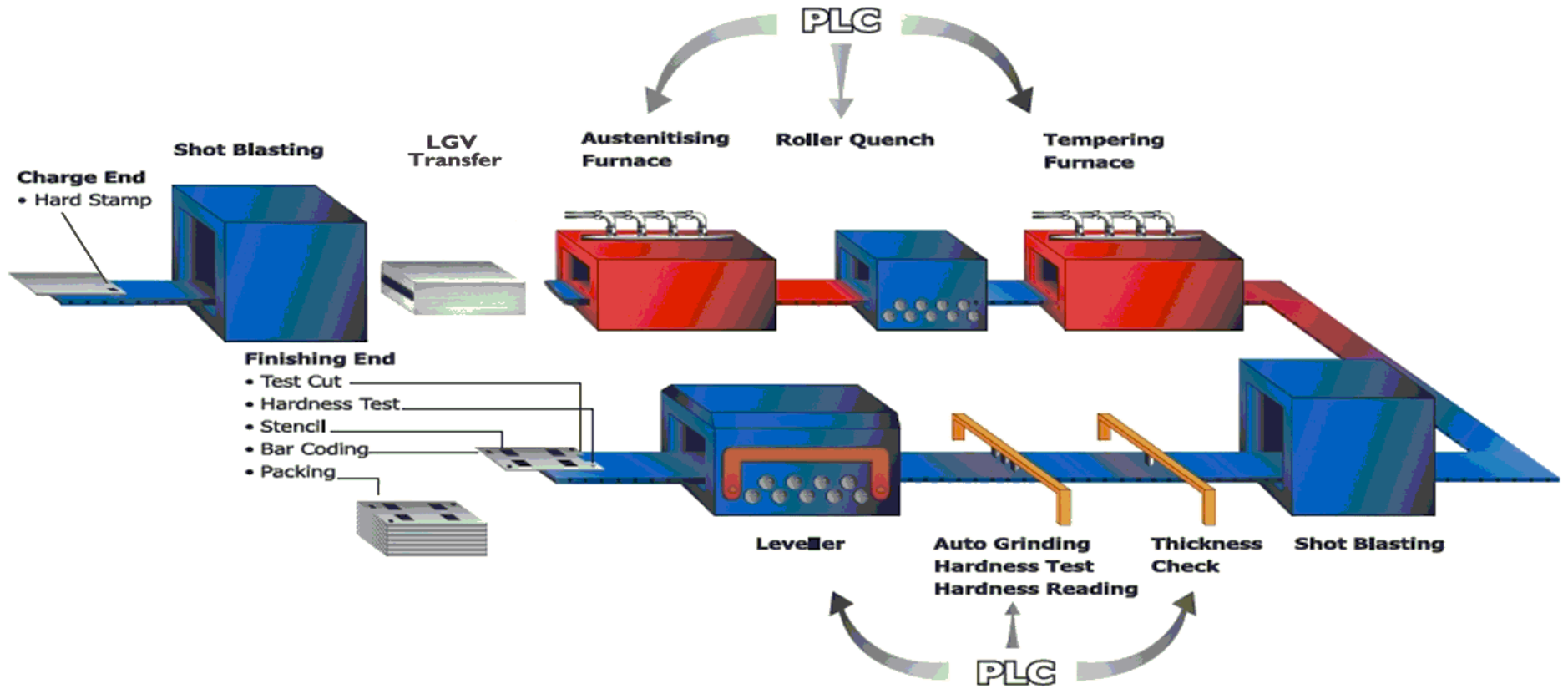
CUSTOMERS*



- Domestic customers (~ 70%) include Caterpillar and local distributors (e.g. OneSteel, BlueScope and Southern Steel Group)
- Exports (~ 30%) include Bisalloy Asia and international armour manufacturers
- Normalised plate for BlueScope

* Historically

Bisplate® Process Flow



Information

Further information can be obtained from our web site:

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