CHAIRMAN'S ADDRESS

The challenging trading conditions that I highlighted at the 2012 AGM continued for most of FY2013 and resulted in a significant deterioration in market conditions during the second half of the year. This slowdown was reflected in the Company's performance with EBITDA (or Earnings before Interest, Tax, Depreciation and Amortisation) for FY2013 falling by 32% from the preceding year, even though the financial results of the first quarter of FY2013 generally met the Board's expectations. The fall in prices for Australia's major export commodities from the end of that first quarter led to deferrals or cancellations of a number of planned resource projects, and a rapid decline in demand for Q&T steel over the balance of the year.

During the year our competitors continued to benefit from the strong Australian dollar, which remained above parity with the US dollar until the latter part of the financial year. Significant import competition into the Australian domestic market for Q&T steel plate maintained downward pressure on both sales prices and margins and this intensified as falling demand resulted in surplus inventory being built up throughout the supply chain. The Managing Director will expand on this in his report.

Since the disposal of the stainless steel distribution business in FY2009, the Group has maintained its focus on strengthening its balance sheet. I am pleased to report that Group debt, net of cash balances, was reduced to $10.4m at 30 June 2013, which is down by $26.1m from four years ago, meaning the Group's gearing ratio has dropped to 29%. Debt reduction remains an ongoing objective for the Group and the Board's target is to reduce net debt to below $10m in FY2014, subject to the underlying business environment.

During the year the Board announced its intention to re-introduce dividends for the FY2013 year. Despite the challenging market, the Board declared a fully franked dividend of 4.0cps that was paid on 25 November 2013. The Group has faced a number of challenges since its last dividend which was paid in FY2007 and the Directors were pleased to be able to thank shareholders for their patience by returning to payment of fully franked dividends. The Board remains committed to reviewing this dividend policy once net interest bearing debt is permanently reduced to below $10m.

Our Co-operative Joint Venture (or CJV) with Jigang Iron & Steel Co., Limited for the production and sale of quench & tempered steel plate in the People's Republic of China remains profitable and has paid a maiden dividend of US$400,000 which was received by the Group in September this year. While the implementation program for the production of Bisplate high quality Q&T by the CJV has been highly successful, the change of focus and pace of China's economic development, and the associated decline in domestic manufacturing, have combined to extend the time needed to achieve the CJV's target sales levels into the Chinese Q&T market.

The Board fully supports the CJV's current focus on developing its sales and marketing capability. We are encouraged by the significant efforts by our own management team and our CJV partner in building an appropriate marketing structure. These initiatives should enable the CJV to accelerate the growth of its market share and to benefit from any near- or medium-term improvement in the substantial Chinese Q&T market.

While the Board is confident these recent initiatives will deliver a benefit in the FY2014 results, it is not possible in the present market environment to give specific guidance on the growth and performance of the CJV until the benefits arising from these initiatives have been more fully assessed. The Board expects that as the CJV business matures, its impact on earnings will mean we will become a more truly Australian / Asian balanced business.

There has been widespread reporting through both the media and in various public company announcements of the challenges confronting providers of services and materials to the domestic resources industry. A number of planned resource projects – many of them quite major - have been cancelled, deferred or down-sized due to the considerable falls in prices for iron ore and coal in particular. Resource development projects undertaken in recent years are now however moving into their operational phase, and this is leading to significant increases in production being forecast across most areas of the resource sector. This increased production should lead to a growing demand for Q&T plate for on-going repairs and maintenance, although to date the increased demand for plate for repairs and maintenance has not matched the loss of demand due to the deferral or cancellation of those other resource projects.

The continuing strength in output associated with the Australian resources industry provides grounds for optimism on a recovery in steel demand over FY2014, but the timing for such a recovery remains unclear. Even though demand for Q&T plate may grow, we need to recognise that the significant level of overstocking by our competitors of Q&T plate through all stages of the supply chain will maintain pressure on our sales volumes and prices over the coming months.

In this environment the Group's performance during the first quarter of FY2014 has remained subdued, and the Board expect an EBITDA (including contribution from the CJV before finance costs and local taxes) between $0.8m and $1.0m for the first half of FY2014. The current uncertainty in markets here and in China mean the Board is unable to provide credible earnings guidance for the full year. Notwithstanding the current conditions, the Board remains confident that Bisalloy is well positioned to benefit from any improvement in demand in its key domestic and regional markets for Q&T steel and in the growth prospects for our Chinese CJV.

As with all Australian manufacturers and resource sector participants, Bisalloy faces a number of headwinds in maximising returns to shareholders, but the Board believes Bisalloy has the products, strategies and management team to deliver the best possible result for shareholders as markets recover.

I would like to take this opportunity to thank Graeme Pettigrew who retired as a Director at the end of September for his commitment and advice over the last seven years. After retaining the services of an international recruitment firm to conduct a search for a director with the background and experience to assist in the development of our Asian businesses, the Directors are pleased to have Dario Pong join the Board and believe Dario's input will be of significant benefit in helping to drive our engagement in the Chinese and other Asian markets. I will ask Dario to introduce himself to you later on.

The Board extends its thanks to the Managing Director for his leadership and commitment during a challenging trading period, and I now invite Robert to provide additional commentary on the Bisalloy Steel Group results and performance.

MANAGING DIRECTOR'S ADDRESS

Thank you Mr Chairman.

Ladies and gentlemen, welcome to the AGM. This meeting is an opportunity for me to update shareholders on the operational performance of Bisalloy Steel Group, as well as discuss the opportunities and challenges which the Group has identified.

The Group is committed to the principles of zero harm to all employees, contractors and visitors. Adherence to statutory compliance obligations provided by WorkCover NSW and Safe Work Australia is not enough in the pursuit of the safest possible work environment, accordingly the Group targets the active participation of all employees in its WHS programs. By employees and management actively working together, a record 766 days Lost Time Injury free was achieved last year before an employee in the Australian operation suffered a relatively minor injury resulting in a single day's lost time.

Our businesses in Indonesia and Thailand continue their outstanding safety record and they have now had over nine years without a Lost Time Injury at either operation. Our Chinese CJV has also adopted the Group's safety programs and reported no Lost Time Injuries.

The Chairman has already referred to the challenging trading conditions the Group faced as FY13 progressed. These have negatively impacted both our revenue and profitability. The Group's operations have rebalanced their costs and working capital commitments to reflect this downturn in demand, and while inventory levels still require some further reduction, management have positioned the Group to compete in the current highly competitive environment while remaining solidly placed to benefit from any improvement in Australian domestic demand, particularly if the Australian dollar remains materially below the high levels seen in recent years.

The Group maintained its focus on reducing debt to an optimum level. In FY13, operating activities generated cash inflow of around $2.3m of which $1.1m was reinvested in our production and delivery systems. The balance, after allowing for dividends to the minority shareholders in our Indonesian and Thailand subsidiaries, was directed to the reduction of Group net debt by $0.7m to $10.4m at 30 June 2013.

I would now like to discuss the individual Group operations.

Bisalloy Steels remains Australia's only manufacturer of high tensile, abrasion resistant and armour grade quenched & tempered steel plate. The key to Bisalloy

Steels' low cost, highly efficient production capabilities is its highly automated, continuous flow production process at Unanderra, south of Sydney. To maximise customer service levels Bisalloy has sales engineers located in New South Wales, Queensland, Victoria and Western Australia who are supported by the placement of targeted stock holdings of Bisplate to accommodate short lead time purchases, which is a common occurrence in the mining industry. For over 30 years the Australian market has understood Bisplate to be synonymous with quality quenched & tempered steel plate. We believe the value proposition we provide to our customers remains compelling and our competitors find it difficult to offer an equivalent combination of product quality, product placement, design approval and technical support.

The demand for quenched & tempered steel plate over Bisalloy's key markets is underpinned by the resources industry and extends over the entire extraction process, from 'pit to port'. We estimate that around 70% of the Bisplate we produce is used in the resources sector with applications covering the entire mine site life-cycle, from initial capital build through to the need to refurbish and maintain existing production equipment.

Throughout FY13 Bisalloy Steels had been under pressure from overseas Q&T steel producers who have continued to target the Australian Q&T market. Pricing is often highly competitive because Australia is used as an outlet for surplus production due to weak demand in their own domestic markets. The attractiveness of the Australian Q&T market for these producers was significantly enhanced by the strong Australian dollar and the demand from our local resources sector. The rapid decline in demand over FY13 from the repositioning of the major resources companies has left many participants in the industry overstocked, which has further increased pressure on prices as excess inventory is cleared from the supply chain.

In this environment some overseas steel suppliers appear to have unfairly under-priced steel plate imports into the Australian market. BlueScope Steel Limited successfully sought the imposition of dumping and countervailing duties on a number of North Asian manufacturers of hot rolled steel plate, including manufacturers from Japan, Korea and the People's Republic of China. There is some commonality between the suppliers covered by recent Australian Anti-dumping Commission investigations into hot rolled steel plate and the overseas suppliers of Q&T steel plate, and Bisalloy will explore its own options against alleged dumping by various overseas Q&T suppliers. Shareholders will be kept informed of relevant progress through updates to the Australian Stock Exchange as appropriate.

Bisalloy has successfully introduced new products to meet changing market requirements as well as expanding its product range to include products currently supplied only by foreign producers. Such new releases have included a low-friction plate range to reduce the rate of retention in buckets and trays caused by adhesive materials, a range of higher hardness plates for use in aggressive wear environments, and a range of armour plate predominantly for use in protection of non-military vehicles in overseas markets.

The low level of construction activity in Australian infrastructure over recent years has provided limited opportunities in structural applications, however the inclusion of Bisplate in the Australian Steel Structures Standard AS4100-1998 should provide opportunities as new infrastructure projects emerge.

The distribution businesses in Indonesia and Thailand continued to operate profitably during the year, albeit on lower revenue as the resources and manufacturing industries in these countries were also affected by the same commodity price volatility and market uncertainty as experienced in Australia. Both businesses sell a range of wear related products in addition to Bisplate and target these wear related products to a common user base. These businesses continue to provide important access into these regional markets as well as locally based springboards into neighbouring countries including Laos, Cambodia, Myanmar and Vietnam. The Indonesian business operates across the resources, agriculture, cement and power industries, and has progressively diversified its customer base away from the traditional focus on the resources sector. The Thai market has a greater reliance on original equipment manufacturing and has faced subdued market conditions from the on-going uncertainty in European markets.

As the Chairman commented earlier, our Chinese CJV has taken longer than originally expected to achieve its target sales levels in the Chinese Q&T market. Faced with the changing pace of China's economic position and a market contraction in their domestic market, the existing Q&T suppliers have fought vigorously to maintain their market positions. We have supported the development of the local CJV marketing team with skilled personnel from Australia, and can report that additional Chinese sales professionals have now been recruited, bringing with them extensive knowledge of Q&T markets and marketing skills. We believe these additional resources will help accelerate the growth in CJV's share of the Chinese Q&T market.

While China has adjusted its growth projections over recent years, the slow stabilisation and modest improvement in its key export markets mean the CJV provides significant earnings opportunities with an increased contribution expected in FY2014, subject to market conditions. This growth opportunity remains attractive as it is low risk, maintains its profitability and has scope for significant upside in the months and years ahead.

While FY13 provided both challenges and opportunities, management supported by the Board, continue to adapt to the changing business environments we face for the long term interests of both customers and shareholders.

I would like to finish by thanking my management team and all Group employees for their efforts, particularly their commitment to safety and their willingness to adapt to meet the rapidly changing competitive environment.