

11 July 2011  
ASX/Media release

## **Bisalloy Enters into JV with Leading Chinese Steel Producer**

- **50:50 Joint Venture with one of China's top 10 steel producing groups**
- **JV initially to have at least 150,000 tonnes of manufacturing capacity – more than double Bisalloy's current capacity**
- **Product manufactured under JV to be marketed under Bisplate brand**
- **Gives Bisalloy access to dynamic global markets through lower manufacturing cost base**
- **Bisalloy to contribute US\$1 million in cash and licence its intellectual property and brand**
- **Likely to generate significant improvements in shareholder returns in the short term**

Australia's only manufacturer of quench and tempered (Q&T) steel plate, Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**), today announced a major growth initiative with the signing of a Cooperative Joint Venture (**JV**) agreement with Jinan Iron & Steel Co., Limited (**Jinan**) for the production, sale and distribution of Q&T steel plate into the People's Republic of China (**PRC**) and other international markets under the respected Bisplate brand.

This JV represents a major growth opportunity for Bisalloy and will give the company access to a significantly larger market and cost effective manufacturing base in the PRC. Under the terms of the JV, Bisalloy will contribute US\$1 million in capital and licence its Q&T intellectual property and brand name to the JV to produce Q&T plate at Jinan's internationally competitive production facility in Shandong Province, PRC.

Bisalloy will continue to manufacture Q&T steel plate at its plant in Unanderra, New South Wales, with a maximum production capacity of around 65,000 tonnes per annum. The JV will initially have the capacity to produce at least 150,000 tonnes of product annually at an internationally competitive cost. This represents more than double Bisalloy's current annual capacity. Up to 30% of the JV capacity will be available for Bisalloy to market outside of the PRC. Bisalloy already has successful distribution businesses in Indonesia and Thailand and the potential to substantially grow its distribution network in the Asia-Pacific region.

Jinan is a subsidiary of the Shandong Iron & Steel Group Co., Limited, one of the top 10 steel producers in the PRC. Jinan listed on the Shanghai Stock Exchange in 2004 (SSE:600022). Jinan management have forecast production of around 9.5 million tonnes of raw steel in 2011. Jinan has been a feed plate supplier to Bisalloy since 2006, during which time Bisalloy has become a significant overseas customer for Jinan.

Bisalloy's Managing Director, Mr. Robert Terpening, said the JV represents a major growth platform for Bisalloy and opens up dynamic international markets for the Bisplate brand.

"We are delighted to have secured this agreement with Jinan. It gives us a foundation to significantly expand Bisalloy into global markets without the risk of significant capital expenditure. For some time, we have been mindful of the need to broaden our manufacturing capabilities into an internationally competitive environment and the combination of our intellectual property,

strong brand and proven product performance, coupled with Jinan's new, German designed plant and their manufacturing capabilities, presents Bisalloy with a unique growth opportunity.

"RedBridge Grant Samuel, a leading independent investment and advisory group serving the Asia-Pacific, has undertaken a review on behalf of the Joint Venture partners of the Chinese Q&T market focusing on the high quality end of that market. This review has concluded that the entry of Bisplate into that market will be beneficial to both Q&T customers in the PRC and the Joint Venture partners.

"Through a modest capital outlay, we will be able to produce more than double our current annual capacity. By applying Bisalloy's proven manufacturing technology and expertise, the JV will be able to produce Bisplate of the same high quality and technical properties as the product we manufacture in Australia.

"Our manufacturing facility in Australia remains an important base for us, and supply to existing customers will be largely unaffected. The additional capacity produced through the JV will be directed to building our presence in PRC and new international markets.

"Bisalloy has worked with Jinan for over five years and they are a proven and valuable partner that is well known to us. They understand the value of the skills, technology and strong brand recognition that Bisalloy brings to this JV.

"We will be producing Bisplate in the PRC during FY2012 and, allowing for a ramp up in the initial year, it is anticipated subsequent years will provide significant growth potential for Bisalloy delivering what should be a major improvement in shareholder returns," Mr. Terpening said.

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**Bisalloy is Australia's only manufacturer of high-strength structural, wear-resistant and armour steel plates using quenched and tempered steel. Bisplate is used in the mining, construction, general fabrication and defence sectors. Bisalloy has an extensive distribution network across Australia, New Zealand, Indonesia, Thailand and the People's Republic of China. See our website at [www.bisalloy.com.au](http://www.bisalloy.com.au).**

**Bisplate® is a registered trademark of Bisalloy**

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