



**LONG TERM INCENTIVE PLAN**

**OFFER DOCUMENT**

**AND**

**TERMS AND CONDITIONS**

**(Shareholder Approval of LTIP Rules Pending)**

Date:

To:

## **Invitation to participate in the Bisalloy Steel Group Limited Long Term Incentive Plan**

Dear

On behalf of the Board of Directors, I am pleased to introduce you to the Bisalloy Steel Group Limited Long Term Incentive Plan (**Plan**).

The Plan has been created to give key employees an opportunity to share in the growth and value of Bisalloy Steel Group's business over the longer term through a grant of Rights to receive ordinary shares in Bisalloy Steel Group for no consideration once certain performance conditions have been met.

The details of your grant for this year are set out below.

You should note that participation in the Plan may have taxation implications. **We recommend that you seek your own individual taxation advice before deciding whether to participate in the Plan.**

### **Your grant of Rights**

I am delighted to advise you that the board has granted you ..... Rights under the Plan on ..... (**Grant Date**). The Rights are granted in 2 parts and each part represents the number of shares that you could receive if the time and performance criterion set out below are met:

- The first 50% of the Rights will be subject to the time criterion. The only requirement is that you remain an employee of the Bisalloy Steel Group for a period of 3 years after the Grant Date. There are some protections built in to deal with special circumstances, but essentially your Rights will lapse if you leave the Bisalloy Steel Group within the 3 year period.
- The remaining 50% of the Rights will be subject to performance criteria. You will not only have to remain an employee of the Bisalloy Steel Group for a period of 3 years after the Grant Date, but Bisalloy Steel Group will have to deliver superior long-term performance. We have chosen one measure of superior performance, return on equity (**REO**). This will operate as follows:

Actual ROE will be measured against a budget ROE and a stretch ROE which will be set annually by the Board in respect of the forthcoming year. The proportion of the ROE component of Rights which vest will depend on where within this range, or above, Bisalloy Steel Group performs. For this grant of Rights, the budget ROE for 2010 has been set when the budget was approved by the Board earlier this year, the stretch ROE will be 15% greater than that. Going forward, the rest of the performance testing period years will be communicated to you prior to or shortly after the start of the relevant financial year.

If you retire during the performance testing period, your Rights will be scaled back proportionately with your period of service prior to retirement. Otherwise they will remain subject to the general vesting provisions, including the date of vesting.

The performance conditions are more fully set out in the attached Terms and Conditions.

### **Invitation**

This letter together with the accompanying Terms and Conditions constitutes your invitation (**Invitation**) to participate in the Plan. The Invitation contains the terms and conditions applicable to your grant of Rights. Please read them carefully.

### **Accepting the Invitation**

If you wish to accept this Invitation, you Complete the form attached as Appendix A and return it to me.

If you do not return **the acceptance** within **30 days** of the date of this letter, you will be taken to have rejected this invitation to participate in the Plan.

By accepting this Invitation, you agree to be bound by the Terms and Conditions (which are attached), the Plan Rules and (when shares are transferred to you) the constitution of Bisalloy Steel Group.

If you do not wish to accept the invitation to participate in the Plan you do not need to do anything.

We look forward to your sharing in the future growth of Bisalloy Steel Group.

Yours sincerely,

**Phillip Cave**  
Chairman

## **BISALLOY STEEL GROUP LONG TERM INCENTIVE PLAN TERMS AND CONDITIONS**

This document sets out the Terms and Conditions applicable to your grant of Rights under the Plan. Please read it carefully. Terms used in these Terms and Conditions are defined in the Glossary.

### **1. GRANT OF RIGHTS**

#### **1.1 Rights**

The Rights are granted in two parts, as follows:

- (a) **(Part 1 Rights)** .....(this represents 50% of your entitlement)  
Rights will become Vested Rights at the end of the Performance Period if you satisfy the Continued Employment Condition (see clause 2.3).
- (b) **(Part 2 Rights)** Up to ..... (this represents 50% of your entitlement) of the Rights will become Vested Rights at the end of the Performance Period if Bisalloy Steel Group satisfies the ROE Performance Condition (see clause 2.4).

#### **1.2 No cost**

The Rights are granted to you at no cost to you.

#### **1.3 Shares when Rights vest**

When your Rights become Vested Rights, Shares will be issued to you at no cost. Shares will rank equally with all existing Shares in all respects from the date they are issued to you. Where the Board receives advice that you reside in a place where local laws prevent such issue of Shares or the issue of shares will in the Board's opinion not achieve the desired outcome then the Board may determine to satisfy your entitlement to Shares under a Vested Right wholly in the form of cash rather than Shares. This document does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation and is subject to any regulatory requirements then current.

### **2. VESTING OF RIGHTS AND PERFORMANCE CONDITIONS**

#### **2.1 Vesting of Rights**

A Right becomes a Vested Right in accordance with clauses 2.3, 2.4, 3.2, 3.3, 4 and 12 unless the Right lapses under these Terms and Conditions. The Board may at your request withhold vesting a right for a period of up to 6 months from the end of the performance period. You should, if you wish to exercise this right notify the Board prior to the expiration of the Performance Period.

## 2.2 Performance Periods

The Performance Period is:

- (i) in the case of the Continued Employment Condition, commences on the Grant Date and ends on the 3rd anniversary of that date; and
- (ii) in the case of the ROE Performance Condition, commences on 1 July 2009 and finishes on 31 July 2012. This represents the entire three year period. Within this three year period, there will be budget ROE and stretch ROE goals set for each year.

## 2.3 Continued Employment Condition

Following your Acceptance (see clause 12) the Part 1 Rights will become Vested Rights if you remain employed by the Bisalloy Steel Group Group at all times during the Performance Period. There are no other performance hurdles that must be met in relation to the Continued Employment Condition.

Subject to clause 3, you must satisfy the Continued Employment Condition in order to be eligible to receive Vested Rights under the ROE Performance Condition.

## 2.4 ROE Performance Condition

The number of Part 2 Rights that will become Vested Rights at the end of the Performance Period is determined as follows:

- (a) If Actual ROE is equal to or greater than stretch ROE, then 100% of the Part 2 Rights become Vested Rights.
- (b) If Actual ROE is less than stretch ROE but greater than budget ROE then the percentage of Part 2 Rights that become Vested Rights is determined in accordance with the following formula:

$50 + A/2$ , where

$$A = \frac{(Y - Z)}{(X - Z)} \times 100$$

Where:

A =	the percentage of Part 2 Rights that become Vested Rights
X =	Stretch ROE
Y =	Actual ROE
Z =	Budget ROE

- (c) If Actual ROE is equal to or less than budget ROE but greater than budget ROE less 10%, then the following formula applies:

$$A = \frac{(Y - Z)}{(X - Z)} \times 100$$

Where:

- A = the percentage of Part 2 Rights that become Vested Rights (disregarding any negative percentage outcome)
- X = Stretch ROE
- Y = Actual ROE
- Z = Budget ROE

- (d) If Actual ROE is equal to or less than budget ROE less 10% then none of the Part 2 Rights become Vested Rights.
- (e) The ROE Performance Condition is calculated according to the above relevant formula each year against annual targets. Each year represents 1/3 of the overall three year period.

## 2.5 Performance Condition testing

As soon as practicable after the end of the Performance Period, the Board will determine, taking into account the advice it receives in relation to each performance measure, whether or not a Performance Condition has been satisfied and the extent to which Rights become Vested Rights in accordance with these Terms and Conditions and any determination by the Board is final and conclusive. Any Rights that do not become Vested Rights lapse.

## 2.6 Vesting Notice and transfer of Shares

As soon as practicable (but no later than 6 months) after a Right becomes a Vested Right, subject to clause 1.3, the Board must:

- (a) give a notice to you specifying the number of Rights held by you that have become Vested Rights and the number of Shares you are entitled to receive (**Vesting Notice**); and
- (b) if a trustee is holding shares, notify the Trustee and assist the Trustee to transfer to you the number of Shares specified in the Vesting Notice.

### 3. CESSATION OF EMPLOYMENT

#### 3.1 Affect on Unvested Rights

If you cease to be an Employee for any other reason other than where 3.2 and 3.3 apply during the applicable Performance Period (for example voluntary resignation or Termination For Cause), then all Unvested Rights will lapse on the Leaving Date unless the Board determines otherwise.

#### 3.2 Death or Total and Permanent Disablement

If you cease to be an Employee by reason of death or Total and Permanent Disablement during the Performance Period, then all Unvested Rights will become Vested Rights on the Leaving Date. A reference to you in this clause 3.2 includes a reference to your lawful personal representative.

#### 3.3 Special Circumstances

Unless the Board determines otherwise, if you cease to be an Employee by reason of Special Circumstances during the Performance Period, then the following rules will apply in relation to the Unvested Rights held by you at the Leaving Date:

(a) **(Part 1 Rights):**

- (i) The Continued Employment Condition will be waived.
- (ii) The number of Part 1 Rights which become Vested Rights on the Leaving Date is determined in accordance with the following formula:

$$D = A \times B/C$$

where:

- A is the total number of Part 1 Rights held by you at the Leaving Date;
- B is the number of days commencing on the Grant Date and ending on the Leaving Date;
- C is the number of days in the Performance Period; and
- D is the number of Vested Rights.

(b) **(Part 2 Rights):**

- (i) There will be acceleration of vesting of the Part 2 Rights, but no waiver of the ROE Performance Condition. The ROE Performance Condition applicable to the Part 2 Rights will continue to apply in accordance with their terms.
- (ii) The maximum number of Part 2 Rights that would (but for this clause) have become Vested Rights had you not ceased to be an Employee by reason of Special Circumstances will be determined at the date of the occurrence which created the Special Condition applying the formulas in clause 2.4 with the actual ROE being determined at the time of the occurrence (**Notional Vested Rights**).
- (iii) The number of Notional Vested Rights that become Vested Rights will be determined in accordance with the following formula:

$$D = A \times B/C$$

where:

- A is the total number of Notional Vested Rights;
- B is the number of days commencing on the Grant Date and ending on the Leaving Date;
- C is the number of days in the Performance Period; and
- D is the number of Vested Rights.

### 3.4 **Shares**

Clause 2.6 will apply to the number of Rights that become Vested Rights under clause 3 and, where clause 3 applies, all Rights that do not become Vested Rights in accordance with clause 3.3 lapse.

## 4. **CHANGE OF CONTROL OR DELISTING**

### 4.1 **Vesting**

If:

- (a) **(Change of Control)** there is a Change of Control; or
- (b) **(delisting)** Bisalloy Steel Group ceases to be listed on ASX,

then the Board may determine that the Performance Conditions applicable to a Right are waived, in which case each such Right held by you becomes a Vested Right.



4.2 **Shares**

Clause 2.6 applies to Rights that become Vested Rights under clause 4.1. Any Rights that do not become Vested Rights under that clause lapse.

5. **ROUNDING**

If application of these Terms and Conditions would result in a fraction of a Right becoming a Vested Right, then the number of Rights that become Vested Rights shall be rounded up to the nearest whole number.

6. **REORGANISATION**

For information concerning how a future reorganisation of Bisalloy Steel Group's share capital may affect the Rights, please refer to the Plan Rules.

7. **YOUR OBLIGATIONS**

You 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 your name which the Board considers necessary or desirable for the purpose of giving effect to the Plan Rules or these Terms and Conditions.

8. **ATTORNEY**

In consideration of your grant of Rights you are deemed to irrevocably appoint each Director (from time to time), Bisalloy Steel Group and any person nominated from time to time by the Board as your attorney to complete and execute any document and do all things the Board considers necessary or desirable to give effect to the Plan Rules or these Terms and Conditions. For further information on this, please refer to the Plan Rules.

9. **DUTIES AND TAXES**

Bisalloy Steel Group is not responsible for any duties or taxes which are or may become payable on the grant of Rights, or on the issue or transfer 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 Group in its capacity as your employer or to the degree it determines to accept those costs). As stated in clause 11 below you seek external advice, in particular tax advice before accepting.

Bisalloy Steel Group may make any withholding or payment which it is required by law (if any) to make in connection with the Plan, the Rights or the issue or transfer of Shares under the Plan.

10. **DOCUMENTATION**

The principal documents governing the operation of the Plan are the Plan Rules and the Invitation (which includes these Terms and Conditions). Where there is an inconsistency between the Invitation and the Plan Rules, the Plan Rules will prevail.

You should not rely upon any representation made in relation to your grant of Rights except as set out in the Invitation. You should carefully read the Invitation and the Plan Rules.

You are required to abide by any share trading policy of Bisalloy Steel Group which applies to Employees.

11. **GENERAL ADVICE ONLY**

This Invitation contains general advice only. You may wish to consider obtaining your own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission (ASIC) to give such advice. Participation in the Plan may have taxation implications. We recommend that you seek your own individual taxation advice in relation to your participation in the Plan.

12. **ACCEPTANCE**

To accept this Invitation to participate in the Plan, you must complete the form attached as Appendix A and return it to the Chairman.

If you do not return the form within **30 days** of the date of this letter to the Chairman, you will be taken to have rejected this invitation to participate in the Plan.

By accepting this Invitation, you agree to be bound by the Terms and Conditions (which are attached), the Plan Rules and (when shares are transferred to you) the constitution of Bisalloy Steel Group.

If you do not wish to accept the Invitation to participate in the Plan you do not need to do anything.

13. **GLOSSARY**

Actual ROE	Actual average annual return on equity over the Performance Period
ASX	ASX Limited ABN 98 008 624 691.
Budget ROE	The return on equity determinable at the time the Board approves the budget of Bisalloy Steel Group for the relevant financial year and will be adjusted by the Board where there is a change in the issued Shares of Bisalloy Steel Group during the year to which the budget relates.
Board	The board of directors of Bisalloy Steel Group or the remuneration committee of the Board, as constituted from time to time.
Bisalloy Steel Group	Bisalloy Steel Group Limited, ABN 22 098 674 545.

Bisalloy Steel Group	Bisalloy Steel Group and its related bodies corporate.
Change of Control	<p>(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;</p> <p>(b) a court sanctions a compromise or arrangement for the purposes of, or in connection with, a scheme for the amalgamation of Bisalloy Steel Group with any other company or companies under Part 5.1 of the Corporations Act; or</p> <p>(c) a transaction has occurred (other than a takeover or a scheme of arrangement) under which control of Bisalloy Steel Group has passed from the then existing shareholders.</p>
Continued Employment Condition	The condition set out in clause 2.3.
Data Provider	Such person as the Board determines from time to time.
Director	A director of Bisalloy Steel Group.
Employee	A full-time or permanent part time employee (including an executive director) of Bisalloy Steel Group or any related body corporate.
ROE	Return on equity calculated in accordance with relevant accounting standards, as may be adjusted by the Board in its sole discretion and will be adjusted where there is a change in the equity during the year to which the budget relates.
ROE Performance Condition	The condition set out in clause 2.4.
Grant Date	The date on which the Rights were granted to you as specified in the Invitation.
Invitation	Your invitation to participate in the Plan, which these Terms and Conditions form part of.
Leaving Date	The date you cease to be an Employee.
Stretch ROE	Budget ROE plus 15% of Budget ROE over the applicable Performance Period or as otherwise determined by the Board.
Notional Vested Rights	Has the meaning given to that term in clause 3.3(b)(iii).

Part 1 Rights	The Rights described in clause 1.1(a).
Part 2 Rights	The Rights described in clause 1.1(b).
Performance Condition	The Continued Employment Condition and the ROE Performance Condition.
Performance Period	Has the meaning given to that term in clause 2.2(i)
Plan	The Bisalloy Steel Group Long Term Incentive Plan as set out in the Plan Rules.
Plan Rules	The Rules of the Plan.
Redundancy	Termination or cessation of employment as a result of redundancy, as determined by the Board.
Retirement	Cessation of employment in circumstances where the Board is satisfied that you have genuinely and permanently retired from the workforce because you have attained the age that the Board accepts as your retirement age.
Right	A right to acquire a Share for no consideration in accordance with these Terms and Conditions.
Share	A fully paid ordinary share in the capital of Bisalloy Steel Group.
Special Circumstances	<p>Cessation of employment by reason of:</p> <ul style="list-style-type: none"> <li>(a) Redundancy;</li> <li>(b) Retirement; or</li> <li>(d) other circumstances which are considered by the Board to be extraordinary.</li> </ul>
Termination For Cause	Termination of your employment by reason of any illegal conduct or serious misconduct (including serious neglect or duties or unacceptable behaviour) in relation to the Bisalloy Steel Group Group or in connection with you becoming disqualified from managing a corporation without the leave of the court under the Corporations Act.
Terms and Conditions	The terms and conditions applicable to your grant of Rights contained in this document.
Trust (if applicable)	The trust established by Bisalloy Steel Group under the Plan Rules to receive Shares on your behalf.

Trustee (if applicable)	The trustee of the Trust from time to time.
Unvested Right	A Right which is neither a Vested Right nor a Right that has lapsed, expired or been forfeited in accordance with these Rules or the Terms and Conditions.
Vested Right	A Right that becomes a Vested Right in accordance with clauses 2.3, 2.4, 3.2, 3.3, 4 or 12.
Vesting Notice	A notice given to you under clause 2.6 specifying the number of Rights held by you that have become Vested Rights and the number of Shares you are entitled to receive.

**YOU NEED TO COMPLETE THIS FORM AND RETURN IT TO BISALLOY STEEL GROUP IF YOU WISH TO ACCEPT THE INVITATION TO PARTICIPATE IN THE PLAN AND THE GRANT OF RIGHTS IN THE INVITATION.**

**IF YOU DO NOT WISH TO ACCEPT THE INVITATION TO PARTICIPATE IN THE PLAN AND THE GRANT OF RIGHTS IN THE INVITATION YOU DO NOT NEED TO COMPLETE THIS FORM.**

**APPENDIX A**

**BISALLOY STEEL GROUP LONG TERM INCENTIVE PLAN  
FORM**

The Chairman  
Bisalloy Steel Group Limited  
18 Resolution Drive  
Unanderra, NSW 2526

I .....(name)

of .....

.....(address)

refer to the invitation to participate in the Bisalloy Steel Group Long Term Incentive Plan and the grant of ..... Rights made to me with a Grant Date of ..... under the Bisalloy Steel Group Long Term Incentive Plan Rules (Plan Rules).

I wish to accept this grant of Rights.

Signature: .....

Date:.....

Note: If you wish to accept this grant of Rights, this form must be returned to Bisalloy Steel Group within 30 days of the date of the Invitation

Please note that if you do not respond within 30 days of the date of the Invitation, you will be taken to have rejected the invitation.

**Note: Participation in any employee incentive scheme may have taxation implications. We recommend that you seek your own individual taxation advice before deciding whether to participate in the Bisalloy Steel Group Long Term Incentive Plan.**