



22 December 2016

STEEL PLANT JV PROGRESS

HIGHLIGHTS

- Successful Chinese delegation visit to India hosted by NSL and Government of Andhra Pradesh in support of NSL's business strategy during November.
 - Focus on the proposed steel and pellet plant locations, NSL's operations and other critical Andhra Pradesh infrastructure opportunities.
 - Follow-up round of visits to India and NSL's operations conducted by several Chinese design, engineering procurement and construction (EPC) contractors in December.
 - The Company has received multiple proposals from large scale EPC contractors, with technical reviews and discussions occurring during the visit.
 - Current Indian industry norms indicate a possible A\$44-\$52 per pellet tonne operating profit for a NSL owned pellet plant.
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NSL Consolidated Limited (Company, ASX: **NSL**, **NSLO**), is pleased to announce further progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**).

As previously announced on June 27, the Company signed a JVA with the Wei Hua Group Co Ltd (**WHG**), China's leading heavy equipment crane building company, for the establishment of a steel making plant in AP. The initial priority under the agreement is on the completion of a pre-feasibility of the front end of the steel plant, being a pellet plant.

In furthering the prefeasibility process, Managing Director, Cedric Goode led a high level Chinese delegation visit to India during November, 2016. The delegation visit was hosted by the Government of Andhra Pradesh in support of the Company's business strategy.

The delegation travelled from Hyderabad to the new AP state capital, Amaravati and Vijayawada where meetings and discussions took place with the state government dignitaries and bureaucrats.

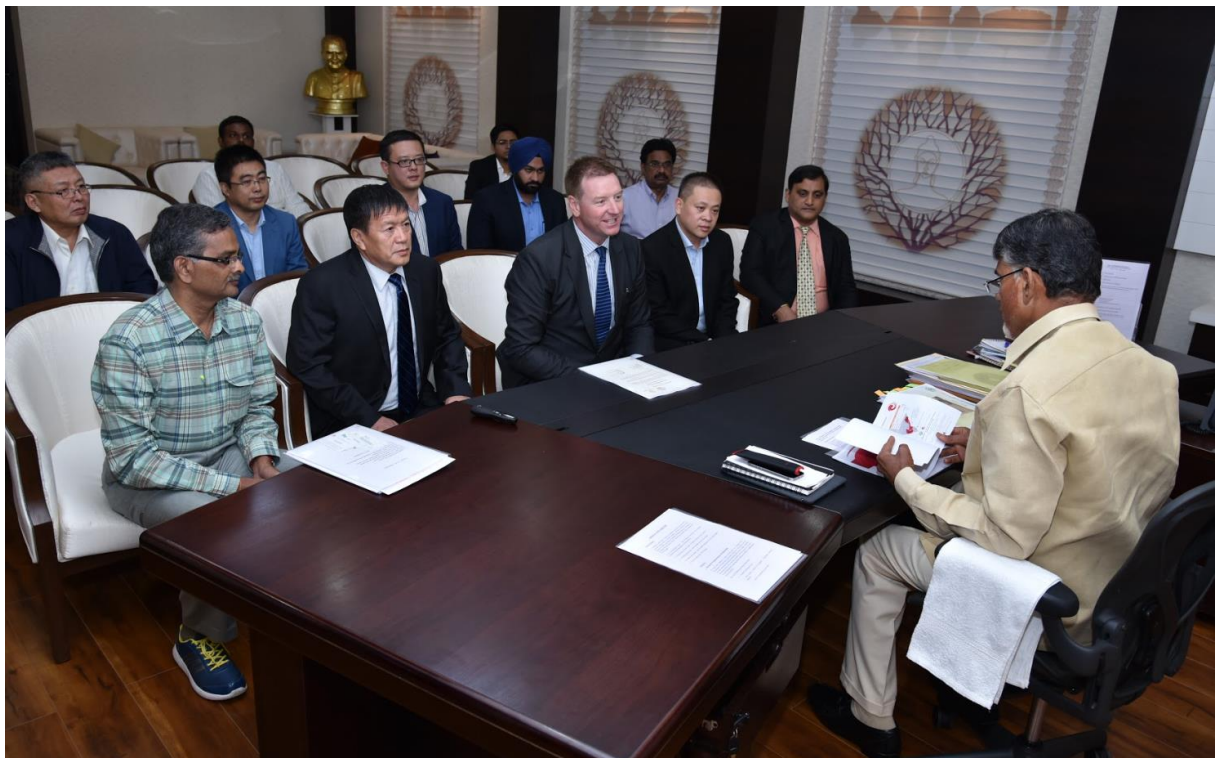
The meetings focussed primarily on the Company's pipeline of projects and the government support required to facilitate completion of all the projects. In addition, the Chinese members of the delegation had the opportunity to engage directly with the state in regards to their support of the Company and its growth in AP.

The delegation met with the Chief Minister (**CM**) of AP, Honourable Chandrababu Naidu.

During the meeting with the CM, the Company took the opportunity to discuss:

- Progress of both the Company and the AP Govt under the two State Government Memorandum of Understanding's (**MoU**);
- The current level of NSL operations in AP, with progress on the Phase Two wet beneficiation plant commissioning;
- Future business plans and operational expansion;
- The proposed Pellet and Steel plants at Orvakal, Kurnool;
- Potential employment opportunities to more than 6000 personnel in beneficiation plants, pellet and steel plants if/when all are operational; and
- The need/requirement to work together to establish a "School of Technical Excellence" to meet NSL requirements.

Throughout the meeting, the CM assured all support from Government of Andhra Pradesh (**GoAP**) around the Company's requirements, whereby he welcomed both NSL and the Chinese delegation and hoped for continued support in developing the state. The CM directed the Secretary of Mines to work immediately on non-active mines to provide additional beneficiation feedstock to facilitate the Company's expansion plans and requested NSL accelerate the beneficiation plant production. The CM also directed the Principal Secretary (to CM) to have GoAP work with NSL in an integrated manner to assist the set-up of a steel plant at Kadapa in addition to Orvakal.



Cedric Goode reviewing NSL's progress with Chief Minister

Similar discussions were also held separately with the Chief Secretary (**CS**) of the GoAP. In addition to the above points of discussion Mr Goode further discussed:

- Additional 20 acres of land for expansion of current beneficiation plant;
- The need to focus on skill development to meet NSL's requirement;
- The land requirement for the proposed pellet (250 acres) and steel plant (750 acres) at Orvakal;

- The submission of a preliminary project report and formal application for the land.

The Chief Secretary appreciated the progress made to date, while assuring the expeditious clearing of the additional land of 20 acres for expansion of our current beneficiation plant, to work with NSL for a "Technical Excellence Centre" at Kurnool, to hand over the "Letter of Sanction" for the land and to provide all basic infrastructure facilities at Orvakal.

The delegation also took the opportunity to meet with the Secretary of Mines and other government officials.

The delegation then moved to Kurnool, where the focus was firmly on the Company's current operations and interactions at a local level. The delegation met with the Deputy Chief Minister (**DCM**) of AP, the District Collector (**DC**), General Manager of the District Industries Centre and Zonal Manager, AP Industrial Infrastructure Corporation. The meetings discussions also focused on progress made to date, and the future plans/requirements for the Company's current beneficiation operations and expansions and proposed pellet/steel plants.

During the meeting, the DCM and DC assured all support to provide all basic infrastructure facilities, expeditious clearances required, help to provide skilled personnel and to provide training to upgrade skills.

The final stage of the delegations visit, was to visit the Oravakal Industrial Park to see the location of the proposed pellet and steel plants. The delegation was accompanied by the District Administration team.

Further to the successful visit in November, and in line with the pre-feasibility requirements, a second round of visits were conducted during the week of 12th December. The primary focus of second visit incorporated the following:

- Review of the Indian pellet market utilising available and determined market norms;
- Presentation of EPC proposals by Chinese companies; and
- Technical reviews and discussions on proposal merits and design.

Based on current Indian mining and pellet industry norms for integrated plants, this indicates a possible A\$44-\$52 per pellet tonne operating profit for a NSL owned pellet plant.

With the favourable analysis obtained to date, the Company is continuing to progress the pellet plant pre-feasibility in line with its Indian iron ore beneficiation strategy.

Mr Goode commented "We are very pleased with the successful visits of the Chinese delegations to India, which has further strengthened and underpinned the relationship with the Company, and further progressed the proposed pellet and steel plants pre-feasibility. It is also very reassuring to receive the support that was committed and has been demonstrated by the Government of Andhra Pradesh during the delegation visits".

As announced previously, the Company had signed an MOU directly with GoAP, whereby GoAP will facilitate the necessary assistance for the Company to grow its Andhra Pradesh mining, beneficiation and value addition activities to in excess of 8 million tonnes per annum of iron ore; such assistance includes prompt land acquisition, adequate infrastructure development and attractive incentives as per the policies / rules and regulations of the State Government.

In addition, the GoAP will support the Company's participation in significant projects in Andhra Pradesh, wherever feasible. Such participation may include providing advisory services, setting up manufacturing facilities, infrastructure development, R&D, and implementation support. Through this relationship, the Company is aiming to support the development of infrastructure in Andhra Pradesh, leveraging the Government's focus on promoting manufacturing and industrialization in the state and facilitating a conducive investment environment.

One key enabler to the execution of the MoU was the GoAP committing to the development of the Orvakallu Mega Industrial Hub, located in the Kurnool District some 30 km from NSL's existing operations. This 28,000-acre hub will include access to water, power, rail and road and is also proposed for one of AP's four greenfield airports outlined in the strategic infrastructure plan for the State. The Company will be proposing utilising this industrial hub as a foundation for the binding agreement with Wei Hua, and continues to leverage the GoAP MoU, with discussions on providing the approvals for the land, power, water and other utilities for the steel project JV already commenced.

CONTACT:

Cedric Goode
NSL Consolidated
+61400 408 477