

**QUARTERLY ACTIVITIES REPORT****MARCH 2017**

Issued 30 April 2017

MARCH QUARTER HIGHLIGHTS**IRON ORE**

- During the quarter the transition from commissioning to optimisation and production ramp commenced, with the plant producing first product through full plant process and achieving a safety milestone of 250,000 hours LTI free.
- 4,000 tonne Commercial Purchase Order received for premium 63% Fe with A\$65 sales price, representing higher grade and prices than indicated previously to the market, with the Company confident of further improving sales price for equivalent product.
- 20,000 tonne Purchase Order received for premium 63% Fe from new customer, with A\$65 ex gate sales price as the customer base expands, with further additional customers having conducted site visits in past month.
- Government of Andhra Pradesh formally allots 250.00 acres of land for pellet plant and 750 acres of land for an integrated steel plant.
- Multiple proposals from large scale EPC contractors received, with technical reviews and discussions ongoing.
- Current Indian industry norms indicate a possible A\$44-\$52 per pellet tonne operating profit for a NSL owned pellet plant.



IRON ORE - INDIA

KURNOOL IRON ORE BENEFICIATION PLANT

PHASE TWO WET PLANT

During the Company transitioned from equipment commissioning to complete plant process flow optimisation and commencement of production ramp up.

In a major safety milestone, and testament to the onsite team's safety focus the phase two wet beneficiation plant project reached 250,000 hours without a lost time injury (LTI).



First product from plant product stream



Product from vacuum disc filter and ball mill/classifier feed and return

The complete plant process flow optimisation generated exciting results. Utilising very low grade waste iron ore feed to test the process boundary limits, the Company has been able to exceed expectations, with full plant process beneficiating low grade iron ore waste from as low as 14% Fe feed to in excess of 62% Fe and up to 65.3% Fe.



The results of this testing increased confidence in achieving our targeted 58–62% Fe and means there is potential upside to the expected plant production grades and as a result, sales prices. This potentially presents even further exciting commercial opportunities for the Company both in profitability and breadth of customer base.

The Company ramped up operability of the crushing and screening plant and commenced feeding ROM material into the plant. During the optimisation ramp up the operation experienced reduced iron ore slurry pump performance. This was rectified and iron ore slurry pump replacement parts have been fitted, with the pumps operational.

The Company commenced the process of employing shift supervisors, plant operators, mobilising stockyard fleet with goal of ramping up of throughput and production to a 24-hour operation to meet expected production and financial targets in the coming months. With a complete second shift employed early March and operational late March, 24 hour operations are scheduled to commence in late April.



Producing concentrate in excess of 65% Fe



Wet plant overview

Offtake

During the quarter the Company advised that it received its first commercial Purchase Order (**PO**) for the premium product produced by the Phase Two wet beneficiation plant. The initial PO issued by BMM Ispat (**BMM**) is for the supply of 4,000 tonnes of 63% Fe filter cake (wet plant product). The negotiated sales price for the initial PO is A\$65 (equivalent) with payment terms within 10 days on 1,000 tonne lots.

A 4,000 tonne PO represents the normal steel mill purchasing parcel size in India. Other discussions with multiple customers are also currently in play and ongoing, with the Company confident of being able to further improve the equivalent sales price for future PO's of varying grades with BMM, other Indian steel mills and the prospect of exporting into the improving seaborne iron ore market.

The Company also continues to progress other commercial discussions with multiple customers for its wet plant product, and also continues to investigate exporting prospects into the improving seaborne iron ore market.

The Company continues to investigate exporting opportunities as a secondary option to domestic sales. The Company advises that it has sent samples of the NSL produced iron ore product to China for testing by customers. These samples have arrived in China.



Samples being prepared for dispatch to China



Post the completion of the quarter the Company received a commercial Purchase Order (**PO**) for 20,000t of the premium product produced by the Phase Two wet beneficiation plant to be supplied over the coming months. The PO issued by Infinity Ores (**IFO**) is for the supply of 20,000 tonnes of 63% Fe filter cake (wet plant product). The negotiated sales price for the initial PO is A\$65 (equivalent) ex gate with payment in advance based on 1,000 tonne lots.

Mr Goode commented, "The NSL team is very pleased to have now received an order from another customer, Infinity Ores, indicating a growing demand for the NSL product. Importantly, this has allowed NSL to diversify its customer base along with better commercial terms which includes prepayment for our product. Better commercial terms are on the back of continued strength in the local domestic price."

The Company is currently working through operational/plant changes to enable the routine production of the +63% Fe product for IFO. The short term operational changes include the blending of higher grade feed as/when supplied by IFO with existing plant feed. The plant changes will incorporate the addition of a thickening circuit to the process flow to assist with water recycling. These changes will not affect the delivery into the IFO PO.

The wet beneficiation plant commenced 2 shift operations as planned at the beginning of April, and is currently scheduled to move to 3 shift operations as announced previously by the end of April.

BINDING AGREEMENT FOR JOINT DEVELOPMENT OF GREENFIELD STEEL PLANT

During the quarter the Company announced further progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**).

During the recent Confederation of Indian Industry (**CII**) and Andhra Pradesh partnership summit the Company spent time briefing the Government of Andhra Pradesh (**GOAP**) officials as to the status of its Indian operations. This included the Honourable Chief Minister (**CM**) of Andhra Pradesh Chandrababu Naidu in a formal one on one meeting and again in other various forums.

During this meeting and others held with GOAP officials, the CM expressed his delight and ongoing support for the Company in its progress and continued focus on assisting the development of AP, as did all other GOAP officials

Further to this meeting and as part of a formal signing ceremony, the Andhra Pradesh Industrial Infrastructure Corporation Ltd, after careful examination allotted 250 acres of land for a pellet plant and 750 acres of land for an integrated steel plant in Orvakal Industrial hub, Kurnool District to M/s. NSL Mining Resources India Pvt Ltd.



Honourable Chief Minister Chandrababu Naidu presenting the land allotment to Cedric Goode

Mr Goode commented “With the formal allotment of this land for a pellet and steel plant, we can tick off yet another significant tangible milestone for the Company and its Shareholders. In addition to this, it is again reassuring to receive the support that was committed and has been demonstrated by the Government of Andhra Pradesh, and look forward to future milestones being achieved together as a collective”.

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 downstream pellet plant strategy in line with its Indian iron ore beneficiation strategy.

MEMORANDUM OF UNDERSTANDING WITH ANDHRA PRADESH GOVT

During the Quarter, the Company further progressed actions pertaining to the Memorandum of Understanding (**MoU**) with the Government of Andhra Pradesh (**GoAP**) for collaboration in the mining, beneficiation and value addition of low grade iron ores that are abundant in the State.

Over the past 12 months the Company has executed agreements with both the GoAP and the Andhra Pradesh Mineral Development Corporation (**APMDC**), the State-owned enterprise charged with maximising utilisation of mineral resources.

The scope of the MoU is to define a collaboration between the Company and Andhra Pradesh, whereby the Company will work with APMDC in the reconnaissance and exploration for minerals in the State. The Company has also agreed to provide state of the art testing, process flow development and technology for the setting up of value addition plants such as beneficiation and pellet plants for low grade iron ore located in the State of Andhra Pradesh, an endeavour which the APMDC has agreed to assist.

To develop this MoU further both parties have been conducting detailed legal and technical reviews of potential target projects within the State. This work is expected to accelerate during the coming months.



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.

Key Facts

During a World Bank survey in 2015 Andhra Pradesh was rated as #2 state in India for ease of doing business.

The 15-year business plan sees an expected 14% growth rate projected out to 2029 for the State, based on an aggressive infrastructure program including airports, ports, highways and a new greenfield Capital City located at Amaravati.

The State has implemented a dedicated single window process for investments and projects, with a guaranteed 21-day approval timeframe for all state permissions.

Two major initiatives that will impact on the State are the Vizag – Chennai and Bangalore – Chennai infrastructure corridors. The Asian Development Bank (**ADB**) is supporting the AP Govt in the development of the Vizag - Chennai corridor. The \$900 m project will have \$700 m funded by the ADB and \$200 m to be provided by the State Govt. This linkage is part of the much larger Pan Asia land bridge connecting India to China and South East Asia.

State GDP	US\$8 Billion
Per Capita Income	\$1,500
Capital City	Amaravati
Largest City	Visakhapatnam
Cities with more than 1m people	27

AP 14 MINING LEASE

During the quarter, the Company continued the work to progress the grant of AP14. Specifically, this included approaching the court for assistance in speeding up the approval through the Central Government, the State Government has already approved the Mining Lease grant of AP14.



Upon approval from the Central Government the Company will then be able to undertake further exploration activities, including drilling operations on the lease.

CORPORATE

ARBITRATION AWARD

As announced on 20 August 14, the Arbitration between its wholly owned subsidiary, NSL Mining Resources India Private Limited ("**Claimant**") and Mega Logistics and Solutions ("**Respondent**") has now been concluded, with the arbitrator giving the award entirely in favour of the Claimant.

The award given was for approximately A\$250,000 which is related to unrecovered advances (plus interest) paid to Mega Logistics and Solutions for the provision of transport and related services.

During the quarter, the Company continued to further progress the recovery of the award.

SUPREME COURT WRIT OF SUMMONS

As announced on 16 February 2015, the Company received a writ of summons in relation to a Coal Acquisition Agreement dated 15 June 2011 with Birmanie Nominees Pty Ltd (the vendor under the agreement, **Birmanie**) relating to 4 coal EPCs in Queensland.

The writ alleges that NSL has failed to meet various obligations under the Coal Acquisition Agreement. Birmanie has claimed \$2.5m in damages.

The trial is set to be heard in the Supreme Court of Western Australia from 18th May until 26th May, 2017.

The Company remains of the view that Birmanie is not entitled to the damages sought or to any other damages.

During the quarter, in line with the view above, the Company continued with the litigation process.

ISSUED SECURITIES

During the quarter, a total of 440,265,747 shares in the capital of the Company were issued as a result of conversion of the remaining 329,432,414 listed \$0.01 options (**NSLO**) and 110,833,333 unlisted \$0.0096 employee share options (**ESOP**).

In addition, 90,672,814 shares in the Capital of the Company were issued in respect of the Resources First Pte Ltd US\$2.5m convertible note conversion, as announced on 30 December 2017.

POTENTIAL ACQUISITIONS

The Company continued to progress opportunities for either outright acquisition, royalty based acquisition and/or joint venture farm in structured agreements over multiple projects in India. These assessments remain ongoing.

CASH FLOW – APPENDIX 5B



At the commencement of the quarter, the Company had an opening cash balance of approximately \$4,337,000. The closing cash balance for the quarter ending 31 March 2017 was approximately \$2,550,000.

INTERESTS IN MINING TENEMENTS

Project/Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
Kuja	Andhra Pradesh, India	100%	-	-
Mangal	Andhra Pradesh, India	100%	-	-
AP14	Andhra Pradesh, India	100%	-	-
EPC 2198	Queensland, Australia	100%	-	-
EPC 2336	Queensland, Australia	100%	-	-
EPC 2337	Queensland, Australia	100%	-	-
EPC2338	Queensland, Australia	100%	-	-

Regards

NSL Consolidated Limited

Cedric Goode
Managing Director/CEO

For more information:

Cedric Goode
NSL Consolidated
Managing Director/CEO
+61400 408 477

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

NSL Consolidated Ltd

ABN

32 057 140 922

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers *	3	10
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(388)	(715)
	(c) production	-	-
	(d) staff costs **	(434)	(1,435)
	(e) administration and corporate costs **	(294)	(1,374)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,110)	(3,508)

* Anticipated sales of 63%Fe wet plant product are estimated to be approximately \$1.23m for the Jun 17 qtr.

** Costs incurred by Parent Company and its subsidiaries (Singapore and India) and reflects the increase in activities.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(424)	(2,791)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(424)	(2,791)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	3,102
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	98	6,231
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(198)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(296)
3.7	Transaction costs related to loans and borrowings	(330)	(861)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(232)	7,978

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,337	919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,110)	(3,508)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(424)	(2,791)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(232)	7,978
4.5	Effect of movement in exchange rates on cash held	(21)	(48)
4.6	Cash and cash equivalents at end of period	2,550	2,550

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,550	4,337
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,550	4,337

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

187

-

Wages, superannuation and car leases.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
-		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development (inc PPE) *	1,309
9.3 Production	-
9.4 Staff costs	320
9.5 Administration and corporate costs	355
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,984

* Above estimated cash flows do not include anticipated sales of \$1.23m of 63%Fe wet plant product for the Jun 17 qtr.

** Development costs include associated plant commissioning and production ramp up costs in relation to the Phase Two wet beneficiation plant.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Sean Henbury
(Company secretary)

Date: 30 April 2017

Print name: Sean Henbury

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.