

**QUARTERLY ACTIVITIES REPORT****JUNE 2017**

Issued 28 July 2017

JUNE QUARTER HIGHLIGHTS**IRON ORE**

- Sales directly to Indian domestic steel producers commenced immediately post the quarter with an advance payment received and deliveries dispatched on initial order for premium 60/61% Fe from Minera Steel and Power Pvt Ltd. The initial 5,000 tonne order received for this product is on commercial terms similar to other existing customer orders and supply commenced from existing stockpiles.
- Optimisation of plant throughput and output successfully beneficiated material within the plant design of 58-62% Fe from the Company's own ROM material and blends of third party feed. Grades in excess of 62% Fe have also been achieved.
- Company signed a Memorandum of Understanding (MoU) outlining way forward for strategic cooperation with large experienced Chinese global EPC provider, Shandong Xinhai Mining Technology & Equipment Inc (Xinhai)
- Xinhai has completed over 500 mining EPC projects globally, with the Company and Xinhai cooperating to secure financing for future beneficiation plants. This arrangement will assist the Company to pursue processing technology and equipment capable of producing iron ore concentrate with the design ranging between 63-65% Fe, targeting 65% Fe, versus current 58-62% Fe.
- Government of Andhra Pradesh, Company and Chinese EPC contractors progress pellet plant project, with proposals, technical reviews and discussions ongoing.

**KURNOOL IRON ORE BENEFICIATION PLANT****PHASE TWO WET PLANT****Plant Update**

During the course of the June quarter, optimisation of plant throughput and output has been ongoing, successfully beneficiating material within the plant design of 58-62% Fe from the Company's own ROM material and blends of third party feed. Grades in excess of 62% Fe have also been achieved. During this optimisation period the company has employed local personnel and trained them to operate the plant on a 24 hours basis.

The Company has been working through production and margin optimisation test work to determine the most suitable blend of feed in order to obtain the optimum feed blend/grade (utilising NSL ROM and third party ROM) vs final product grade vs yield vs sales price. This test work will continue in line with production over the coming months as there represents an opportunity to increase nameplate capacity as a result of the test work seen thus far.

To further enhance efficiency of the plant, the Company is close to completing the addition of a thickening circuit in the process flow to assist with water recycling and is expected to improve yields and grades. The thickening circuit will be operational in September.

The plant is currently producing iron ore concentrate to the specifications required by Minera and the wider market, with production increasing progressively in line with the sales expectations.



60/61% Fe stockpile and 62/63% Fe stockpile



Part of additional 58-62% Fe general stockpiles

As articulated previously, we have worked extremely hard over a long period of time to be the only foreign company to own and operate iron ore mines in India. With continued hard work and dedication from all stakeholders, the Company has a promising and exciting future.

Sales Status

The Company recently announced (post end of quarter) that sales orders have been directly received from the Indian steel industry, with the receipt of an initial 5,000 tonne order from Minera Steel and Power Pvt Ltd ("**Minera**"). The order size represents the Indian industry norm.

Advance payment from Minera on terms similar to other purchase orders announced has been received. The exact terms remain commercial in confidence.

Dispatch of the premium 60/61% Fe material to Minera commenced on Saturday 22nd July. The fast turnaround of order, advance payment, commencement of dispatch, and coupled with Minera reconfiguring their plant to accept NSL product, highlights Minera's intent.

The supply of the initial Minera order is expected to be completed in the following weeks from stockpiles. Minera has communicated with the Company they desire 15,000 tonnes per month of this premium 60/61% Fe product for their operations.



Minera dispatch from the specific 60/61% Fe stockpile

The Company continues to work closely with Infinity Ores (IFO) in relation to their orders, as IFO has delivered approximately 10,000 tonnes of feed to the Company, part of which has not met required raw material quality specifications. This feed may be utilised by the Company in the production of iron ore concentrate for any customer. The Company continues to discuss BMM's order to improve the credit terms to be in line with other customers.

Negotiations are ongoing with various other customers including JSW Steel, Gerdau Steel, Srikalahasthi and other smaller steel plants.

All steel mill visitors to the wet beneficiation plant are very complimentary of the plant, technology, operation and what the Company has been able to achieve in India.

The Company expects sales to increase progressively month on month from August, of between 5,000 -10,000 tonnes to achieve a run rate of 200,000 tonnes per annum in October 2017.

STRATEGIC EPC CO-OPERATION AGREEMENT WITH XINHAI

During the quarter the Company updated the market regarding the deepening of our Chinese relations, with execution of a strategic cooperation agreement for the provision of wet beneficiation plant Engineering, Procurement and Construction (EPC) services.

Founded in 1997, Shandong Xinhai Mining Technology & Equipment Inc (**Xinhai**), is a Beijing listed high and new technology enterprise providing "Turnkey Solutions" for mineral processing plants; including design and research, machine manufacturing, equipment procurement, management services, mine operation, mine materials procurement & management, as well as industry resources integration.

With 500 mining EPC projects encompassing 70 kinds of mineral ore technologies and 20 patents, Xinhai has established overseas offices in Sudan, Zimbabwe, Tanzania, Peru and Indonesia, and has exported to more than 20 countries.

For further information on Xinhai, please visit: <http://www.xinhaimining.com/>

Xinhai has previously exported equipment to India, and is now looking to further its exposure in the growing Indian economy through the provision of EPC services, seeing an Australian company operating in India as an ideal opportunity.



The MoU complements the existing Huate relationship and enhances the Company's relationships and expertise in China. More Chinese companies are looking to Indian business opportunities for their future growth.

Xinhai has a strong history with Chinese import/export banks to provide funding for EPC projects throughout its global footprint. The Company and Xinhai are cooperating to secure financing for future beneficiation plants up to a concentrate production target of 2.5 million tonnes per annum.

Xinhai is continuing a comprehensive sample testing program of our feed material in China to finalise the process flow and equipment requirements to produce a routine operating concentrate grade ranging between 63-65% Fe, targeting 65% Fe.

The results of the Xinhai site visit and testing, will then flow into the upcoming expansion projects, whereby Xinhai as an EPC contractor will have the opportunity, based on acceptable commercial terms, to build capacity up to 2.5 million tonnes per annum by December 2019 and also optimise the existing beneficiation plant to produce a routine operating concentrate grade ranging between 63-65% Fe.

BINDING AGREEMENT FOR JOINT DEVELOPMENT OF GREENFIELD STEEL PLANT

During the quarter the, Company further progressed work relating to the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**).

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.

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.

Work and reciprocal visits to progress actions continues both in India and China in relation to the initial focus on the Pellet Plant with a variety of significant Chinese EPC companies. The Company will further progress the pellet plant project in the coming quarter.

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 continue during the coming months.

In line with above, the Government and the Company continued to work closely together in identifying and inspecting available land for the existing plant expansion to 400,000 tonnes per annum and land to be utilised in each of the 1 million tonne per annum standalone plants.

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.

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. This work incorporated identifying assets for attachment and recovery.

The company continues to pursue the arbitration award for \$250,000 to recover advances to Mega Logistics and solutions announced in 2014.

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.

The trial was listed to commence on 18 May 2017 and end on 26 May 2017, however it was only part-heard and was re-listed for a further 3 days, namely on 20, 21 and 23 June 2017.

The trial is set to continue on 31 July 2017, 9 August 2017 and end on 10 August 2017.

The Company remains of the view that the plaintiff is not entitled to the damages sought or to any other damages and continues to be very comfortable with its defence and the eventual trial outcome.

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

BOARD CHANGES

During the quarter the following changes to the composition of the Company's Board of Directors occurred

- Mr Jock Muir re-joined the Board as Non-Executive Chairman, and
- Mr Peter Richards continues in the role of Non-Executive Director.

The Board and management thanked Mr Richards for his significant contribution to the Company as Chairman and welcomed Mr Muir who has a long history in the engineering and mining service industries.

Mr Muir was previously on the board up to February 2014, so is well versed in the Company's culture and strategy.



CHANGE OF DIRECTOR INTEREST NOTICE'S

During the quarter, the following on-market transactions were entered into by the following Directors in support of the Company and its strategy going forward:

On 4 May 2017, Chairman Jock Muir purchased a total of 1,000,000 at 3cents per share; and

On 19 May 2017, Non-Executive Director Peter Richards purchased a total of 1,000,000 at 2.65cents per share.

POTENTIAL ACQUISITIONS

The Company continued to progress opportunities for royalty based acquisitions 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 \$2,550,000. The closing cash balance for the quarter ending 30 June 2017 was approximately \$1,049,000.

Managing Director, Cedric Goode and Chief Operating Officer, Sean Freeman are planning to repay deemed loans of approximately \$1 million during this September quarter. The loans were provided as a result of prior options conversions, and are not due for repayment until 31 December 2017.

When combining the current cash position, sales and the repayment of the loans, the Company continues to further advance its Indian operations.

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%	-	-



NSL Consolidated Limited

A handwritten signature in black ink, appearing to read 'Cedric Goode', is placed above the printed name.

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")

30 June 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers *	10	20
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(675)	(1,390)
	(c) production	-	-
	(d) staff costs **	(457)	(1,892)
	(e) administration and corporate costs **	(280)	(1,654)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	9
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	(1,399)	(4,907)

* Anticipated sales of 61%Fe wet plant product are estimated to be approximately \$1.1m for the Jun 17 qtr. Minera sales have commenced from 20 July, with dispatch from 22 July.

** 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 (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(92)	(2,883)
	(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	(92)	(2,883)

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	-	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	-	(861)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	7,978

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	2,550	919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,399)	(4,907)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(92)	(2,883)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,978
4.5	Effect of movement in exchange rates on cash held	(10)	(58)
4.6	Cash and cash equivalents at end of period	1,049	1,049

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	1,049	2,550
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)	1,049	2,550

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	135
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	
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	

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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.		

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9. Estimated cash outflows for next quarter *	\$A'000
9.1 Exploration and evaluation	-
9.2 Development (inc PPE) **	1,173
9.3 Production	-
9.4 Staff costs	390
9.5 Administration and corporate costs	258
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,821

* Above estimated cash flows do not include anticipated sales of \$1.11m in line with the lower end of price and volume expectations representing approx. 20,000 tonnes of 61%Fe wet plant product for the Sept 17 qtr, and the planned repayment of the deemed loans of approx. \$1m. Minera sales have commenced from 20 July, with dispatch from 22 July.

** Development costs include capital for thickener project and associated plant optimisation 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: 28 July 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.