

**QUARTERLY ACTIVITIES REPORT****September 2017**

Issued 31 October 2017

SEPTEMBER QUARTER HIGHLIGHTS

- Sales of 5,000 tonnes achieved for August and 5,000 tonnes achieved for September, equalling August record month.
- Our customer utilised NSL's filter cake (concentrate) into their steel plant process and are very complimentary of the results, with the filter cake producing a high quality pellet with excellent pelletising characteristics and physical properties which has then been successfully fed further into the steel process.
- Thickener circuit commissioning completed and in full operation.
- NSL and Minera Steel and Power Pvt Ltd enter into Collaboration Agreement to further progress the established relationship.
- First Samuel completed \$5 million strategic equity investment into NSL at a 9% premium. First Samuel currently hold more than \$600 million in funds under management and invest on a long-term basis, being 5-7 years.
- Government of Andhra Pradesh identify and confirm 98 acres of land for larger One million tonne per annum plant expansion.

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

During the September quarter, the Company completed the commissioning and full operation of the wet plant thickener circuit into the process flow. This is expected to assist with water recycling and improve plant yields and product grades.



The commissioning of the thickener circuit commissioning required a 48-hour leak test followed by final painting and sealing, rake alignment, pump testing, then hot commissioning with tailing slurry.

The thickener circuit was completed on schedule during trying monsoonal conditions, with an unrelenting focus on safety that was incident free. Contractor support throughout the project was excellent.

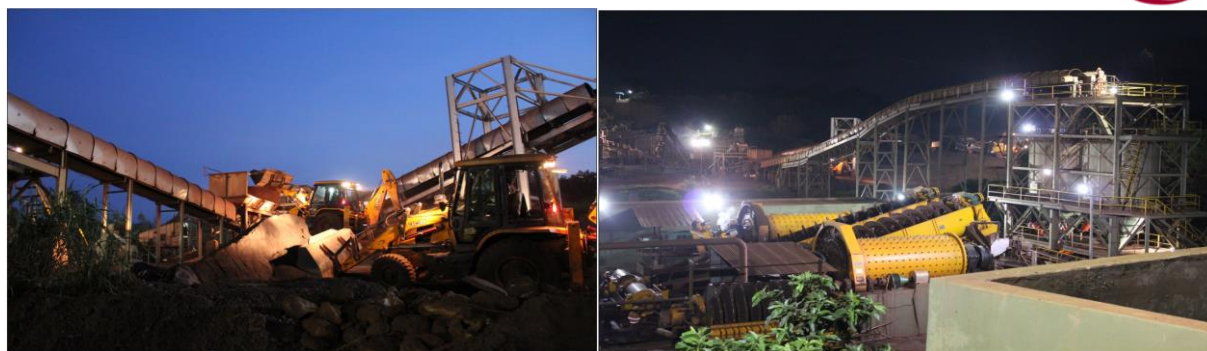
The plant is currently producing iron ore concentrate as per design and to the specifications required by Minera and the wider market.



Completed thickener circuit.



Plant in night time operation



Plant in night time operation

The Company has 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

In line with the market guidance, during the quarter the Company dispatched a total of 10,000 tonnes of premium quality filter cake in combined grades of 58% Fe and 61% Fe.

The dispatch of 10,000 tonnes to Minera Steel and Power Pvt Ltd ("**Minera**") is a credit to the team on site, as the quarter was interrupted by monsoonal rains inhibiting dispatches and 10 days of September impacted by the successful commissioning of the thickener circuit. Daily dispatch peaked at 1038 tonnes.

During the quarter, both Minera and the Company implemented a recurring business cycle of regular payments by Minera, and continued dispatch of product. In addition, Minera had re-configured their plant to accept the NSL product thus highlighting their intent to continue to work with NSL.

Minera has utilised NSL filter cake into their steel plant process and are very complimentary of the results, with the filter cake producing a high-quality pellet with excellent pelletising characteristics and physical properties which has then been successfully fed further into the steel process.

Minera has communicated that they desire a minimum of 15,000 tonnes per month of this premium 60/61 Fe product for their operations, which currently require between 70,000 and 80,000 tonnes per month of iron ore.



Finished Product Concentrate Dispatch in dry conditions



Finished Product Concentrate Dispatch in very wet conditions

Negotiations are ongoing with various other customers including JSW Steel, Gerdau Steel, BMM, 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 and the Company will now report sales on a quarterly basis.

MINERA COLLABORATION AGREEMENT

During the period, the Company signed a Collaboration Agreement (**CA**) with existing customer, Minera Steel and Power Pvt Ltd (**Minera**).

Minera is an Indian company engaged in the production of pellet, sponge iron and steel in the Indian domestic steel industry. As an existing customer to NSL, the business relationship has been established and continues to strengthen.

The collaboration agreement outlines the high level framework for business enhancement and to further progress the established relationship which the companies will collaborate on, specifically focussed on the following key areas:

- Setting up wet beneficiation plant for beneficiating low grade iron ore located at the Minera steel facility;



- Setting up wet beneficiation plant for beneficiating low grade iron ore either in Karnataka or Andhra Pradesh or any other locations as may be deemed suitable and necessary for both parties;
- Acquiring or tying up with mine lease holders for purchase of leases, mining and/or supply of ore for beneficiation either in Karnataka or Andhra Pradesh or any other locations as may be deemed suitable and necessary for both parties; and
- To finalise a suitable corporate and business structure models in above areas or such other areas as may be identified while forging a long term relationship.

As announced previously, Minera had re-configured their plant to accept the wet plant filter cake highlighting their intent to continue working with the Company. Minera are utilising NSL filter cake in their steel plant process with excellent results, producing a high quality pellet with excellent pelletising characteristics and physical properties. The high-quality pellets are being successfully utilised in steel production.

STRATEGIC EPC CO-OPERATION AGREEMENT WITH XINHAI

During the quarter, the Company continued to work closely with Shandong Xinhai Mining Technology & Equipment Inc (**Xinhai**) under the strategic cooperation agreement for the provision of wet beneficiation plant Engineering, Procurement and Construction (**EPC**) services. This involved testing and initial designs of the Phase Three wet plant which is expected to double plant capacity to 400,000 tonnes per annum of concentrate.

Founded in 1997, Xinhai, is a Beijing listed 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 cooperation agreement 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 and also optimise the existing beneficiation plant to produce a routine operating concentrate grade ranging between 63-65% Fe.

AUSTRALIA BUSINESS WEEK IN INDIA 2017

During the quarter, the Company participated in the Australia Business Week in India 2017 program in Hyderabad. Following the highly successful delegation in 2015 the Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment, led the Australia Business Week in India (**ABWI**) business mission from 28 August - 1 September 2017, accompanied by over 120 Australian companies.

The sector specific stream in Mining Equipment, Technology & Services (**METS**) was designed to address various issues connected with mining in India with a view to provide relevant information to the senior executives of Australian Mining organisations participating therein, who operate in India or propose to operate in India.

During the delegation's travel to Hyderabad, NSL presented a keynote address to the Australian members on establishing a successful business in India.



Chief Operating Officer, Mr Sean Freeman presenting to ABWI

As part of the session NSL was able to conduct a number of face to face meetings with the delegates. Of particular note, were one on one meetings with the Western Australian Government, National Mineral Development Corporation (**NMDC**), and Neyveli Lignite Corporation (**NLC**).

The Government of Western Australia were visiting Andhra Pradesh to further strengthen ties between the two States since the signing of a sister state agreement late in 2016. The Deputy Premier led the delegation, which included a detailed session with the Chief Minister of Andhra Pradesh Sri Chandrababu Naidu. During this meeting, the GoAP reiterated strongly the success of NSL, and the ongoing support being offered to the Company in support of its



3 year business plan. As the only successful case study from Western Australia the support for NSL is seen to be a flagship for further investment and business relationships within the State.

NSL representatives were able to follow up with the WA delegation during the ABWI Program. The Hon. Mr Roger Cook, Deputy Premier of Western Australia, briefed the Company on the meeting with Sri Naidu. In addition, a free ranging discussion was held on the areas for collaboration and potential support for NSL from the WA Government, with a strong focus on skills development and training, agricultural research and mining technology.

The Company was also able to further progress discussions with both NMDC and NLC around technology collaboration in the area of low grade iron ore beneficiation. Discussions were positive and will continue to be advanced to evaluate collaborative models.

As the first and only foreign company to own and operate iron ore mines in India the Company continues to leverage our experience and bona fides within India, to support our long term vision as a sustainable and accountable business.

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.

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.

In line with above, the Government and the Company continue 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.

During the quarter our staff have inspected along with senior members of the Andhra Pradesh Industrial Infrastructure Corporation (**APIIC**) a potential site for these expansions (for more information please visit www.apiic.in).

The 98-acre site is located adjacent to the AP3 project, and within 4km of the AP23 project, both part of the pipeline of expansion projects under development by NSL.

The land is well located, with excellent road access, power and water. Subsequent to the inspection NSL have formally notified our intent to proceed, and the team from APIIC will now work through the formalities of land allotment to NSL.

Once allotment is completed, NSL can immediately start the process of Environmental Clearances for the new beneficiation plant, in line with our 3-year production plans.



View across the proposed land looking SE with NSL Staff with APIIC and GoAP Representatives

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 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.

**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 with visits to China.

CORPORATE**STRATEGIC INVESTMENT**

As announced on 27 September, the Company entered a \$5 million strategic equity investment with a large Australian financial institution, First Samuel. The strategic investment was at a 9% premium to the last close price and 30-day VWAP, being \$0.025 per share.

The funds will:

1. provide additional working capital as the Phase Two wet beneficiation plant progresses to name plate capacity anticipated by the end of October,
2. allow for the ramp up of NSL mining operations, in support of the growing wet plant feed requirements,
3. provide funding for the immediate Phase Three expansion project to 400 ktpa working with Xinhai and other Chinese suppliers; and
4. enable the Company to further progress its Phase Four one million tonne per annum wet beneficiation plant project.

Importantly, First Samuel and NSL are committed to strengthening relations and working together on the near-term expansion projects, and towards the medium-term production goal of 2.5 million tonnes per annum of iron ore concentrate.

First Samuel is a Melbourne based, Investment Manager. It was founded in 1999 and currently has more than A\$600 million in funds under management. Investing typically on a long-term (+5 year) basis, across asset classes, it has delivered superior returns for its clients throughout its 17-year history. For more information on First Samuel please visit <https://www.firstsamuel.com.au/>

BOARD SUPPORT FOR COMPANY

As announced on 30 December 2017, the Board agreed to provide financial assistance in compliance with Section 260A of the Corporations Act, to Managing Director and CEO, Mr Cedric Goode, totalling \$505,000, and COO, Mr Sean Freeman, totalling 452,500. The loans



were to assist Mr Goode and Mr Freeman to exercise their options expiring 31 December 2016. Note, no actual funds were provided by the Company.

As announced on 14 August, the Company advised that the Managing Director and CEO, Mr Cedric Goode's loan was repaid in full, including associated interest, totalling \$522,958.90 five months ahead of schedule.

Importantly, significant interest initiated by top 10 shareholders and further supported by the Board facilitated the early repayment of the loan via acquisition of shares from Mr Goode off-market, highlighting the confidence in the Company and its near and long-term future.

The Company also received a total of \$378,000 in repayments from COO, Mr Sean Freeman, towards his loan and associated interest.

LEGAL NOTICE

As previously disclosed 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) 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 finally concluded on 10 August 2017. Her Honour Justice Banks-Smith has reserved her decision

The Company was content with how the trial progressed and is eagerly awaiting the handing down of the judgment by her Honour.

ANNUAL REPORT AND APPENDIX 4G

During the quarter, the Company released it's 30 June 2017 Annual Report and Appendix 4G.

CASH FLOW – APPENDIX 5B

At the commencement of the quarter, the Company had an opening cash balance of approximately \$1,049,000. The closing cash balance for the quarter ending 30 September 2017 was approximately \$5,652,000.

INTERESTS IN MINING TENEMENTS

Project/Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed/Lapsed during the quarter
Kuja	Andhra Pradesh, India	100%	-	-
Mangal	Andhra Pradesh, India	100%	-	-
AP14	Andhra Pradesh, India	100%	-	-



EPC 2198	Queensland, Australia	0%	-	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:

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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 Sept 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers *	181	181
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(666)	(666)
	(c) production	-	-
	(d) staff costs **	(327)	(327)
	(e) administration and corporate costs **	(357)	(357)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	19	19
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	(1,150)	(1,150)

* Receipts from customers do not reflect total sales of 10,000t for the quarter, due to varying product grades and associated payment terms.

** 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 (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(108)	(108)
	(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	(108)	(108)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,000	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options *	883	883
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,883	5,883

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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* relates to repayments received up to 30 September for deemed loans to CEO/Managing Director, Cedric Goode (100% re-paid) and COO, Sean Freeman (84% re-paid, with balance to be repaid by no later than 31 December 2017).

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,049	1,049
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,150)	(1,150)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(108)	(108)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,883	5,883
4.5	Effect of movement in exchange rates on cash held	(22)	(22)
4.6	Cash and cash equivalents at end of period	5,652	5,652

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	5,652	1,049
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)	5,652	1,049

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

98

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

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

**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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Mining exploration entity and oil and gas exploration entity quarterly report

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development (inc PPE)	1,237
9.3	Production	-
9.4	Staff costs	407
9.5	Administration and corporate costs	621
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	2,265

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	EPC2198	Lapsed	100%	0%
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: 31 October 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.