



14 May 2018

NSL secures \$10 million to expand production of Kurnool wet beneficiation plant (Phase 3), India

Key Points:

- Strong institutional support, with existing cornerstone investor First Samuel committing a further A\$5 million and the balance received predominantly from institutional, and high net worth investors
 - Phase 3 expansion to increase production to ~400,000ktpa while delivering significantly improved grades and yields, commissioning is scheduled for H1 2019
 - NSL to undertake proposed 15 to 1 consolidation of share capital, subject to shareholder approval
 - Proposed change of name to align business focus and operations, subject to shareholder approval
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NSL Consolidated Limited (**ASX: NSL**) ("**NSL**" or the "**Company**") is pleased to advise that it has received firm commitments from institutional investors to raise A\$10 million through the placement of 714,285,714 shares at \$0.014 (1.4c) per share (the "Placement"). A total of 650,614,024 of the shares will be issued under the Company's available capacity, with 390,368,414 being issued in accordance with LR 7.1 and 260,245,610 being issued in accordance with LR 7.1A. (the Tranche 1 Placement), with the balance to be subject to shareholder approval at a General Meeting of the Company to be held in late June 2018 (the Tranche 2 Placement).

The Company also proposes to undertake a consolidation of its issued capital and a change of company name, details of which are outlined below.

Capital Raising Use of Funds - Phase 3 Expansion Strategy

Funds received from the Placement will be deployed directly towards the Phase 3 expansion of the Company's Kurnool wet beneficiation plant in India.

NSL has estimated it will cost approx. A\$8.5 million to complete this expansion, the cost of which will also include retrofitting components of the existing Phase 2 plant which the Company expects will significantly improve operational efficiencies of the expanded facility. The expanded plant reflects the learnings from the existing plant.

To achieve this improved performance, NSL will invest significantly in several key operational areas to provide higher certainty regarding the project expansion outcomes, including;

- The purchase of additional large-scale equipment;
- Implementation of improved process and control technologies and equipment; and
- Appointment of additional highly experienced project management staff.

The Phase 3 expansion is scheduled for commissioning in H1 2019, after which time the Company expects to achieve an annualised production rate of ~ 400,000ktpa from the Kurnool plant.

The Placement has been strongly supported by existing cornerstone investor, First Samuel, who has committed an additional A\$5 million in this funding round.

Shaw and Partners and Aitken Murray Capital Partners acted as lead managers for the Placement. NSL incurred a brokerage fee on funds raised for the Placement of 5%, the brokerage fee will be paid in shares on the same basis as the Placement, highlighting the belief and commitment in the successful outcomes for NSL's business and expansion plans. The issue of those shares will be subject to shareholder approval at the same time as the Tranche 2 Placement.

The Tranche 1 Placement will be completed, and the shares are expected to be issued and quoted, on Thursday 17th May 2018.

Phase 2 Plant Production Royalty Settlement

As indicated in our recent full year and half year accounts, in August 2015, the Company entered into a secured loan agreement totalling A\$5,000,000 with MG Partners II Limited. A key judgement in relation to the agreement was that only upon full drawdown of the loan used to establish and commission the Phase 2 plant, would MG Partners be entitled to receive a 7.5% gross revenue royalty for the life of the Phase 2 Kurnool plant. Subsequently, only \$1,100,000 was drawn, then repaid in 2016 and security released.

Magna and, the Company disagreed on the interpretation of "financial accommodation" in accordance with the intent and terms of Loan Agreement, however to resolve the matter and provide certainty, the Company and Magna have come to an agreement, with the issue of \$500,000 of shares on the same terms of the Placement. Further, Magna will have no further claims to a royalty, options or any other provisions, acts, deeds and rights that may or may not have been contemplated under all previous agreements.

Proposed Consolidation of Issued Capital

NSL would also like to advise shareholders of a proposed consolidation of the issued capital of the Company, through the conversion of fifteen (15) existing shares into one (1) share (the "Consolidation").

The proposed Consolidation is aimed at ensuring NSL's capital structure reflects the Company's growing institutional support and to assist with facilitating further institutional interest as the Company enters this accelerated period of growth.

Post completion of the Tranche 1 Placement, and subject to shareholder approval, the completion of Tranche 2, the issue of brokerage shares, and the issue of royalty shares, NSL will have a capital structure of 3,388,170,380 ordinary shares and 20,000,000 unlisted options. Following approval of the Consolidation, the number of NSL's shares on issue will be reduced to 225,878,025 and unlisted options to 1,333,333.

NSL will seek shareholder approval for the Consolidation with the Notice of Meeting to be lodged in the near term.



Managing Director Performance Incentive

As part of a renewed Executive Services Agreement, the Board, with the support of institutional investors, proposes the Managing Director, Mr Cedric Goode have long term incentives aligned with the Phase 3 expansion project success, subject to shareholder approval.

The Project Incentives (PI) are milestone based and up to a maximum of 110 million shares (pre-consolidation) on the following basis:

- (i). 40% of the maximum PI payable on the Project being completed on time and on budget, with the completion being certified by an independent report;
- (ii). 30% of the maximum PI payable 3 months after the Project's completion if, based on the ROM feed, there is a constant production of iron ore:
 - 1. at 58% Fe or higher averaged over the 3 months; and
 - 2. at an average rate of 33,333 tonnes per month over the 3 months; and
- (iii). 30% of the maximum PI payable 12 months after the Project's completion if, based on the ROM feed, there is a constant production of iron ore:
 - 1. at 58% Fe or higher averaged over the 12 months; and
 - 2. of at least 400,000 tonnes averaged over the 12 months.

Proposed Change of Company Name

NSL would also like to advise of its intention to change the Company's name and ASX ticker, subject to shareholder approval.

As the Company enters this transformational phase in its growth and development, the Board believes a change in name is an opportunity to provide a clearer representation of the Company's operational focus and align with its future vision. The proposed Company name will be determined over the coming weeks and included in the above with the respective Notice of Meeting.

Management Commentary

NSL's Managing Director and CEO, Cedric Goode, commented, "This is a tremendous outcome for NSL and our shareholders, as the Company now has the requisite funding in place to complete the Phase 3 expansion of our iron ore operations in India.

The decision to accelerate the expansion of Kurnool has been strongly supported by our existing institutional investors which is very pleasing, and the Board would like to take this opportunity to thank our shareholders for their ongoing support.

The Company will now invest significantly towards increasing production and sales whilst improving operational standards and equipment at Kurnool to ensure long-term operational success is delivered and sustained.



We look forward to providing our shareholders with further corporate and operational updates in due course."

For further information please contact:

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