

QUARTERLY ACTIVITIES REPORT

DECEMBER 2015

Issued 29 January 2016

DECEMBER QUARTER HIGHLIGHTS

IRON ORE

- Customers order bulk supply of specialised blend of iron, silica and alumina lump product, with supply commencing.
- Purchase Order for +55%Fe received from BMM, a significant and expanding producer of pellets, power and steel.
- MoU executed directly with State Government of Andhra Pradesh (GoAP), reinforcing NSL's strategy of value addition in the Indian iron ore industry.
- MoU to unlock significant iron ore production potential for NSL in the newly formed State.
- GoAP will facilitate provision of necessary assistance for the Company which includes prompt land acquisition, adequate infrastructure development and offering attractive incentives.
- Huge 28,000 acre industrial park to be developed 30kms from NSL's operations.
- Andhra Pradesh on track for +14% growth for next 15 years as a result of building a new state.
- Wet beneficiation plant fabrication inspection visit completed, major componentry at completion stage.
- Offtake agreements already in place with India's JSW Steel and BMM Ispat for Phase Two product.
- Wet plant commissioning expected to commence in Q2 2016.

**MEMORANDUM OF UNDERSTANDING WITH ANDHRA PRADESH GOVT**

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

The MoU was executed with Andhra Pradesh Mineral Development Corporation (**APMDC**), the State owned enterprise charged with maximising utilisation of mineral resources within the State.

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.

During the 10th – 12th January 2016, NSL representatives have attended the Andhra Pradesh Investment Summit located in the port city of Visakapatnam, Andhra Pradesh.

The Summit, now in its 22nd iteration, was a joint program sponsored by the Chamber of Indian Industry, Department of Industry and Policy Promotion (Govt of India) and the Government of Andhra Pradesh (**GoAP**).

During the summit NSL executed a MoU directly with the GoAP to support the iron ore growth strategy within the state.

The MoU, executed directly with the GoAP, is overarching to the previous MoU executed in June 2015 with the AP Mineral Development Corporation (the GoAP State mining Company), and covers the mining, beneficiation and pelletisation of low grade iron ores in the State.

The basis of the MoU would position NSL to be producing in excess of 8 million tonnes per annum of iron ore in the newly formed State. In addition, the MoU includes the construction and operation of a centralised pellet plant, again reinforcing NSL's strategy of value addition in the Indian iron ore industry.

The MoU would also realise the generation of 1,800 jobs directly associated with the Company, and an additional 1,000 supporting jobs.

GoAP will facilitate the provision of necessary assistance for the Company which includes prompt land acquisition, adequate infrastructure development and offering attractive incentives as per the policies / rules and regulations of the State Government.

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/ Implementation support. The Company can support the development of infrastructure in Andhra Pradesh, considering the Government's focus on promoting manufacturing and industrialization in the state and facilitating a conducive investment environment.



Both sides recognized the need to promote mutual cooperation to expand bilateral collaborative relationships in industrial development in Andhra Pradesh and supported the signing of MoU.

One key enabler to the execution of the MoU was the AP Government committing to the development of the Orvakallu Mega Industrial Hub, located in the Kurnool District some 30km from NSL's existing operations. The 28,000 acre hub will include access to water, power, rail and road. The site is also proposed for one of AP's four greenfield airports outlined in the strategic infrastructure plan for the State.

The MoU was executed during the Investment Summit, and was overseen by the Honourable Chief Minister of Andhra Pradesh, Sri Chandrababu Naidu, and the Australian Consul General for South India Mr Sean Kelly.



Honourable Chief Minister, Sri Chandrababu Naidu overseeing the signing of the MoU

Key messages were highlighted throughout the Summit, with the most notable being made by the Hon Sri Arun Jaitley, Finance Minister to the Government of India. Mr Jaitley highlighted that under the new Modi regime India was encouraging a shift from cooperative federalism to one of competitive federalism. This has been highlighted specifically since the bifurcation of AP into two new states, with both now looking to grow, and as such competing for investments and growth opportunities.

In addition, the alignment of "Make in India" as a key initiative being implemented by the Modi Government in Delhi is being translated to a strong Make in AP platform by the State Government. The need for the country to convert the percentage of GDP coming from the Services industry and shifting to the manufacturing industry was seen as critical to driving the required growth trajectory of the Country.



The most consistent message throughout the summit was regarding the Strength of Leadership coming from the AP Chief Minister, Sri Chandrababu Naidu. His passion for the State is clear, his track record of success is tangible, and his business friendly approach is being seen permeating through all levels of his 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 \$900m project will have \$700m funded by the ADB and \$200m 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

OFFTAKE AGREEMENT - FINES

During the quarter, the Company continued to engage with JSW Steel (**JSW**) and BMM Ispat (**BMM**) regarding its non-exclusive offtake agreements for its first 200,000 tonnes of future Phase Two 58-62% Fe wet beneficiation plant fines product. Both JSW Steel and BMM Ispat are actively encouraging the Company to fast track the construction and commissioning of the Phase Two wet beneficiation plant.

The offtake agreements with JSW Steel and BMM Ispat, reflect the demand of the Indian steel industry for the Phase Two wet beneficiation plant material.

JSW is India's leading private sector steel producer and among the world's most illustrious steel companies. JSW Steel is a circa \$9 billion global conglomerate spread over six locations in India and a footprint that extends to the US, South America and Africa.

The JSW steel complex is approximately 160kms from NSL operations and located within the Hospet region of Karnataka, southern India's main steel producing belt.

Production facilities located at the JSW steel complex include; Beneficiation Plant, Pellet Plant, Coke Plant, Hot Metal Plant, Steel Plant, Mill Plant and a R&D Facility. The plant consumes in excess of 20 million tonnes of iron ore per annum and is the largest steel producer in Southern India.

Importantly during the course of the offtake discussions, JSW considered the NSL fines product to be a premium product due to its size, grade and low level contaminants. Specifically the



NSL wet plant fines product is able to be inserted into the steel process further downstream creating operational, cost and quality advantages. In addition the low Alumina, Phosphorous and Sulphur offer blending opportunities for the steel manufacturing process.

The offtake agreement executed with BMM, also has the capability of absorbing all the expected output from our wet plant, but being non-exclusive, it allows the Company to also diversify its customer base going forward.

BMM's current and future expanding production of steel can easily absorb 100% of the Company's fines production. During detailed evaluations, both parties confirmed the strong alignment in the Company's iron ore specifications and BMM's required iron ore raw material specification.

The BMM steel complex is approximately 240kms from NSL operations and located within the Hospet region of Karnataka, southern India's main steel producing belt.

Production facilities located at the BMM steel complex are:

- Beneficiation Plant of 2.60 Million Tonnes per annum **(MTPA)**;
- Pellet Plant of 2.60 MTPA;
- Sponge Iron Plant of 0.73 MTPA;
- Induction Furnace of 0.10 MTPA;
- Rolling Mill of 0.09 MTPA; and
- Power Plant of 95 MW.

BMM has embarked upon an expansion projects which will result in new capacities for:

- Integrated Steel Plant of 1.25MTpa;
- Power Plant of 140 MW.

For further information on BMM, please refer to www.bmm.in

Importantly, the offtake agreements have been achieved directly with the end users, avoiding the need for traders and the uncertain credit worthiness inherent with this channel to market, and therefore reducing the sales transactional risk

Commercial terms of both the offtake agreements are market based, availing the Company to access the current robust market conditions in the domestic Indian iron ore sector, a market of circa 150 million tonnes supplying the world's fourth largest steel industry. The Indian domestic steel industry is planning to triple in size over the next 10 years.

KURNOOL IRON ORE BENEFICIATION PLANT

Phase One Plant (Dry)

In late November, the Company received its second Purchase Order from BMM. The second PO for 5,000 tonnes of +55% Fe lump iron ore will be used for direct feed into BMM's DRI kiln process in the production of sponge iron.

The PO was secured at the current market rate at the time of Rs 2,500 (A\$53) per tonne, with payment terms for the product to follow 7 days from invoice.



As the commercial terms are market based, this enables the Company to access the current robust market conditions in the domestic Indian iron ore sector. A current market of circa 150 million iron ore tonnes to supply the world's third largest steel industry, the Indian domestic steel industry is planning to triple in size over the next 10 years, after nearly doubling in the past 5 years. Indian domestic iron ore pricing continue to perform strongly due to India's own domestic supply and demand thematic.

The receipt of the commercial scale PO from BMM was a further significant step forward for the Company's business goals, as the only foreign company to own and operate iron ore mines in India.

The Company's Phase One Beneficiation plant in Kurnool changed over product specifications to commence producing product for despatch into the BMM PO, however, subsequently the Company received notification from BMM of the closure of its sponge iron kilns for the bulk of December. As a result of BMM's decision, it is anticipated that NSL will commence delivery into the 5,000 tonne purchase order when BMM restart its sponge iron kilns. To date BMM have not provided a restart date for its kilns.

During the past 6 months the Company has been conducting significant market evaluation and technical reviews with key steel industry producers in addition to the current offtake agreements in place. One of the key outcomes from this exercise has been the ability to fully understand the required product mix and technical requirements needed by individual blast furnaces.

In addition to the +56% Fe lump material, the Company has received Purchase Orders (**PO**) for a specialised product that is relatively unique to NSL as a result of the ore geology and beneficiation process at the Company's operations. The specialised blend of iron, silica and alumina is critical to the performance of the furnace and quality of the finished cast iron.

PO's have been received from:

- Srikalahasthi Pipes Limited (**SPL**),
- Sathavahana Ispat Limited (**SI**); and
- Small scale steel mill.

The Company has commenced supplying into these PO's in small quantities. The requirements of the steel mills have been sporadic.



Product despatch to Sathavahana Ispat



Product despatch to Krishna Industries

Phase Two Plant (Wet)

During the quarter the Company, as the only Australian or foreign company to own and operate in India's massive iron ore market continues to progress is Phase Two wet beneficiation project.

Phase Two will be a wet beneficiation process, allowing NSL to produce a high grade premium price iron ore product grading between 58-62% Fe at around 200,000 tonnes p.a. The Phase Two wet beneficiation plant proposed for the existing NSL stockyard will be fed material from NSL's Kuja and Mangal mines.

NSL's Managing Director, Mr Cedric Goode, visited China, conducting a plant inspection of the fabricated wet beneficiation plant, and confirm that all major components are at a completion stage, with only minor components yet to be completed.



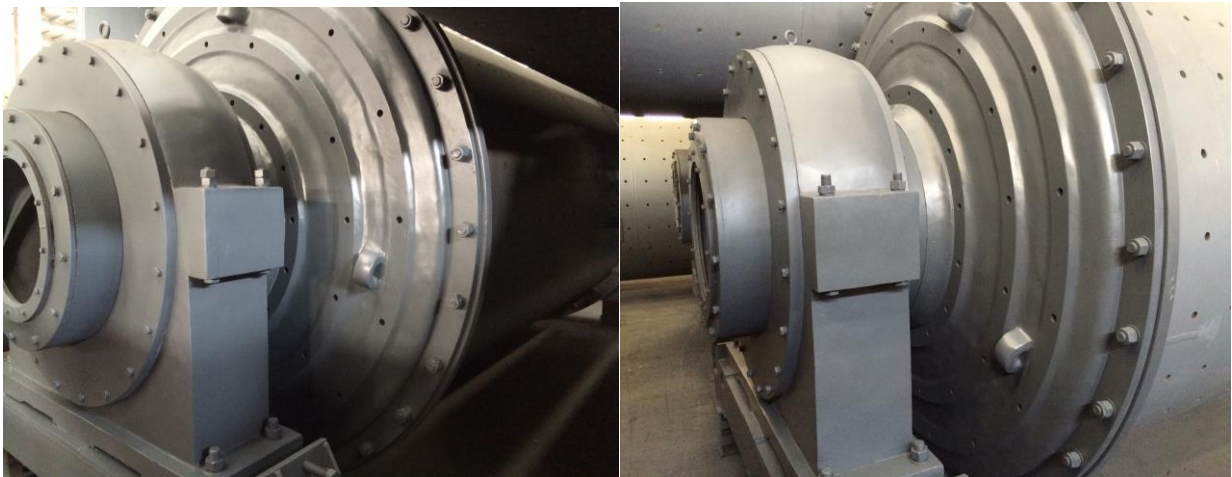


FIGURE 1: Ball Mills



FIGURE 2: Low Intensity Magnets



FIGURE 3: Vacuum Disc filters for water extraction



The Company has already successfully negotiated offtake agreements for Phase Two's high grade iron ore product with the US\$9 billion Indian global conglomerate, JSW Steel, also that country's leading private sector steel producer; and BMM Ispat, a leading pellet, power and steel producer.

During the quarter the Company strengthened its in country Indian management capabilities with the appointment of Mr Dan Little, MIEAust CPEng Dip(PM) as a dedicated Project Director to oversee the existing day to day Kurnool operations, in conjunction with the construction, commissioning and smooth transition to operations of the wet beneficiation plant.

Dan has an extensive history in engineering and construction projects globally, with over 25 years of experience working for organisations such as Chicago Bridge and Iron, (with a client list including WAPET, Alcoa, Shell, Woodside and Anglo American) and Thiess, which culminated in a 5 year secondment to Thiess India where he was responsible for quality, safety, engineering and project scheduling and ultimately as the GM New Business Development for India.

His experience in large construction projects across the coal, oil and gas, petrochemical, alumina, steel fabrication and telecommunications industries will be a strength to NSL's business plans moving forward, and when combined with a 5 year tenure working with Thiess India brings a cultural awareness and country specific know how essential to successful project completion.

Dan has commenced work on the following key project initiatives:

- Completion of detailed engineering design, including risk assessments and development of final construction drawings;
- Engagement with key suppliers for management of long lead item delivery schedules;
- Development of internal project control systems, reporting and safety management systems; and
- Recruitment of key project and operational personnel.

AP 14 MINING LEASE

During the quarter, the Company continued to work with the Indian Government to progress the grant of AP14 through Delhi. Upon approval from the Central Government the Company will then be able to undertake further exploration activities, including drilling operations on the lease. Work continues on the development of the exploration program scope, including pre work on preferred supplier sourcing.

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.

NSL has subsequently lodged its defence, in which it vigorously denies Birmanie's Claim. The Company is 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.

MAGNA SENIOR SECURED LOAN

As announced on 13 August 2015, the Company entered into a conventional secured funding loan agreement totalling A\$5 million to allow the construction, commissioning and operation of its Phase Two wet beneficiation plant, while also availing the recommencement of the existing Phase One dry beneficiation plant at its wholly-owned Kurnool iron ore processing stockyard in the Indian state of Andhra Pradesh.

Magna has previously provided loan support for NSL's iron ore growth strategy in India.

As at 31 December 15, the Company has received/utilised A\$800,000 towards its operations/development and general working capital. Subsequent to 31 December, a further A\$300,000 has been received/utilised.

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.

GENERAL MEETING & ANNUAL GENERAL MEETING

As announced on 5 October 15 & 26 November 15 respectively, the Company held a General Meeting and its Annual General Meeting of shareholders. At both meetings all resolutions were unanimously carried on a show of hands.

CASH FLOW – APPENDIX 5B

At the commencement of the quarter, the Company had an opening cash balance of approximately \$229,000. The closing cash balance for the quarter ending 31 December 2016 was approximately \$81,000.

During the quarter the Company continued any potential cost reduction initiatives in both India and Australia.


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

Kevin Skinner
 Field Public Relations

(08) 8234 9555 / 0414 822 631

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

NSL Consolidated Limited

ABN

32 057 140 922

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	7	17
1.2 Payments for		
(a) exploration and evaluation	-	(11)
(b) development	(84)	(142)
(c) production	-	-
(d) administration (Aust, Sing & India)	(262)	(727)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	-	(50)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(339)	(912)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(339)	(912)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(339)	(912)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	132
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	192	707
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		192	839
Net increase (decrease) in cash held		(147)	(73)
1.20	Cash at beginning of quarter/year to date	229	198
1.21	Exchange rate adjustments to item 1.20	(1)	(44)
1.22	Cash at end of quarter	81	81

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	53
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Wages, superannuation and car lease.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities *	5,000,000	800,000
3.2 Credit standby arrangements	-	-

* Relates to the MG Partners II Ltd A\$5M secured loan agreement as announced on 13 August 2015. Refer to announcement on 13 August 2015 for key terms to the transaction.

Estimated cash outflows for next quarter **

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	478
4.3 Production	-
4.4 Administration	410
Total	888

** Not included above, subsequent to 31 Dec 15 an inflow of A\$0.3M has been utilised from Magna.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	81	229
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	81	229

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter (continued)

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	915,019,588	915,019,588		
7.4 Changes during quarter (a) Increases through issues	6,000,000	6,000,000	\$0.01	\$0.01
	24,907,634	24,907,634	\$0.012	\$0.012
	19,511,738	19,511,738	\$0.00896	\$0.0896
(b) Exercise of options	-	-	-	-
(c) Decreases through return of capital, buy-backs	-	-	-	-
(d) Increase pursuant to underwriting of options	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	1	-	US\$2.5M	US\$2.5M
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	337,493,668	337,493,668	<i>Exercise price</i> \$0.01	<i>Expiry date</i> 31/12/2016
	177,000,000	-	\$0.0096	31/12/2016
7.8 Issued during quarter	26,823,606	26,823,606	\$0.01	31/12/2016

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.9	Exercised during quarter	-	-	-	-
7.10	Expired/Forfeited during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:.....Sean Henbury.....
(Company Secretary)

Date: 29 January 2016

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent, which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.