NSL Consolidated

21 March 2016

NSL SIGNS GROUNDBREAKING PHASE TWO WET PLANT AGREEMENT

HIGHLIGHTS

- Company signs wet beneficiation plant and equipment contract on ground breaking financial terms with Tier One Chinese supplier.
- This agreement is with Huate Magnetism, one of China's premier global suppliers of beneficiation plants.
- Importantly, the Company has negotiated significantly more favourable commercial terms, resulting in a 25% cost reduction and longer payment terms, reducing upfront costs.
- First stage payment completed.
- Equipment is to be dispatched in 3 stages from China to India, commencing April 2016, with onsite construction to commence May 2016,
- Indian site works and civils will commence immediately, leading to commissioning commencing in Q3 2016 with positive cash flow in Q4 2016.
- Offtake agreements are already in place with India's JSW Steel and BMM Ispat for Phase Two product.
- Cost base A$22/tonne ex gate, with current market ex gate sales price of A$52/tonne.
- Project fully funded through recent significantly oversubscribed capital raise of A$3.2m and existing A$5m debt facility.

NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to provide an update on its Phase Two wet beneficiation plant program. A significant step forward has been achieved with NSL's Managing Director, Mr Cedric Goode, following a recent to China, concluding negotiations and with full Board support, executing agreements relating to the purchase and supply of the plant and equipment.

The Company can confirm that these further negotiations have achieved significantly more favourable commercial terms with Shandong Huate Magnet Technology Co., Ltd or Huate Magnetism (**Huate**), one of China's premier global beneficiation plant suppliers (refer http://www.chinahuate.com/).

Huate is a specialised beneficiation plant supplier, and is unique in China in that it has capability in plant design, fabrication, construction, commissioning and supporting operations of entire large scale beneficiation plants. Huate also has global experience in iron ore beneficiation, including in Australia.

This agreement with Huate further supports the confidence in the Company's Indian iron ore projects and the larger scale Indian iron ore industry, an industry in Huate desires to gain a position.

Commercial terms as follows:

Capital cost: US$1,054,000

Payment 1	Payment 2	Payment 3	Payment 3	Payment 4	Payment 5	Payment 6
On Execution - COMPLETED	Stage 1 Delivery	Stage 2 Delivery	Stage 3 Delivery	Within 30 working days post Stage 3 delivery	Within 120 calendar days post Stage 3 delivery	Within 180 calendar days post Stage 3 delivery
25% Contract Value	25% Stage 1 equipment value	25% Stage 2 equipment value	25% Stage 3 equipment value	20% Contract Value	15% Contract Value	15% Contract Value
Mar 16	Apr 16	May 16	Jun 16	Sept 16	Dec 16	Feb 17

The new terms have resulted in:

1. 25% reduction in Chinese supplied costs to US$1.054m;
2. Supplier extended payment terms reducing up front expenditure (previous supplier terms were 100% prior to dispatch);
3. Reduced construction, commissioning and operational risk due to considerable Huate expertise and financial terms;
4. Stepped expenditure allowing the Company to realise less onerous drawings on its cash base; and
5. Staged shipping schedule to allow early access to equipment and smoothing of Indian construction schedule.

"With the supply agreement executed on more favourable commercial terms, the recent support and new interest generated through the recent significantly oversubscribed $3.2m capital raising, and with wet plant product offtake agreements already in place with JSW Steel & BMM Ispat, we are very excited to move the Company into the next stage of its development and add value for its shareholders" said Mr Goode.


Phase Two wet plant anticipated economics:

Phase 2: Historical operating costs and plant modelling overview[1] – Focus on domestic sales

Historical Operating Costs (A$ per tonne) [2]

Mining (inc royalty)	$9
Maintenance	$1
Beneficiation (modelled)	$12
Total modelled cash cost	**A$22**

All costs are per tonne of saleable concentrate produced

Plant Design Capacity [3]

Total throughput (per hour)	100 tonnes
Total throughput (annual)	~ 496,000 t

Estimated Plant Performance [3]

Potential output (annual)	200,000 t
Modelled ROM input grade	25-27% Fe
Recovery (at input grade)	74-76%
Yield per 100t	36-37 t
Final product grade	58-62% Fe

Current Pricing

Current Indian domestic price (grade 60%)	INR 2,444/t A$52/t

Modelled financial outcomes [4]

NET CASH FLOW	**A $500 000 PER MONTH** **A $6M PER ANNUM**

1. The numbers in the tables above are based on the theoretical plant design capacity. They are not a forecast and actual results may vary significantly after the plant has been commissioned.

2. These costs are based on the actual mining costs incurred under contracts by NSL from its Mangal and Kuja projects historically at the time of trial mining and through subsequent equipment contracts.

3. This plant performance has been modelled on the lowest proposed feed grade, and a two shift operation. However increasing ROM grade, based on the test work to date, is expected to have a positive impact on the recovery, and more specifically an impact on the yield of the plant.

4. These outcomes are based on achieving all outcomes as presented in the historical operating costs and plant modelling overview above, including achieving an annual throughput of 496,000 tonnes of iron ore. The ability of the Company to achieve these results will depend on the Company mining or securing the required throughput and grades to feed the beneficiation plant as modelled. In the event that any of the variables in the above tables are not achieved, it could significantly impact the modelled returns to the Company.

Phase Two is 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 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.

The Company, the only Australian or foreign company to own and operate in India's massive iron ore market, has an established dry processing plant operation for iron ore product at Kurnool and is serviced by two of its local mines nearby, Kuja and Mangal. These mines will also provide the feedstock for the Phase Two wet beneficiation plant.

The Company looks forward to further updating the market accordingly on the status and progress of the Phase Two wet beneficiation plant.

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