



## QUARTERLY ACTIVITIES REPORT

SEPTEMBER 2016

Issued 31 October 2016

### SEPTEMBER QUARTER HIGHLIGHTS

#### IRON ORE

- Government of Andhra Pradesh (**GoAP**) issues letter of assurance to the Company for land and approvals for the Company and Wei Hua's joint development of greenfield steel plant in India. GoAP commits to provide land for the project and required approvals through a 21 day single portal process when applications made.
- Company and Wei Hua progress the joint venture with selection of feasibility providers and EPC companies.
- Phase Two wet beneficiation plant erection stage accelerates according to schedule with the erection of transformers at the electrical switchyard and control room and all Chinese equipment safely transported, traversed and placed into final plant position
- Specialist plant erection contractor on site assisting with Phase Two plant erection, providing the resourcing to move to completion on schedule.
- Phase Two plant commissioning stage commences on schedule with the mechanical and electrical components of the plants four process tanks, agitators and mixers undergoing no-load and load testing.
- Offtake agreements are already in place with India's JSW Steel and BMM Ispat for Phase Two product.
- Offtake partner BMM Ispat Ltd (**BMM**) delegation visit site to review plant progress, and re-confirm BMM are able to consume all 200,000 tonnes per annum (**tpa**) of material produced by the plant and in addition will also consume proposed expansion production of additional 200,000 tpa.



## BINDING AGREEMENT FOR JOINT DEVELOPMENT OF GREENFIELD STEEL PLANT

During the quarter, the Company announced further significant progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh, with Wei Hua Group Co Ltd, China's leading heavy equipment crane building company

NSL representatives have been in China with Wei Hua meeting various feasibility service providers, Engineering, Procurement and Construction (**EPC**) companies, with the view to the Company and Wei Hua working closely together to fast track the feasibility of the integrated steel plant.

Further to the traction being achieved in China, the Company continues to receive excellent support from the Government of Andhra Pradesh (**GoAP**), culminating in the receipt of a letter stating assurances from GoAP to extend all support and cooperation required for the development of the project, and specifically to provide required land and other approvals through a single desk portal within 21 days of receipt of application(s).

The letter of assurance, received from the Chief Secretary of GoAP, being the highest level bureaucrat in the State, is again further testament to the bona fides and regard the Company is held with GoAP.

The Company has also commenced the market research and other feasibility actions in India as required under the terms of the JVA.

As announced previously, the Company had signed an Memorandum of Understanding (**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 production, which includes prompt land acquisition, adequate infrastructure development and offering attractive incentives as per the policies / rules and regulations of the State Government.

In addition, the 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, and Implementation support. Through this relationship, The Company is aiming to support the development of infrastructure in Andhra Pradesh, and leveraging the Government's focus on promoting manufacturing and industrialization in the state and facilitating a conducive investment environment.

One key enabler to the execution of the MoU was the GoAP 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 Company will be proposing utilising this industrial hub as a foundation for the binding agreement with Wei Hua Group, and continues to leverage the GoAP MOU, with discussions on providing the approvals for the land, power, water and other utilities for the steel project already commenced.



**Blast furnace shell**

### **Key Terms of Agreement**

The joint venture Company will be established with a 50/50 shareholding and importantly, NSL is not required to fund any aspect of the Joint Venture.

NSL shall provide reasonable assistance to Wei Hua for the feasibility studies, including the latest market research on the Iron and Steel industry in India which will assist in determining the size and scale of the proposed steel plant project.

Initially, NSL shall conduct a study to understand the governmental approvals, licences, consents, no-objections etc. required from statutory, governmental and other authorities under the laws of India for the proposed project, setting up of the JV, and commencement of the preliminary activities for the project. This will be undertaken in consultation with Wei Hua and NSL shall seek reasonable assistance from Wei Hua.

Next, NSL shall commence the preliminary activities for obtaining and providing the legal and regulatory approvals, accessing available land for the proposed project and shall take all appropriate steps towards the supply of supplementary materials and human resources for the proposed project

NSL shall be responsible for the operations, commercial marketing and sale of the steel products from the proposed project, on an exclusive basis.

Wei Hua shall carry out its feasibility for the steel market in India from a technical, financial and legal perspective, with reasonable assistance from NSL where sought by Wei Hua.

Wei Hua shall provide the equipment for the proposed project delivered free of charge and as per a mutually-acceptable delivery schedule.

NSL and Wei Hua shall jointly discuss and finalise JV shareholder and operating agreements in a timely manner, post completion of feasibility studies and shall collectively approach and apply for financing from Asian Infrastructure Investment Bank.

NSL and Wei Hua shall ensure that the proposed project results in enhancing the welfare of the local community and economic and social development in the area of the proposed project.

The binding agreement is valid for a period of 12 months from the commencement date, or as extended by the parties in writing; or either party may terminate this agreement by giving a notice of 30 days to the other Party.



## 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 accelerate during the coming months.

### **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





## KURNOOL IRON ORE BENEFICIATION PLANT

### PHASE TWO WET PLANT

During the quarter, the Company, as the only Australian or foreign company to own and operate in India's massive iron ore market continued to progress is Phase Two wet beneficiation project. The Company has successfully commenced the erection stage of the plant, and then progressed further with the commencement of component commissioning of the plant on time and budget.

### Huate Wet Plant equipment

During the quarter, all remaining equipment was successfully shipped from China to India and delivered to site according to schedule.

The equipment had been fabricated, successfully passed acceptance testing, shipped from Qingdao port to Krishnapatnam port in India, and moved through the customs process.

The final acceptance testing, quality inspection and verifications were conducted by SGS Industrial Services in the presence of NSL and Huate.



Equipment arriving on site



**Equipment arriving on site**

The largest components of the plant cargo from China was delivered to NSL's site and unloaded. The ball mill transportation, with each more than 9 metres in length and weighing over 35 tonnes, was a complex task that involved significant community interaction and support.



**Ball Mills Arrival On Site**





**Ball Mill Unloading**

### **Commencement of Erection**

During the quarter the Company commenced the erection stage of the Phase Two wet beneficiation project. This commenced with the 5MVA and 2.5MVA transformers undergoing final inspection testing and shipment from Hyderabad, and were erected on site in readiness for grid power connection.



**Transformer Erection**

Mobilisation of large scale cranes to site enabled the Chinese equipment to safely be transported, traversed and placed into final plant position.





**Completed LIMS Erection and the Team**



WHIMS Number One Erection





**WHIMS Number Two Erection**





The Two WHIMS Safely in Place





Equipment Installation





Equipment Installation





### Equipment Installation and progress

#### Commencement of Commissioning

During the quarter, the Company commenced the Phase Two wet plant commissioning program. Commissioning initially began with the mechanical and electrical components of the plants four process tanks, agitators and mixers undergoing no-load and load testing. The commissioning continued with further plant and equipment following, according to the Company's project schedule.



**Equipment prepared for commissioning**

### **Huate Wet Plant Agreement Details**

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.

The 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 which Huate desires to gain a position.





As highlighted in previous announcements the commercial terms as follows:

Capital cost: US\$1,054,000 (excluding duties)

Payment 1	Payment 2	Payment 3	Payment 4	Payment 5	Payment 6	Payment 7
On Execution - <b>COMPLETED</b>	Stage 1 Delivery - <b>COMPLETED</b>	Stage 2 Delivery <b>COMPLETED</b>	Stage 3 Delivery <b>COMPLETED</b>	Within 30 working days post Stage 3 delivery <b>COMPLETED</b>	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	Aug 16	Dec 16	Feb 17

**Offtake Customer Site Visit**

At the end of the quarter the Company hosted a delegation visit by BMM. The purpose of the BMM visit was to review plant progress, prepare both companies for the first wet plant product transaction and further discuss BMM's iron ore needs.

During discussions BMM confirmed they require, and will consume all 200,000tpa of material produced by the Phase Two wet plant. In addition, the BMM representatives were briefed on the next phase of expansion and have confirmed the desire to purchase the Company's proposed 200,000 tpa production volumes when they become available.

As part of these discussions, BMM reiterated strongly their desire for a single user/supply arrangement with the Company, whereby the Company would exclusively supply all material to BMM.

The Phase Two wet beneficiation plant will produce 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.





**Phase Two wet plant anticipated economics:**

**Phase 2: Historical operating costs and plant modelling overview – Focus on domestic sales**



Historical Operating Costs (A\$ per tonne) <sup>2</sup>		Estimated Plant Performance <sup>3</sup>	
Mining (Inc royalty)	\$9	Potential output (annual)	200,000 t
Maintenance	\$1	Modelled ROM input grade	25-27% Fe
Beneficiation (modelled)	\$12	Recovery (at input grade)	74-76%
		Yield per 100t	36-37 t
		Final product grade	58-62% Fe
<b>Total modelled cash cost</b>	<b>A\$22</b>	<b>Current Pricing</b>	
All costs are per tonne of saleable concentrate produced		<b>Current Indian domestic price (grade 60%)</b>	INR 2,444/t A\$52/t
Plant Design Capacity <sup>3</sup>		Modelled financial outcomes <sup>4</sup>	
Total throughput (per hour)	100 tonnes	<b>NET CASH FLOW</b>	<b>A \$500 000 PER MONTH</b>
Total throughput (annual)	~ 496,000 t		<b>A \$6M PER ANNUM</b>

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 initial 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 feed 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 an outcome 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.

**AP 26 & 27**

As previously announced, the Company was able to support its important wet beneficiation production expansion plans by gaining access to additional mining leases, designated AP26 and AP27, through a Run of Mine (ROM) royalty based agreement.

The Company entered into a Heads of Agreement (HOA), binding on the Lessee, whereby the Lessee agrees to grant the Company exclusive operation and management rights over the subject mining assets for a period equal to the length of the Mining Lease and any extensions thereto.

AP26 and AP27 are mining leases of a combined 100 acres. They are located in the district of Kurnool, and importantly only 1.5 kms and 9 kms from NSL's existing stockyard and its beneficiation plants.

AP26 and AP27 are located in the same geological basin as the NSL owned Kuja and Mangal mining leases and as such, the geology and beneficiation characteristics are similar in nature and contain a significant quantity of iron ore material amenable to NSL's processes.

The Company continue with the detailed legal and technical due diligence program on both projects, which has included conducting geomagnetic surveys and surface sampling of both projects, and anticipate that final agreement documents to be executed on successful completion of the program.

The AP26 and AP27 projects represent opportunities, both to enhance the current wet plant project and allow for significant future growth plans.



**AP26 and 27 pit workings**

### **AP 14 MINING LEASE**

During the quarter, the Company continued to work with the Indian Government to progress the grant of AP14 through Delhi. Specifically, the Company made detailed representations to the Prime Minister's Office Project Monitoring Group (**PMG**) during a planning workshop held in Hyderabad.

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.

### **COMMUNITY**

The Kurnool district is characterised by poverty, lack of empowerment for women, high rates of farmer suicide and a seasonal, subsistence lifestyle. Government programs have been focussed on food security, but other key areas are not drawing national attention.

In 2007–2008 the International Institute for Population Sciences interviewed 1,247 households in 38 villages across the Kurnool district. They found the following key statistics:

- 94% of households had access to some form of electricity;
- 89.7% of households had drinking water;
- 34.6% of households had toilet facilities;
- 51.6% lived in a pucca (permanent) home; and
- In addition, 30.6% of girls wed before the legal age of 18.

NSL has been an active part of the local community, and has been able to develop a deep understanding of the key drivers and needs. To support these needs NSL's CSR program is broken into the following key focus areas.

#### **Healthcare**

In the Kurnool district there are no medical facilities within 20km of the project site, and the 4 surrounding villages have no access to healthcare. There are no government programs to assist with healthcare and sanitation. Water is generally available, but quality is problematic. No sanitation facilities are available in the 4 surrounding local villages.





## **Education and Skill Development**

Local schools do not currently extend to high school. Any students wishing to obtain further education must attend boarding schools. Local schools also have a teacher ratio of 1:50 so resourcing is a significant issue. There are also significant skills gaps in the mining industry in general, and no national framework for skills development is in place.

## **Agriculture and Water Management**

Local agriculture is heavily labour intensive, with no mechanisation. The majority of farmers are using bullocks and hand held techniques. The local district is arid and produces a single dry ground crop during the monsoon. Soil quality and use of groundwater resources is problematic. A village cooperative mindset is evident, and may be beneficial with any CSR based activities

## **Sustainable Employment**

NSL is aiming to recruit approximately 70% of our required workforce from the local village populations. This local employment is very welcome, however is in itself problematic with the patriarchal structure meaning we may remove the main farming assets from the agricultural industry. This needs to be linked with productivity improvements in agriculture to ensure a sustainable resourcing model for all stakeholders

Each of these key areas is then further broken down into local and state wide programs, and short and long term time horizons.

Over the course of the past few months as NSL move closer to commissioning of the Kurnool Phase Two beneficiation plant, the Company has been focussing on a number of critical areas within our local community. These are outlined briefly as follows:

### **1. Schools and Education**

NSL representatives have been actively engaging with Principals of the surrounding primary schools to gain a better insight into their functions and standards, and also to get a different window into the needs of each community.

During this time, Company representatives have been assisting with teaching English in schools, exposing students to e-learning, and understanding future directions for education in the District.

One critical and successful example of the engagement process came from the local school at Muddavaram Village. On discussion with the Principal at the school it was discovered that there was no running water available to the students due to a broken pipeline. **NSL staff were able to complete repairs and the school now has safe access to fresh water.**



**NSL Staff Repairing Water Pipes for Local School**

This engagement process has also started with higher education facilities, and has resulted in NSL making a donation of chemicals and laboratory equipment to one of the local colleges.



**NSL Lab Staff Donating Supplies to Local College**

**2. Healthcare and Emergency Planning**

The Company has also been engaging with the local hospital at Betamcherla through bilateral visits and workshops. For NSL this has practical benefits, such as allowing for detailed emergency preparedness planning and first aid training for staff, whilst the medical staff were notably impressed with NSL’s systems, processes and induction methods, which they hope to roll out in their hospital.





**NSL Representatives at Local Hospital Function**



**Local Doctor Site Inspection and Planning Session**



**Local Hospital Facilities**

### **3. Borewell Monitoring and Environmental Impact Measurements**

Although the Company is under obligations to ensure compliance to stringent environmental conditions as part of the licence to operate, it is always seeking to move beyond environmental compliance and take a position of leadership in this arena.

One small measure showing this depth of commitment has been in the conduct of a regional borewell survey and monitoring program. The Company has been gathering data from 20 borewells within a 5km radius of the plant location, monitoring depth variations to water table and various water quality parameters.

Understanding the nature of the water table and seasonal changes through the monsoon will allow better utilisation of this resource, and is linked to the drive for productivity improvements for the local farmers.

### **4. Agriculture Programs**

The International Crops Research Institute for the Semi-Arid Tropics (**ICRISAT**) is an international non-profit organization that undertakes scientific research for development. Over the past month the Company has been in discussions with ICRISAT about areas for collaboration and joint research focussed on productivity improvement in agriculture and better channels to market for rural communities.

The semi-arid tropics (**SAT**) region is characterised by highly variable, low-to-medium rainfall and poor soils, further characterised by lack of irrigation. In general, the historical average annual rainfall in the SAT is below 700 mm.





### **Pre Monsoon Field Preparation in Kurnool District**

ICRISAT adopts Integrated genetic and natural resources management as its overarching research strategy. The aim is to combine tested methods of crop commodity research with well-established practices in research in natural resources management. The original goal was to use crop improvement research as the basis to improve food availability in drought-prone areas of the tropics.

In the last ten years, ICRISAT research, especially in India, China, the Philippines and Vietnam, has tended to emphasise creation and sustenance of rural livelihoods in addition to releasing crop varieties that yield better.

The Company expects to be able to formalise a long term relationship with ICRISAT, who already are running programs in Andhra Pradesh, that align strongly with NSL's CSR Strategy.

Mining is a relatively new industry in the State, and as such NSL has significant potential to start CSR activities in a meaningful and targeted way. CSR in India is seen by many organisations as an obligation and not an opportunity. It is in fact a critical component of any licence to operate.

Even our small commitments to date have produced positive impacts to our local communities, and our focus on integrated solutions and not cash charity is being well received.

NSL will continue to engage with Village, Community and Government institutions to support the Kurnool District and ensure the establishment of a sustainable business model for what is predominantly an agriculture based economy as it transitions towards more intensive industry.



## 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.

### OVER SUBSCRIBED PLACEMENT AT A PREMIUM

During the period, the Company secured Placement commitments predominately from, investment funds and high net worth investors for the placement of 185,000,000 fully paid shares at an issue price of \$0.02 cent per share, raising \$3,470,000 before costs of the offer.

The Placement was conducted at a 21% premium to the 30 day VWAP.

Sanlam Private Wealth was lead manager to the Placement.

The Placement occurred in one tranche, with the Shares being issued under the Company's 15% capacity under Listing Rule 7.1 and settled on 28 July 16.

### OPTION CONVERSIONS

During the quarter, the Company received A\$314,821 and A\$347,000 in proceeds from the conversion of 31,482,143 listed \$0.01 options (**NSLO**) and 36,166,667 unlisted \$0.0096 employee share options (**ESOP**).



**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER INTERVIEW WITH FINANCE NEWS NETWORK**

During the quarter the Company released an interview with its Managing Director and Chief Executive Officer Cedric Good, providing an update on the Company and its projects, future direction and goals.

The interview can be viewed on line at the following web address:

<http://www.finnewsnetwork.com.au/MediaCenter/MediaCenterMobile.aspx?Site=FNN777>

**MAGNA A\$5M SENIOR SECURED LOAN – PARTICIPATION IN PLACEMENT / CASH PAYMENT & RELEASE OF SECURITY**

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.

During the quarter, the Company continued loan repayments in accordance with the terms, and in addition, the Company and Magna agreed, such that security over the Company and its assets would be retired with a A\$500,000 repayment towards the loan. The Security was retired on 16 August 2016.

As at 30 September, the outstanding balance stands at A\$410,000.

**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.

**CASH FLOW – APPENDIX 5B**

At the commencement of the quarter, the Company had an opening cash balance of approximately \$919,000. The closing cash balance for the quarter ending 30 September 2016 was approximately \$1,960,000.


**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 and oil and gas exploration entity quarterly report

**Name of entity**

NSL Consolidated Ltd

**ABN**

32 057 140 922

**Quarter ended ("current quarter")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4	4
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(139)	(139)
(c) production	-	-
(d) staff costs *	(449)	(449)
(e) administration and corporate costs *	(411)	(411)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(993)</b>	<b>(993)</b>

\* Costs incurred by Parent Company and its subsidiaries (Singapore and India) and reflects the increase in activities.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,191)	(1,191)
(b) tenements (see item 10)	-	-
(c) investments	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,191)</b>	<b>(1,191)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	3,102	3,102
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	662	662
3.4	Transaction costs related to issues of shares, convertible notes or options	(169)	(169)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(296)	(296)
3.7	Transaction costs related to loans and borrowings	(33)	(33)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,266</b>	<b>3,266</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	919	919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(993)	(993)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,191)	(1,191)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,266	3,266
4.5	Effect of movement in exchange rates on cash held	(41)	(41)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,960</b>	<b>1,960</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,960	919
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,960</b>	<b>919</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

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

**Current quarter  
\$A'000**

200

-

Wages, superannuation and car lease.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

-

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	5,000,000	410,000
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.		

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.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development (inc PPE) *	1,207
9.3 Production	-
9.4 Staff costs	459
9.5 Administration and corporate costs	469
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>2,135</b>

\* Development costs include associated plant commissioning and production ramp up costs in relation to the Phase Two wet beneficiation plant.



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

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: 31 October 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 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.