



NSL Consolidated

1 August 2016

GOVERNMENT ASSURANCES - GREENFIELD STEEL PLANT JV

HIGHLIGHTS

- Andhra Pradesh Government (**GoAP**) issues letter of assurance to the Company for land and approvals.
 - 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 selections of feasibility providers and EPC companies.
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NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to announce further significant progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh as announced on 27 June 2016.

As previously announced the Company has signed a JVA with the Wei Hua Group Co Ltd, China's leading heavy equipment crane building company, for the establishment of a steel making plant in Andhra Pradesh.

Company 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 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, 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 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.

Wei Hua Group Co Ltd

Wei Hua Group Co Ltd, with revenues in excess of US\$1 billion in 2015, has already acquired key components of the proposed steel making plant and these are warehoused in China and ready for deployment, with the remainder to be purchased as required, based on Indian progress. Wei Hua is looking to diversify its revenue stream, both in location and source generation (Reference <http://www.weihuagrp.com/>).



Blast furnace shell in Chinese warehouse

The Wei Hua Group also brings strong ties with the Asia Infrastructure Investment Bank (AIIB). The AIIB is a newly established international financial institution that aims to support the building of infrastructure in the Asia-Pacific region. The bank has 37 member states and was proposed as an initiative by the government of China. The capital of the bank is \$100 billion, equivalent to 2/3 of the capital of the Asian Development Bank and about half that of the World Bank.

Wei Hua views the Indian economy as one of the most attractive up and coming investment opportunities in the world. India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position, as its capacity is projected to increase to about 300 MT by 2025 from 81 MT in 2013-14. Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

In addition to this, Wei Hua also sees significant value in what NSL has been able to achieve in India, as the only foreign company to own and operate iron ore mines and also with the significant progress made by the Company with the GoAP as part of the existing joint MOU.

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 report on the Iron and Steel industry in India which will assist in determining the size and scale of the proposed steel plant project.

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.

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. Which will assist in determining the size and scale of the Proposed Project.

Wei Hua shall provide the equipment for the Proposed Project. The equipment shall be delivered free of charge and as per a mutually-acceptable delivery schedule, prepared by both parties.

The Parties shall jointly discuss and finalise JV Shareholder and Operating Agreements in a timely manner, post completion of feasibility studies.

Parties shall collectively approach and apply for financing from Asian Infrastructure Investment Bank for the Proposed Project.

Parties shall collectively ensure that the Proposed Project results in 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 on the date so stipulated in the notice (or any extended date provided by the party serving the notice), unless the party sending the notice withdraws the same prior to the said date (or prior to any extended date thereof).

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