



# NSL Consolidated

16 June 2011

## AGREEMENT REACHED TO ACQUIRE QUEENSLAND THERMAL COAL EXPLORATION PROJECTS

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### HIGHLIGHTS

- Agreement to acquire Queensland exploration permits for coal (**EPCA**) 2198, 2336, 2337 & 2338 covering 2585km<sup>2</sup> executed.
  - Permits are considered prospective for thermal coal and are targeting similar style of mineralisation to the nearby East Energy Resources (ASX:EER) 1.2 Billion Tonne Inferred Resource EPC 1149<sup>2</sup>.
  - Exploration target of between 500Mt to 600Mt of thermal coal<sup>1</sup> identified for EPCA 2198 alone (geological assessment of the other EPCAs will occur over the coming weeks).
  - Low acquisition cost, with small upfront consideration and scaling payments upon grant of the EPCs and establishment of JORC resources.
  - Potential to leverage Indian demand for coal products through existing local Indian experience.
  - NSL to immediately progress further legal and geological due diligence.
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NSL Consolidated Limited (ASX: NSL) is pleased to announce the signing of a conditional agreement to acquire EPCAs 2198, 2336, 2337 & 2338 (**Projects**) in Queensland, which are considered highly prospective for Thermal Coal.

The Projects are located in the Eromanga Basin in South Western Queensland, adjacent to similar projects held by East Energy Resources (ASX:EER) and the soon to be listed International Coal Limited.

NSL Managing Director, Mr Cedric Goode, said that the company chose to enter into the agreement to acquire the coal Projects after being presented with the opportunity and determining that it had the potential to add significant value to the company.

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<sup>1</sup> It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

<sup>2</sup> Refer EER ASX Announcement 17 May 2011 – Investor Presentation

"This is an excellent opportunity for NSL to acquire a low entry cost exposure to significant exploration potential for coal resources in a currently very active area for exploration in Queensland," said Mr Goode.

"We have taken the first step into what is potentially a very attractive second bulk commodity which is enjoying similar buoyant demand conditions as our iron ore interests.

"This acquisition in no way distracts us from our ongoing operations in India and we look forward to providing further updates on the beneficiation project in the coming weeks.

"We expect our detailed knowledge of the Indian market may be highly beneficial in establishing off-take arrangements should the Projects reach production."

NSL will now proceed to perform legal due diligence and geological due diligence prior to settlement of the option agreement.

NSL has secured the rights to acquire the Projects with a small initial cash payment (\$50,000) to be followed by further cash payments and share issues as the Project progresses through the due diligence process. The majority of the acquisition costs are contingent upon JORC Resources being established at the Projects.

The acquisition terms are summarised further in the Appendix to this announcement.

NSL's most recent Quarterly Report detailed that it was reviewing other coal and iron ore projects outside of India for possible acquisition..

### **Project Geology**

The Projects are located approximately 80km Southwest of Blackall Queensland. The area is well served with local infrastructure including power, water, sealed roads, nearby rail lines.

EPCA2198 or the South Bulburrum area, covers 75 sub-blocks (approximately 213 km<sup>2</sup>) and is the most advanced of the prospects. The main exploration targets are coal-bearing sequences within the Eromanga Basin, which at this location are the Winton and to a lesser degree the underlying Mackunda Formations and the coal-bearing formations of the Galilee Basin.

The Winton Formation covers most of the tenement area and has been the focus of recent nearby exploration efforts by other exploration companies to find large quantities of thermal coal amenable to beneficiation and open cut extraction. The intersected Winton Formation coal seams range in thickness from 1m to 7m. The main seam averages 3m in thickness.

Structurally, the tenement area is bisected by a syncline and bounded in the north and south by anticlines. As a result, the coal seams deepen towards the centre and shallowing to the north and south. The regional structure in the vicinity of EPCA2198 has not been refined in the historical literature beyond that originally mapped by government geologists and it is possible that coal occurs at both shallower and deeper depths than that postulated.

The other exploration permits (EPCA 2336, 2337, 2338) are less advanced in investigation than the South Bulburrum area, however the geological features present at South Bulburrum are thought to extend into the other permits. NSL will investigate these permits further as part of the due diligence process.

### **Target mineralisation style**

East Energy Resources (ASX:EER) has reported a JORC compliant inferred resource<sup>2</sup> of 1.2Bt over an area of 17,000ha and a 469Mt indicated resource and 280Mt inferred resource over a smaller exploration area of 9,500ha.

### **Exploration Target for EPCA 2198**

For the initial gross in-situ tonnage estimate calculation a 2.4m average cumulative thickness has been assigned across the entire tenement area. Based on the data collated, a combined Exploration Target ranging between 500Mt and 600Mt has been calculated for the project, and is summarised in the table below. Whilst insufficient data exists across the application area to calculate JORC-reportable resources, data from historical boreholes drilled to the west and north of the tenure are sufficiently detailed to enable seam correlations and a regional model could be constructed to aid exploration target delineation.

#### ***EPCA2198 (South Bulburrum) Exploration Target Estimate***

<b>Tenement</b>	<b>Formation</b>	<b>Area (Km<sup>2</sup>)</b>	<b>Average Cum. Thickness (m)</b>	<b>Gross Tonnage Mt<sup>1</sup></b>	<b>Unexpected Geol. Loss %<sup>2</sup></b>	<b>Inventory Coal (insitu) Mt</b>
<b>EPCA2198</b>	Winton	200	2.4	744.0	30	520.8
	Mackunda	105	1.0	105.0	40	63.0

<sup>1</sup> Assumes a coal density of 1.55.

<sup>2</sup> Unexpected Geological Loss is a risk factor applied to account for banded seams and loss of seam continuity .

It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

**- Ends -**

For more information:

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## **COMPETENT PERSON'S STATEMENT**

Technical information relating to the coal projects in this announcement has been compiled by Mr Mark Biggs, Principal Geologist of Moultrie Database and Modelling. Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy and has over 24 years of experience relevant to the style and type of coal mineralisation under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004. The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 1<sup>st</sup> March 2011 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code). Mr Mark Biggs consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

## **APPENDIX ONE - Key acquisition Terms:**

### **Consideration**

The Consideration payable to the Vendor (or its nominee) is:

- (a) the payment of \$50,000 contemporaneously with the execution of the Tenement Acquisition Agreement;
- (b) the payment of \$150,000 on or before 5pm (Perth time) on 22 June 2011;
- (c) the payment of \$100,000 at Settlement;
- (d) the payment of \$200,000 and the issue of the Consideration Securities on the date that the last of the Tenements is granted;
- (e) the payment of \$1.25 million on establishment of a JORC Inferred Resource of coal of at least 500 million tonnes across any or all of the four Tenements; and
- (f) the payment of \$1.25 million on establishment of a JORC Indicated Resource of coal of at least 250 million tonnes across any or all of the four Tenements.

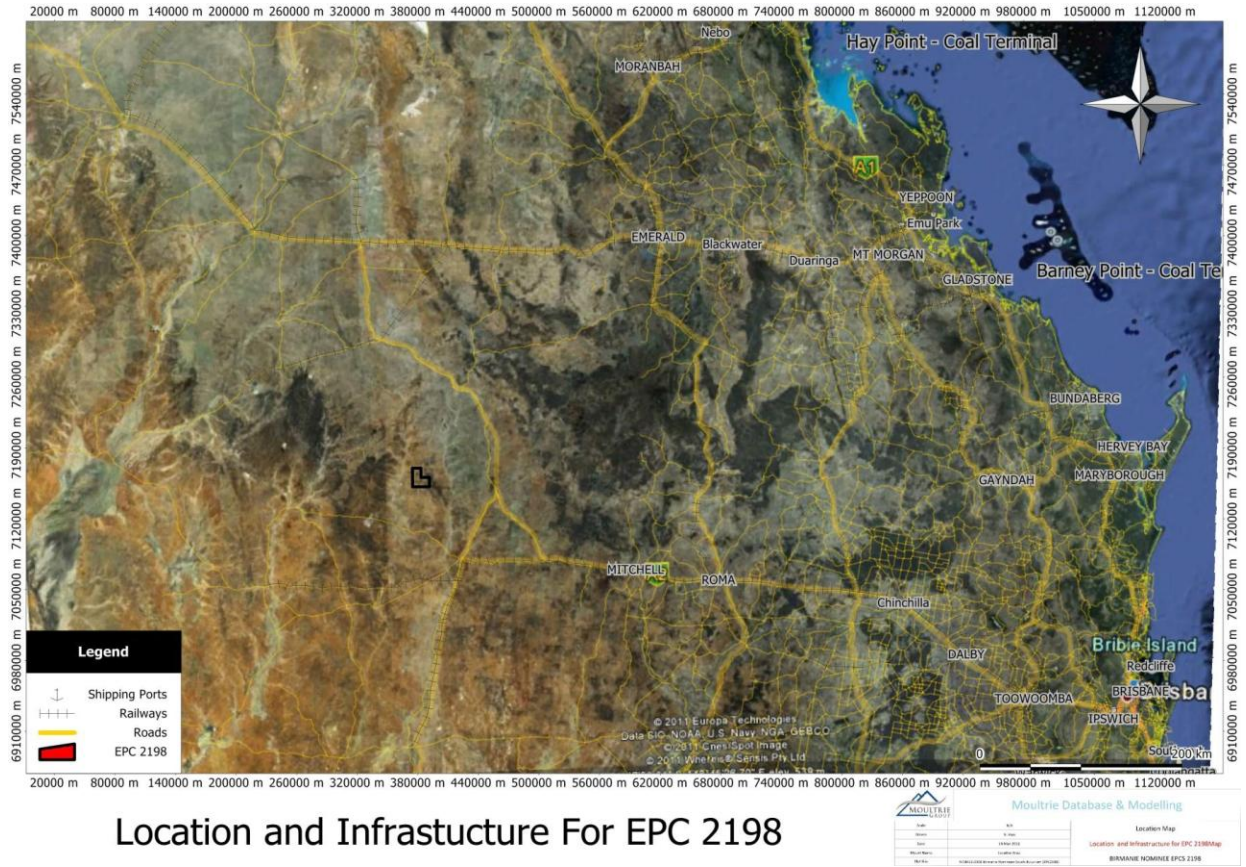
**Consideration Securities** means:

- (a) 6,000,000 fully paid ordinary shares in the capital of the Purchaser; and
- (b) 6,000,000 unlisted options to acquire fully paid ordinary shares in the capital of the Purchaser, with an exercise price of \$0.07 each and an expiry date of 30 June 2015.
- (c) All Consideration Securities will have a 12 month escrow period

### **Conditions**

The agreement is conditional on NSL completing legal and technical due diligence on the Projects.

## APPENDIX TWO – Project Locations



Location and Infrastructure For EPC 2198

