



## QUARTERLY ACTIVITIES REPORT

SEPTEMBER 2013

Issued 31 October 2013

### SEPTEMBER QUARTER HIGHLIGHTS

#### IRON ORE

- Continued progression of AP 14 magnetite project Mining Lease application approvals.
- Vijay issued a notice of breach in accordance with the Joint Venture Agreement.
- JV partner replacement process moving forward with parties engaged in further discussions and conducting due diligence.
- JV partner replacement parties range from Indian high net worth individuals and companies to multinational companies.
- Cost reduction programmes continue in both India and Australia.



### AP 14 MINING LEASE

During the course of the quarter the Company continued the processes related to gaining the grant of the Mining Lease by the Central Government in Delhi.

This included participating in inter-governmental department workshops in Delhi, and providing additional qualifications to support the application.

Upon approval from the Central Government the Company will then be enabled to undertake further exploration activities, including drilling operations on the lease. Work has commenced on the development of the exploration program scope, including pre work on preferred supplier sourcing.

The approvals previously granted by the Andhra Pradesh Government are a critical step forward in the progression of the Karimnagar project and represent a strong reflection of the Government's support for regional development in remote areas of the state.

These important developments for NSL lay the foundations for the Company's future expansion plans.

The exploration target has been upgraded from a previous 62 million to 125 million tonnes to be **134 million to 377 million tonnes** of magnetite at grades ranging from 20% to 50% Fe.

Contained within this exploration target exists potential for a high grade core of Direct Ship Ore (**DSO**) quality enriched magnetite, with estimates from 5 million to 10 million tonnes with a grade range from 55% to 65% Fe.

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

Metallurgical testing based on Davis Tube Recovery (**DTR**) methods of 25 grab samples provided average final product concentrate grade of 68.9% Fe, 3.0% SiO<sub>2</sub> and 0.2% Al<sub>2</sub>O<sub>3</sub> with average mass recoveries of 33.4%.

### KURNOOL MINING

Vijay commenced full time mining operations at Mangal at the end of the last quarter. Mining continued until excavator breakdowns in August, with excavator buckets being sent off site for repairs. With the combined impacts of monsoonal rains and equipment availability mining has not yet recommenced to date.



Mine operations and stockpiling

## KURNOOL IRON ORE BENEFICIATION PLANT

### Phase One Plant

In order to determine the maximum throughput and production rates through the dry separation plant, plant operations remained suspended during the quarter, until such time as an appropriate feed stockpile has been built to facilitate the consistent and full time operation of the plant.

The maximum throughput and production rate studies will commence subject to delivery of appropriate feed stockpiles to the plant and sufficient funding.

### Phase Two Plant

During the quarter, post the Indian Ministry of Environment and Forest (**MoEF**) clearance of NSL's Wet Beneficiation Plant application and approval of the project for environmental clearance, the Company continued on planning for the development (subject to funding) of the plant.

The company has received the final State Government approval, the Consent for Establishment (**CFE**) during the quarter. The CFE is the final requirement to construction works commencing, which allows for site works to now commence on the project site.

The Phase Two wet beneficiation plant process, which is anticipated to be capable of producing final product grades of between 58-62% Fe, has a design capacity of 200,000 tonnes per annum of iron ore fines.

### Marketing and Offtake

During the quarter the Company sold small amounts of material from its iron ore stockpiles on an ex mine gate basis.



## THERMAL COAL - QUEENSLAND

### APPLICATIONS PROCEEDING THROUGH GRANT PROCESS

During the quarter, the Company continued to work towards completing the final granting process for the fourth and remaining coal tenement - EPC 2336.

NSL's four thermal coal tenements (EPCs 2198, 2336, 2337 and 2338) cover 2,585 km<sup>2</sup> in the Eromanga Basin in southwest Queensland and are adjacent to similar projects held by East Energy Resources (ASX: EER, Inferred Resource of 1.74 Billion Tonnes) and International Coal Limited (ASX: ICX, Inferred Resource of 1.2 Billion Tonnes).

As previously announced, independent geologists have estimated a combined exploration target of between **6.6 billion and 18.7 billion tonnes**<sup>1</sup> of thermal coal for the four tenements.

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

## JOINT VENTURE AGREEMENT - VIJAY GROUP

During the quarter, the Company continued to provide status updates pursuant to the Joint Venture Agreement (**JVA**) with the Vijay Group (**Vijay**) as announced on 13 March 2013.

As advised to the market during the quarter, the Company continued to work with Vijay in relation to the fulfilment of Vijay's financial commitments under the JVA.

Due to Vijay's failure to provide the agreed upon funding, the Company served on Vijay (Defaulting Party) a notice of breach in accordance with the JVA, as announced on 26 July 2013.

To date, the Company has not yet finalised a suitable remedy and has the right to terminate the Vijay JVA forthwith.

The Company is in continuing discussions with Vijay representatives, who have advised the Company they expect to transfer some funds in the near term. The Company continues to be unsure if the discussions will result in a remedy to the satisfaction of the Company.

**The Company has progressed discussions with various other parties to replace Vijay in the JV. These parties are currently engaged in further discussions and conducting due diligence. The parties range from Indian high net worth individuals and companies to multinational companies.**

**SUCCESSFUL CAPITAL RAISING**

During the Quarter the Company secured commitments for the placement of 23,510,000 fully paid shares at an issue price of 2 cents per share, raising \$470,200.

The raising was completed in accordance with Section 708 of the Corporations Act, and was supported by existing major shareholders, Board and management.

The placement occurred in two tranches, with 17,010,000 million shares being issued under the Company's 15% placement capacity and the balance (Board of Directors participation) post shareholder approval on 19 August 2013.

One free attaching option was granted for each share allotted under the placement. The exercise price of the options is 4 cents, with an expiry date of 30 June 2015.

Subsequent to the Quarter the Company secured commitments for the placement of 102,946,215 fully paid shares at an issue price of 1 cent per share, raising \$1,029,462.

The placement will occur in two tranches, with 92,946,215 million shares being issued under the Company's 15% and additional 10% placement capacity and the balance (Board of Directors participation) subject to shareholder approval at the Company's Annual General Meeting (**AGM**) to be held on 29 November 2013.

One free attaching option will be granted (subject to shareholder approval at the Company's AGM) for each share allotted under the placement with a 1 cent exercise price and an expiry date of 31 December 2016. The Company intends to have the free attaching Options listed on the Australian Securities Exchange (**ASX**) in accordance with the Corporations Act and ASX Listing rules.

**POTENTIAL ACQUISITIONS**

The Company continued to progress several opportunities for either outright 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 September quarter, the Company had an opening cash balance of approximately \$474,000. The closing cash balance for the quarter ending 30 September, 2013 was approximately \$381,000.

During the quarter the Company continued cost reduction programmes in both India and Australia. This included a reduction in overhead costs relating to the number of employees and associated salaries of remaining employees, in conjunction with reducing monthly operating expenses. Australian based Directors and employees have continued to either forgo or defer between 40-50% of their fees and salaries.



Regards

**NSL Consolidated Limited**

A handwritten signature in black ink, appearing to read 'Cedric Goode', is positioned above the printed name.

**Cedric Goode**  
**Managing Director/CEO**

For more information:

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Managing Director/CEO  
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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 Exploration Target presented in this Report are considered to be a true reflection of the Coal Exploration Target as at 20<sup>th</sup> January 2012 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.*

*The information in this report relating to iron ore to the exploration results and exploration target is based on information assessed by Mr Paul Blackney who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Blackney is employed by Optiro Pty Ltd. Mr Blackney has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Paul Blackney consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## 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

<b>NSL Consolidated Limited</b>
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ABN

32 057 140 922
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Quarter ended ("current quarter")

30 September 2013
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#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(3)	(3)
(b) development	(75)	(75)
(c) production	-	-
(d) administration	(440)	(440)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(516)</b>	<b>(516)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(7)
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)	-	-
<b>Net investing cash flows</b>	<b>(7)</b>	<b>(7)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(523)</b>	<b>(523)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(523)	(523)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	440	440
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
<b>Net financing cash flows</b>		440	440
<b>Net increase (decrease) in cash held</b>		(83)	(83)
1.20	Cash at beginning of quarter/year to date	474	474
1.21	Exchange rate adjustments to item 1.20	(10)	(10)
1.22	<b>Cash at end of quarter</b>	381	381

**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	108
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, Director fees, 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

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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 - HPA	-	-
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter \*

	\$A'000
4.1 Exploration and evaluation	37
4.2 Development	22
4.3 Production	-
4.4 Administration	600**
<b>Total</b>	659*

\* Estimated cash inflows not disclosed in the above for the next quarter are inflows relating to the Private Placement of approximately \$A 1,029k as announced on 14 October 2013.

\*\* Estimated cash outflow includes approximately \$A 100k in relation to fees associated with the Placement announced on 14 October 2013 and approximately \$A 200k in relation to fees associated with a Convertible Note and Marketing Agreement.

## 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	381	474
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	381	474

+ See chapter 19 for defined terms.

**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	-	-	-	-

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+ 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 <b>Preference securities</b> (description)	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>*Ordinary securities</b>	376,784,859	376,784,859		
7.4 Changes during quarter (a) Increases through issues (b) Exercise of options (c) Decreases through return of capital, buy-backs (d) Increase pursuant to underwriting of options	23,510,000 - - -	23,510,000 - - -	\$0.02 - - -	\$0.02 - - -
7.5 <b>*Convertible debt securities</b> (description)	1	-	US\$2.5M	US\$2.5M
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> (description and conversion factor)	4,500,000 3,000,000 3,000,000 3,000,000 200,000 200,000 200,000 23,510,000	- - - - - - - -	<i>Exercise price</i> \$0.21 \$0.20 \$0.40 \$0.60 \$0.20 \$0.40 \$0.60 \$0.04	<i>Expiry date</i> 30/11/2013 30/11/2013 30/11/2013 30/11/2013 30/11/2013 30/11/2013 30/11/2013 30/06/2015

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.8	Issued during quarter	23,510,000	-	\$0.04	30/06/2015
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/Forfeited during quarter	100,000	-	\$0.20	30/11/2013
		100,000	-	\$0.40	30/11/2013
		100,000	-	\$0.60	30/11/2013
		-	-	-	-
		-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

## 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 ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

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

Date: 31 October 2013

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.