



6 May 2016

PHASE TWO WET PLANT PROGRESS

HIGHLIGHTS

- First stage delivery of equipment sailed and enroute from Qingdao, China to Krishnapatnam, India.
 - Second stage delivery of equipment on track for mid-May sailing from Qingdao, China to Krishnapatnam, India.
 - Site works progress with construction of office expansion and infrastructure.
 - Civil foundation work commencement celebrated with Puja, attended by local dignitaries, village elders and bureaucrats, highlighting local engagement and support of the project.
 - Phase Two wet beneficiation plant on schedule for Q3 2016 commissioning and Q4 2016 positive cash flow.
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NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to provide an update on its Phase Two wet beneficiation plant program. As announced on 21 March 2016, the Company entered into a ground-breaking equipment supply agreement 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/>).

Significant steps forward continue, with the first stage delivery in transit between Qingdao, China to Krishnapatnam, India and scheduled to arrive in India prior to the end of May. Further to this, the second stage delivery is on track for a mid-May sailing departure from Qingdao.

Construction of office and site infrastructure moves towards completion in readiness for the commencement of the civil foundation works.



Office second story construction



Office second story construction



Retaining wall buttress construction

Importantly, in India the Company celebrated the official launch of the Phase Two wet beneficiation plant project with a Puja (a prayer ritual performed by Hindus to celebrate an event). The Puja was attended by approximately 130 people from the Company, village elders and regional bureaucrats.



Puja Celebrations of breaking first ground for civil works

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 Huate desires to gain a position.

As highlighted in previous announcement the commercial terms as follows:

Capital cost: US\$1,054,000

| Payment 1 | Payment 2 | Payment 3 | Payment 4 | Payment 5 | Payment 6 | Payment 7 |
|---------------------------------|-------------------------------------|-----------------------------|-----------------------------|--|--|--|
| On Execution - COMPLETED | Stage 1 Delivery - COMPLETED | 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 |

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.

NSL, 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.

Site works are progressing on site for associated infrastructure and 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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