



NSL Consolidated

27 June 2016

BINDING AGREEMENT FOR JOINT DEVELOPMENT OF GREENFIELD STEEL PLANT

HIGHLIGHTS

- NSL signs binding agreement for the joint development of a greenfield steel making plant in Andhra Pradesh, India (Joint Venture, or JV).
- This agreement has been executed with Wei Hua Group Co Ltd (Wei Hua), China's largest heavy equipment crane building company, with revenues in excess of US\$1 billion in 2015.
- The Joint Venture will be 50/50 with no funding required from NSL.
- NSL will be responsible for all associated approvals for the construction and operation of the steel plant, forming the basis of NSL's free carry 50% shareholding.
- NSL has the option to sell iron ore to the steel plant or into the local market at market prices.
- Wei Hua will provide all steel plant equipment, with the majority already acquired and ready for deployment.
- JV will leverage the Chinese Government's "one road, one belt" investment strategy with the Asian Infrastructure Investment Bank.
- Discussions have commenced with the Andhra Pradesh Government (**GoAP**) to provide approvals for land, power, water and other utilities.
- GoAP representatives, including the Honourable Chief Minister Chandrababu Naidu, are visiting China from 26th June to seek further investments into Andhra Pradesh.

NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to announce further significant progress on the Memorandum of Understanding (**MOU**) for the establishment of a greenfield steel making plant in Andhra Pradesh.

As announced on May 19, the Company had signed a MOU with Wei Hua, China's leading heavy equipment crane building company, for the establishment of a steel making plant in Andhra Pradesh.

The MOU has progressed and is now superseded by the execution of a binding agreement for joint development as both parties consolidate their understanding and establish the conditions and activities to be carried out prior to the execution of final Shareholder and operating agreements for the proposed project.

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The transition to a binding agreement further strengthens the relationship between the Company and Wei Hua, and demonstrates Wei Hua's commitment to investing in the Indian economy and importantly, the progress made by NSL date in India.

Managing Director, Mr Goode commented:

“We are very excited by the strengthening of the relationship with Wei Hua and the progression towards the proposed steel plant. The execution of the binding agreement also provides further validation of the strong relationships and ties that NSL has built within India and in particular the GoAP. India is currently the world's third largest producer of crude steel.

When you consider the Company now has a track record of operating in India, with its own mines and beneficiation plant, and from its own operations has achieved iron ore sales, established offtake agreements with JSW Steel and BMM Ispat, obtained strong continuing government support and now attained the support of a large Chinese company with a commitment to enter the Indian economy, it is certainly exciting times.

After years of dedication, the Company has started to gain significant momentum and looks forward to building value for Shareholders as the only foreign Company to own and operate iron ore mines in India”.

Wei Hua, 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 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

Wei Hua 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 23 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

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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 its existing MOU.

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. This support could include 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 leverage 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, 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.

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 JV.

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 and shall take all appropriate steps towards the supply of supplementary materials and human resources.

NSL shall thereafter be responsible for the operations, commercial marketing and sale of the steel products, 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 which 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.

Both Parties shall collectively approach and apply for financing from Asian Infrastructure Investment Bank and shall collectively ensure that the proposed project contributes to enhancing the welfare of the local community and economic and social development in the area.

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

This announcement will release the Company from its trading halt.

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