



# NSL Consolidated

13 August 2015

## **A\$5M NEW YORK INVESTMENT FIRM LOAN TO FULLY FUND NSL'S PHASE TWO BENEFICIATION PLANT AND PRODUCTION SCHEDULE**

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### **HIGHLIGHTS**

- New York investment firm, MG Partners II Limited ("Magna"), to provide A\$5 million conventional commercial loan to finance NSL's construction of high grade Phase Two Kurnool iron ore wet plant in India.
  - Kurnool's Phase Two wet beneficiation plant in Andhra Pradesh now fully funded through construction & commissioning.
  - Offtake agreements already in place with India's JSW Steel and BMM Ispat for Phase Two product.
  - Funding will also allow immediate re-start of Kurnool's Phase One dry plant.
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Perth-based iron ore miner, NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to advise that the Company has entered into a conventional secured funding loan agreement totalling A\$5 million to allow the construction, commissioning and operation of its Phase Two wet beneficiation plant, while also availing the recommencement of the existing Phase One dry beneficiation plant at its wholly-owned Kurnool iron ore processing stockyard in the Indian state of Andhra Pradesh.

The agreement has been signed with NSL's current funding partner and investor, New York-based investment firm, Magna.

Phase Two will be 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, 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 which is serviced by two of its local mines nearby, Kuja and Mangal.

This dry plant will now immediately recommence with working capital drawn from the new loan facility, while project work for Phase Two construction will also immediately commence with a view to being fully commissioned within 12 months.

This year, NSL 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. BMM Ispat is an existing customer for NSL's Phase One product.

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Magna has previously provided loan support for NSL's iron ore growth strategy in India. The new arrangements replace the previous US\$4 million converting loan facility entered into between NSL and Magna in January this year, of which US\$750,000 had been drawn down. Magna, at 30 June this year, had already elected to convert a total of US\$225,000 of that drawn loan balance, to shares in NSL.

Mr Goode said the new arrangement was a more conventional and transparent direct loan arrangement which provided certainty of funding and supportive investor intentions.

**NSL Managing Director, Mr Cedric Goode:**

*"This further support by Magna for our Indian business strategy is a true testament to the partnering nature of our relationship with this key New York investor. Both parties have worked closely with each other in recent months to understand the more substantial potential that Phase Two brings to Kurnool and then to bed down financing arrangements allowing construction, commissioning and production and sales activity to recommence.*

*The new loan package also ensures the Phase Two wet beneficiation plant is fully funded, bringing confidence to NSL and our shareholders as we strive towards our long-held aspiration to develop a senior iron ore mining and processing capability in this exciting domestic market.*

*Magna is a sophisticated, supportive funding partner and investor and its own investment criteria mirrors the development needs of NSL in securing and building longer term partnerships."*

**Magna founder and CEO, Mr Joshua Sason:**

*"Magna is particularly pleased to continue working with NSL as we share a view of the long-term potential of this key market within a global iron sector undergoing some flux. Magna's latest NSL investment marks our continued effort to build lasting and mutually beneficial relationships with Australian resources companies able to identify a market opportunity and persist in bedding down the longer term infrastructure, offtake and customer relationships that need to exist in the bulk commodities arena if successful outcomes are to be achieved."*

**Terms of Agreement**

Under the terms of the Agreement announced today, NSL immediately receives:

- Initial direct loan funds of A\$600,000 for the purposes of immediately commencing Phase One dry lump production and attaining domestic sales of up to 10,000 tonnes of lump iron ore at an average profit margin of at least 25%;
- A further loan of A\$1.9 million in 90 days (or earlier, when the above dry plant target is met. Magna does have the option of waiving this condition); and
- A final loan instalment of A\$2.5 million within 120 days thereafter (or earlier, when certain conditions are met, being the arrival of the Chinese fabricated plant onto the Kurnool site).

The loans have an 18 month term from the date of each drawdown, are senior secured, bear no annual interest costs and can be repaid at any time by the Company with a 15% premium.

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The loans can be converted by Magna into NSL ordinary shares at any time during the term at a fixed price of 200% of the average VWAP in the 5 days prior to the execution date of Definitive Documents. Beginning 180 days after the execution date, and continuing every 180 days thereafter, the conversion price will adjust to 200% of the VWAP in the 90 days prior to the said day.

On receipt of each loan, the Company will pay a 5% fund raising fee via the issue of ordinary shares and will also issue the equivalent to 50% of that loan value in unlisted 3c three year options, e.g. \$600,000 initial loan drawdown results in 10 million unlisted 3c options.

The A\$5m (in USD equivalent) loan will have an A\$5.5m (in USD equivalent) principal value, with repayment of each loan commencing six months after the loan is drawn down, and being completed a further 12 months from that date. Upon repayment of the loans in their entirety, Magna will then be entitled to receive a 7.5% of gross revenue royalty for the life of the Kurnool plant.

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