NSL CONSOLIDATED LTD

QUARTERLY ACTIVITIES REPORT

SEPTEMBER 2015

Issued 30 October 2015

SEPTEMBER QUARTER HIGHLIGHTS

IRON ORE

- New York investment firm, MG Partners II Limited ("Magna"), provide A$5 million conventional commercial loan to finance NSL's construction of the high grade Phase Two Kurnool iron ore wet plant in India.
- 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 fines product.
- Funding allowed immediate re-start of Kurnool's Phase One dry plant.
- Offtake agreements already in place with India's BMM Ispat for Phase One lump product.
- NSL enhance existing +53%Fe lump stockpile to +57%Fe, despatch to BMM and receive payment.
- Additional customers order bulk supply of specialised blend of iron, silica and alumina lump product.
- 4,000 tonne purchase order received from key Andhra Pradesh steel producer, Sathavahana Ispat Ltd for NSL specialised lump.
- Supply of NSL specialised lump product to customers commences.
- Critical milestones achieved for the existing Phase One dry beneficiation plant and future Phase Two wet beneficiation plant in Kurnool.

OFFTAKE AGREEMENT - FINES

During the quarter, the Company continued to engage with JSW Steel and BMM Ispat regarding its non-exclusive offtake agreements for its first 200,000 tonnes of future Phase Two 58-62% Fe wet beneficiation plant fines product. Both JSW Steel and BMM Ispat are actively encouraging the Company to fast track the construction and commissioning of the Phase Two wet beneficiation plant.

The offtake agreements with JSW Steel and BMM Ispat, reflect the demand of the Indian steel industry for the Phase Two wet beneficiation plant material.

JSW is India's leading private sector steel producer and among the world's most illustrious steel companies. JSW Steel is a circa $9 billion global conglomerate spread over six locations in India and a footprint that extends to the US, South America and Africa.

The JSW steel complex is approximately 160kms from NSL operations and located within the Hospet region of Karnataka, southern India's main steel producing belt.

Production facilities located at the JSW steel complex include; Beneficiation Plant, Pellet Plant, Coke Plant, Hot Metal Plant, Steel Plant, Mill Plant and a R&D Facility. The plant consumes in excess of 20 million tonnes of iron ore per annum and is the largest steel producer in Southern India.

Importantly during the course of the offtake discussions, JSW considered the NSL fines product to be a premium product due to its size, grade and low level contaminants. Specifically the NSL wet plant fines product is able to be inserted into the steel process further downstream creating operational, cost and quality advantages. In addition the low Alumina, Phosphorous and Sulphur offer blending opportunities for the steel manufacturing process.

The offtake agreement executed with BMM Ispat (BMM), also has the capability of absorbing all the expected output from our wet plant, but being non-exclusive, it allows the Company to also diversify its customer base going forward.

BMM's current and future expanding production of steel can easily absorb 100% of the Company's fines production. During detailed evaluations, both parties confirmed the strong alignment in the Company's iron ore specifications and BMM's required iron ore raw material specification.

The BMM steel complex is approximately 240kms from NSL operations and located within the Hospet region of Karnataka, southern India's main steel producing belt.

Production facilities located at the BMM steel complex are:

- Beneficiation Plant of 2.60Million Tonnes per annum **(MTPA);**
- Pellet Plant of 2.60 MTPA;
- Sponge Iron Plant of 0.73 MTPA;
- Induction Furnace of 0.10 MTPA;
- Rolling Mill of 0.09 MTPA; and
- Power Plant of 95 MW.

BMM has embarked upon an expansion projects which will result in new capacities for:

- Integrated Steel Plant of 1.25MTpa;
- Power Plant of 140 MW.

For further information on BMM, please refer to www.bmm.in

Importantly, the offtake agreements have been achieved directly with the end users, avoiding the need for traders and the uncertain credit worthiness inherent with this channel to market, and therefore reducing the sales transactional risk

Commercial terms of both the offtake agreements are market based, availing the Company to access the current robust market conditions in the domestic Indian iron ore sector, a market of circa 150 million tonnes supplying the world's fourth largest steel industry. The Indian domestic steel industry is planning to triple in size over the next 10 years.

MEMORANDUM OF UNDERSTANDING WITH ANDRAH PRADESH GOVT

In continuing important steps forward, the Company has further progressed actions pertaining to the Memorandum of Understanding **(MoU)** with the Government of Andhra Pradesh for collaboration in the mining, beneficiation and value addition of low grade iron ores that are abundant in the State.

The MoU was executed with Andhra Pradesh Mineral Development Corporation (APMDC), the State owned enterprise charged with maximising utilisation of mineral resources within the State.

The scope of the MOU is to define a collaboration between the Company and Andhra Pradesh whereby the Company will work with APMDC in the reconnaissance and exploration for minerals in the State. The Company has also agreed to provide State of the art testing, process flow development and technology for the setting up of value addition plants such as beneficiation and pellet plants for low grade iron ore located in the State of Andhra Pradesh, an endeavour which the APMDC has agreed to assist.

KURNOOL IRON ORE BENEFICIATION PLANT

Phase One Plant (Dry)

During the course of the quarter, required equipment for the Phase One dry plant scale up was mobilised to site and iron ore production commenced.

Subsequent to the execution of the BMM lump offtake agreement, the Company and BMM continued working together to finalise and agree the scope of the technical testing process through the DRI kilns of a production scale batch of iron ore. This includes the development of KPI's, broad production schedule and logistics for the first delivery.

In order to meet the current end user requirements, BMM required a +56% Fe lump product for its DRI kilns. NSL had produced a 500 tonne batch for BMM, which was previously beneficiated from circa 22%Fe to 53%Fe and stockpiled on site. This was subsequently further enhanced to produce +57% lump product for direct feed into BMM's DRI kiln process.

BMM has already successfully completed both laboratory scale testing through their process simulators of small batches of the Company's iron ore and production scale testing through the DRI kilns.

Upon completion of the +57% Fe lump laboratory scale testing the Company received a Purchase Order from BMM for its successfully enhanced +56% Fe lump product, for production scale testing, this material was despatched payment for the product received.

Production scale testing has been successfully completed and bulk scale purchase orders are to follow.


Material despatch to BMM

During the past 6 months the Company has been conducting significant market evaluation and technical reviews with key steel industry producers in addition to the current offtake agreements in place. One of the key outcomes from this exercise has been the ability to fully understand the required product mix and technical requirements needed by individual blast furnaces.

In addition to the +56% Fe lump material, as announced during the quarter the Company has received Purchase Orders **(PO)** for a specialised product that is relatively unique to NSL as a result of the ore geology and beneficiation process at the Company's operations. The specialised blend of iron, silica and alumina is critical to the performance of the furnace and quality of the finished cast iron.

PO's have been received from:

- Srikalahasthi Pipes Limited **(SPL)** for a trial quantity of sized lump iron ore for use in their pipe casting division;
- Sathavahana Ispat Limited; and
- Small scale steel mill.

SPL (which was formerly part of the Lanco Group) is a part of the Electrosteel Group. This cross India group focussed solely on steel and value addition has installed capacity in excess of 2.5mtpa of hot metal, combined with numerous other value addition operations, focussed heavily on steel pipes and cast products.

The SPL steel complex is approximately 300kms from NSL's operations and is located within the Tirupati region of Andhra Pradesh, making it one of the major steel producers in the State. Production facilities located at the SPL complex include:

- Coke Oven Plant
- 12MW Power Plant
- Blast Furnace
- Sinter Plant
- Cement Plant
- Ductile Iron Pipe Plant

For further information on SPL, please refer to www.electrosteel.com and www.srikalahasthipipes.com

Based on the successful completion of the trial batch through their furnace, SPL require 5,500 tonnes per month of this specialised product. It is envisaged that the process will be fully completed in the coming weeks.

Sathavahana Ispat Ltd, has issued the Company with an initial PO for 4,000 tonnes of this specialised low iron, high silica sized lump.

The Company has stocks of material to commence supplying into the PO and Sathavahana require up to 4,000 tonnes per month of this specialised product. Payment will be made under a Letter of Credit **(LC)** with normal industry terms. The LC is being established between the two companies for supply to commence.

For more information on Sathavahana Ispat Ltd, http://www.sathavahana.com/

In addition the Company has received a PO and payment for the first despatch in advance from a small scale steel mill that requires 3,000 tonnes of specialised NSL product per annum.

Stockpiles of NSL Specialised product for Sathavahana/others

Phase Two Plant (Wet)

During the quarter the Company was 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.

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 Phase Two wet beneficiation plant proposed for the existing NSL stockyard will be fed material from NSL's Kuja and Mangal mines.

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.

Post quarter end, the Company updated the market in relation to the strengthening of the in country Indian management capabilities with the appointment of Mr Dan Little, MIEAust CPEng Dip(PM) as a dedicated Project Director to oversee the existing day to day Kurnool operations, in conjunction with the construction, commissioning and smooth transition to operations of the wet beneficiation plant.

Dan has an extensive history in engineering and construction projects globally, with over 25 years of experience working for organisations such as Chicago Bridge and Iron, (with a client list including WAPET, Alcoa, Shell, Woodside and Anglo American) and Thiess, which culminated in a 5 year secondment to Thiess India where he was responsible for quality, safety, engineering and project scheduling and ultimately as the GM New Business Development for India.

His experience in large construction projects across the coal, oil and gas, petrochemical, alumina, steel fabrication and telecommunications industries will be a strength to NSL's business plans moving forward, and when combined with a 5 year tenure working with Thiess India brings a cultural awareness and country specific know how essential to successful project completion.

Dan has commenced work on the following key project initiatives:

- Completion of detailed engineering design, including risk assessments and development of final construction drawings,
- Engagement with key suppliers for management of long lead item delivery schedules,
- Development of internal project control systems, reporting and safety management systems, and
- Recruitment of key project and operational personnel.

AP 14 MINING LEASE

During the quarter, the Company continued to work with the Indian Government to progress the grant of AP14 through Delhi. Upon approval from the Central Government the Company will then be able to undertake further exploration activities, including drilling operations on the lease. Work continues on the development of the exploration program scope, including pre work on preferred supplier sourcing.

ARBITRATION AWARD

As announced on 20 August 14, the Arbitration between its wholly owned subsidiary, NSL Mining Resources India Private Limited ("**Claimant**") and Mega Logistics and Solutions ("**Respondent**") has now been concluded, with the arbitrator giving the award entirely in favour of the Claimant.

The award given was for approximately A$250,000 which is related to unrecovered advances (plus interest) paid to Mega Logistics and Solutions for the provision of transport and related services.

During the quarter, the Company continued to further progress the recovery of the award.

SUPREME COURT WRIT OF SUMMONS

As announced on 16 February 2015, the Company received a writ of summons in relation to a Coal Acquisition Agreement dated 15 June 2011 with Birmanie Nominees Pty Ltd (the vendor under the agreement, **Birmanie**) relating to 4 coal EPCs in Queensland.

The writ alleges that NSL has failed to meet various obligations under the Coal Acquisition Agreement. Birmanie has claimed $2.5m in damages.

NSL has subsequently lodged its defence, in which it vigorously denies Birmanie's Claim. The Company is of the view that Birmanie is not entitled to the damages sought or to any other damages.

During the quarter, in line with the view above, the Company continued with the litigation process.

MAGNA CONVERTIBLE LOAN FUNDING

As announced on 15 January 2015 the Company advised it entered into a US$4,000,000, 24 month convertible loan funding agreement with Magna Equities, LLC ("Magna"), a New York based investment firm. The funding agreement will enable the Company to continue its focus on its unique position of being the only foreign company to own and operate iron ore mines in India.

During the quarter, the Company did not utilise any further funding under the Magna facility, with the total funding being utilised of US$750,000. During the period, Magna had elected to further convert a further US$175,000 of the outstanding loans. As at 30 September 2015, in total, Magna have elected to convert US$500,000 of the loan balance into Shares in the Capital of the Company (refer to the Appendix 5B for details.). This facility has now been replaced by the Magna senior secured loan set out below.

MAGNA SENIOR SECURED LOAN

During the quarter, as announced on 13 August 2015, the Company 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.

Magna has previously provided loan support for NSL's iron ore growth strategy in India. As stated above, the new arrangements replace the previous US$4 million converting loan facility entered into between NSL and Magna in January this year.

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.

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.

POTENTIAL ACQUISITIONS

The Company continued to progress opportunities for either outright acquisition, royalty based 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 quarter, the Company had an opening cash balance of approximately $198,000. The closing cash balance for the quarter ending 30 September 2015 was approximately $229,000.

During the quarter the Company continued any potential cost reduction initiatives in both India and Australia.

INTERESTS IN MINING TENEMENTS

Project/Tenements	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
Kuja	Andhra Pradesh, India	100%	-	-
Mangal	Andhra Pradesh, India	100%	-	-
AP14	Andhra Pradesh, India	100%	-	-
EPC 2198	Queensland, Australia	100%	-	-
EPC 2336	Queensland, Australia	100%	-	-
EPC 2337	Queensland, Australia	100%	-	-
EPC2338	Queensland, Australia	100%	-	-

Regards
NSL Consolidated Limited

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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

NSL Consolidated Limited

ABN	Quarter ended ("current quarter")
32 057 140 922	30 September 2015

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	10	10
1.2	Payments for		
	(a) exploration and evaluation	(11)	(11)
	(b) development	(58)	(58)
	(c) production	-	-
	(d) administration (Aust, Sing & India)	(465)	(465)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	(50)	(50)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(573)	(573)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
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)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(573)	(573)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(573)	(573)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	132	132
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	515	515
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	647	647
	Net increase (decrease) in cash held	74	74
1.20	Cash at beginning of quarter/year to date	198	198
1.21	Exchange rate adjustments to item 1.20	(43)	(43)
1.22	**Cash at end of quarter**	229	229

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	102
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, 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

-

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

-

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 *	5,000,000	600,000
3.2	Credit standby arrangements	-	-

* Relates to the MG Partners II Ltd A$5M secured loan agreement as announced on 13 August 2015. Refer to announcement on 13 August 2015 for key terms to the transaction.

Estimated cash outflows for next quarter **

		$A'000
4.1	Exploration and evaluation	128
4.2	Development	42
4.3	Production	-
4.4	Administration	538
	Total	708

** Not included above, it is anticipated that estimated cash inflows for the next quarter stand at approximately A$1.9M, in relation to the Magna Equities loan as per section 3 above.

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	229	198
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
	Total: cash at end of quarter (item 1.22)	229	198

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	-	-	-	-

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	**Preference +securities** *(description)*	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	864,600,216	864,600,216		
7.4	Changes during quarter				
	(a) Increases through issues	15,454,766	15,454,766	$0.0065	$0.0065
		2,727,273	2,727,273	$0.011	$0.011
		6,000,000	6,000,000	Nil	Nil
		15,149,874	15,149,874	$0.0071	$0.0071
		18,548,195	18,548,195	$0.0096	$0.0096
	(b) Exercise of options	13,000,000	13,000,000	$0.0096	$0.0096
		750,000	750,000	$0.01	$0.01
	(c) Decreases through return of capital, buy-backs	-	-	-	-
	(d) Increase pursuant to underwriting of options	-	-	-	-
7.5	**+Convertible debt securities** (*description)*	1	-	US$2.5M	US$2.5M
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-

+ See chapter 19 for defined terms.

				Exercise price	Expiry date
7.7	**Options** *(description and conversion factor)*	305,420,062 190,000,000	305,420,062 -	$0.01 $0.0096	31/12/2016 31/12/2016
7.8	Issued during quarter	10,000,000 6,000,000	- 6,000,000	$0.03 $0.01	14/08/2018 31/12/2016
7.9	Exercised during quarter	13,000,000 750,000	13,000,000 750,000	$0.0096 $0.01	$0.0096 $0.01
7.10	Expired/Forfeited during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

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

Sign here:.............Sean Henbury.............. Date: 30 October 2015
(Company Secretary)

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.