



QUARTERLY ACTIVITIES REPORT

DECEMBER 2013

Issued 31 January 2014

DECEMBER QUARTER HIGHLIGHTS

IRON ORE

- Vijay Joint Venture terminated.
- JV partner replacement process moving forward with parties engaged in further discussions and conducting due diligence.
- Cost reduction programmes continue in both India and Australia.

COAL

- EPC 2336 granted
- All four (EPC 2198, 2336, 2337 and 2338) now granted



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.

Upon approval from the Central Government the Company will then be enabled 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.

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.

KURNOOL MINING

No mining occurred at Kuja or Mangal during the quarter as the Company worked through the defaults of Vijay under the JVA. The mines continue on care and maintenance until such time as funding is secured to allow restarting of operations.

KURNOOL IRON ORE BENEFICIATION PLANT

Phase One Plant

No processing occurred during the quarter as the Company worked through the defaults of Vijay under the JVA. The plant continues on care and maintenance until such time as funding is secured to allow restarting of operations.

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 visited the plant supplier in Shanghai to inspect the completed plant components. The plant is fabricated and awaiting dispatch to India.

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 completed 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 km² 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).

JOINT VENTURE AGREEMENT – VIJAY GROUP

During the quarter, the Company terminated the Joint Venture Agreement (**JVA**) with the Vijay Group (**Vijay**) as announced on 13 March 2013.

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.

CORPORATE

SUCCESSFUL CAPITAL RAISING

During the Quarter the Company issued 102,946,215 fully paid shares at an issue price of 1 cent per share, raising \$1,029,462.

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

One free attaching option will be granted 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 December quarter, the Company had an opening cash balance of approximately \$381,000. The closing cash balance for the quarter ending 31 December, 2013 was approximately \$570,000.

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 40-100% of their fees and salaries.

INTERESTS IN MINING & EXPLORATION TENEMENTS

Project/Tenements Iron Ore	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%	-	-

Project/Tenements Coal	Location	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
EPC 2198	Queensland, Australia	100%	-	-
EPC 2336	Queensland, Australia	100%	-	-
EPC 2337	Queensland, Australia	100%	-	-
EPC 2338	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

32 057 140 922

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(102)	(105)
(b) development	(73)	(148)
(c) production	-	-
(d) administration	(655)*	(1,095)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(826)	(1,342)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(10)	(17)
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	(10)	(17)
1.13 Total operating and investing cash flows (carried forward)	(836)	(1,359)

* Includes a payment of AUD\$200k in relation to the Convertible Note interest and Marketing Agreement Commission.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(836)	(1,359)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,029	1,469
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	-	-
Net financing cash flows		1,029	1,469
Net increase (decrease) in cash held		193	110
1.20	Cash at beginning of quarter/year to date	381	474
1.21	Exchange rate adjustments to item 1.20	(4)	(14)
1.22	Cash at end of quarter	570	570

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	58
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

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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	78
4.2 Development	(34)*
4.3 Production	-
4.4 Administration	322
Total	366**

* Includes a refund for an amount of AUD\$56,000 associated with the Krishnampatnam Port in India.

** Includes approximately AUD\$67,000 in cash out flows with the potential for terms to be re-negotiated which the Company is currently pursuing.

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	570	381
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	570	381

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	EPC 2336	Granted	0%	100%

+ 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 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	479,731,074	479,731,074		
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	102,946,215	102,946,215	\$0.01	\$0.01
7.5 +Convertible debt securities <i>(description)</i>	1	-	US\$2.5M	US\$2.5M
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	23,510,000	-	<i>Exercise price</i> \$0.04	<i>Expiry date</i> 30/6/2015
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired/Forfeited during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes <i>(totals only)</i>	-	-
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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:..... Date: 31 January 2014
 (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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