



NSL Consolidated

26 October 2016

STEEL PLANT JV - MOVING FORWARD

HIGHLIGHTS

- Steel plant Joint Venture makes further progress with meetings in China progressing the pellet plant feasibility.
 - Meetings conducted with several Design Institutes and Engineering Procurement Construction companies.
 - Focus of meetings to progress pellet plant feasibility through design, engineering, procurement and construction costings and scheduling.
 - Pellet plant prefeasibility anticipated to be completed by year end.
 - Chinese delegation confirmed to visit India during week of 7th November, with a focus on the proposed steel and pellet plant locations, NSL's operations and other critical Andhra Pradesh infrastructure opportunities.
 - Government of Andhra Pradesh committed to host delegation in support of NSL's business strategy.
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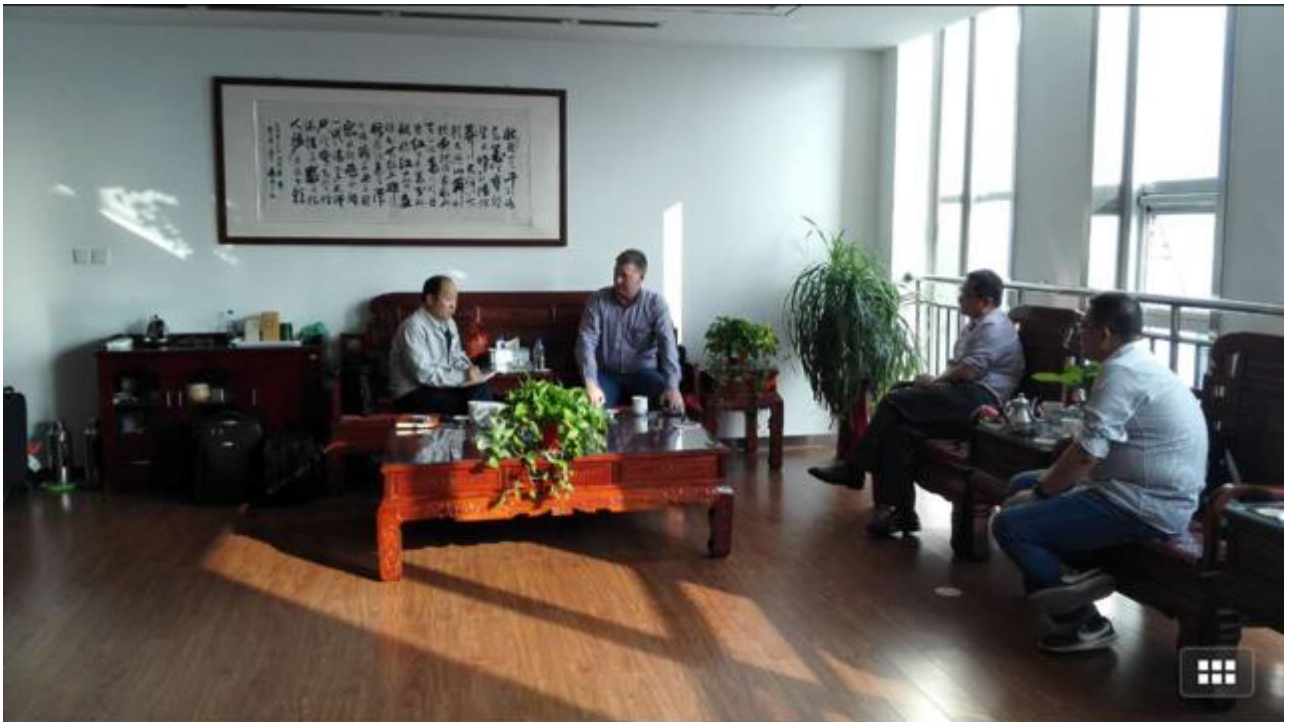
NSL Consolidated Limited (Company, ASX: **NSL, NSLO**), is pleased to announce further significant progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**).

As previously announced on June 27, 2016 the Company signed a JVA with the Wei Hua Group Co Ltd (**WHG**), China's leading heavy equipment crane building company, for the establishment of a steel making plant in AP with the initial priority on the completion of a pre-feasibility of the front end of the steel plant, being a pellet plant. It is expected this will be completed by 31 December 2016, with the steel plant prefeasibility to follow shortly thereafter.

In furthering the prefeasibility process Managing Director, Cedric Goode recently visited China where meetings were conducted with several Design Institutes and Engineering Procurement Construction companies. The focus of meetings was to progress pellet plant feasibility through design, engineering, procurement and construction costings and scheduling.



Managing Director, Cedric Goode presenting to NETC Research and Development personnel



Managing Director, Cedric Goode discussing production increasing plant details with Huate



Managing Director, Cedric Goode welcome to Shandong Province Metallurgical Engineering Co.Ltd



Managing Director, Cedric Goode presenting to Shandong Province Metallurgical Engineering Co.Ltd

The high level Chinese delegation as announced 17 August 2016 will visit India during the week of 7th November (subject to Chief Minister Andhra Pradesh, Honourable Chandrababu Naidu availability) of this year. Members are currently finalising India visa applications.

The purpose of the delegation is to:

- a. build on the knowledge and bona fides the Company possesses in AP;
- b. complete aspects of the pellet and steel plant prefeasibility;
- c. meet with relevant pellet and steel plant stakeholders; and
- d. support NSL's AP business strategy in line with the Memorandum of Understanding (**MoU**) announced previously directly with the Government of Andhra Pradesh (**GoAP**).

The delegation will visit the proposed pellet and steel plant locations, NSL's existing operations, and other critical AP infrastructure, while holding meetings with the high level political and bureaucratic officials within the GoAP.

The meetings with GoAP will focus on NSL's business strategy and opportunities, leveraging on NSL's bona fides by cooperating with NSL on other infrastructure opportunities for the advancement and development of AP.

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; such assistance includes prompt land acquisition, adequate infrastructure development and 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, leveraging 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 30 km from NSL's existing operations. This 28,000 acre hub will include access to water, power, rail and road and 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 JV already commenced.

Wei Hua Group Co Ltd

Wei Hua Group Co Ltd, 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 and 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

The Wei Hua Group 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 2/3 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 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 the existing joint MOU.

Key Terms of Agreement

As previously announced, the Joint Venture Company will be established with a 50/50 shareholding and importantly, NSL is not required to fund any aspect of the Joint Venture.

NSL shall provide reasonable assistance to Wei Hua for the feasibility studies, including the latest market research 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 for the Proposed Project and shall take all appropriate steps towards the supply of supplementary materials and human resources for the Proposed Project.

NSL shall be responsible for the operations, commercial marketing and sale of the steel products from the Proposed Project, 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. Which will assist in determining the size and scale of the Proposed Project.

Wei Hua shall provide the equipment for the Proposed Project. The equipment 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.

Parties shall collectively approach and apply for financing from Asian Infrastructure Investment Bank for the Proposed Project.

Parties shall collectively ensure that the Proposed Project results in the welfare of the local community and economic and social development in the area of the Proposed Project.

The Binding Agreement is valid for a period of 12 months from the Commencement Date, or as extended by the Parties in writing; or Either Party may terminate this Agreement by giving a notice of 30 days.

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