
NSL CONSOLIDATED LIMITED AND CONTROLLED ENTITIES

ABN 32 057 140 922

Interim Financial Report for the half year ended 31 December 2016

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CORPORATE DIRECTORY

Directors

P I Richards B.Comm
Chairman / Non-Executive Director

C F Goode MBA
Managing Director / CEO

P Linford
Non-Executive Director

Company Secretary

S P Henbury

Registered Office

c/- Armada Accountants & Advisors
Suite 3, 17 Foley Street
Balcatta WA 6021
Telephone: (08) 6168 8000
Facsimile: (08) 6168 8039

Corporate Office

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Web Site Address

www.nslconsolidated.com

Share Registry

Security Transfer Registrars
770 Canning Highway
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Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors

BDO Audit (WA) P/L
38 Station Street
Subiaco WA 6008

Solicitors to the Company

Steinepreis Paganin Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Stock Exchange Listing

NSL Consolidated Limited's shares and options listed on the
Australian Securities Exchange and Frankfurt Stock Exchange

Australian Securities Exchange Share Code: NSL
Frankfurt Stock Exchange Code: 2NC

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of NSL Consolidated Limited (**NSL**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of NSL Consolidated Limited during the whole of the half year and up to the date of this report:

Peter Richards	Chairman
Cedric Goode	Managing Director/CEO
Peter Linford	Non-Executive Director

Management

Sean Freeman	Chief Operating Officer
Timothy Lee	Financial Controller
Sean Henbury	Company Secretary

REVIEW OF OPERATIONS

Strategy

Over the course of the half year, the Company continued to execute upon its bulk mineral commodities strategy, with the emphasis on Indian iron ore.

India is experiencing strong economic growth, currently in excess of 7%, making it the fastest growing major economy in the world. Consistent with this strong economic growth, India recently became the 3rd largest producer of steel in the world, growing at 7.1% per annum over the previous 10 years.

As the world's 3rd largest steel producer, India produces approximately 160 million tonnes of iron ore for use in the domestic steel market. India's economic growth and stability favours NSL's long-term strategy of developing and growing its cash flow and asset base.

The Company, as the only Australian or foreign company to own and operate in India's massive iron ore market, continued to progress its Phase Two wet beneficiation project. The Company successfully completed the erection stage of the plant and then further progressed the commissioning of the plant.

The Company continues to be heartened by Indian state and central Government's support of our business through the execution of several agreements with the state government of Andhra Pradesh. These agreements have enabled our continued success in gaining relevant approvals to support our Indian business strategy. It is also a further acknowledgement of the integrity in which the Company is held as we move forward towards a sound commercial footing to support all stakeholders.

With significant investment to be made in upgrading India's infrastructure in the next 10 years (estimated to be US\$1.7 trillion), India's Government is taking various steps to encourage investment. NSL is positioned to be part of that growth with a strategy to service strong domestic consumption, higher workforce numbers and emerging middle classes. India's wealthiest consumers (those earning US\$1m or more in PPP terms) will increase by 40 million in the next 10 years!

Iron Ore – India

KURNOOL IRON ORE BENEFICIATION FACILITIES

PHASE TWO WET PLANT

During the half year, the Company continued to progress is Phase Two wet beneficiation fines project, with the successful erection of the plant, with considerable progress made towards the commissioning of the plant.



Sequential Site Images Showing Construction Progress to the end of the financial year



Sequential Site Images Showing Construction Progress to the end of the financial year

A significant milestone was achieved with the energising of the grid power transmission line for the delivery of 33kV power to the site. The site is now fully functioning on mains power.

As a result of the successful energisation the team on site transitioned operating beneficiation equipment through diesel generator to mains power.



The moment of energisation

Post the successful power generation, the Company continued to progress wet commissioning with work on trialing basic components with full load, utilising very low grade waste as the material feed and producing exciting results; beneficiated up to 64.5% Fe.

The very low grade feed beneficiation result has provided further confidence in the process being able to achieve its desired high grade premium price product grading between 58-62% Fe, nominally targeting 60% Fe. Normal ROM feed grade ranges between 25-35% Fe.



Density Separation Equipment Commissioning

The Company were then able to successfully test the material handling system, with low grade iron ore fed into the plant as the first stage of full load commissioning. Subsequent to this, the Company ran water through the plant, optimising product and water transfer chutes and piping works between equipment.



Plant being loaded with first iron ore



Plant being loaded with first iron ore

Towards the end of the half year, a number of further key milestones were achieved:

- Ball mill run times have increased according to the commissioning schedule, with 6-8-hour single shift tests occurring;
- Classifier commissioning complete;
- Conveyor system commissioning complete;
- Low intensity magnetic separation commissioning complete;
- Material handling system commissioning complete;
- Plant based pump systems commissioning complete;
- Recirculation and fresh water feed pumps installed and commissioned;
- Vacuum disc filters commissioning complete;
- High intensity magnetic separation commissioning complete; and
- All equipment commissioning complete.

The Company transitioned from equipment commissioning, to plant process flow optimisation and commencement of production ramp up.

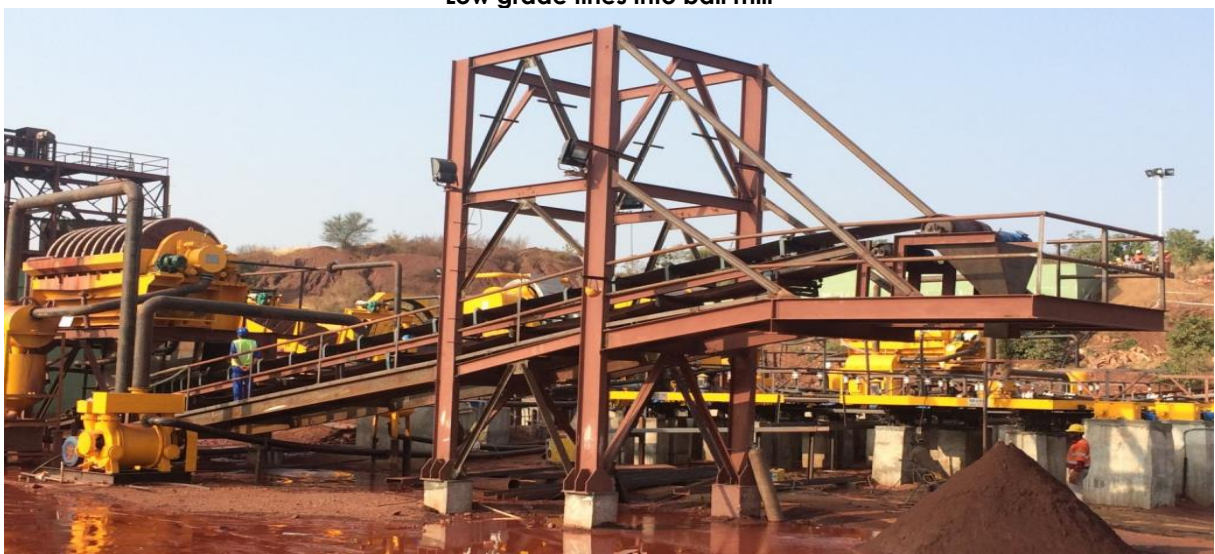
In a major safety milestone, and testament to the onsite team's safety focus the phase two wet beneficiation plant project has reached 250,000 hours without a lost time injury (**LTI**).



Ball mill and classifier



Low grade fines into ball mill



First product from plant product stream

Additional mining leases – AP3, AP 26 & 27

The Company was able to further support its important wet beneficiation production expansion plans by gaining access to additional mining leases, designated AP3, AP26 and AP27, through a Run of Mine (**ROM**) royalty based agreement(s).

The Company entered into binding agreements, whereby the Lessee(s) agrees to grant the Company exclusive operation and management rights over the mining assets for a period equal to the length of the Mining Lease and any extensions thereto.

AP26 and AP27 are mining leases of a combined 100 acres located in the district of Kurnool, and importantly only 1.5kms and 9kms from NSL's existing stockyard and its beneficiation plants. Being located in the same geological basin as the NSL owned Kuja and Mangal mining leases, their geology and beneficiation characteristics are similar in nature and contain a significant quantity of iron ore material amenable to NSL's processes.

AP3 the second largest ML (77 acres) in the area, and hence a significant milestone for the Company as it further consolidates the region and provide feed for production expansion. Combined with AP26 and 27 land area, these ML's represent an 800% increase on our existing ML's, Kuja and Mangal and provides significant upside to the Company, moving NSL another step closer to achieving our strategy.



AP26 and 27 pit workings



AP3 exposed iron ores

MARKETING AND OFFTAKE

During the half year, the Company continued to progress its two non-exclusive off-take agreements for its first 200,000 tonnes of Phase Two 58-62% Fe wet beneficiation plant fines product.

The off-take agreements with JSW Steel (JSW) and BMM Ispat (BMM), reflect the demand of the Indian steel industry for the Phase Two wet beneficiation plant material. Importantly, they have been achieved directly with end users, avoiding the need for traders and the uncertain credit worthiness inherent with this channel to market, and therefore reducing sales transactional risk.

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.

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

The Company hosted a delegation visit by BMM, the purpose being to review plant progress, prepare both companies for the first wet plant product transaction and further discuss BMM's iron ore needs.

During discussions BMM confirmed they require all 200,000 tpa of material produced by the Phase Two wet plant. In addition, the BMM representatives were briefed on the next phase of expansion and have confirmed the desire to purchase the Company's proposed additional 200,000 tpa production volumes when they become available.

BINDING AGREEMENT FOR JOINT DEVELOPMENT OF GREENFIELD STEEL PLANT

The Company made further significant progress on the Binding Joint Venture Agreement (**JVA**) for the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**), with the initial priority on the completion of a pre-feasibility of the front end of the steel plant, being a pellet plant.

In furthering the prefeasibility process, Managing Director, Cedric Goode led a high level Chinese delegation to India during November, 2016. The delegation visit was hosted by the Government of Andhra Pradesh in support of the Company's business strategy.

The delegation travelled from Hyderabad to the new AP state capital, Amaravati and Vijayawada where meetings and discussions took place with the state government dignitaries and bureaucrats.

The meetings focussed primarily on the Company's pipeline of projects and the government support required to facilitate completion of all the projects. In addition, the Chinese members of the delegation had the opportunity to engage directly with the state in regards to their support of the Company and its growth in AP.

The delegation met with the Chief Minister (**CM**) of AP, Honourable Chandrababu Naidu. Throughout the meeting, the CM assured all support from Government of Andhra Pradesh (**GoAP**) around the Company's requirements, whereby he welcomed both NSL and the Chinese delegation and hoped for continued support in developing the state. The CM directed the Secretary of Mines to work immediately on non-active mines to provide additional beneficiation feedstock to facilitate the Company's expansion plans and requested NSL accelerate the beneficiation plant production. The CM also directed the Principal Secretary (to CM) to have GoAP work with NSL in an integrated manner to assist the set-up of a steel plant at Kadapa in addition to Orvakal.

Similar discussions were also held with the Chief Secretary (**CS**) of the GoAP. In addition to the above points of discussion Mr Goode further discussed:

1. Access to additional 20 acres of land for expansion of current beneficiation plant;
2. The need to focus on skill development to meet NSL's requirement;

3. The land requirement for the proposed pellet (250 acres) and steel plant (750 acres) at Orvakal; and
4. The submission of a preliminary project report and formal application for the land.

The Chief Secretary appreciated the progress made to date, while assuring the expeditious approval of the additional 20 acres for expansion of our current beneficiation plant, to work with NSL for a "Technical Excellence Centre" at Kurnool, to hand over the "Letter of Sanction" for the land, and to provide all basic infrastructure facilities at Orvakal.

The delegation also took the opportunity to meet with the Secretary of Mines and other government officials.

The delegation then moved to Kurnool, where the focus was firmly on the Company's current operations and interactions at a local level. The delegation met with the Deputy Chief Minister (**DCM**) of AP, the District Collector (**DC**), General Manager of the District Industries Centre and Zonal Manager, AP Industrial Infrastructure Corporation. The meetings discussions also focused on progress made to date, and the future plans/requirements for the Company's current beneficiation operations and expansions and proposed pellet/steel plants.

During the meeting, the DCM and DC assured all support to provide all basic infrastructure facilities, expeditious clearances required, help to provide skilled personnel and to provide training to upgrade skills.

The final stage of the delegations visit was to visit the Orvakal Industrial Park to see the location of the proposed pellet and steel plants. The delegation was accompanied by the District Administration team.

Further to the successful visit in November, and in line with the pre-feasibility requirements, a second round of visits were conducted during the week of 12th December. The primary focus of second visit incorporated the following:

1. Review of the Indian pellet market utilising available and determined market norms;
2. Presentation of EPC proposals by Chinese companies; and
3. Technical reviews and discussions on proposal merits and design.

Based on current Indian mining and pellet industry norms for integrated plants, this indicates a possible A\$44-\$52 per pellet tonne operating profit for a NSL owned pellet plant.

With the favourable analysis obtained to date, the Company is continuing to progress the pellet plant pre-feasibility in line with its Indian iron ore beneficiation strategy.

MEMORANDUM OF UNDERSTANDING WITH ANDHRA PRADESH GOVT

During the half year, the Company further progressed actions pertaining to the Memorandum of Understanding (**MoU**) with the Government of Andhra Pradesh (**GoAP**) for collaboration in the mining, beneficiation and value addition of the low-grade iron ores that are abundant in the State.

Over the past 12 months the Company has executed agreements with both the GoAP and the Andhra Pradesh Mineral Development Corporation (**APMDC**), the State-owned enterprise charged with maximising utilisation of mineral resources.

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 adding plants such as beneficiation and pellet plants for low grade iron ore, an endeavour which the APMDC has agreed to assist.

To develop this MoU further both parties have been conducting detailed legal and technical reviews of potential target projects within the State. This work is expected to accelerate during the coming months. 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.

Key Facts

During a World Bank survey in 2015 Andhra Pradesh was rated as #2 state in India for ease of doing business.

The 15-year business plan sees an expected 14% growth rate projected out to 2029 for the State, based on an aggressive infrastructure program including airports, ports, highways and a new greenfield Capital City located at Amaravati.

The State has implemented a dedicated single window process for investments and projects, with a guaranteed 21-day approval timeframe for all state permissions.

Two major initiatives that will impact on the State are the Vizag – Chennai and Bangalore – Chennai infrastructure corridors. The Asian Development Bank (**ADB**) is supporting the AP Govt in the development of the Vizag - Chennai corridor. The \$900 m project will have \$700 m funded by the ADB and \$200 m to be provided by the State Govt. This linkage is part of the much larger Pan Asia land bridge connecting India to China and South East Asia.

State GDP	US\$8 Billion
Per Capita Income	\$1,500
Capital City	Amaravati
Largest City	Visakhapatnam
Cities with more than 1m people	27

SUBSEQUENT EVENTS

PHASE TWO WET PLANT – PROCESS OPTIMISATION RESULTS EXCEED EXPECTATIONS

As announced on 31 January 2017, the complete plant process flow optimisation generated exciting results. Utilising very low grade waste iron ore feed to test the process boundary limits the Company was able to exceed expectations, with full plant process beneficiating low grade iron ore waste from as low as 14% Fe feed regularly to in excess of 62% Fe and up to 65.3% Fe.

The results of this testing further increase confidence in achieving our targeted 58–62% Fe and means there is potential upside to the expected plant production grades and as a result, sales prices. This potentially presents even further exciting commercial opportunities for the Company both in profitability and breadth of customer base.

STEEL PLANT – GOVERNMENT ALLOTS LAND

As announced on 2 February 2017, during the 2017 Confederation of Indian Industry (CII) and Andhra Pradesh partnership summit, the Company spent time briefing the Government of Andhra Pradesh (GOAP) officials as to the status of its Indian operations. This included the Honourable Chief Minister (CM) of Andhra Pradesh Chandrababu Naidu in a formal one on one meeting and again in other various forums.

During this meeting and others held with GOAP officials, the CM expressed his delight and ongoing support for the Company in its progress and continued focus on assisting the development of AP, as did all other GOAP officials.

Further to this meeting and as part of a formal signing ceremony, the Andhra Pradesh Industrial Infrastructure Corporation Ltd, after careful examination allotted 250.00 acres of land for a pellet plant and 750 acres of land for an integrated steel plant in Orvakal Industrial hub, Kurnool District to M/s. NSL Mining Resources India Pvt Ltd.



Honourable Chief Minister Chandrababu Naidu presenting the land allotment to Cedric Goode

With the favourable analysis obtained to date, the Company is continuing to progress the pellet plant pre-feasibility in line with its Indian iron ore beneficiation strategy.

COMMERCIAL PURCHASE ORDER RECEIVED

As announced on 14 February 2017, the Company advised it had received its first commercial Purchase Order (PO) for the premium product produced by the Phase Two wet beneficiation plant. The initial PO issued by BMM Ispat (BMM) is for the supply of 4,000 tonnes of 63% Fe filter cake (wet plant product). The negotiated sales price for the initial PO is A\$65 (equivalent) with payment terms within 10 days on 1,000 tonne lots.

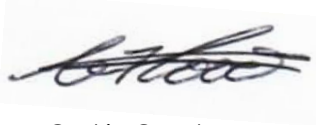
A 4,000 tonne PO represents the normal steel mill purchasing parcel size in India. Other discussions with multiple customers are also currently in play and ongoing, with the Company confident of being able to further improve the equivalent sales price for future PO's of varying grades with BMM, other Indian steel mills and the prospect of exporting into the improving seaborne iron ore market.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

This report is made in accordance with a resolution of directors

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Cedric Goode', is written over a light grey rectangular background.

Cedric Goode
Director
Perth, 15 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

	Notes	31 Dec 2016 \$	31 Dec 2015 \$
Revenue from continuing operations		-	-
Other income		4,773	938
Unrealised foreign exchange differences		167,796	(169,311)
Depreciation and amortisation		(54,162)	(89,469)
Employment benefits expenses		(668,466)	(574,811)
Impairment of development costs	4	-	(1,771,045)
Exploration expenditure written off		(121,467)	(10,239)
Finance and administration		(633,610)	(612,806)
Corporate expenses		(1,567,106)	(372,444)
Loss from continuing operations before income tax		(2,872,242)	(3,599,187)
Income tax expense		-	-
Loss from continuing operations after income tax		(2,872,242)	(3,599,187)
Other comprehensive income			
<i>Items that may be reclassified to Profit or Loss</i>			
Foreign currency translation		(41,299)	(234,647)
Other comprehensive income/(loss) for the half-year, net of tax		(41,299)	(234,647)
Total comprehensive loss for the half-year		(2,913,540)	(3,833,834)
Loss for the half year is attributable to the owners of NSL Consolidated Limited		(2,872,242)	(3,599,187)
Total comprehensive loss for the half-year is attributable to the owners of NSL Consolidated Limited		(2,913,540)	(3,833,834)
Loss per share for the half year attributable to the members of NSL Consolidated Limited			
Basic loss per share attributable to ordinary equity holders (cents)		(0.21)	(0.42)

The above consolidated statement of profit or loss or other comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position As at 31 December 2016

	Notes	31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,135,622	799,461
Trade and other receivables		1,566,542	235,601
Total current assets		5,702,164	1,035,062
Non-current assets			
Other financial assets		3,969	6,483
Property, plant and equipment	3	3,611,576	770,406
Development expenditure capitalised	4	7,031,622	6,509,040
Trade and other receivables	5	-	701,876
Total non-current assets		10,647,167	7,987,806
Total Assets		16,349,330	9,022,807
LIABILITIES			
Current liabilities			
Trade and other payables		1,717,031	1,678,090
Derivative financial instruments		-	185,933
Interest bearing liabilities	6	-	4,411,785
Total current liabilities		1,717,031	6,275,808
Non-current liabilities			
Deferred tax liabilities		354,350	331,864
Total non-current liabilities		354,350	331,864
Total Liabilities		2,071,381	6,607,672
Net assets		14,277,950	2,415,195
EQUITY			
Contributed equity	7	56,297,547	42,595,253
Reserves		78,502	45,801
Accumulated losses		(43,098,100)	(40,225,859)
Total equity		14,277,950	2,415,195

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2016

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Total Equity \$
Balance at 1.7.2015	37,534,000	(34,119,725)	(1,882,586)	2,440,698	3,927,387
Total comprehensive loss for the half-year	-	(3,599,187)	(234,647)	-	(3,833,834)
Transactions with owners in their capacity as owners					
Share based payments	358,892	-	-	-	358,892
Option based payments	243,506	-	-	-	243,506
Contributions of equity, net of transaction costs	916,101	-	-	-	916,101
Balance at 31.12.2015	39,052,499	(37,718,912)	(2,117,233)	2,440,698	1,657,052
Balance at 1.7.2016	42,595,253	(40,225,859)	(2,394,897)	2,440,698	2,415,195
Total comprehensive loss for the half-year	-	(2,872,241)	(41,299)	-	(2,913,540)
Transactions with owners in their capacity as owners					
Share based payments	48,000	-	-	-	48,000
Option based payments	-	-	-	74,000	74,000
Contributions of equity, net of transaction costs	14,654,294	-	-	-	14,654,294
Balance at 31.12.2016	57,297,547	(43,098,100)	(2,436,196)	2,514,698	14,277,950

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2016

	Half-Year 2016 \$	Half-Year 2015 \$
Cash flows from to operating activities		
Cash receipts from customers	-	17,799
Payments to suppliers and employees	(2,129,304)	(862,157)
Interest paid	(506,734)	(50,000)
Interest received	4,773	938
	<u>(2,631,265)</u>	<u>(893,420)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	-	(10,913)
Payments for property, plant and equipment	(2,267,923)	-
Payments for development expenditure	(256,570)	(142,751)
	<u>(2,524,493)</u>	<u>(153,664)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	8,917,320	132,300
Proceeds from borrowings	-	792,676
Repayment of borrowings	(329,889)	-
	<u>8,587,431</u>	<u>924,976</u>
Net cash increase (decrease) in cash and cash equivalents	<u>3,431,673</u>	<u>(122,108)</u>
Cash and cash equivalents at the beginning of half year	<u>799,461</u>	<u>198,248</u>
Net foreign exchange differences	<u>(95,512)</u>	<u>(12,285)</u>
Cash and cash equivalents at the end of half year	<u><u>4,135,622</u></u>	<u><u>63,855</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2016

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by NSL Consolidated Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has had no effect on the amounts reported for the current or prior periods.

(a) Changes in Accounting Policies

The accounting policies and methods of computation adopted in the preparation of this financial report for the period under review are consistent with those adopted in the annual financial statements for the year ended 30 June 2016.

(b) Going Concern

The consolidated financial statements have been prepared on the basis of a going concern.

The Directors have reviewed the Company's overall position and believe the Company will have sufficient funds to meet the Company's commitments. During the 31 December 2016 period, the Company raised funds via an equity Placement of circa \$3.7m and received \$7.1m via the conversion of options. The Company re-paid both its US\$2.5m convertible note and circa \$1m senior loan via cash or conversion to equity, rendering the Company now debt free. In addition, as at 31 December, the Company has also now paid for 70% of the Huate wet plant and was working through the commissioning phase towards ramp up. Accordingly, the Directors are satisfied the consolidated entity will continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016 (Continued)

2. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

For management purposes, the Group is organised into two main operating segments, which involves mining and exploration for iron ore in India and exploration for thermal coal in Queensland. Discrete financial information is reported to the Board (Chief Operating Decision Makers) as two segments. Accordingly, all significant operating decisions are based upon analysis of the Group as two segments.

	31 Dec 2016	31 Dec 2015
	\$	\$
Revenue from external sources	4,773	937
Reportable segment loss		
– Iron Ore in India	(324,009)	(2,177,812)
– Thermal Coal in Queensland	(121,599)	(109,874)
Reconciliation of reportable segment loss		
Reportable segment loss		
- Iron Ore in India	(324,009)	(2,177,812)
- Thermal coal in Queensland	(121,599)	(109,874)
Other profit		
Unallocated:		
Corporate expenses	(2,426,634)	(2,289,105)
Loss before tax	(2,872,242)	(3,599,188)
Reportable segment assets		
- Iron Ore in India	9,872,430	8,476,017
- Thermal Coal in Queensland	88	135
Reconciliation of reportable segment assets		
Reportable segment assets		
- Iron Ore in India	9,872,430	8,476,017
- Thermal coal in Queensland	88	135
Other assets		
Unallocated:		
Corporate assets	12,213,708	66,598
Total assets	16,349,330	8,542,750
Reportable segment liabilities		
- Iron Ore in India	(226,169)	(571,685)
- Thermal Coal in Queensland	(343,498)	(223,242)
Reconciliation of reportable segment liabilities		
Reportable segment liabilities		
- Iron Ore in India	(226,169)	(517,685)
- Thermal coal in Queensland	(343,498)	(223,242)
Other liabilities		
Unallocated:		
Corporate liabilities	(961,962)	(6,090,771)
Total liabilities	(2,071,381)	(6,885,698)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Furniture and fixtures	Computer equipment	Land	Buildings	Software	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2016							
Opening net book amount	659,579	13,541	2,354	128,812	34,015	6,219	844,520
Additions	131,655	1,014	304	-	-	-	132,973
Disposal/Written-off	-	-	-	-	-	-	-
Depreciation charge	(146,959)	(5,206)	(257)	-	(1,960)	(1,528)	(155,910)
Exchange differences	(38,399)	(550)	(123)	(7,288)	(1,840)	(124)	(48,324)
Closing net book amount	605,877	8,798	2,278	121,524	30,215	1,714	770,406
At 30 June 2016							
Cost or fair value	1,295,658	46,388	113,193	121,524	60,743	31,359	1,668,865
Accumulated depreciation	(689,781)	(37,590)	(110,915)	-	(30,528)	(29,646)	(898,406)
Net book amount	605,877	8,798	2,278	121,524	30,215	1,714	770,406
Period ended 31 December 2016							
Opening net book amount	605,877	8,798	2,278	121,524	30,215	1,714	770,406
Additions	2,899,410	4,423	-	-	-	-	2,903,833
Disposal/Written-off	(25,958)	(466)	(260)	-	-	-	(26,684)
Depreciation charge	(50,906)	(2,190)	(151)	-	(850)	(64)	(54,162)
Exchange differences	14,487	192	113	3,072	751	42	18,183
Closing net book amount	3,442,435	10,757	1,981	124,596	30,116	1,691	3,611,576
At 31 December 2016							
Cost or fair value	4,199,609	51,499	110,137	124,596	62,279	32,152	4,580,272
Accumulated depreciation	(757,174)	(40,742)	(108,156)	-	(32,163)	(30,461)	(717,816)
Net book amount	3,442,435	10,757	1,981	124,596	30,116	1,691	3,611,576

As at 31 December 2016, there are A\$418,082 in capital commitments outstanding in relation the fabrication and supply of the Phase Two wet beneficiation plant and equipment from Huate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016 (Continued)

4. DEVELOPMENT EXPENDITURE

	31 Dec 2016	30 Jun 2016
Development costs brought forward	6,509,040	8,959,135
Additions	358,025	394,774
Impairment	-	(2,337,999)
Exchange differences	164,557	(506,870)
Deferred development costs carried forward	7,031,622	6,509,040

(a) Capitalised development expenditure, plant and equipment

The recoverable amount of capitalised development expenditure has been estimated based on the value in use of the group's Indian assets. During the period, there have been no indicators of impairment and therefore no impairment losses required to be incurred.

Key estimates and judgements

The recoverable amount of capitalised development expenditure and property, plant and equipment is estimated on the basis of the discounted value of future cash flows. The estimates of future cash flows are based on significant assumptions including:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and resources;
- future iron ore prices;
- production rates, production costs and capital expenditure based on approved budgets and projections including inflation factors; and
- the asset specific discount rate applicable to the cash generating unit.

5. TRADE AND OTHER RECEIVABLES

	31 Dec 2016	30 Jun 2016
Current		
Related party deemed loans (1)	957,500	-
	957,500	-
Non-current		
Prepayments (2)	-	701,876
	-	701,876

(1) Relates to the Board providing financial assistance to the managing director, Mr Cedric Goode and chief operating officer, Mr Sean Freeman, in the form of deemed loans in order to assist Mr Cedric Goode and Mr Sean Freeman to acquire shares upon the exercise of their listed and unlisted options expiring 31 December 2016. Individual loan agreements were entered on an arm's length basis in respect of the loans. The Directors of the Company believe the financial assistance does not Materially Prejudice the interests of the Company or its Shareholders or the ability of the Company to pay its creditors.

(2) Relate to payments to Huate for the fabrication/supply of the Phase Two wet beneficiation plant and equipment. Ownership of the equipment passes to NSL when 100% of the scheduled payments as per the agreement are made, at which time the equipment will be reclassified to fixed assets. As at 31 December the payments for the assets have been transferred to property, plant & equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016 (Continued)

6. INTEREST BEARING LIABILITIES

	31 Dec 2016	30 Jun 2016
Current		
Convertible note liability	-	3,432,343
	<u>-</u>	<u>3,432,343</u>

During the 30 June 2013 financial year, the Group issued a US\$ denominated convertible note for US\$2,500,000 issued in two equal tranches. Key terms are:

- NSL will pay a coupon rate of 6% paid annually in arrears.
- The note will be redeemed in full no later than 3 years after subscription. Subsequent to the 30 June 2015 financial year, the maturity term to the note was extended by 1 year to September 2016.
- The method of payment of each tranche is at the discretion of the issuer and will be up to either:
 - US\$1,250,000 Cash
 - A variable number of shares (valued in AUS\$) equal to US\$1,250,000 where the Share value is calculated at a 10% discount to the 20 trading days prior Variable Weighted Average Price (VWAP).

As at the 31 December 2016 reporting period, the convertible note liability has been satisfied via a conversion of 100% of the Convertible Note.

7. EQUITY SECURITIES ISSUED

	31 Dec 2016 Shares	31 Dec 2015 Shares	31 Dec 2016 \$	31 Dec 2015 \$
Issue of ordinary shares during the half-year				
Issue of Shares - exercise of options – issued at \$0.01 *	548,208,886	750,000	5,482,089	7,500
Issue of Shares - exercise of options – issued at \$0.0096 **	177,000,000	13,000,000	1,699,200	124,800
Issue of Shares – share based payments – issued at \$0.01	-	6,000,000	-	60,000
Issue of Shares – share based payments – issued at \$0.02	2,400,000	-	48,000	-
Issue of Shares – share based payment – issued at \$0.012	-	24,907,634	-	298,892
Issue of Shares – issued at \$0.0089-\$0.012	-	77,391,846	-	800,646
Issue of Shares – MG Partners Senior Secured loan balance conversion - issued at \$0.046	12,688,155	-	583,655	-
Issue of Shares – issued at \$0.02	182,600,000	-	3,652,000	-
Issue of Shares – Resources First convertible note conversion - issued at \$0.038 ***	90,672,814	-	3,445,567	-
Less: equity raising costs			(208,249)	(16,844)
	1,013,569,855	122,049,480	14,702,262	1,274,993

* 329,432,414 Shares were issued after 31 December 2016.

** 110,833,333 Shares were issued after 31 December 2016.

*** 90,672,814 Shares were issued after 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2016 (Continued)

8. DIVIDENDS

No dividends have been declared or paid since the start of the financial period, and none are recommended.

9. CONTINGENCIES

There has been no change in contingencies since the 30 June 2016 reporting period.

10. COMMITMENTS

There has been no change in commitments since the 30 June 2016 reporting period.

11. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period:

- Issue of 45,250,000 shares to Chairman P I Richards in respect of the conversion of 30,000,000 \$0.0096 unlisted and 15,250,000 \$0.01 listed options;
- Issue of 23,656,164 shares to Non-Executive P Linford in respect of the conversion of 15,000,000 \$0.0096 unlisted and 8,656,164 \$0.01 listed options; and
- Issue of 52,500,000 shares to Managing Director C Goode in respect of the conversion of 50,000,000 \$0.0096 unlisted and 2,500,000 \$0.01 listed options. Financial Assistance (Deemed Loan) provided by the Board for the conversions. Refer to Note 5 for further details.

The following key management personnel transactions occurred during the period:

- Issue of 47,083,333 shares to Chief Operating Officer S Freeman in respect of the conversion of 45,833,333 \$0.0096 unlisted and 1,250,000 \$0.01 listed options. Financial Assistance (Deemed Loan) provided by the Board for the conversions. Refer to Note 5 for further details.

There were no other related party or key management personnel transactions during the period.

12. SHARE BASED PAYMENTS

Share-based payment expense recognised during the period:

	31 Dec 2016 \$	31 Dec 2015 \$
Shares issued as consideration for deferral of 2015 convertible note interest and marketing agreement fee	-	60,000
Shares issued as consideration in relation to the final acquisition payment in accordance with the coal tenement acquisition agreement dated 15 June 2011	-	-
Shares issued as consideration for 2015 of convertible note interest and marketing agreement fee	-	298,892
Shares issued as consideration for brokerage	48,000	-
Director, senior management & consultant options expense	74,000	-

13. EVENTS OCCURING AFTER REPORTING DATE

There were no subsequent events during the period other than those disclosed in the review of operations within the Directors Report.

DIRECTORS' DECLARATION
31 December 2016

In the directors' opinion:

- a) the financial statements and notes set out on pages 14 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that NSL Consolidated Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



Cedric Goode
Director

Perth, 15 March 2017

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF NSL CONSOLIDATED LIMITED

As lead auditor for the review of NSL Consolidated Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of NSL Consolidated Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of NSL Consolidated Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of NSL Consolidated Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of NSL Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of NSL Consolidated Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NSL Consolidated Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, stylized 'BDO' logo.

Dean Just

Director

Perth, 15 March 2017