NSL Consolidated Limited

A.B.N. 32 057 140 922

Appendix 4D
Half Year Report for the 6 Months ended 31 December 2012

The information in this Report is provided in accordance with ASX Listing Rule 4.2A and should be read in conjunction with the 2012 Annual Report.

Results for Announcement to the Market

				$A
Revenues from ordinary activities	Up	173%	to	155,877
Loss from ordinary activities after tax attributable to members	Down	43%	to	1,310,314
Net Loss for the period attributable to members	Down	43%	to	1,310,314

Dividends *	Amount per security	Franked amount per security
Final dividend	-¢	-¢
Interim dividend	-¢	-¢
Previous corresponding period	-¢	-¢

* No dividends have been paid or declared since the start of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year.

+Record date for determining entitlements to the dividend	-

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to Directors report for further commentary regarding half-year 2012 results and the operations of the Company

NET TANGIBLE ASSET BACKING	Half-Year 31 Dec 2012 Cents	Full Year 30 June 2012 Cents
Net tangible asset backing per ordinary security	0.14	0.68

NSL CONSOLIDATED LIMITED
AND CONTROLLED ENTITIES

ABN 32 057 140 922

Interim Financial Report for the half year ended 31 December 2012

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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 2012.

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:

Jock Muir	Chairman	
Cedric Coode	Managing Director/CEO	
Peter Wall	Non Executive Director	(resigned 20 December 2012)
Peter Richards	Non Executive Director	

Management

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

Review of Operations

STRATEGY

The Company continued to execute upon its bulk mineral commodities exploration, development and growth strategy, with emphasis on Indian iron ore and south Queensland thermal coal opportunities.

The Company enters calendar 2013 positioned to deliver on our initial iron ore objectives in India. This followed a challenging and longer than expected 12 months of bedding down our first production plant and associated processing controls to deliver commercial Fe product.

The Company is heartened by Indian Government support received early in January 2013 with the State Government granting the AP14 mining lease in Andhra Pradesh, and the Central Government's Ministry of Environment and Forest approval for the Phase 2 wet beneficiation plant.

The approvals are an acknowledgement of the integrity with which the Company is moving forward towards a sturdier commercial footing. It also affords the opportunity through duplicating our methodology to optimise small iron ore deposits that are able to generate immediate low cost mining, cash flow and sales for local communities.

NSL's presence in India's iron ore market – itself in a current state of flux and also short supply – has attracted interest of major Indian conglomerates and international-class corporations seeking potential joint venture opportunities with NSL.

These discussions are at an early stage and there is no certainty that these will result in firm contractual arrangements; however, NSL's Board is encouraged by the tone and intensity associated to date with these dealings and the Company's key personnel will be in India in the opening part of the New Year to progress these contacts.

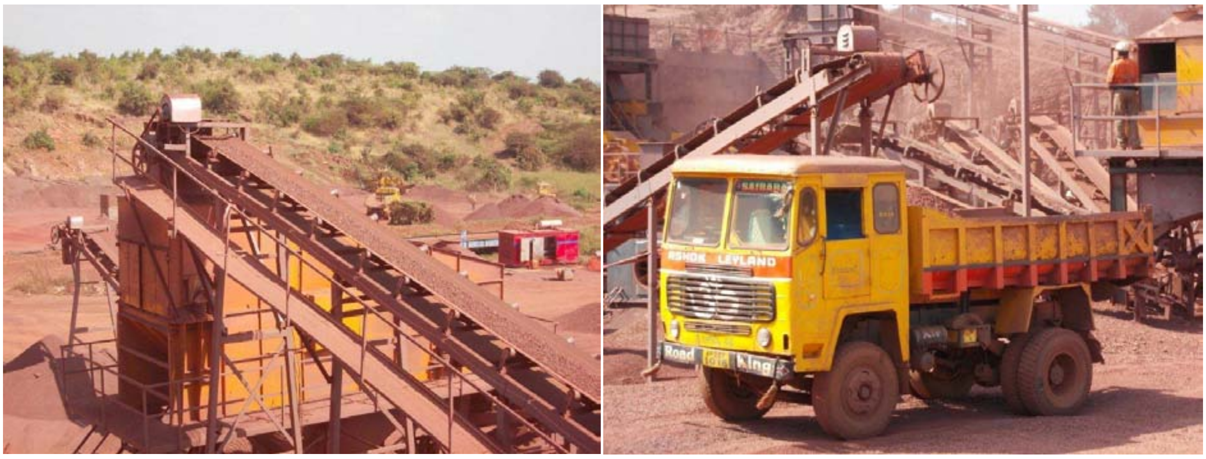
IRON ORE - INDIA

PHASE ONE PLANT

During the half year, the ramp up of the Phase 1 Kurnool iron ore dry separation plant in the southeast Indian state of Andhra Pradesh progressed. This focussed on the recruitment and training of local people to operate the plant on a two shift basis, with the recruitment and training of locals an important factor in the Company's Corporate Social Responsibility (**CSR**) program.

Run of Mine (**ROM**) iron ore from the Company's nearby Mangal and Kuja mines was run through the entire Kurnool circuit, enabling the Company to continue validation of alignment and calibration of all components of the crushing, screening and dry separation plant.

Rain continued for the most part of the half year, having a major impact on the ability to ramp up the plant and fully establish the limits of its capability. The prolonged monsoon, in which cyclonic storms were still crossing the coast as late as November 2012, finally passed in December, providing access to dry material for processing.



Plant Operating

Material for the plant continues to be sourced from NSL's wholly owned Mangal and Kuja iron mines close to the Kurnool plant, with the current feed sourced from Kuja whilst local farmer crops are harvested near Mangal. Stockpiling of ROM material for plant feed has been ongoing during this period, with approximately 40,000 tonnes stockpiled at both Mangal and Kuja for dry and wet plant feed.

Finished product being stockpiled

The Company encountered some unsatisfactory performance levels compared to our stated goals during the beneficiation test programs. Technical work to resolve these performance challenges involved replacing the initial dry separators with improved machines offering higher fabrication quality and subsequent mechanical reliability and availability, redesigning on site by the crushing and screening circuit vendor to rectify performance shortfalls, achieving a quicker turnaround in breakdown times, reconfiguring screening operations within the circuit, and reducing our cost base at the mines and Kurnool stockyard.

The crushing circuit vendor remains on site and continues to work through rectifying the deficiencies that saw the plant crushing and screening underperforming its design capacity.


Finished product loading and stockpiles

Significantly however, the quality of material produced at Kurnool has been excellent and this has attracted site visit and product review requests from domestic and international iron traders and mills. Three visits were scheduled in one week alone.

A key change to the operational model has involved the embedding of a senior ex-patriot Plant Manager into the Indian business during the recent quarter. Although the company has strived to develop strong in country resources the high levels of quality and safety focus demanded by the Company have necessitated a higher skill set for the Indian Management Team. NSL has also acted to re-arrange manning levels at Kurnool and to incentivise key managers to achieve the project benchmarks desired.

Safety continues to be a critical focus of the Company, with continued steps forward in embedding an Australian style safety focus and system into all parts of the Indian operations. NSL strives to operate in a zero harm environment.


Site Office Construction

PHASE TWO PLANT

During the half year, the Indian Ministry of Environment and Forest (**MoEF**) cleared NSL's Wet Beneficiation Plant application and approved the project for environmental clearance, allowing construction of the plant to commence.

The Company has completed all Environmental Impact Assessment (**EIA**) requirements as previously outlined in the Terms of Reference as directed by the MoEF. Subsequently presentations were made to the committee in New Delhi during December 2012, and as a result the newly constituted MoEF expert appraisal committee provided final bureaucratic sign off on the establishment of Phase 2 plant.

The Phase 2 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 half year the Company executed two off-take agreements with domestic steel traders to take 5,000 tonnes each per month from Kurnool for an initial three months with terms agreed for an extension of that period.

The partner has trialled and tested small volumes of product from the NSL plant and is satisfied with the product quality outcomes.

Significant interest has been shown from both large scale Indian companies and offshore steel producers for securing off take from the plant in Kurnool. The material produced by NSL has very low levels of phosphorous, sulphur and aluminium, making the product very attractive to specific steel producers.

AP14 MAGNETITE DEPOSIT – ANDHRA PRADESH

Subsequent to the half year, the company announced the Andhra Pradesh Mines Minister has approved the AP 14 Mining Lease application, which contains significant magnetite mineralisation situated on a mining lease application across 113 hectares.

The AP14 project is located in the Karimnagar District of Andhra Pradesh State, approximately 200 km north east from the State capital of Hyderabad. The local topography of the project area consists of five peaks which rise between 40m to 200m above the surrounding terrain which is at an elevation of around 190m above mean sea level.

The project area comprises upper Archean rock formations. The target mineralisation consists of Banded Magnetite Quartzite (**BMQ**), which from surface mapping and geomagnetic surveys covers between 50% and 70% of the project area, and is seen as outcrop from the base to the top of the peaks. Intrusions represented by granitic sills and dykes varying in width from 1m to 5m are present within the project area

The next stage in the approvals process is the granting of the Mining Lease by the Central Government in Delhi. Upon approval the Company will then be enabled to undertake drilling programs on the lease. The Company is also in parallel completing necessary applications for value addition, specifically the beneficiation and pelletisation potential for the project.

During the approvals process the Company has continued to advance its understanding of the deposit, and has undertaken both physical and geomagnetic surveys, combined with sampling and Davis Tube Recovery test work through SGS India and under the guidance of its metallurgical consultants METS from Australia.

As a result of the above mentioned work programme, The exploration target has now been upgraded from a previous 62 million to 125 million tonnes to now be **134 million to 377 million tonnes of magnetite at grades ranging from 25% to 50% Fe.**

Contained within this exploration target there exists potential for a high grade core of Direct Ship Ore (DSO) quality enriched magnetite, with estimates from 5 million to 10 million tonnes with a grade range from 55% to 65% Fe.

It should be noted that the exploration target quoted above is conceptual in nature and there has been insufficient exploration to define a Mineral Resource under the JORC Code. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Metallurgical testing based on Davis Tube Recovery (DTR) methods of 25 surface grab samples provided the following averages for recovery (using a 75 micron grind size), head grade and concentrate grade:

Magnetite Head Grade Quality

Fe %	FeO %	SiO2 %	Al2O3 %	P %	S %	LOI %
33.89	7.62	50.66	0.23	0.03	0.02	0.31

Magnetite Concentrate Quality

Recovery %	Fe %	FeO %	SiO2 %	Al2O3 %	P %	S %	LOI %
33.4	68.93	19.65	3.00	0.18	0.02	0.02	<0.10

EXPLORATION TARGET

The potential mineralisation for the AP14 magnetite project has been based on the following key parameters:

- Geomagnetic surface surveys suggest mineralisation ranging from 50% to 70% of the surface area, which is 113 hectares in total,
- Depth persistence through geomagnetic surveys has shown good consistency to 75 metres depth, and good indicators beyond 150 metres, which is also the approximate height of the terrain above the local surrounding ground level, and
- A bulk density factor of 3.1 t/m^3

The exploration target is represented in the table below:

Material	Min. Tonnes (million tonnes)	Max. Tonnes (million tonnes)	Min. Grade (Fe)	Max. Grade (Fe)
BMQ	128	364	25%	50%
Enriched BMQ	5	10	55%	65%
Float Material	1	3	25%	50%
Total	**134**	**377**	**25%**	**50%**

It should be noted that the exploration target quoted above is conceptual in nature and there has been insufficient exploration to define a Mineral Resource under the JORC Code. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Contained within this exploration target there exists potential for a high grade core of DSO quality magnetite, with estimates from 5 million to 10 million tonnes with a grade range from 55% to 65% Fe.

The grade range for the BMQ is expected to vary from **25% - 50%** Fe. The average head grade data from all 66 samples collected in the second phase of testing is represented in the following table:

Fe	FeO	SiO_2	Al_2O_3	LOI	S	P
32.91	5.03	51.34	0.39	0.37	0.02	0.03

THERMAL COAL - QUEENSLAND

APPLICATIONS PROCEEDING THROUGH GRANT PROCESS

During the half year, the Company announced that three of its four thermal coal exploration tenements, EPC's 2198, 2337 and EPC 2338, were formally granted.

The Company continues to work towards completing the final granting process for the fourth and remaining EPC 2336.

NSL's four thermal coal tenements 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).

As previously announced, independent geologists have estimated a combined exploration target of between **6.6 billion and 18.7 billion tonnes** of thermal coal for the four tenements.

It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a coal resource. No coal quality data for the project area was uncovered in previous reports. Although a preliminary analysis was undertaken, insufficient data exists to confidently correlate coal seams and generate a grid mesh model. Unexpected Geological loss is designed to account for seam splitting and thinning.

It is uncertain whether further exploration may lead to the reporting of a JORC- standard resources, however there is considerable evidence to support the current Exploration Tonnage calculations, and the sufficient coal thicknesses interpreted from historical drilling warrant further investigation).

CORPORATE

FUNDING AGREEMENT

During the half year the Company obtained a low cost unsecured Convertible Note to further underpin and expand its iron ore production in India.

The Convertible Note has been entered into with Resources First Pte Ltd, a company related to a major Singapore-based bulk commodities investment and trading house and an Indian bulk commodities trading house.

In addition to the unsecured Convertible Note, the Company has also entered into a Marketing Agreement with Resources First Pte Ltd to market the Company's iron ore and procure sales contracts in a manner and at a price consistent with industry standards.

This can include Resources First directly purchasing the iron ore. As part of the Marketing Agreement, NSL's own marketing team will be leveraging off the experience, contacts and expertise of Resources First. NSL will retain the ultimate and final say to whom, and for what price the iron ore is sold.

SIGNIFICANT INDIAN IRON ORE JV INTEREST WITH NSL

Underpinning the strategic future for NSL's Indian iron operations has been the emergence in the closing weeks of the December quarter of a significant and strong level of interest from domestic and international majors which have been monitoring the Company's progress at Kurnool.

The calibre of the companies involved and the number of Confidentiality Agreements signed, is pleasing and comes despite the technical challenges faced in the December quarter to stabilise Kurnool's production performance.

NSL remains confident that the keenness of the inquiries is such to give a level of confidence that the Company's modus operandi in the Indian iron ore market is of a nature that provides significant value add in terms of either new joint ventures, toll treatment options or other opportunities to utilise our Indian expertise and process.

VIJAY GROUP JOINT VENTURE HEADS OF AGREEMENT

Subsequent to the period, the Company executed a Heads of Agreement (**HOA**) to establish a Joint Venture (**JV**) company between NSL and prominent Andhra Pradesh-based Vijay Group. The agreement provides for the partners to focus on expanding NSL's current iron ore operations and other sites - primarily throughout Andhra Pradesh.

The HOA outlines the JV terms between NSL Mining Resources Pvt Ltd (**NSLMRI**) – a wholly owned subsidiary of NSL and owner/operator of NSL's Indian assets; and Vijay Mining Pvt Ltd (**VMPL**) – a wholly owned subsidiary of the larger Vijay Group. Key terms of the HOA are:

- VMPL inject INR 700,000,000 (approx US$13.1M, based on a 12 month average exchange rate) into NSLMRI.
- VMPL earn a 40% interest in NSLMRI.

POTENTIAL ACQUISITIONS

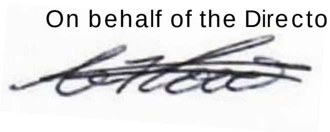
The Company continued to progress several opportunities for either outright acquisition and/or joint venture farm in structured agreements over multiple projects across India and Australia. These assessments remain ongoing.

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 18.

This report is made in accordance with a resolution of directors

On behalf of the Directors



Cedric Goode
Director
Perth, 26 February 2013

Competent Person's Statement

Technical information relating to the coal projects in this announcement has been compiled by Mr Mark Biggs, Principal Geologist of Moultrie Database and Modelling. Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy and has over 24 years of experience relevant to the style and type of coal mineralisation under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004. The estimates of the Coal Exploration Target presented in this Report are considered to be a true reflection of the Coal Exploration Target as at 20th January 2012 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code). Mr Mark Biggs consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this report relating to the exploration results and exploration target is based on information assessed by Mr Paul Blackney who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Blackney is employed by Optiro Pty Ltd. Mr Blackney has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Paul Blackney consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2012

	Notes	Half-Year 31 Dec 2012 $	31 Dec 2011 $
Revenue from continuing operations		-	-
Other income		155,877	57,009
Depreciation and amortisation		(55,620)	(38,235)
Employment benefits expenses		(659,151)	(688,562)
Exploration expenditure		-	(100,225)
Finance and administration		(452,741)	(315,178)
Corporate expenses		(223,501)	(221,195)
Interest Expense		(83,527)	-
Loss from continuing operations before income tax		**(1,318,663)**	**(1,306,386)**
Income tax expense		-	-
Loss from continuing operations after income tax		**(1,318,663)**	**(1,306,386)**
Other comprehensive income			
Items that may be classified to Profit or Loss			
Foreign currency translation		8,349	(990,260)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		**(1,310,314)**	**(2,296,646)**
Loss for the half year is attributable to the owners of NSL Consolidated Limited		**(1,318,663)**	**(1,306,386)**
Total comprehensive income for the half-year is attributable to the owners of NSL Consolidated Limited		**(1,310,314)**	**(2,296,646)**
Basic loss per share attributable to ordinary equity holders (cents)		(0.37)	(0.27)

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

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	31 Dec 2012 $	30 Jun 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		1,863,440	1,454,498
Trade and other receivables		464,102	400,933
Total current assets		**2,327,542**	**1,855,431**
Non-current assets			
Other financial assets		3,528	15,513
Property, Plant and Equipment	5	1,052,469	995,525
Intangible assets		13,271	14,852
Exploration & Evaluation	3	529,117	415,930
Development	4	11,749,114	11,107,540
Total non-current assets		**13,347,498**	**12,549,360**
Total Assets		**15,675,040**	**14,404,791**
LIABILITIES			
Current liabilities			
Trade and other payables		491,160	469,228
Current tax liabilities		127,535	130,202
Derivative Financial Instruments	6	283,918	-
Other liabilities		269,582	105,395
Total current liabilities		**1,172,195**	**704,825**
Non-current liabilities			
Interest bearing liabilities	6	2,067,264	-
Deferred tax liabilities		196,459	200,568
Total non-current liabilities		**2,263,723**	**200,568**
Total Liabilities		**3,435,918**	**905,393**
Net assets		**12,239,123**	**13,499,437**
EQUITY			
Contributed Equity	7	33,440,304	33,390,304
Reserves		(605,954)	(614,303)
Accumulated losses		(20,595,227)	(19,276,564)
Total equity		**12,239,123**	**13,499,437**

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 2012

	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Total Equity $
Balance at 1.7.2011	**29,303,616**	**(16,704,601)**	**(1,842,048)**	**2,451,400**	**13,208,367**
Total comprehensive income for the half-year	-	(1,306,386)	(990,260)	-	(2,296,646)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	4,088,908	-	-	-	4,088,908
Balance at 31.12.2011	**33,392,524**	**(18,010,986)**	**(2,832,308)**	**2,451,400**	**15,000,629**
Balance at 1.7.2012	**33,390,304**	**(19,276,565)**	**(3,065,703)**	**2,451,400**	**13,499,437**
Total comprehensive income for the half-year	-	(1,318,663)	8,349	-	(1,310,314)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	50,000	-	-	-	50,000
Balance at 31.12.2012	**33,440,304**	**(20,595,228)**	**(3,057,354)**	**2,451,400**	**12,239,123**

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 2012

	Half-Year 2012 $	Half-Year 2011 $
Cash flows from to operating activities		
Cash receipts from customers	-	-
Payments to suppliers and employees	(1,231,998)	(842,183)
Interest paid	-	-
Interest received	16,582	57,009
Net cash outflows from operating activities	**(1,215,416)**	**(785,174)**
Cash flows from investing activities		
Payments for exploration and evaluation	(162,186)	(396,316)
Payments for development	(537,820)	-
Payment for plant & equipment	(84,847)	(626,458)
Net cash outflows from investing activities	**(784,853)**	**(1,022,774)**
Cash flows from financing activities		
Proceeds from the issue of shares	-	4,033,907
Proceeds from the issue of convertible note	2,406,950	-
Net cash outflows from financing activities	**2,406,950**	**4,033,907**
Net cash increase (decrease) in cash and cash equivalents	**406,681**	**2,225,959**
Cash and cash equivalents at the beginning of half year	**1,454,498**	**1,503,858**
Net foreign exchange differences	**2,262**	**(544,242)**
Cash and cash equivalents at the end of half year	**1,863,440**	**3,185,576**

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 2012

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2012 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 2012 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. In addition, the following key estimates and judgements have been considered:

Critical judgements and determination of fair values
(a) Convertible Note Derivatives

A Monte Carlo Simulation Model is used to calculate the fair value of the convertible note derivatives that is dependent upon a number of estimates and assumptions. Changes to the estimates and assumptions used in the pricing model could have a material impact on fair value of the convertible note derivatives.

The fair value of the convertible note derivatives has been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value per option is computed using a Monte Carlo Simulation Model that takes account of the exercise price, the terms of the option, the company's share price at the end of the reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatilities is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal spikes in the company's share price.

(b) Going Concern

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

During the period, the commissioning and pre production ramp up of the Phase 1 Kurnool iron ore dry separation plant in the southeast Indian state of Andhra Pradesh progressed as the Company continued to implement and operate its bulk mineral commodities explorer, developer and miner growth strategy, with emphasis on Indian iron ore and south Queensland thermal coal opportunities. Following a challenging 12 months of bedding down our first production plant and associated processing controls to deliver optimal Fe product and desirably, commercial level volumes, the Company enters calendar 2013 positioned to deliver on our initial iron ore objectives in India and as referred to in note 10, are confident of moving the Heads of Agreement with the Vijay Group to more secure commercial outcomes.

At 31 December 2012, the Company has working capital of $1,155,347 (2011: $3,036,301) and incurred a loss of $1,318,663 (2011: $1,306,386) for the 6 months to 31 December 2012. The Directors' are of the opinion that the Company has sufficient funds to adequately meet the Company's commitments, however are aware that they may need to obtain additional financing as needed to meet their ongoing operational and capital commitments.

The Directors are confident that any funding requirements would be met by way of operating activities cash flow or equity or debt funding or funds received from new joint venture partners or a combination of all four.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2012 (Continued)

(c) Impact of standards issued but not yet applied by the entity

Other than AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle there were no new standards issued since 30 June 2012 that have not been applied by NSL Consolidated.

The 30 June 2012 annual report disclosed that NSL Consolidated anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of these standards issued but not yet applied, and this remains the assessment as at 31 December 2012.

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 2012	31 Dec 2011
Revenue from external sources	-	-
Reportable segment loss		
– Iron Ore in India	(263,071)	(237,228)
– Thermal Coal in Queensland	(256)	(80,306)

	31 Dec 2012	30 Jun 2012
Reportable segment assets		
- Iron Ore in India	13,267,522	12,493,986
- Thermal Coal in Queensland	543,271	300,000

	31 Dec 2012	31 Dec 2011
Reconciliation of reportable segment loss		
Reportable segment loss		
- Iron Ore in India	(263,071)	(237,228)
- Thermal coal in Queensland	(256)	(80,306)
Other profit	-	-
Unallocated:		
Corporate expenses	(1,055,337)	(988,852)
Loss before tax	**1,318,664**	**1,306,386**

3. EXPLORATION & EVALUATION EXPENDITURE

	31 Dec 2012	30 Jun 2012
Exploration costs brought forward	415,930	11,533,692
Transferred to development expenditure	-	11,233,692
Additions	113,187	143,156
Impairment	-	26,220
Exchange differences	-	-
Deferred exploration costs carried forward	**529,117**	**415,930**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2012 (Continued)

4. DEVELOPMENT EXPENDITURE

	31 Dec 2012	30 Jun 2012
Development costs brought forward	11,107,540	-
Transferred from exploration & evaluation expenditure	-	11,233,692
Additions	617,782	555,728
Exchange differences	23,793	(681,880)
Deferred development costs carried forward	**11,749,114**	**11,107,540**

All expenditure for the mine development in India is included in Development expenditure. Development expenditure is recorded at historical cost. Upon reclassification from Exploration & Evaluation expenditure the recoverable amount has been estimated as the assets value in use using the Present Value method of future cash flows. As a result of this assessment, no impairment has been deemed necessary.

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Furniture and fixtures	Computer equipment	Land	Buildings	Total
	$	$	$	$	$	$
At 30 June 2012						
Cost or fair value	885,020	40,017	113,326	110,259	28,805	1,177,427
Accumulated depreciation	(89,090)	(12,224)	(69,817)	-	(10,771)	(181,902)
Net book amount	**795,930**	**27,793**	**43,509**	**110,259**	**18,034**	**995,525**
Half-year ended 31 December 2012						
Opening net book amount	73,129	30,409	44,900	120,760	19,751	288,950
Additions	606,895	6,379	1,915	-	-	615,189
Disposal/written-off	-	-	-	-	-	-
Depreciation charge	(32,139)	(3,561)	(14,469)	-	(1,910)	(52,080)
Exchange differences	(4,533)	(2,497)	(2,235)	(10,057)	(1,640)	(20,963)
Closing net book amount	**643,352**	**30,729**	**30,111**	**110,703**	**16,201**	**831,096**
At 31 December 2012						
Cost or fair value	764,599	46,554	114,440	110,703	28,920	1,065,217
Accumulated depreciation	(121,247)	(15,825)	(84,329)	-	(12,720)	(234,121)
Net book amount	**643,352**	**30,729**	**30,111**	**110,703**	**16,201**	**831,096**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2012 (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Assets in the course of construction

	Plant and equipment	Total
	$	$
Half-year ended 31 December 2012		
Opening net book amount	731,477	731,477
Additions	174,426	174,426
Disposal/written-off	-	-
Transfer to fixed assets	(684,530)	(684,530)
Closing net book amount	**221,373**	**221,373**

6. DERIVATIVE LIABILITIES AND INTEREST BEARING LIABILITIES

	31 Dec 2012	30 Jun 2012
Current		
Derivative – Foreign Exchange	71,791	-
Derivative – Convertible Option	212,128	-
	283,918	**-**
Non-Current		
Convertible Note	2,067,264	-
	2,067,264	**-**

During the period the period 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.
- 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)

7. EQUITY SECURITIES ISSUED

	31 Dec 2012 Shares	31 Dec 2011 Shares	31 Dec 2012 $	31 Dec 2011 $
Issue of ordinary shares during the half-year				
Exercise of options issued under the NSL Consolidated Limited	-	-	-	-
Issue of shares	1,000,000	79,941,651	50,000	4,396,791
Less: equity raising costs	-	-	-	(307,884)
	1,000,000	**79,941,651**	**50,000**	**4,088,907**

8. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2012 (Continued)

9. CONTINGENCIES

Litigation between NSL Mining Resources India (Pvt) (NSL MRI) and Mega Mining and Solutions

Further to reporting on this litigation at 30 June 2012, there have been no further changes to the current status of this claim.

Litigation between NSL Mining Resources India (Pvt) Ltd (NSL MRI) and Mega Logistics and Solutions

Further to reporting on this litigation at 30 June 2012, there have been no further changes to the current status of this counter-claim.

10. EVENTS OCCURING AFTER REPORTING DATE

Subsequent to the period, the Company executed a Heads of Agreement (HOA) to establish a Joint Venture (JV) company between NSL and prominent Andhra Pradesh-based Vijay Group. The agreement provides for the partners to focus on expanding NSL's current iron ore operations and other sites - primarily throughout Andhra Pradesh.

The HOA outlines the JV terms between NSL Mining Resources Pvt Ltd (NSLMRI) – a wholly owned subsidiary of NSL and owner/operator of NSL's Indian assets; and Vijay Mining Pvt Ltd (VMPL) – a wholly owned subsidiary of the larger Vijay Group. Key terms of the HOA are:
VMPL inject INR 700,000,000 (approx US$13.1M, based on a 12 month average exchange rate) into NSLMRI.

VMPL earn a 40% interest in NSLMRI.

There has not been any other Significant Events subsequent to 31 December 2012 and prior to the date of this report other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the half-year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION
31 December 2012

In the directors' opinion:

a) the financial statements and notes set out on pages 8 to 16 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 2012 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, 26 February 2013

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

26 February 2013

The Board of Directors
NSL Consolidated Limited
Level 1, 30 Ord Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NSL CONSOLIDATED LIMITED

As lead auditor for the review of NSL Consolidated Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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.

Phillip Murdoch
Director

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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 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity 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 2012 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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(b) in the half-year financial report which indicates that NSL Consolidated Limited incurred a loss of $1,318,663 during the half-year ended 31 December 2012. This condition, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 26th day of February 2013