NSL CONSOLIDATED LIMITED
AND CONTROLLED ENTITIES

ABN 32 057 140 922

Interim Financial Report for the half year ended 31 December 2017

Contents

CORPORATE DIRECTORY

Directors	J Muir ACA Chairman / Non-Executive Director C F Goode MBA Managing Director / CEO P I Richards B.Comm Non-Executive Director 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	Suite 2, Level 1 14-16 Rowland Street SUBIACO WA 6005
Web Site Address	www.nslconsolidated.com
Share Registry	Security Transfer Registrars 770 Canning Highway Applecross WA 6153 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 2017.

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 Goode	Managing Director/CEO
Peter Richards	Non-Executive Director
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 India business strategy, focussing on the beneficiation of low grade iron ore for use in the growing Indian steel industry.

The Company, as the only Australian or foreign company to own and operate in India's iron ore market, continued to progress is Phase Two wet beneficiation project. The Company successfully completed the commissioning of the plant and transitioned to 3 shift operations in the last part of the year. Post the end of the year the company commenced sales to domestic steel producers.

The Company continues to receive government support 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 the fine tuning of its operations following the successful commissioning of it's Phase Two wet beneficiation project. This included the Company completing the commissioning of the wet plant thickener circuit into the process flow and the commissioning of individual processing components, which were able to reach nameplate throughput, grade and yields.

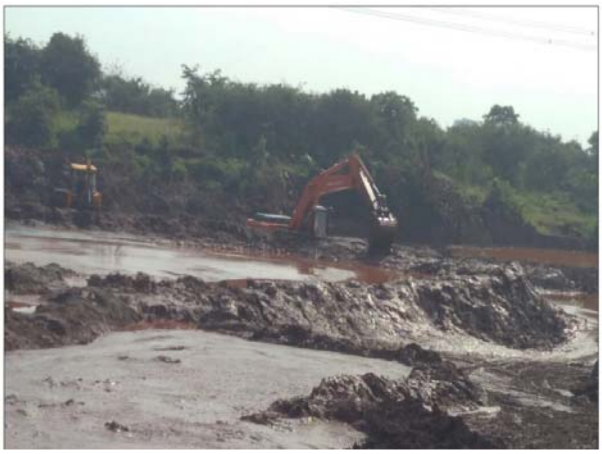
The on-site team worked safely and diligently to be able to operate each of the two ball mill processing trains at their design throughput capacity of 50 tonnes per hour as part of the nameplate testing, producing designed 58-62% Fe concentrate from a feed as low grade as 30% Fe.

This was achieved despite significant rainfall events and localised flooding impacting on operations. The monsoon at 50% above normal levels, continued to impact the plant in the latter part of the half year, while post the monsoon, the Company was able to continue operating the plant.

Completed thickener circuit.

Plant in night time operation

With extended rainfall experienced during the half year, the Company made the strategic decision to complete a testing and plant re- configuration programme. This was recommended by Xinhai and is designed to increase both yields and grades in the Phase three wet plant expansion.



Flooded plant area

As part of this programme, the Company and Xinhai mobilised a technical team to focus on finalising the engineering, design and equipment details for an additional 200,000 tonnes per annum of iron ore concentrates. The team was tasked with the expectation the Phase three construction and commissioning will occur in the late stages of 2018.

Xinhai is continuing a comprehensive sample testing program of NSL feed material in China to finalise the process flow and equipment requirements to produce a routine operating concentrate grade targeting in excess of 62% Fe.

The results of the Xinhai site visit and testing are now being fed into the expansion projects, whereby Xinhai as an EPC contractor will have the opportunity, based on acceptable commercial terms, to build capacity up to 2.5 million tonnes per annum.

MARKETING AND OFFTAKE

During commissioning and trials of the plant, the Company has dispatched a total of 15,000 tonnes of premium quality filter cake in combined grades of 58% Fe to 61% Fe. Daily dispatch peaked at 1038 tonnes.

Minera
Despite the heavy monsoonal rains with the operational after effects and Xinhai on site testing, the Company dispatched a total of 15,000 tonnes of premium quality filter cake in grades between 58% and 61% Fe to Minera during the half year. Minera continues to utilise NSL filter cake into their steel plant process and have been complimentary of the results, with the filter cake producing a high-quality pellet with excellent pelletising characteristics and physical properties which has then been successfully fed further into the steel process.

Minera has communicated that they desire a minimum of 15,000 tonnes per month of premium 60/61 Fe product for their operations which currently require between 70,000 and 80,000 tonnes per month of iron ore.

BMM
As announced in the latter part of the half year, the Company had expanded its customer base with the receipt of a 5,000-tonne purchase order from BMM Ispat Ltd ("BMM"). The order is for premium filter cake grading 59-61% Fe, on prevailing market commercial terms. Subsequent to the period, the Company commenced delivery into the BMM order.

JSW
As announced on 30 November, the Company further expanded its customer base with the receipt of a 4,000-tonne purchase order from JSW for premium filter cake grading 58-60% Fe. The order is on commercial terms in line with other customer orders. Subsequent to the period, the Company commenced delivery into the JSW order.

JSW is India's leading private sector steel producer and among the world's most illustrious steel companies. It 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.

As the flagship company of the $11 billion JSW Group, JSW is testament to decades of experience and a dynamic culture that have culminated in the company becoming the leading provider of specialised steels in India.

The JSW steel complex is approximately 160kms from NSL operations and located within the Hospet region of Karnataka, southern India's main steel producing belt. Production facilities include a Beneficiation Plant, Pellet Plant, Coke Plant, Hot Metal Plant, Steel Plant, Mill Plant and a R&D Facility.

The plant consumes in excess of 20 million tonnes of iron ore per annum and is the largest steel producer in Southern India. The complex has been awarded numerous awards and accolades, including the Prime Ministers special commendation as the Best Integrated Steel Plant in 2012-13

For further information on JSW, please refer to www.jsw.in/

Importantly, with the receipt of the BMM and JSW PO's the Company now has three significant customers for its premium filter cake grading between 58-62% Fe.

Finished product concentrate dispatch in dry and in very wet conditions

MINERA COLLABORATION AGREEMENT

During the half year, the Company entered into a Collaboration Agreement (**CA**) with Minera.

Minera is an Indian company engaged in the production of pellet, sponge iron and steel in the Indian domestic steel industry. As an existing customer to NSL, the business relationship continues to strengthen.

The collaboration agreement outlines the framework for business enhancement and is specifically focussed on the following key areas:

- Setting up wet plant facilities for the beneficiation of low grade iron ore located at the Minera steel facility;
- Setting up similar facilities in Karnataka or Andhra Pradesh or any other locations as may be deemed suitable and necessary for both parties;
- Acquiring or tying up mine lease holders for purchase of leases, mining and/or supply of ore for beneficiation either in Karnataka or Andhra Pradesh or any other locations as may be deemed suitable and necessary for both parties; and
- To finalise a suitable corporate and business structure models in above areas or such other areas as may be identified while forging a long-term relationship.

STRATEGIC EPC CO-OPERATION AGREEMENT WITH XINHAI

The Company continued to work closely with Shandong Xinhai Mining Technology & Equipment Inc (Xinhai) under the strategic cooperation agreement for the provision of wet beneficiation plant Engineering, Procurement and Construction (EPC) services. This involved testing and initial designs of the Phase Three wet plant which is expected to double plant capacity to 400,000 tonnes per annum of concentrate.

Founded in 1997, Xinhai, is a Beijing listed technology enterprise providing “Turnkey Solutions” for mineral processing plants, including design and research, machine manufacturing, equipment procurement, management services, mine operation, mine materials procurement & management, as well as industry resources integration.

With 500 mining EPC projects encompassing 70 kinds of mineral ore technologies and 20 patents, Xinhai has established overseas offices in Sudan, Zimbabwe, Tanzania, Peru and Indonesia, and has exported to more than 20 countries.

For further information on Xinhai, please visit: http://www.xinhaimining.com/

Xinhai has previously exported equipment to India and is now looking to further its exposure in the growing Indian economy through the provision of EPC services, viewing an Australian company operating in India as an ideal opportunity.

The cooperation agreement complements the existing Huate relationship and enhances the Company’s relationships and expertise in China as more Chinese companies look to Indian business opportunities for their future growth.

Xinhai has a strong history with Chinese import/export banks to provide funding for EPC projects throughout its global footprint. The Company and Xinhai are continuing the process to secure financing for future beneficiation plants up to a concentrate production target of 2.5 million tonnes per annum.

MEMORANDUM OF UNDERSTANDING WITH ANDHRA PRADESH GOVT

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 low grade iron ores that are abundant in the State.

GoAP Cabinet and associated Industries and Commerce Department approved and instructed the Kurnool District Collector to immediately allocate 20 acres of Government land adjacent to the existing NSL stockyard. This is to be utilised for the upcoming Phase 3 wet plant expansion and laying of a bypass road.

The allocation of land to support the expansion by the GoAP is a further strengthening of support by the AP Government to the Company.

The Kurnool District Collector inspecting +62% Fe concentrate, on plant at site as part of land allocation.

In addition, work continued with senior members of the Andhra Pradesh Industrial Infrastructure Corporation (**APIIC**) on potential sites for the larger 2x1 million tonne per annum expansion plants (for more information please visit www.apiic.in).

A 98-acre site located adjacent to the AP3 project, and within 4km of the AP23 project, both part of the pipeline of expansion projects under development by NSL is being progressed through the Government processes.

The Company had signed an MOU, whereby the 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.

PELLET AND STEEL PLANT

During the half year the Company further progressed work relating to the establishment of a greenfield steel making plant in Andhra Pradesh (**AP**).

The Andhra Pradesh Industrial Infrastructure Corporation Ltd, after careful examination allotted 250 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.

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

Work and reciprocal visits to progress actions continues both in India and China in relation to the initial focus on the Pellet Plant with a variety of significant Chinese EPC companies

SUBSEQUENT EVENTS

GOVERNMENT OF ANDHRA PRADESH LAND GRANT TO NSL

As announced on 24 January 2018, the Government of Andhra Pradesh (GoAP) Cabinet and associated Industries and Commerce Department had approved and instructed the Kurnool District Collector to immediately allocate 20 acres of GoAP land adjacent to the existing NSL stockyard to the Company. The land is existing Govt land.

The additional 20 acres is to be utilised for the purposes of the upcoming Phase 3 wet plant expansion and laying of a bypass road.

LEGAL NOTICE – SUPREME COURT JUDGEMENT

As announced on 12 February 2018, the Company advised that on 9 February 2018, her Honour Justice Banks-Smith handed down her judgment, in favour of the Company.

NSL will make an application to seek a contribution to its legal costs from Coal Hub, Subiaco Capital and its two directors, pursuant to personal undertakings as to costs.

Refer to note 9 for details in relation to the judgement.

There were no other subsequent events during the period.

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 22.

This report is made in accordance with a resolution of directors

On behalf of the Directors

Cedric Goode
Director
Perth, 16 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2017

	Notes	31 Dec 2017 $	31 Dec 2016 $
Revenue from continuing operations		-	-
Other income		37,979	4,773
Unrealised foreign exchange differences		(26,417)	167,796
Depreciation and amortisation		(371,081)	(54,162)
Employment benefits expenses		(561,478)	(668,466)
Exploration expenditure written off	3	314,814	(121,467)
Finance and administration		(408,514)	(633,610)
Corporate expenses		(407,161)	(1,567,106)
Loss from continuing operations before income tax		**(1,421,857)**	**(2,872,242)**
Income tax expense		-	-
Loss from continuing operations after income tax		**(1,421,857)**	**(2,872,242)**
Other comprehensive income			
Items that may be reclassified to Profit or Loss			
Foreign currency translation		(137,820)	(41,299)
Other comprehensive income/(loss) for the half-year, net of tax		**(137,820)**	**(41,299)**
Total comprehensive loss for the half-year		**(1,559,677)**	**(2,913,540)**
Loss for the half year is attributable to the owners of NSL Consolidated Limited		**(1,421,857)**	**(2,872,242)**
Total comprehensive loss for the half-year is attributable to the owners of NSL Consolidated Limited		**(1,559,677)**	**(2,913,540)**
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)		(0.06)	(0.21)

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 2017

	Notes	31 Dec 2017 $	30 Jun 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		3,889,267	1,034,646
Trade and other receivables	4	417,080	379,863
Inventories	5	97,093	185,003
Total current assets		**4,403,440**	**1,599,512**
Non-current assets			
Other financial assets		69,167	6,170
Property, plant and equipment		3,760,899	3,868,849
Development expenditure capitalised	6	9,650,287	7,882,257
Total non-current assets		**13,480,353**	**11,757,276**
Total Assets		**17,883,793**	**13,356,788**
LIABILITIES			
Current liabilities			
Trade and other payables		1,160,817	995,724
Provisions		259,903	251,527
Total current liabilities		**1,420,720**	**1,247,251**
Non-current liabilities			
Provisions		93,507	94,336
Deferred tax liabilities		328,633	333,285
Total non-current liabilities		**422,140**	**427,621**
Total Liabilities		**1,842,860**	**1,647,872**
Net assets		**16,040,932**	**11,681,916**
EQUITY			
Contributed equity	7	62,246,226	56,327,533
Reserves		182,208	320,028
Accumulated losses		(46,387,502)	(44,965,645)
Total equity		**16,040,932**	**11,681,916**

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 2017

	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Total Equity $
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**
Balance at 1.7.2017	**56,327,533**	**(44,965,645)**	**(2,355,841)**	**2,675,869**	**11,681,916**
Total comprehensive loss for the half-year	-	(1,421,857)	(137,820)	-	(1,559,677)
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	-	-
Option based payments	-	-	-	-	-
Contributions of equity, net of transaction costs	5,918,693	-	-	-	5,918,693
Balance at 31.12.2017	**62,246,226**	**(46,387,502)**	**(2,493,661)**	**2,675,869**	**16,040,932**

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 2017

	Half-Year 2017 $	Half-Year 2016 $
Cash flows from to operating activities		
Cash receipts from customers	560,265	-
Payments to suppliers and employees	(1,667,460)	(2,129,304)
Interest paid	-	(506,734)
Interest received	30,116	4,773
Net cash outflows from operating activities	**(1,077,079)**	**(2,631,265)**
Cash flows from investing activities		
Payments for property, plant and equipment	(108,103)	(2,267,923)
Payments for security deposits	(62,997)	-
Payments for development expenditure	(1,771,782)	(256,570)
Net cash outflows from investing activities	**(1,942,882)**	**(2,524,493)**
Cash flows from financing activities		
Proceeds from the issue of shares	5,918,694	8,917,320
Repayment of borrowings	-	(329,889)
Net cash inflows from financing activities	**5,918,694**	**8,587,431**
Net cash increase (decrease) in cash and cash equivalents	**2,898,733**	**3,431,673**
Cash and cash equivalents at the beginning of half year	**1,034,646**	**799,461**
Net foreign exchange differences	**(44,112)**	**(95,512)**
Cash and cash equivalents at the end of half year	**3,889,267**	**4,135,622**

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 2017

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 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 2017 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 2017.

(b) Going Concern

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

For the period ended 31 December 2017, the consolidated entity recorded a loss of $1,421,857 (31 December 2016: $2,872,242) and had net cash outflows from operating and investing activities of $3,019,961 (31 December 2016: $5,155,758). At 31 December 2017, the consolidated entity had working capital of $2,982,719 (30 June 2017: $352,261).

During the period, the Company raised funds via a strategic investment with a large Australian Institution, First Samuels. Management believe there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report.

The ability of the consolidated entity to continue as a going concern is dependent on the successful commercialisation and generation of positive cash flows of the consolidated entity's iron ore project. Should this not occur, the consolidated entity will also be dependent on securing additional funding through debt or equity to continue to fund its operational and development activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

• The Directors have reviewed cash flow forecasts, the current operations of the consolidated entity and plans for the next twelve months and are satisfied that there are sufficient funds to maintain the consolidated entity as a going concern subject to achieving planned Iron Ore production levels;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2017 (Continued)

(b) Going Concern (continued)

• The Iron Ore production levels are contingent on the beneficiation process achieving its desired grade and recovery levels. The Directors however, expect to meet these production levels;

• Should additional finance be required, the Directors consider that it may be met by way of equity or debt, or a combination of the two.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

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 2017 $	31 Dec 2016 $
Revenue from external sources	37,979	4,773
Reportable segment (loss)/profit		
– Iron Ore in India	(763,121)	(324,009)
– Thermal Coal in Queensland	314,704	(121,599)
Reconciliation of reportable segment loss		
Reportable segment (loss)/profit		
- Iron Ore in India	(763,121)	(324,009)
- Thermal coal in Queensland	314,704	(121,599)
Other profit		
Unallocated:		
Corporate expenses	(973,440)	(2,426,634)
Loss before tax	**(1,421,857)**	**(2,872,242)**
Reportable segment assets		
- Iron Ore in India	13,993,896	9,872,430
- Thermal Coal in Queensland	-	88
Reconciliation of reportable segment assets		
Reportable segment assets		
- Iron Ore in India	13,993,896	9,872,430
- Thermal coal in Queensland	-	88
Other assets		
Unallocated:		
Corporate assets	3,889,897	6,476,812
Total assets	**17,883,793**	**16,349,330**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2017 (Continued)

2. SEGMENT INFORMATION (continued)

Reportable segment liabilities	(841,520)	(226,169)
- Iron Ore in India		
- Thermal Coal in Queensland	(28,684)	(343,498)
Reconciliation of reportable segment liabilities		
Reportable segment liabilities		
- Iron Ore in India	(841,520)	(226,169)
- Thermal coal in Queensland	(28,684)	(343,498)
Other liabilities		
Unallocated:		
Corporate liabilities	(972,656)	(961,962)
Total liabilities	**(1,842,860)**	**(1,531,629)**

3. EXPENSES

	31 Dec 2017	31 Dec 2016
Exploration expenditure written off	(125,489)	(121,467)
Exploration expenditure reversal (1)	440,303	-
	314,814	**(121,467)**

(1) Refer to note 9 for further details.

4. TRADE AND OTHER RECEIVABLES

	31 Dec 2017	30 Jun 2017
Current		
Trade receivables (1)	77,241	-
Prepayments (2)	196,270	79,710
Other receivables (3)	143,569	300,153
	417,080	**379,863**

(1) represents receivables in relation to Sales from plant commissioning/trial production.
(2) relates to advances/security deposits paid to suppliers based on goods and/or service agreements in place.
(3) generally arise from transactions outside of the usual operating activities of the entity. The balance primarily represents receivables relating to goods and services tax.

5. INVENTORIES

	31 Dec 2017	30 Jun 2017
Current		
Raw materials (1)	48,796	185,033
Iron ore concentrate (2)	48,298	-
	97,093	**185,033**

(1) Costs of third party iron ore fines feed material to be utilised as blend feed through commissioning and plant/product optimisation phase.
(2) Iron ore concentrate stockpiles produced through commissioning and plant/product optimization phase.

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs. Cost for raw materials and stores is the purchase price, and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose, the costs of production include:

- Labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- The amortisation of mine property expenditure and depreciation of plant and equipment used in the extraction and processing of ore; and
- Production overheads, including attributable mining overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence (e.g. because it exceeds the mine's cut-off grade), it is valued at the lower of cost and net realisable value. Quantities are assessed primarily through surveys and volume conversions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2017 (Continued)

6. DEVELOPMENT EXPENDITURE

	31 Dec 2017	30 Jun 2017
Development costs brought forward	7,882,257	6,509,040
Additions	1,750,968	1,475,130
Transfer to inventories	(97,093)	(185,003)
Exchange differences	114,155	83,090
Deferred development costs carried forward	**9,650,287**	**7,882,257**

(a) Capitalised development expenditure, plant and equipment

During the period, the directors have determined that no indicators of impairment are present.

7. EQUITY SECURITIES ISSUED

	31 Dec 2017 Shares	31 Dec 2016 Shares	31 Dec 2017 $	31 Dec 2016 $
Issue of ordinary shares during the half-year				
Issue of Shares - exercise of options – issued at $0.01	-	548,208,886	-	5,482,089
Issue of Shares - exercise of options – issued at $0.0096	-	177,000,000	-	1,699,200
Issue of Shares – share based payments – issued at $0.02	-	2,400,000	-	48,000
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
Issue of Shares – issued at $0.01 *	3,750,000	-	37,500	-
Issue if Shares – issued at $0.0096 *	93,281,250	-	895,500	-
Issue of Shares – First Samuel issued at $0.025	210,000,000	-	5,250,000	-
Less: equity raising costs	-	-	(264,306)	(208,249)
	307,031,250	**1,013,569,855**	**5,918,694**	**14,702,262**

* refer to related party transaction note (note 11) for details.

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 2017 (Continued)

9. CONTINGENCIES

There has been a change in the following contingency since the 30 June 2017 reporting period:

Legal Notice - Supreme Court Judgement

As announced on 12 February 2018, the Company advised that on 9 February 2018, her Honour Justice Banks-Smith handed down her judgment, **in favour** of the Company.

NSL will make an application to seek a contribution to its legal costs from Coal Hub, Subiaco Capital and its two directors, pursuant to a personal undertakings as to costs.

Background
Birmanie alleged NSL repudiated the Coal Acquisition Agreement dated 15 June 2011 (Agreement) with Birmanie Nominees Pty Ltd relating to 4 coal EPCs in Queensland and Birmanie accepted the repudiation and terminated the Agreement and commenced Supreme Court proceedings against NSL.

By these Supreme Court proceedings Birmanie sought damages including for the loss of opportunity to receive further payments. The damages sought were $2.5 million plus costs and interest.

NSL has always maintained that as it did not obtain unfettered access, it had no obligation to undertake drilling and in any event, it would not have established Inferred or Indicated coal resources of 500 or 250 million tonnes respectively (which would have given rise to the further payments).

Accordingly, NSL has maintained that even if it breached the Agreement there was no loss to Birmanie (Birmanie later assigned its interests in the litigation to Coal Hub. NSL denied the validity of that assignment).

Orders Made
The full decision will be found in the Supreme Court of Western Australia portal under “Judgments” (Coal Hub Pty Ltd v NSL Consolidated Ltd [No 4] [2018] WASC 41).

Her Honour Justice Banks-Smith found that NSL did not repudiate the Agreement, and whilst NSL breached an implied term by certain delays on its part in the circumstances its conduct was not of the nature of a repudiatory breach, therefore Coal Hub is entitled to nominal damages in the sum of $1,000.

Coal Hub’s claim is otherwise dismissed.

The issue of costs was to be referred to a judge to be determined in chambers on a date to be fixed.

Further to the Supreme Court judgement in NSL’s favour, and Birmanie’s deregistration, the Company is of the view that accrued EPC rents are no longer a probable obligation/liability of the Company, which up to 31 December 2017, amounted to $440,303. This amount has been adjusted and reflected in the 31 December 2017 financial statements.

There has been no change in contingencies since the 30 June 2017 reporting period, other than disclosed above.

10. COMMITMENTS

There has been no change in commitments since the 30 June 2017 reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2017 (Continued)

11. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period:

- 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 upon satisfaction of the payment of the Financial Assistance (Deemed Loan) provided by the Board for the conversions.

The following key management personnel transactions occurred during the period:

- Issue of 44,531,250 shares to Chief Operating Officer S Freeman in respect of the conversion of 43,281,250 $0.0096 unlisted and 1,250,000 $0.01 listed options, upon satisfaction of payments towards the Financial Assistance (Deemed Loan) provided by the Board for the conversions.

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 2017 $	31 Dec 2016 $
Shares issued as consideration for brokerage (capital raising fees)	250,000	48,000
Director, senior management & consultant options expense	-	74,000

13. EVENTS OCCURING AFTER REPORTING DATE

There were the following subsequent events during the period:

Government of Andhra Pradesh Land Grant to NSL

As announced on 24 January 2018, the Government of Andhra Pradesh (GoAP) Cabinet and associated Industries and Commerce Department had approved and instructed the Kurnool District Collector to immediately allocate 20 acres of GoAP land adjacent to the existing NSL stockyard to the Company. The land is existing Govt land.

The additional 20 acres is to be utilised for the purposes of the upcoming Phase 3 wet plant expansion and laying of a bypass road.

LEGAL NOTICE – SUPREME COURT JUDGEMENT

As announced on 12 February 2018, the Company advised that on 9 February 2018, her Honour Justice Banks-Smith handed down her judgment, in favour of the Company.

NSL will make an application to seek a contribution to its legal costs from Coal Hub, Subiaco Capital and its two directors, pursuant to personal undertakings as to costs.

Refer to note 9 for details in relation to the judgement.

There were no other subsequent events other during the period.

DIRECTORS' DECLARATION
31 December 2017

In the directors' opinion:

a) the financial statements and notes set out on pages 13 to 18 are in accordance with the *Corporations Act 2001,* including:

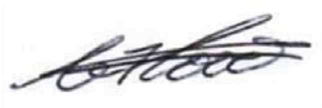
   (i) complying with Accounting Standards, AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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, 16 March 2018

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DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF NSL CONSOLIDATED LIMITED

As lead auditor for the review of NSL Consolidated Limited for the half-year ended 31 December 2017, 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.

Matthew Cutt

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of NSL Consolidated Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of NSL Consolidated Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

M Cutt

Matthew Cutt

Director

Perth, 16 March 2018