NSL Consolidated Limited

A.B.N. 32 057 140 922

Appendix 4D
Half Year Report for the 6 months ended 31 December 2013

The information in this Report is provided in accordance with ASX Listing Rule 4.2A and should be read in conjunction with the 2013 Annual Report.

Results for Announcement to the Market

				$A
Revenues from ordinary activities	Down	160%	to	(93,616)
Loss from ordinary activities after tax attributable to members	Up	2%	to	1,322,343
Net Loss for the period attributable to members	Up	2%	to	1,322,343

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 2013 results and the operations of the Company

NET TANGIBLE ASSET BACKING	Half-Year 31 Dec 2013 Cents	Full Year 30 June 2013 Cents
Net tangible asset backing per ordinary security	0.02	0.03

NSL CONSOLIDATED LIMITED
AND CONTROLLED ENTITIES

ABN 32 057 140 922

Interim Financial Report for the half year ended 31 December 2013

Contents

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 2013.

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	(appointed 10 February 2014)
Jock Muir	Chairman	(resigned 10 February 2014)
Cedric Coode	Managing Director/CEO	
Wayne Richards	Non Executive Director	(resigned 23 September 2013)
Peter Linford	Non Executive Director	(appointed 10 February 2014)

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 exploration, development and growth strategy, with emphasis on Indian iron ore and south Queensland thermal coal opportunities.

The Company has achieved the construction, commissioning and expansion of its Phase One dry separation plant, culminating in the material produced during the commissioning phase being sold ex mine gate into the domestic Indian market.

In addition the Company has successfully received all approvals to progress with the construction and commissioning of the already fabricated Phase Two wet beneficiation plant.

The Company continues to be heartened by Indian state and central Government's support of our business through continued success in gaining relevant approvals to support the Indian business strategy.

The approvals are further 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, sales and cash flow 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 corporations seeking potential joint venture opportunities. The Company entered into, and subsequently terminated, a Joint Venture Agreement (**JVA**) with Andhra Pradesh-based Vijay Group (**VMPL**) due to the non performance of Vijay Group to the terms of the JVA.

The Company has significantly progressed discussions with various other parties to replace Vijay in the JV.

The most advanced of these parties has completed their due diligence process and are currently engaged in commercial discussions. The parties range from Indian high net worth individuals to multinational companies.

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 further encourage private and foreign investments. 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!

While India is the world's 4th largest steel producer, it's iron ore market, though large, is fragmented, with many small-scale operations. As a participant in the local market, India's economic growth and stability therefore favours NSL's long-term presence in India and provides leverage to attractive iron ore prices, both domestic and export, while it can also leverage its cash flow and asset base in line with India's economic growth.

No junior resources developer should, however, focus all of their resources into a single market or commodity. Encouraged by our Indian alliances, NSL moved into Queensland's bulk commodities market, focussing on thermal coal opportunities, a commodity that is well understood by domestic and international consumers, joint venture partners, financiers and the equities market.

Our entry has been at low cost but with strong upside. The early period has serviced the requirements of applications and approvals necessary before exploration can commence. All four tenements have now been granted.

IRON ORE - INDIA

KURNOOL MINING

Full time mining operations commenced at Mangal during the half year. Mining continued until excavator breakdowns in August, with excavator buckets being sent off site for repairs. With the combined impacts of monsoonal rains and equipment availability mining ceased in August.

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

Mine operations and stockpiling

KURNOOL IRON ORE BENEFICIATION PLANT

Phase One Plant

In order to determine the maximum throughput and production rates through the dry separation plant, plant operations remained suspended
, until such time as an appropriate feed stockpile has been built to facilitate the consistent and full time operation of the plant.

The maximum throughput and production rate studies will commence subject to delivery of appropriate feed stockpiles to the plant and sufficient funding.

This process was delayed during the half year as the Company worked through the defaults of Vijay under the JVA.

Phase Two Plant

During the half year, post the Indian Ministry of Environment and Forest (**MoEF**) clearance of NSL's Wet Beneficiation Plant application and approval of the project for environmental clearance, the Company continued on planning for the development (subject to funding) of the plant.

The company received the final State Government approval, the Consent for Establishment (**CFE**) during the half year. The CFE is the final requirement to enable construction works to commence and now allows for site works to now commence on the project site.

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

The Phase Two wet beneficiation plant process, which is anticipated to be capable of producing final product grades of between 58-62% Fe, has a design capacity of 200,000 tonnes per annum of iron ore fines.

Marketing and Offtake

During the quarter the Company sold small amounts of material from its iron ore stockpiles on an ex mine gate basis.

AP14 MAGNETITE DEPOSIT – ANDHRA PRADESH

During the course of the half year the Company continued the processes related to gaining the grant of the Mining Lease by the Central Government in Delhi.

This included participating in inter-governmental department workshops in Delhi, and providing additional qualifications to support the application.

Upon approval from the Central Government the Company will then be enabled to undertake further exploration activities, including drilling operations on the lease. Work continued on the development of the exploration program scope, including pre work on preferred supplier sourcing. The Company is also in parallel completing necessary applications for value addition, specifically the beneficiation and pelletisation potential for the project.

The approvals previously granted by the Andhra Pradesh Government are a critical step forward in the progression of the Karimnagar project and represent a strong reflection of the Government's support for regional development in remote areas of the state.

These important developments for NSL lay the foundations for the Company's future expansion plans.

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

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 this 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

For further details please refer to the AP14 – Technical Update and Forward Exploration Plan as announced on 1st February 2013.

THERMAL COAL - QUEENSLAND

APPLICATIONS PROCEEDING THROUGH GRANT PROCESS

During the half year, the Company completed the final granting process for the fourth and remaining coal tenement - EPC 2336.

NSL's four thermal coal tenements (EPCs 2198, 2336, 2337 and 2338) cover 2,585 km^2 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 on 15 January 2014, 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. The grade and quality of the exploration target is as follows:

Relative Density (Kg/m3; adb)	Range of Raw Ash %adb	Range of Raw Calorific Values (MJ/kg adb)
1.5 -1.55	15 - 45	15.5 – 21.5

Refer to table 1 and 2 of the 15 January ASX announcement for further details on the grade and quality. The above exploration target has been based on actual historical exploration programs. Refer to Appendix One of the 15 January ASX announcement for a detailed explanation of the basis for the exploration target, including specific description of the level of exploration activity already completed.

It should also 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.

The Company continues to conduct ongoing assessments on the tenements and their potential. The company strongly supports the exploration conducted thus far in the region and agrees with its peers in recognising the long-term significance of the vast sub-bituminous coal deposits contained within the Winton Formation of the Eromanga Basin. The company does believe, however, that to gain further market acceptance ongoing work is required to distinguish in these vast deposits what proportion is Inventory coal and what proportion is a Coal Resource under the 2012 Code. Inventory Coal is a Non-JORC term that applies to all coal in the ground that can be estimated and classified according to geological confidence, without a need for a Competent Person to account for either potential commercial considerations or land use constraints when identifying Inventory Coal. A Coal Resource is all coal that can be estimated on the basis of relative confidence levels, and having passed the "reasonable prospects for eventual economic extraction" test can then become a Coal Resource as defined by the JORC Code.

CORPORATE

JOINT VENTURE AGREEMENT – VIJAY GROUP

At the end of the half year, the Company terminated the Joint Venture Agreement (**JVA**) with the Vijay Group (**Vijay**) as announced on 13 March 2013.

The Company has significantly progressed discussions with various other parties to replace Vijay in the JV.

The most advanced of these parties has completed their due diligence process and are currently engaged in commercial discussions. The parties range from Indian high net worth individuals to multinational companies.

SHARE PLACEMENTS

During the half year the Company secured commitments for the placement of 23,510,000 fully paid shares at an issue price of 2 cents per share, raising $470,200.

The raising was completed in accordance with Section 708 of the Corporations Act, and was supported by existing major shareholders, Board and management.

The placement occurred in two tranches, with 17,010,000 million shares being issued under the Company's 15% placement capacity and the balance (Board of Directors participation) post shareholder approval on 19 August 2013.

One free attaching option was granted for each share allotted under the placement. The exercise price of the options is 4 cents, with an expiry date of 30 June 2015.

Post the initial placement and during the half year the Company further issued 102,946,215 fully paid shares at an issue price of 1 cent per share, raising $1,029,462.
The placement occurred in two tranches, with 92,946,215 million shares being issued under the Company's 15% and additional 10% placement capacity, with the balance (Board of Directors participation) receiving shareholder approval at the Company's Annual General Meeting (**AGM**) held on 29 November 2013.

One free attaching option will be granted for each share allotted under the placement with a 1 cent exercise price and an expiry date of 31 December 2016. The Company subsequently had the free attaching Options listed on the Australian Securities Exchange (**ASX**) in accordance with the Corporations Act and ASX Listing rules.

POTENTIAL ACQUISITIONS

The Company continued to progress several opportunities for either outright acquisition and/or joint venture farm in structured agreements over multiple projects 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 20.

This report is made in accordance with a resolution of directors

On behalf of the Directors

Cedric Goode
Director
Perth, 28 February 2014

Competent Person's Statement

Technical information on NSL Consolidated Limited's Queensland coal projects discussed in this ASX Release has been compiled by Mr Mark Biggs, Principal Geologist of ROM Resources Pty Ltd. Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy and has the experience relevant to the style and type of coal deposit 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) 2012. Mark Biggs consents to the inclusion in the report 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 2013

	Notes	31 Dec 2013 $	31 Dec 2012 $
Revenue from continuing operations		-	-
Other income		(93,616)	155,877
Depreciation and amortisation		(52,144)	(55,620)
Employment benefits expenses		(584,842)	(659,151)
Exploration expenditure		(654)	-
Finance and administration		(281,676)	(452,741)
Corporate expenses		(85,976)	(223,501)
Interest expense		(148,488)	(83,527)
Loss from continuing operations before income tax		**(1,247,396)**	**(1,318,663)**
Income tax expense		-	-
Loss from continuing operations after income tax		**(1,247,396)**	**(1,318,663)**
Other comprehensive income			
Items that may be classified to Profit or Loss			
Foreign currency translation		(74,947)	8,349
Other comprehensive loss for the half-year, net of tax		**(74,947)**	**8,349**
Total comprehensive loss for the half-year		**(1,322,343)**	**(1,310,314)**
Loss for the half year is attributable to the owners of NSL Consolidated Limited		**(1,247,396)**	**(1,318,663)**
Total comprehensive income for the half-year is attributable to the owners of NSL Consolidated Limited		**(1,322,343)**	**(1,310,314)**
Basic loss per share attributable to ordinary equity holders (cents)		(0.33)	(0.37)

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 2013

	Notes	31 Dec 2013 $	30 Jun 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		571,713	460,440
Trade and other receivables		324,344	349,222
Total current assets		**896,057**	**809,662**
Non-current assets			
Other financial assets		6,273	3,675
Property, plant and equipment	5	1,078,590	1,138,868
Intangible assets		8,283	10,725
Exploration & evaluation	3	660,575	529,501
Development	4	12,571,593	12,543,398
Total non-current assets		**14,325,314**	**14,226,167**
Total Assets		**15,221,371**	**15,035,829**
LIABILITIES			
Current liabilities			
Trade and other payables		792,297	789,806
Derivative financial instruments	6	388,980	410,782
Total current liabilities		**1,181,277**	**1,200,588**
Non-current liabilities			
Interest bearing liabilities	6	2,727,650	2,564,913
Deferred tax liabilities		392,016	380,386
Total non-current liabilities		**3,119,666**	**2,945,299**
Total Liabilities		**4,300,943**	**4,145,886**
Net assets		**10,920,428**	**10,889,943**
EQUITY			
Contributed equity	8	34,823,133	33,470,304
Reserves		(1,117,370)	(1,042,422)
Accumulated losses		(22,785,335)	(21,537,939)
Total equity		**10,920,428**	**10,889,943**

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 2013

	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Total Equity $
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**
Balance at 1.7.2013	**33,470,304**	**(21,537,939)**	**(2,672,604)**	**1,630,181**	**10,889,943**
Total comprehensive income for the half-year	-	(1,247,396)	(74,947)	-	(1,322,343)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	1,382,829	-	-	-	1,382,829
Balance at 31.12.2013	**34,823,133**	**(22,785,335)**	**(2,747,551)**	**1,630,181**	**10,920,428**

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 2013

	Half-Year 2013 $	Half-Year 2012 $
Cash flows from to operating activities		
Cash receipts from customers	-	-
Payments to suppliers and employees	(881,372)	(1,231,998)
Interest paid	(79,898)	-
Interest received	5,710	16,582
Net cash outflows from operating activities	**(955,560)**	**(1,215,416)**
Cash flows from investing activities		
Payments for exploration and evaluation	(105,728)	(162,186)
Payments for development	(148,125)	(537,820)
Payment for plant & equipment	(16,850)	(84,847)
Net cash outflows from investing activities	**(270,703)**	**(784,853)**
Cash flows from financing activities		
Proceeds from the issue of shares	1,352,829	-
Proceeds from the issue of convertible note	-	2,406,950
Net cash outflows from financing activities	**1,352,829**	**2,406,950**
Net cash increase (decrease) in cash and cash equivalents	**126,566**	**406,681**
Cash and cash equivalents at the beginning of half year	**460,440**	**1,454,498**
Net foreign exchange differences	**(15,293)**	**2,262**
Cash and cash equivalents at the end of half year	**571,713**	**1,863,440**

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 2013

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2013 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 2013 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.

(a) Changes in Accounting Policies

The Company had to change some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013. The effected polices and standards are the new accounting standards - AASB 10 Consolidated Financial Statements, AASB 11 Joint arrangements and revised accounting standard - AASB 119 Employee Benefits. The other new standards that is applicable for the first time for the December 2013 half-year report is AASB 13 Fair value Measurement. These standards do not trigger any material impact upon the results for the period.

(b) Going Concern

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

At 31 December 2013, the Company had a working capital deficiency of $285,220 (2012: working capital surplus of $1,155,347), a cash balance of $571,713 (2012: $1,863,440) and incurred a loss of $1,247,396 (2012: $1,318,663) for the 6 months to 31 December 2013. The working capital deficiency includes non-cash convertible note liabilities of $388,980 (2012: $283,918).

During the period, the Company continued to execute its bulk commodities exploration, development and growth strategy, with emphasis on Indian iron ore and South Queensland thermal coal opportunities.

Further development in relation to the Kurnool Phase Two wet separation plant will require further funding towards the Company’s working capital requirements to move ahead with the completion of the purchase, construction, commissioning and production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2013 (Continued)

(b) Going Concern (Continued)

During the period, the Company continued to pursue a remedy with its joint venture partner (Vijay Group) in regards to the breach of the financial commitments of the Joint Venture Agreement (JVA). However, an acceptable remedy could not be reached and the JVA was terminated on 20 December 2013.

The Company has significantly progressed discussions with various other parties to replace Vijay in the JV. The most advanced of these parties has completed their due diligence process and are currently engaged in commercial discussions. The parties range from Indian high net worth individuals to multinational companies.

The Directors' are of the opinion that the Company has sufficient funds to adequately meet the Company's commitments, however are aware that they will 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 equity or debt funding or funds received from new joint venture partners or a combination of all three. Should the Company not obtain additional funding, there is a significant uncertainty wether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

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 2013	**31 Dec 2012**
Revenue from external sources	5,710	-
Reportable segment loss		
– Iron Ore in India	(243,682)	(263,071)
– Thermal Coal in Queensland	(724)	(256)
	31 Dec 2013	**30 Jun 2013**
Reportable segment assets		
- Iron Ore in India	13,967,882	13,267,522
- Thermal Coal in Queensland	662,960	543,271
Reportable segment liabilities		
- Iron Ore in India	(123,222)	(266,412)
- Thermal Coal in Queensland	(21,969)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2013 (Continued)

2. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment loss	**31 Dec 2013**	**31 Dec 2012**
Reportable segment loss		
- Iron Ore in India	(243,682)	(263,071)
- Thermal coal in Queensland	(724)	(256)
Other profit	-	-
Unallocated:		
Corporate expenses	(1,002,990)	(1,055,337)
Loss before tax	**(1,247,396)**	**(1,318,664)**

3. EXPLORATION & EVALUATION EXPENDITURE

	31 Dec 2013	**30 Jun 2013**
Exploration costs brought forward	529,501	415,930
Transferred to development expenditure	-	-
Additions	131,074	113,588
Impairment	-	(17)
Exchange differences	-	-
Deferred exploration costs carried forward	**660,575**	**529,501**

4. DEVELOPMENT EXPENDITURE

	31 Dec 2013	**30 Jun 2013**
Development costs brought forward	12,543,398	11,107,540
Additions	79,420	1,162,295
Exchange differences	(51,225)	273,563
Deferred development costs carried forward	**12,571,593**	**12,543,398**

At 31 December 2013, the consolidated entity had $12,571,593 capitalised as mine development expenditure. The future recoverability is dependent on a number of factors, including whether or not the development costs are expected to give rise to a future economic benefit. Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash generating units to which the development activity relates. The cash generating unit shall be no larger than the area of interest.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations), changes to foreign exchange prices and changes to commodity prices.

Furthermore, the future recoverability of capitalised mine development and related assets is dependent upon the ability of the Company to raise additional funds to purchase and successfully commission the wet beneficiation plant so that it can efficiently process and upgrade the iron ore to a saleable export grade within the international export market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2013 (Continued)

4. DEVELOPMENT EXPENDITURE (Continued)

All expenditure for the mine development in India is included in Development expenditure. Development expenditure is recorded at historical cost. 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 2013						
Cost or fair value	1,144,510	54,330	116,106	115,358	30,137	1,460,440
Accumulated depreciation	(188,371)	(19,407)	(98,753)	-	(15,043)	(321,572)
Net book amount	**956,139**	**34,923**	**17,353**	**115,358**	**15,094**	**1,138,868**
Half-year ended 31 December 2013						
Opening net book amount	956,139	34,923	17,353	115,358	15,094	1,138,868
Additions	-	190	-	-	935	1,125
Disposal/written-off	-	-	-	-	-	-
Depreciation charge	(43,704)	(2,982)	(3,815)	-	(1,643)	(52,144)
Exchange differences	(6,429)	(1,810)	(112)	(804)	(9,260)	(9,260)
Closing net book amount	**906,006**	**30,322**	**13,426**	**114,554**	**14,281**	**1,078,590**
At 31 December 2013						
Cost or fair value	1,137,157	51,529	115,818	114,554	30,861	1,449,920
Accumulated depreciation	(231,150)	(21,208)	(102,393)	-	(16,580)	(371,331)
Net book amount	**906,006**	**30,322**	**13,426**	**114,554**	**14,281**	**1,078,590**

6. DERIVATIVE LIABILITIES AND INTEREST BEARING LIABILITIES

	31 Dec 2013	30 Jun 2013
Current		
Derivative – Foreign exchange	138,584	171,726
Derivative – Convertible option	250,396	239,056
	388,980	**410,782**
Non-Current		
Convertible note	2,727,650	2,564,913
	2,727,650	**2,564,913**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2013 (Continued)

6. DERIVATIVE LIABILITIES AND INTEREST BEARING LIABILITIES (Continued)

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.
- The method of payment of each tranche is at the discretion of the issuer and will be up to either:
    - o US$1,250,000 Cash
    - o A variable number of shares (valued in AUS$) 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. FAIR VALUE ESTIMATION

The fair value of financial assets and liabilities must be estimated for recognition and measurement for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The Group's principle financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and interest bearing liabilities. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

Fair Values versus Carrying Amounts

The carrying amount of the convertible note at balance date is:

	Carrying Amount	
	31 Dec 2013	**30 Jun 2013**
In AUD		
On Statement of Financial Position		
Convertible note liability	**2,727,650**	**2,564,913**

Given the conversion features associated with the Note, there was no comparable instrument with which to determine the fair value.

Fair value hierarchy

The following tables classify financial instruments recognised in the statement of financial positions of the Group according to the hierarchy stipulated in AASB 7 as follows:

(a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e., derived from prices); or
(c) Level 3 – a valuation technique is used using inputs that are not based on observable market data (observable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2013 (Continued)

7. FAIR VALUE ESTIMATION (Continued)

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

In AUD	Level 1	Level 2	Level 3	Total
Fair value through profit or loss:				
Convertible note derivatives	**-**	**388,980**	**-**	**388,980**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group makes a number of assumptions based upon observable market data existing at each reporting period. The fair value of the convertible note derivative is determined using an option and foreign exchange pricing model based upon various inputs at the end of the reporting period. These instruments are included in Level 2.

8. EQUITY SECURITIES ISSUED

	31 Dec 2013 Shares	31 Dec 2012 Shares	31 Dec 2013 $	31 Dec 2012 $
Issue of ordinary shares during the half-year				
Exercise of options issued under the NSL Consolidated Limited	-	-	-	-
Issue of shares	126,456,215	1,000,000	1,499,662	50,000
Less: equity raising costs	-	-	(116,833)	-
	126,456,215	**1,000,000**	**1,382,829**	**50,000**

9. 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 2013 (Continued)

10. EVENTS OCCURING AFTER REPORTING DATE

On 8 January 2014, the Company entered into a non-exclusive funding mandate with Subiaco Capital Pty Ltd (Subiaco Capital), pursuant to which Subiaco Capital and Birmanie Nominees Pty Ltd (Birmanie) will market the Company and secure an offer of funding of the Company of not less than $5 million by no later than 30 June 2014 (Funding Mandate).

Under the terms of the Funding Mandate, the consideration payable to Subiaco Capital and Birmanie (each being entitled to 50%) is:

- an appointment fee of $50,000 (regardless of success) on or before 30 June 2014; and
- a success fee of 6% of funds secured under the Funding Mandate.

As announced on 15 January 2014, the Company issued a total of 6,000,000 fully paid ordinary shares under voluntary escrow for a period of 12 months post issue and 6,000,000 unlisted options exercisable at 7 cents and expiring on 30 June 2015. These securities were issued in accordance with the Coal Tenement Acquisition agreement dated 15 June 2011 upon the granting of the final tenement EPC 2336.

As announced on 7 February 2013, the Company issued 217,327,062 listed free attaching options to the Placement announced on 14 October 2013, exercisable at 1 cent per option and expiring on 31 December 2016. The issue of these options were granted shareholder at the Company's Annual General Meeting held on 29 November 2013 and were issued in accordance with the Option Issue Prospectus lodged with ASIC and the ASX on 30 January 2013.

DIRECTORS' DECLARATION
31 December 2013

In the directors' opinion:

a) the financial statements and notes set out on pages 8 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 2013 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, 28 February 2014

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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 2013, 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

BDO Audit (WA) Pty Ltd

Perth, 28 February 2014

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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 2013, 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 2013 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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

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 2013 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 4 in the financial statements which describes uncertainty relating to the recoverability of Development Expenditure.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(b) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity, successful exploration and subsequent exploitation of the consolidated entity's development assets. These conditions, along with other matters as set out 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, 28 February 2014