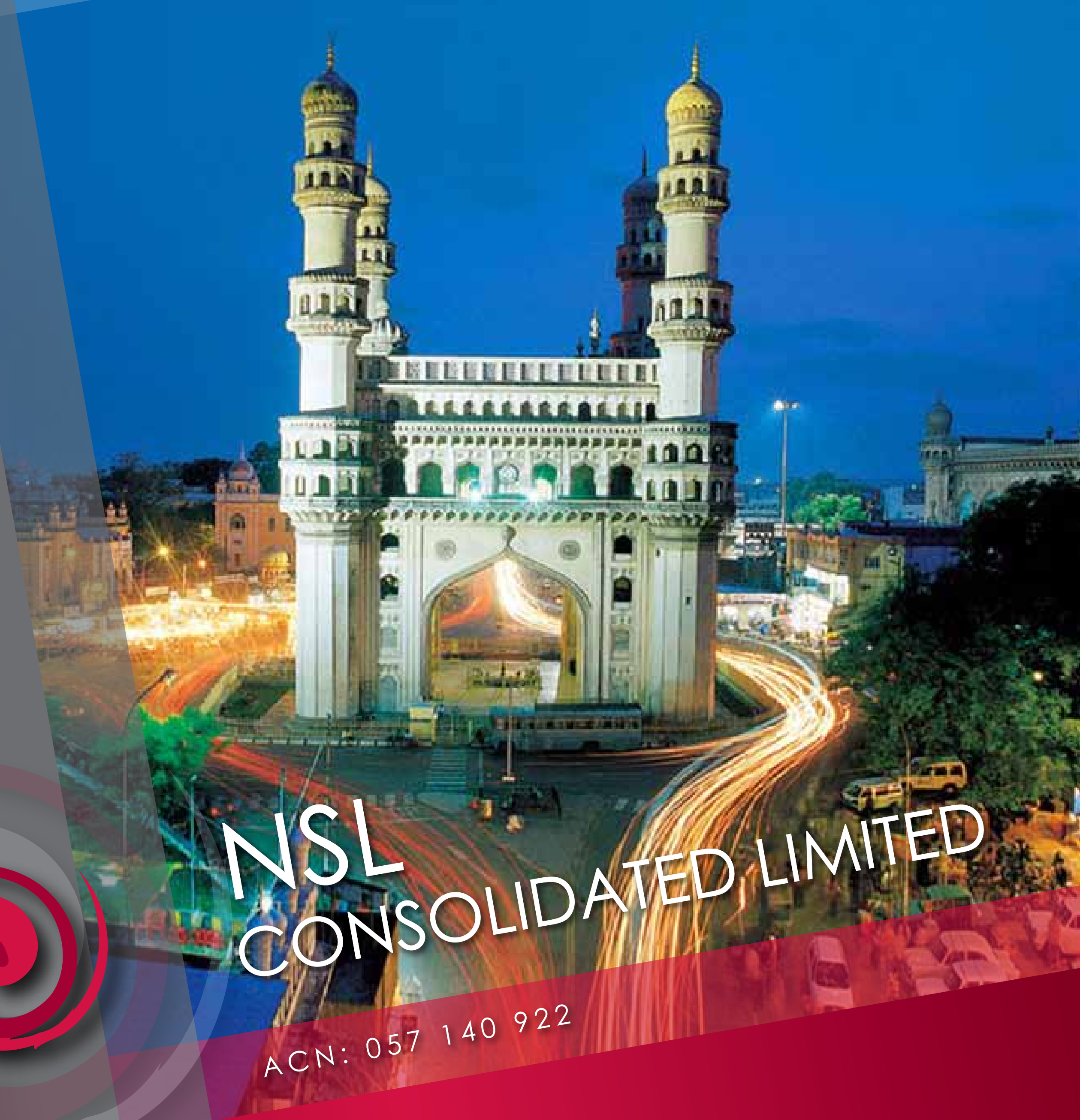

NSL CONSOLIDATED LIMITED

ACN: 057 140 922

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 2011

CONTENTS

CORPORATE DIRECTORY

Directors

J Muir ACA
Chairman / Non-Executive Director

C F Goode MBA
Managing Director / CEO

P C Wall LLB, B.Comm, M.App.Fin
Non-Executive Director

P I Richards B.Comm
Non-Executive Director

Chief FInancial Officer

Julian Tambyrajah

Company Secretary

S P Henbury

Registered Office

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21 Teddington Road
Burswood WA 6100
Telephone: (08) 9486 2333
Facsimile: (08) 9355 4580

Corporate Office

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West Perth WA 6005
Telephone: (08) 9322 5562
Facsimile: (08) 9322 5563

Web Site Address

www.nslconsolidated.com

Share Registry

Security Transfer Registrars
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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 are listed on the Australian Securities Exchange and Frankfurt Stock Exchange

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

CHAIRMAN'S LETTER

Dear fellow shareholders,

Like all businesses, your company is operating in an environment of economic uncertainty and the resultant volatility. A positive outcome for the global economy relies on political will to make the hard decisions and in the current absence of such direction the future remains uncertain.

Your company has experienced a steep learning curve in India over the last two years as it has developed an understanding of how to operate in a business environment very different to that of Australia. In building up a local team of mining, processing and financial expertise, adding to the hard won experience of our Australian based team, we are now much more confident of your company becoming a producer of Indian iron ore.

Following the board sanctioning a revised development strategy, this path to becoming a producer is now based around the development and commissioning of the Kurnool iron ore beneficiation plant which is expected to commence processing iron ore from our two adjacent wholly owned mines, Kuja and Mangal, in the south eastern coastal Indian state of Andhra Pradesh.

Successful construction and commissioning of production facilities at our iron ore operations in India will provide a key milestone for NSL; i.e. the generation of its first revenue stream, expected within the first half of calendar 2012.

Based upon the successful beneficiation testwork of lower grade ore bodies and reinforcing our vision of becoming a significant iron ore producer, we also completed the acquisition of a third iron project, further north in Andhra Pradesh, to provide a pathway of planned and strategic future significant additions to our mineable iron inventory in India.

This potential maiden revenue profile would represent an exceptional result for so young an exploration and development company.

During the course of our work with Indian iron and steel companies and with Chinese offtake companies, it became evident that there was an opportunity for us to develop a second leg to our bulk commodities strategy. This lead to your Company's first expansion beyond our Indian iron ore assets with the acquisition of a suite of thermal coal exploration permits in the Eromanga Basin of southwest Queensland. The acquisition offers leverage into future thermal coal offtake agreements from our Indian knowledge and that country's coal demand.

In closing, I commend to you our Managing Director's report over the following pages, and on behalf of your fellow Directors, sincerely thank our management and employee teams for a focused delivery performance in 2011. It has set NSL well and truly on a path for measurable project growth over the next 12 months.

Thank you

Jock Muir
Chairman

MANAGING DIRECTOR'S REPORT

COMPANY OVERVIEW

It was pleasing to see NSL Consolidated Limited's (NSL) continued development during the 2011 financial year as a dual Australian and Frankfurt-listed company focussed on bulk commodity development opportunities via iron ore production in India and thermal coal in Queensland.

Importantly, the sanctioning of the development of beneficiation facilities adjacent to our projects in Andhra Pradesh in India will see the potential delivery of NSL maiden revenue in 1H 2012.

Both commodities benefited during 2011 from unabated demand as global customers, particularly from China and Asia, sought iron and coal supply diversity and security.

NSL will continue to build its iron ore and coal businesses further through strategic acquisitions in selected geographies of projects with significant resource potential and near-term production capability.

MILESTONE LISTING ON FRANKFURT STOCK EXCHANGE

A key milestone during the year was NSL's completion of all necessary formalities to have its securities commence trading on Germany's Frankfurt Stock Exchange, under the trading symbol "2NC" – in addition to our current listing on the ASX.

The Deutsche bourse is one of the world's largest exchanges, and opens up access to significant interest that has been shown by European investors wishing to participate in the remarkable coal and iron ore story and in particular, NSL's strategy.

CAPITAL RAISINGS

Post balance date, NSL supported its business development program with a capital raising of A$4.3 million via a combined placement to sophisticated investors and an underwritten (via Patersons Securities Limited) renounceable entitlements issue. Proceeds will be initially directed to our Indian capital works program.

The capital raising lifted NSL's number of ordinary shares on issue to 352.2 million with 23.9 million unlisted options.

OUR STRATEGIC APPROACH

During the period under review, NSL continued to develop its business strategy, establishing five key parameters to build shareholder value around cost competitive bulk mineral exports in the high demand commodity areas of iron ore and thermal coal.

India focus:
Indian remains the world's 3rd largest iron ore exporter and boasts a strong domestic steel market which is forecast to grow substantially. While its iron ore sector remains fragmented, the country does offer low cost iron ore production potential underpinned by globally competitive labour costs and in situ road, rail and export port infrastructure. This is particularly the case in our current production footprint, the southeastern coastal state of Andhra Pradesh.

India's iron ore operations are generally small-scale and localised within its eastern and southeastern regions. Some 80 companies generate annual production of around 223 million tonnes from 250 operating mines, with that same number again of inactive mines.

India has significant future demand for thermal coal, creating leverage opportunities between NSL's experiences in India in iron ore and our newly acquired thermal coal assets in Queensland.

Goa	51- 62% Fe
Karnataka	58 - 64% Fe
Orissa	58 - 67% Fe
Jharkhand	58 - 67% Fe
Chhattisgarh	58 - 67% Fe
Andhra Pradesh	51- 67% Fe

Near-term 1H 2012 production:
India offers untapped potential for Australian investors, with NSL the only foreign company to own iron mines in India. Now that we have committed to the development and commissioning of our local iron beneficiation plant at Kurnool, this is expected to generate cash flow in the first half of calendar 2012.

Consolidate through beneficiation scale-up:
India's fragmented iron ore sector offers NSL many small- scale opportunities for 3rd party processing through our Kurnool iron beneficiation plant. In the longer term, we can develop this facility as a pivot point for leveraging our iron ore interests across multiple projects and eventually into pellets, a production profile offering significant profit advantages.

Target global growth opportunities:
Our Kurnool plant and expanding iron mine assets in India are readily accessible to global iron ore consumers in the Asian and Sino regions, in addition to India's own 10% year-on-year growth rate. These factors only serve to further enhance supply opportunities for NSL.

Queensland thermal coal:

The year provided our first non-iron expansion opportunity beyond our original float assets, with the acquisition by NSL of promising stand-alone thermal coal exploration projects in southwest Queensland's Eromanga Basin which have a preliminary exploration target of 6.6 billion tonnes to 18.7 billion3 tonnes of shallow based thermal coal. There remains the potential to leverage our growing Indian commodities market knowledge and that country's strong thermal coal demand, into future offtake agreements for these Queensland assets.

STAKEHOLDER ALLIANCES

Under the strategy outlined above, NSL continued during the year to build supportive relationships with current and potential stakeholders in its Indian operations. The Company continues to generate significant interest from a variety of parties focussed on offtake, our technology and assisting with growth. These include relationships with various Chinese, Korean and India metal manufacturers seeking long term relationships.

BUILDING IN-HOUSE EXPERTISE

In readiness for the transition to becoming a mining and process operator, NSL expanded its on-site Indian management capability to include geological, mineral processing, project development, finance, commercial and operations expertise.

The Company met and in many cases exceeded all of its health, safety, environment and community obligations and is focused on establishing and operating an Indian iron ore business run by Indian professionals best able to achieve the Company's objectives.

NSL'S INDIAN IRON ORE PROJECTS

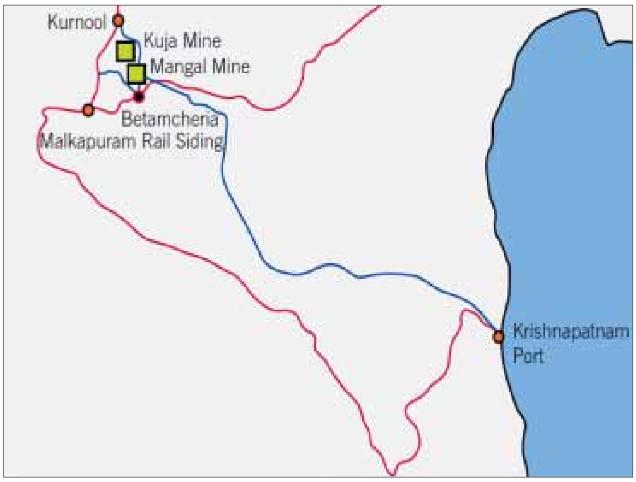
NSL's strategy remains founded on staged investments to leverage opportunities afforded by the Indian iron ore industry. This was reflected during the year with consolidation of our Indian iron ore assets to now comprise the Kuja and Mangal mines in southern Andhra Pradesh, the AP14 mine, 200 kilometres north of Hyderabad further but in the same State, and the US$2.3 million Kurnool iron ore beneficiation project, located adjacent to Kuja and 5 kilometres from Mangal.

NSL intends to continue to expand its Indian mining portfolio through further acquisitions. During the year, the Company reviewed the metallurgical properties of the available ore types on sites it owns or has under due diligence and confirmed these were readily beneficiated to grades averaging +60%. The sites under due diligence for either direct acquisition or joint venture, based on exploration results and regional geological consistency, could contain Direct Shipping Ore (DSO) and significant tonnage of low grade hematite and magnetite amenable to beneficiation.

Significant progress was also made in terms of ensuring approvals are in place and locking down cost structures for the transition to mining and beneficiation plant operations. This process was supported by undertaking trial mining on both the Kuja and Mangal mine sites, the construction of our own local assay laboratory and access to port facilities at the modern, all weather, deepwater 14 Mtpa iron ore port of Krishnapatnam, 460 kilometres to the east and capable of handling Cape size vessels of 100,000 tonne capacity.

KUJA AND MANGAL MINES

The Kuja and Mangal projects are in close proximity to each other (5 kms) and close to road and rail infrastructure and a number of other operating iron ore mines. A Modified Mining Plan has been approved by the Indian Bureau of Mines for the Kuja mine, which allows the mine to move to larger scale mechanised mining operations. This increase in mining scale delivers significant operational benefits to the Company's Kurnool beneficiation plant by underpinning ore feed stocks to the plant, with the two projects now having approved plans for a mining rate of up to 831,000 tonnes per annum of iron ore.



Rail and Road infrastructure between mines and port

India has a highly developed rail system with established and transparent third party access regimes

KURNOOL IRON ORE BENEFICIATION PLANT

The Company's wholly owned Kurnool iron beneficiation plant project is moving forward following the Board's approval for the go-ahead for construction of the US$2.3 million project, with the ordering of long-lead items already underway.

As part of this process, NSL had completed the detailed vendor identification and selection process and executed a Memorandum of Understanding with the preferred Chinese supplier for the plant, Shanghai Minggong Heavy Equipment Company. This supplier is designing and will manufacture, procure and construct all necessary equipments in China and erect and commission the plant in India. The plant will be erected in the existing stockyard being operated by NSL between Kuja and Mangal, and where laboratory, weighbridge and logistical support facilities are already in operation.

Shanghai Minggong has delivered similar beneficiation plants to various parties around the world, including current operating plants in Vietnam, Malaysia, Indonesia, Pakistan, Brazil and many provinces in China.

NSL already has a strong senior management team in place at Kurnool Plant and mine operations personnel, including sub-contractors, will be recruited in the months leading up to commissioning in the fourth quarter this year with full production in first half of 2012.

Plant modeling and test work by NSL in the run-up to the go-ahead authorisation, demonstrated the potential to lift ROM ore grades from as low as 25-27% Fe to 58% - 61% Fe product grade, with good yield and recovery rates.

This has the potential to generate the Company's maiden revenue, with estimated net cash flow (at steady state production) of US$800,000 per month, and the Company's financial modeling pointing to robust operating costs and a return on capital in just three months after full commissioning

The decision to push ahead with construction will allow NSL to unlock value in our Mangal and Kuja mining assets and pursue future opportunities in supply and complementary mining asset acquisitions for easily upscaleable plant opportunities.

The current footprint of the proposed beneficiation plant is approximately 3 acres, and the layout and process has been conducted in such a way as to allow cost effective capacity increases through parallel processing lines. NSL has a total of 12 acres of land available at Kurnool for current and future plant construction and associated facilities.

3RD INDIAN IRON ORE MINE ACQUIRED

NSL added a third Indian project through the acquisition of the AP14 magnetite project in northern Andhra Pradesh. The acquisition represents a "second generation" for NSL in India as it has significantly larger potential than the Mangal and Kuja projects.

AP14 contains significant iron ore mineralisation within a 290 acre mining lease application located in the Karimnagar District of Andhra Pradesh, 200 km northeast of the State capital of Hyderabad. NSL will only incur low acquisition and holding costs during AP14's early development stages, as it is a royalty based acquisition. The Company believes the project has a two to three year development pathway.

The tenement features a Banded Magnetite Quartzite style of mineralisation with spot samples ranging from 39.72% Fe up to 69.23% Fe. The project has reported conceptual exploration targets from 62 to 125 million tonnes of magnetite with grade ranging between 25-50% Fe1.

1. It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Resource	Min. Tonne (million tonnes)	Max. Tonnes (million tonnes)	Min. Grade (Fe)	Max. Grade (Fe)
BMQ	61.2	122.3	25%	50%
Float Ore	1.35	2.71	25%	50%
Total	62.6	125		

Its surrounding area is well served by infrastructure including two ports (Vizag & Krishnapatnam) for export, the Singareni coal mines for power generation, it has a railway siding within 30km and linked by sealed roads, has domestic power within 5km and is also close to a perennial water source for process water.

The forward work will focus on the development of a detailed scope for all exploration activities to enable a potential maiden JORC resource for AP14 to be derived.

AUSTRALIAN EXPANSION

Thermal coal acquisition - Queensland
Towards year end, NSL added a second commodities string to its portfolio, acquiring Queensland-based thermal coal tenements, EPCAs 2198, 2336, 2337 & 2338 in that State's prolific southwest coal region.

NSL believes there is potential to leverage strong Indian demand for coal through the Company's existing local Indian experience in iron ore. Since acquisition, NSL has commenced a program of expediting processes for all permits, including Native Title and land access.

Located within the Eromanga Basin, the tenements are adjacent to similar projects held by East Energy Resources (ASX:EER) and its 1.2 billion tonne Inferred Resource in EPC 1149, and International Coal Limited's (ASX:ICX) exploration target of 8.8-8.9 billion tonnes in EPC 2197. (ICX commenced drilling EPC 2197 in August 2011.)

In addition to a previously established exploration target of between 500 - 600 million tonnes3 of thermal coal for EPC Application 2198 (South Bulburrum), a report by an independent geologist in relation to EPC Applications 2336, 2337, 2338, established exploration targets of between 6.6 billion and 18.1 billion tonnes3 of thermal coal product in the main target, the coal bearing Winton Formation.

The Winton Formation covers most of EPCA 2198's tenement area, and intersections range in thickness from 1m to 7m (3m average). The Formation is also the main targeted structure over EPCA 2336, 2337 and 2338 which contains some 15 coal seams from surface to 130m at an average width of 3-5m per seam.

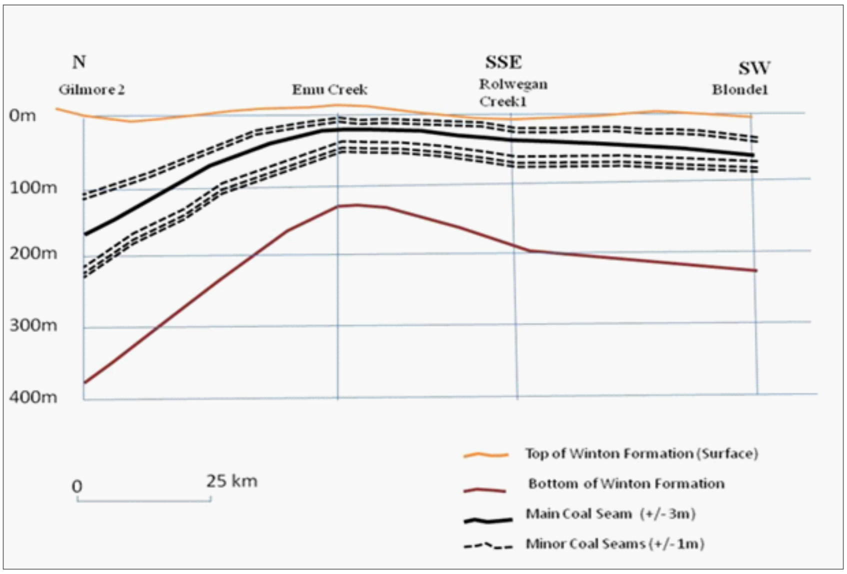


Figure 1 - Source: Independent Geologist Report Moultrie Group July 2011

The independent geologist's findings are as follows:

Table 2[2] - Calculation of Exploration Target Tonnage Range of the Winton Formation for Project Area

Tenement	Formation	Area (m2)	Average Cumulative Thickness (m)	Relative Density (Kg/m3 ;adb)	Gross Tonnage tonnes	Unexpected Geological Loss %[2]	Exploration Target [3] (Million tonne)
EPC 2198	Winton	200,000,000	2.4	1.50	820,800,000	30	500 - 600
EPC 2336	Winton	334,587,000	4.0	1.55	2,074,439,400	30	500 - 1,400
EPC 2338	Winton	270,190,000	6.0	1.55		30	2,000 - 7,400
EPC 2337	Winton	240,990,000	8.5	1.55		30	4,000 - 8,500
TOTAL							7,000 - 17,900

Table 3[2] - Calculation of Exploration Target Tonnage Range of the Mackunda Formation for Project Area

Tenement	Formation	Area (m2)	Average Cumulative Thickness (m)	Relative Density (Kg/m³; adb)	Gross Tonnage tonnes	Unexpected Geological Loss %[2]	Exploration Target [3] (Million tonne)
EPC 2198	Mackunda	105,000,000	1.0	1.50	63,000,000	40	0 - 50
EPC 2336	Mackunda	334,587,000	0.5	1.55	259,304,925	35	0 - 250
EPC 2338	Mackunda	270,190,000	1.0	1.55	418,794,500	35	100 - 400
EPC 2337	Mackunda	240,990,000	0.5	1.55	186,767,250	35	0 - 100
TOTAL							100 - 800

[2] *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.*

[3] *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.*

The potential coal quality of NSL's new tenements can best be garnered from the reported results of East Energy, as NSL is targeting the same coal bearing formations.

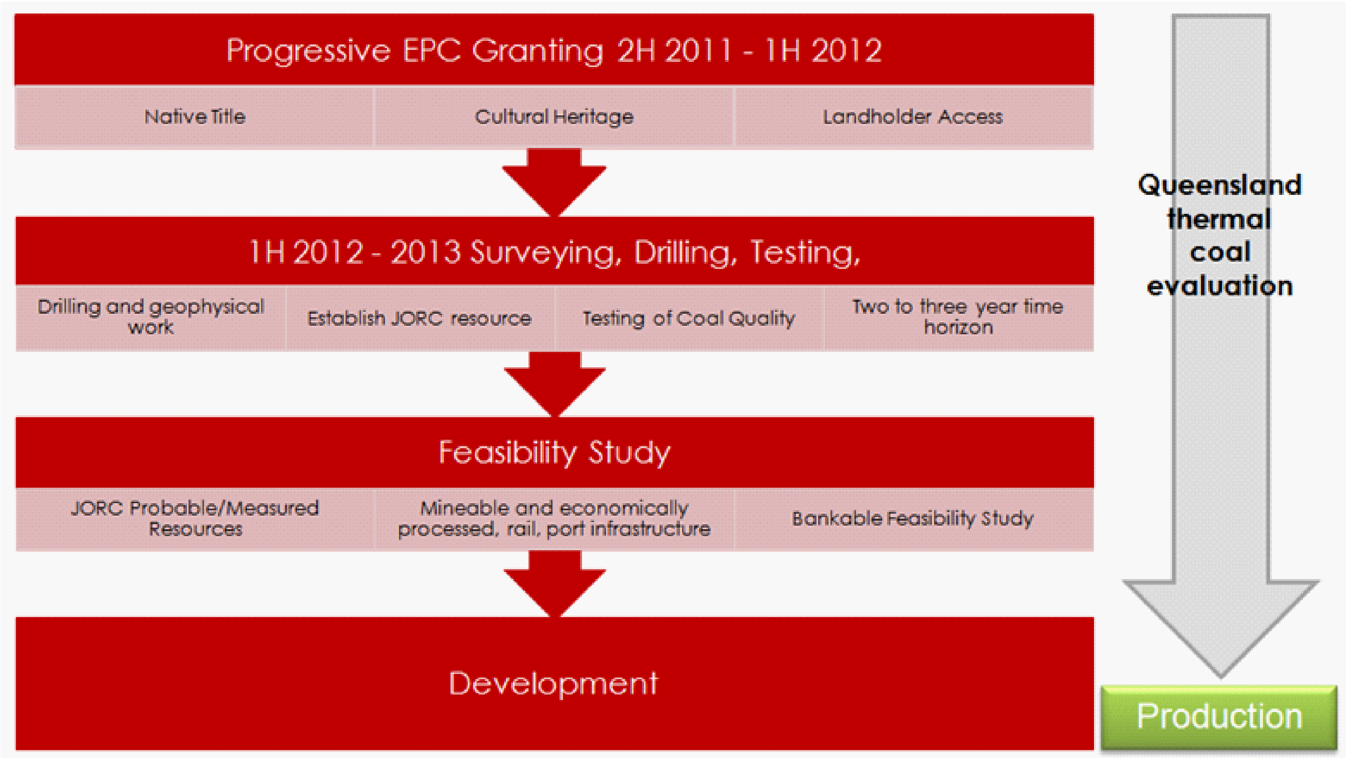
Table 4 - Blackall Coal Deposit washed Coal Qualities and Yields at F1.60 SD3

Seam Group	Yield F1.60 %	Ash[1] F1.60 ad%	VM[1] F1.60 ad%	CV[4] F1.60 ad kcal/kg	CV[5] F1.60 daf kcal/kg
350kg Bulk Sample	70	12	31	5,000	6,755

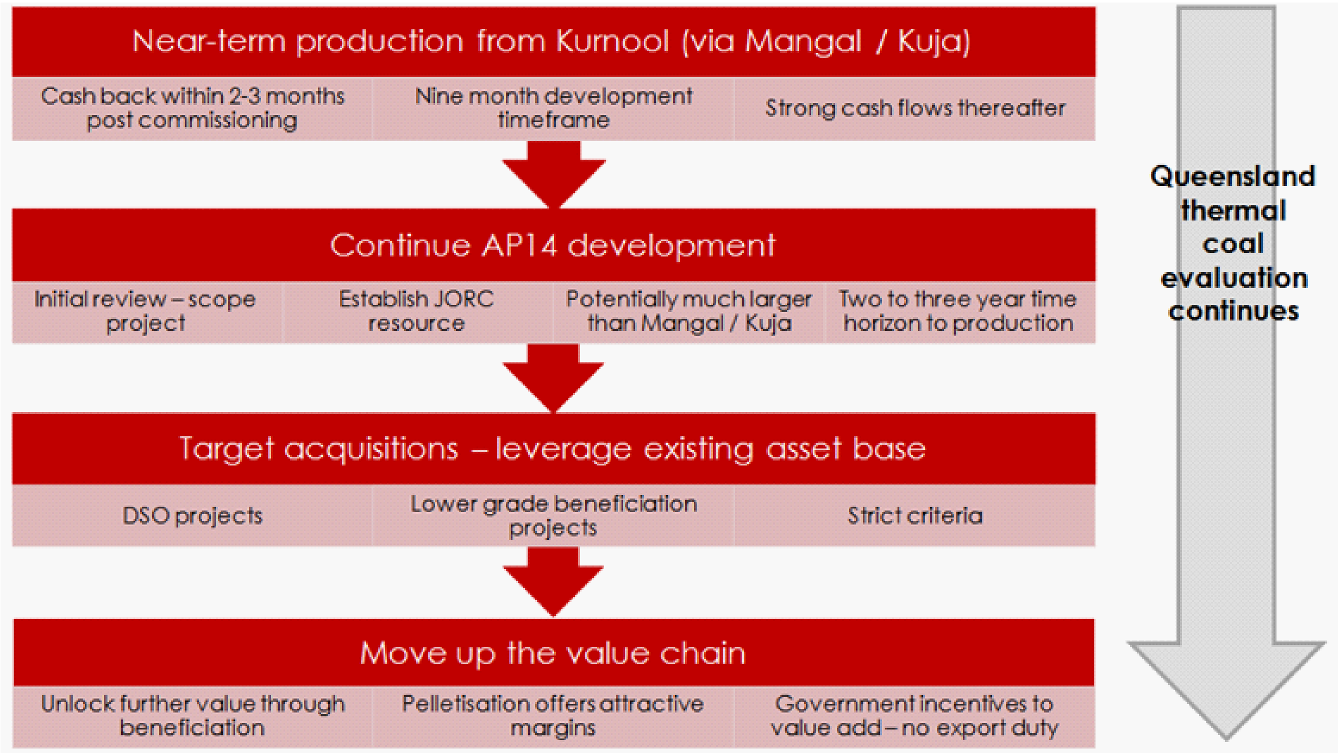
[4] *Analyses on air dried basis*
[5] *Analyses on dry ash free basis*

Strategically, NSL's thermal coal holdings are well serviced by strong coal export infrastructure, including the potential link to East Energy and Hancock Coal projects through existing and planned rail links to the Port of Brisbane, or the potential link via the southern railway to the Port. As well as nearby rail lines, excellent local infrastructure – power, water and sealed roads – is evident. At the time of this report, NSL was progressing proposed drilling programs and cost estimates for the Queensland coal assets.

NSL'S COAL BUSINESS PLAN



NSL'S GROWTH PIPELINE



IN SUMMARY

It has been an exciting past year that is now propelling NSL towards an historic outperformance in 2011-2012. The Company's prospects include its maiden cash flow in first half 2012 from our Kurnool iron ore beneficiation plant in India.

NSL is well disposed to the current near-term global iron ore prices and is structurally and financially in a position to continue acquisitions and expansionary activity as we leverage off both our imminent cash flow and iron ore and coal asset base.

The thermal coal targets in Queensland offer, we believe, exceptional upside and will continue to move NSL towards our ultimate vision of becoming a dual bulk minerals commodity company, with Indian iron ore production and Australian coal.

Cedric Goode
Managing Director

Competent Persons Statement
Technical information relating to the coal projects 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 Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 1st March 2011 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 statement relating to the iron ore exploration results is based on information compiled by Mr Paul Blackney who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Blackney is employed by Optiro Pty Ltd. Paul 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.

DIRECTOR'S REPORT

The directors of NSL Consolidated Limited (the Company or NSL) present their report on the consolidated entity (referred to hereafter as the Group), consisting of NSL Consolidated Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2011.

DIRECTORS

The following persons were directors of NSL Consolidated Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jock Muir	***Chairman/Non Executive***
Cedric Goode	***Managing Director/CEO***
Peter Wall	***Non Executive Director***
Peter Richards	***Non Executive Director***

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was review, assessment, exploration, mining and strategic investment in Indian iron ore and Queensland Coal projects.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amounts have been paid or declared by way of dividend since the start of the financial year.

REVIEW OF OPERATIONS

NSL is an Australian based mining Company focussed on developing iron ore projects in India and coal projects in Queensland.

The Indian iron ore mining industry is highly fragmented, with a large number of relatively small, potentially high value operations and available near-term production targets.

The relatively small scale and fragmented nature of Indian iron ore production, as well as low capital and infrastructure costs, provide an opportunity for NSL to use Australian mining expertise to aggregate strategically placed smaller operations to realise economies of scale.

India has several important advantages that favour the development of its iron ore industry, including having a highly educated workforce, reliable existing transport infrastructure in place with third party access regimes, an established domestic steel industry and proximity to and established ties with major iron ore markets, such as China.

Indian Iron Ore Projects - Kuja and Mangal
NSL has two foundation projects, Kuja and Mangal, located in the South Eastern Province of Andhra Pradesh, India. During the year NSL conducted various testing and technical studies on a Beneficiation process that would raise the low grade ore (25-27% Fe) at Kuja and Mangal to 58-62% Fe.

REVIEW OF OPERATIONS (continued)

As the Company improves its knowledge base, it intends to expand its mining portfolio through further acquisitions. Based on exploration results and regional geological consistency on sites the Company has under due diligence, NSL has assessed that these could contain DSO and significant tonnage of low grade hematite and magnetite amenable to beneficiation.

This work has enabled NSL to refine its strategy to include both DSO and low grade, hematite and magnetite deposits amenable to beneficiation.

To support this key initiative, NSL is finalising the full project plans for design, fabrication, shipping, construction, commissioning and continued onsite technical expertise of plant requirements to support bulk mining and processing of the iron ore from Kuja and Mangal.

India Iron Ore Project – AP14 Karimnagar
NSL bolstered its Indian iron ore business, with the acquisition of AP14 consisting of a Mining Lease application over 290 acre property in Karimnagar (200 km North East of Hyderabad), which contains significant Banded Magnetite Quartzite mineralisation. AP14 is estimated to have a JORC Exploration Target at the project of 62 million to 125 million tonnes at grades of 20% to 50% Fe.

Queensland Coal Assets
In conjunction with our Indian iron ore strategy and following enquiries from our Indian and Chinese contacts, the Company has expanded its commodity portfolio and added value in Queensland with the acquisition of thermal coal exploration permits (EPC Applications) 2198, 2336, 2337 & 2338.

NSL has an Exploration Target of 6.6-18.7 Bt of thermal coal across of 4 EPC Applications.
A detailed discussion and analysis of NSL's operations will be set out in the annual report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the State of Affairs of the Company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Litigation between NSL Consolidated Ltd and Kingsway Resources Pte Ltd
On 16 July 2008, NSL signed an agreement with Kingsway Resources Pte Ltd to lend $500,000. The loan related to a transaction for the purchase of the Iron Ore Hill project in India, which was terminated on 16 February 2009. This loan was secured by a personal guarantee. Repayment has not been forthcoming to date, as a result, NSL is pursuing legal action to recover the outstanding amount.

On 28 July 2011, the District Court of Western Australia in Civil has concluded that the guarantor is responsible to pay NSL $500,000 plus interest at a rate of 14% per annum calculated with daily rests from 31 July 2008.

Litigation between NSL Mining Resources India (Pvt) Ltd (NSL MRI) and Mega Logistics and Solutions
NSL MRI is in the process of a counterclaim, through Arbitration for approximately $250,000 for unrecovered advances to Mega Logistics and Solutions, a related Company of Mega Mining and Solutions.

Litigation between NSL Mining Resources India (Pvt) Ltd (NSL MRI) and Mega Mining and Solutions
NSL MRI was recently involved in litigation brought by Mega Mining and Solutions in the High Court of India. The total quantum of the claim was approximately $500,000 for disputed invoices of approximately $125,000. The litigation was recently dismissed in the High Court of India on jurisdictional grounds, however it is unknown if Mega Mining and Solutions will seek to bring the litigation again in different court. Although the Board considers the claim brought by Mega Mining and Solutions to be frivolous, it does note that there is a risk that NSL MRI will again in the future face legal action from Mega Mining and Solutions in India and there are uncertainties in relation to the outcome of any claim due to the Indian legal jurisdiction.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)

Capital raising

On 29 July 2011, the Company announced a capital raising of $4.3m consisting of a Placement to sophisticated investors to raise $2,189,000 combined with a 1:8 Renounceable Rights Issue to raise $2,152,791 both priced at 5.5 cents. At the time of writing the equity placement was complete and funds had been received whilst the Rights Issue continued on its time table and was fully underwritten.

LIKELY DEVELOPMENT AND EXPECTED RESULTS OF OPERATIONS

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group's current operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Indian entity, NSL Mining Resources India Pvt Ltd, is subject to environmental regulations / legislation in respect of its mines in Andhra Pradesh.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the period 1 July 2010 to 30 June 2011 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

INFORMATION ON DIRECTORS

The directors of the Company at any time during or since the end of the financial year are set out below, together with details of qualifications, experience and responsibilities.

J Muir ACA.
Non-Executive/Chairman

Appointed as a Non-Executive Chairman on 13 August 2009

Experience and expertise

Mr. Muir brings more than 30 years' experience in global mining and mining services. Most recently, Jock held the position of Non-Executive Director of Dyno Nobel Ltd, an ASX 200 company, prior to a merger with Incitec Pivot in 2008. In his 15 year career with Dyno Nobel, Mr Muir also held the positions of Managing Director of the Asia Pacific Region, Senior Vice President for Global Initiation Systems (based in the USA) and Senior Vice President for Global Marketing and Business Development. His experience in these roles included the development of new businesses in China and Russia. Prior to Dyno Nobel Mr Muir held the position of Managing Director of Mitchell Cotts Australia, a subsidiary of a British public company, specialising in mining services and process engineering.

Other current directorships

Barminco Ltd – Non Executive Chairman

Former directorship in last 3 years

Dyno Nobel Ltd – Non-Executive Director

Special responsibilities

Non- Executive Chairman

Interest in shares and options

4,000,000 shares and 2,000,000 options in NSL Consolidated Ltd

INFORMATION ON DIRECTORS (continued)

C F Goode MBA. Managing Director/Chief Executive Officer

Appointed as a Managing Director / CEO on 1 December 2008

Experience and expertise
Mr Goode brings more than 16 years of mining industry experience, most recently as Vice President Commercial at Dyno Nobel Asia Pacific Ltd where he led the commercial division throughout Australia, Indonesia and Papua New Guinea. With industry experience focussed in the Iron Ore, Coal and Gold sectors Mr Goode has held a variety of technical, commercial, operational and strategic roles both domestically and internationally.
A proven track record in North American and global strategic planning, global new business acquisitions, merger integration, joint venture establishment and profit and loss responsibility.

Other current directorships
None

Former directorship in last 3 years
None

Special responsibilities
Managing Director

Interest in shares and options
21,500,000 shares and 8,000,000 options in NSL Consolidated Ltd

P C Wall LLB, B.Comm, M.App. Fin. Non-Executive Director

Appointed as a Non-Executive Director on 11 April 2007

Experience and expertise
Following graduation from UWA, Mr Wall commenced employment at a large Perth based law firm and later joined Steinepreis Paganin in January 2000. (Appointed as a Partner in July 2005). He has a wide range of experience in all forms of corporate and commercial law with specific expertise in equity capital markets, mergers and acquisitions and resources law.

Other current directorships
Coventry Resources Ltd - May 2009 to present
Partner of Steinepreis Paganin

Special responsibilities
Non-Executive Director

Interest in shares and options
8,370,000 shares and 2,000,000 options in NSL Consolidated Ltd

P I Richards B.Comm. Non-Executive Director

Appointed as a Non-Executive Director on 13 August 2009

Experience and expertise
Mr Richards is an internationally experienced business executive with a proven track record in meeting financial, operational, and safety targets. He has more than 30 years' experience with companies such as British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers and Dyno Nobel, providing him with a unique understanding of the global mining and mining services industries.

Peter's experience has afforded significant exposure to the investment, broking and analyst community and his global experience provides him with direct exposure to diverse cultures and societies and has equipped him to develop businesses in a range of locations, including South Africa, Indonesia and Turkey.

Other current directorships
Bradken Limited
Emeco Holdings Limited
Norfolk Group Limited
Kangaroo Resources Limited
Minbos Resources Limited
Sedgman Limited

Former directorship in the last 3 years
Dyno Nobelesponsibilities
Non-Executive Director.

Interest in shares and options
6,120,000 shares and 2,000,000 options in NSL Consolidated Ltd

INFORMATION ON DIRECTORS (continued)

COMPANY SECRETARY

The Company secretary is Mr Sean P Henbury. Mr Henbury was appointed to the position of the Company secretary in 2007. Mr Henbury (CA, FITA) is a Chartered Accountant with over 13 years experience in public practice with three of Perth's major Accounting firms. Recently, he was a founding director of the accounting firm FJH Solutions Pty Ltd, where he continues to provide client support across a wide range of industries including mining, exploration, research and development, construction and manufacturing. Mr Henbury's primary areas of expertise include taxation consulting, taxation compliance, corporate restructuring, financial reporting, and Company secretarial requirements.

Mr Henbury has been company secretary of a number of companies and is regularly called upon to advise Directors of their duties.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

NAME	BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE		OTHER (INCLUDE DETAILS)	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J Muir	5	5	-	-	-	-	-	-
C F Goode	5	5	-	-	-	-	-	-
P C Wall	5	5	-	-	-	-	-	-
P I Richards	5	5	-	-	-	-	-	-

The audit committee and remuneration committee functions are performed by the full board. Please refer the Corporate Governance Statement section under the heading Principle 2: Structure the Board to add value.

RENUMERATION REPORT – AUDITED

This renumeration report sets out renumeration information for the Company's non-executive directors, executive director, other key management personnel and the five highest renumerated executives of the Group and the Company.

Directors and executives disclosed in this report:

NAME	POSITION
Non-executive and executive directors – see page 4 to 6 above	
Other key management personnel and other persons who are among the 5 highest paid renumerated Group and/or Company.	
J S M Tambyrajah	**Chief Financial Officer**
S M Freeman	**Chief Operating Officer**
E G Hall	**Project Manager (appointment 22 February 2010 to 5 December 2010)**

Role of the renumeration committee

The renumeration committee is a committee of the board. It is primary responsible for making recommendation to the board on:

- **non-executive director fees**
- **executive renumeration (directors and other executives), and**
- **the over-arching executive renumeration framework and incentive plan policies.**

Their objective is to ensure that renumeration policies and structures are fair and competitive and aligned with long-term interests of the Company. The Corporate Governance Statement provides further information on the role of this committee.

Principles used to determine the nature and amount of renumeration

Non-Executive Director

Fees and payments to the non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Non-executive Chairman fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own renumeration.

Non-executive directors have received short term incentive options but do not receive performance bonuses.

Directors' fees

The current base renumeration was last reviewed with effect from 1 July 2010. The Chairman currently receives a fixed fee for his services.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum and was approved by shareholders at the annual general meeting on 30 November 2010.

RENUMERATION REPORT – AUDITED (continued)

The following non-executive director fees have applied:

NAME	FROM 1 JULY 2010 TO 30 JUNE 2011	FROM 1 JULY 2009 TO 30 JUNE 2010
Chairman	$60,000	$27,184
Other non-executive directors (in aggregate)	$96,000	$61,184

Retirement allowances for non-executive directors

No retirement benefits are provided.

Executive Directors

The Company had one Executive Director during the year. The executive pay and reward framework has two components being base pay and benefits, including superannuation, and incentive share options granted. The Group does not offer any retirement benefits to Executive Directors. The only performance related links to the existing renumeration policies are the vesting conditions placed upon the performance share options granted and the cash bonus granted during the prior year.

Details of Renumeration

Details of the renumeration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and the five highest paid executives of the Company and the Group are set out in the following tables.

Key management personnel of the Group and other executives of the Company and the Group

2011	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		Proportion of renumeration that is performance based	% of Value of renumeration that consists of options
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Options	Total		
	$	$	$	$	$	$	$	$	%	%
Non-executive Directors										
J Muir	60,000(2)	-	-	-	-	-	-	60,000	-	-
P C Wall	48,000(2)	-	-	-	-	-	-	48,000	-	-
P I Richards	48,000(2)	-	-	-	-	-	-	48,000	-	-
Executive Director										
C F Goode	350,000	-	23,657	41,000	-	-	-	414,657	50%	-
Other key management personnel										
J S M Tambyrajah	190,000	-	-	22,800	-	-	16,918	229,718	-	7%
S M Freeman	250,000	-	-	30,000	-	-	-	280,000	47%	-
E G Hall	76,542	-	-	11,785	-	21,667	5,075	115,069	-	4%
Specified executive										
S P Henbury	-	-	-	-	-	-	-	-	-	-
Total key management personnel compensation										
	1,022,542	-	23,657	105,585	-	21,667	21,993	1,195,444	28%	2%

RENUMERATION REPORT – AUDITED (continued)

2010	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments			
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Options	Total	Proportion of renumeration that is performance based	% of Value of renumeration that consists of options
	$	$	$	$	$	$	$	$	%	%
Non-executive Directors										
J Muir	27,184(2)	-	-	-	-	-	201,792	228,976	-	88%
P C Wall	36,000(2)	-	-	-	-	-	201,792	237,792	-	84%
P I Richards	25,184(2)	-	-	-	-	-	201,792	226,976	-	89%
S P Henbury*	-	-	-	-	-	-	-	-	-	-
Executive Director										
C F Goode	334,667	50,000(1)(3)	5,673	38,000	-	-	732,916	1,161,256	50%	63%
Other key management personnel										
J S M Tambyrajah	71,249	-	-	8,550	-	-	-	79,799		-
SM Freeman	231,667	50,000 (3)	-	27,800	-	-	366,458	675,925	47%	54%
E G Hall	46,042	-	-	5,525	-	-	-	51,567	-	-
Specified executive										
S P Henbury	65,991	-	-	-	-	-	-	65,991	-	-
Total key management personnel compensation										
	837,984	100,000	5,673	79,875	-		1,704,750	2,728,282	33%	62%

**resigned 13 August 2009 as a Non-Executive Director.*

(1) The performance bonus was due to Cedric Goode in accordance with the terms of his employment, however, Cedric Goode has elected not to receive this cash payment in the current year.

(2) A proportion of the Directors fees have at the decision of the Directors not been paid and deferred.

(3) Cash bonuses were awarded during the year to Cedric Goode and Sean Freeman as per terms of their employment. These bonuses were awarded as a part of successful acquisition of the Kuja and Mangal projects by the Company.

RENUMERATION REPORT – AUDITED (continued)

Service agreement

Service contracts have been entered into by the Group with all key executives, describing the components and amounts of renumeration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to employee options. These contracts do not fix the amount of renumeration increases from year to year. Renumeration levels are reviewed generally each year by the Renumeration Committee to align with changes in job responsibilities and market salary expectations.

The Company has 3 year contracts with the following personnel;

Cedric Goode, Managing Director and CEO
Sean Freeman, Chief Operating Officer
Julian Tambyrajah, Chief Financial Officer

These contracts are renewable on expiry. A summary of the terms and conditions of the service agreements is as follows

Cedric Goode – 3 years commencing on 1st September 2009.

Annual salary is $350,000. Other benefits include a Company provided car, 12% superannuation contribution by the employer, short term incentive options, long term performance options and performance based bonus.

The performance bonus will be awarded on milestones, subject to production and profitability conditions which are;

(a) 0.25 years Salary on achievement of first ore shipped from acquired mine(s);
(b) 0.5 years Salary on achievement of 250kt ore shipped from acquired mine(s;
(c) 0.75 years Salary on achievement of 500kt ore shipped from acquired mine(s);
(d) 1.5 years Salary on achievement of 1Mt ore shipped from acquired mine(s); and
(e) 2 years Salary on achievement of 2Mt ore shipped from acquired mine(s).

Performance based bonuses (c), (d) and (e) above:

(f) will be paid in the year following achievement after the audited financial report for the prior year is available; and
(g) are subject to the net profit before tax and financing costs (NPBTFC) per tonne of ore mined and sold:

- **US$12 per tonne NPBTFC = pay performance bonuses in full; and**
- **US$6 per tonne NPBTFC = 50% of performance bonus to be paid.**

The performance bonus will be paid pro-rata between US$6 per tonne and US$12 per tonne, with no additional bonus being payable if NPBTFC is greater than US$12.

Termination benefits

The Company may at its sole discretion terminate the employment with reasons according to clause 14.1 of the service agreement, or without reason by giving 6 months written notice and making a payment of 12 months salary after the expiry of the 6 months written notice period. If the Company elects to pay the equivalent of the 6 months salary and dispense with the notice period, the total payment inclusive of the 12 months notice period will be equivalent of 18 months salary.

RENUMERATION REPORT – AUDITED (continued)

Sean Freeman –3 years commencing on 1 July 2009

Annual salary is $250,000. Other benefits include 12% superannuation contribution by the employer, short term incentive options, long term performance options and performance based bonus.

The performance bonus will be awarded on milestones, subject to production and profitability conditions which are;

(a) 0.25 years Salary on achievement of first ore shipped from acquired mine(s);
(b) 0.25 years Salary on achievement of 250kt ore shipped from acquired mine(s;
(c) 0.5 years Salary on achievement of 500kt ore shipped from acquired mine(s);
(d) 0.5 years Salary on achievement of 1Mt ore shipped from acquired mine(s); and
(e) 1 years Salary on achievement of 2Mt ore shipped from acquired mine(s).

Performance based bonuses (c), (d) and (e) above:

(f) will be paid in the year following achievement after the audited financial report for the prior year is available; and
(g) are subject to the net profit before tax and financing costs (NPBTFC) per tonne of ore mined and sold:

- **US$12 per tonne NPBTFC = pay performance bonuses in full; and**
- **US$6 per tonne NPBTFC = 50% of performance bonus to be paid.**

The performance bonus will be paid pro-rata between US$6 per tonne and US$12 per tonne, with no additional bonus being payable if NPBTFC is greater than US$12.

Termination benefits

The Company may at its sole discretion terminate the employment with reasons according to clause 14.1 of the service agreement or without reason by giving 3 months written notice and making a payment of 6 month's salary after the expiry of the written 3 months notice. If the Company elects to pay the equivalent of 3 month's salary and dispense with the notice period, the total payment inclusive of 6 months notice period will be the equivalent of 9 month's salary.

Julian Tambyrajah -3 years commencing on 15th February 2010.

Annual salary is $190,000. Other benefits include 12% superannuation contribution by the employer, long term performance options and performance based bonus. The performance bonus would be awarded based on achievement of key performance objectives assessed on an annual basis by the Managing Director.

Termination benefits

The Company may at its sole discretion terminate the employment with reasons according to clause 15.1 of the service agreement by giving one month's written notice or without reason by giving 3 months written notice.

RENUMERATION REPORT – AUDITED (continued)

Share-based compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% vested
30 June 2011	(1)	30 November 2013	$0.2	$0.014	(1)	-
30 June 2011	(2)	30 November 2013	$0.4	$0.007	(2)	-
30 June 2011	(3)	30 November 2013	$0.6	$0.005	(3)	-

(1) Options will vest upon the Company owing projects that in aggregate have 25 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe).

(2) Options will vest upon the Company owing projects that in aggregate have 50 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe).

(3) Options will vest upon the Company owing projects that in aggregate have 100 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe).

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share and will be subject to escrow period restricting them from being sold until the earlier of:

- **the date agreed by the Board and announced to ASX**
- **the date the employee ceases to be an employee of the Company; and the date that is 7 years after the issue of the options to employees.**

RENUMERATION REPORT – AUDITED (continued)

Share-based compensation (Continued)

Details of options over ordinary shares in the Company provided as renumeration to each director of the Company and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of the Company. Further information on the options is set out in note 27 to the financial statements.

Name	Number of options granted during the year	Value of options at grant date (1)	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date (2)
Directors					
J Muir	-	-	-	-	-
P C Wall	-	-	-	-	-
P I Richards	-	-	-	-	-
C F Goode	-	-	-	-	-
Other key management personnel					
J S M Tambyrajah	2,000,000	16,918	-	-	-
S M Freeman	-	-	-	-	-
E G Hall	600,000	5,075	-	-	-

(1) The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year and as part of remuneration.

(2) The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Options granted during the year are expensed immediately as the Group has existing acquisitions completed which support the achievement of vesting conditions in the next 12 months.

Shares provided on exercise of renumeration options

There was no option exercised during the year.

Employee share scheme

None of the directors of the Company, other key management personnel of the Group or the Group company secretary is eligible to participate in the Company's employee share scheme.

RENUMERATION REPORT – AUDITED (continued)

Details of renumeration: Bonuses and share-based compensation benefits

For each cash bonus and grant of options included in the tables on page 8-9/12-13, the percentage of available bonus or grant of options that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. 100% of bonus granted to C F Goode in 2010 is payable in future years. The options vest immediately, provided the vesting conditions are met (see page 12 above). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Bonus		Share-based compensation benefits (options)				
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest
Directors							
J Muir	-	-	2010	100%	-	2010	-
C F Goode	-	-	2010	25%	-	2012	531,125
P C Wall	-	-	2010	100%	-	2010	-
P I Richards	-	-	2010	100%	-	2010	-
Other key management personnel							
J S M Tamby-rajah	-	-	2011	-	-	2012	16,918
S M Freeman	-	-	2010	14%	-	2012	265,563
E G Hall	-	-	2011	-	-	2012	5,075

End of Audited Renumeration report.

Shares under option

Unissued ordinary shares of the Company under option at that date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
30/11/2009	30/11/2012	$0.20	4,500,000
30/11/2009	30/11/2013	$0.21	4,500,000
30/11/2009	30/11/2013	$0.20	3,000,000
30/11/2009	30/11/2013	$0.40	3,000,000
30/11/2009	30/11/2013	$0.60	3,000,000
30/11/2009	30/11/2011	$0.20	1,000,000
30/11/2009	30/11/2011	$0.30	1,000,000
30/11/2009	30/11/2011	$0.40	1,000,000
30/06/2011	30/11/2013	$0.20	966,666
30/06/2011	30/11/2013	$0.40	966,666
30/06/2011	30/11/2013	$0.60	966,666

INSURANCE OF OFFICERS

During the financial year, NSL paid an insurance premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of its controlled entities against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

Other than matters stated in "MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR", no person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- **all non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor.**
- **none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.**

NON-AUDIT SERVICES (continued)

	Consolidated 2011 $	Consolidated 2010 $
Audit-related services		
Amounts paid or payable to:		
- BDO	53,227	73,941
- Grant Thornton	10,306	-
Amounts paid or payable to a related practice of BDO		
- Due diligence	-	8,000
Total fees for audit services	63,533	81,941
Taxation services		
Amounts paid or payable to:		
- BDO	8,986	5,665
- Grant Thornton	3,435	-
Total fees for non-audit services	12,421	5,665

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 the following page.

AUDITOR

BDO Audit (WA) Pty Ltd, continues in office in accordance with section 327 of the Corporations Act 2001.
This report is made in accordance with a resolution of directors.

Cedric Goode
Managing Director
15 September 2011

15 September 2011
The Directors
NSL Consolidated Limited
Mezzanine Level
35-37 Havelock Street
WEST PERTH WA 6000

Dear Sirs,

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

As lead auditor of NSL Consolidated Limited for the period ended 30 June 2011, 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 audit
- any applicable code of professional conduct in relation to the audit.

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

Phillip Murdoch
Director

BDO

BDO Audi t (WA) Pty Ltd
Perth, Western Australia

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value through entrepreneurism, innovation, development and exploration and provide accountability and control systems commensurate with risks involved.

Good corporate governance will evolve with the changing circumstances of a Company and must be tailored to meet these circumstances. NSL is a junior mining and exploration Company.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Securities Exchange (ASX) Listing Rules, Company Constitution and other applicable laws and regulations.

However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance Principles and Recommendations, whilst wholeheartedly supported, is not practical in every instance given the modest size and simplicity of the business. The principles and recommendations and details of the current and evolving governance practices are identified in the following pages.

Principle 1:
Lay solid foundations for management and oversight

The Board has the responsibility of protecting the rights and interests of shareholders and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for:

- **Appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;**
- **Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;**
- **Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;**
- **Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;**
- **Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;**
- **Approving the annual, half yearly and quarterly accounts;**
- **Approving significant changes to the organisational structure;**
- **Approving the issue of any shares, options, equity instruments or other securities in the Company;**
- **Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;**
- **Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and**
- **Meeting with the external auditor, at their request, without management being present.**

Principle 2:
Structure the Board to add value

The Board is currently made up of four directors, two (Jock Muir and Peter Richards) of whom are considered independent. The Board considers a director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. This is not compliant with the ASX Corporate Governance Councils recommendations that the majority of Directors should be independent non-executives and the Chairman should be independent. The Board considers the current composition to be both satisfactory and realistic under the present circumstances.

Under the Company's Constitution and the Australian Stock Exchange Listing Rules, all directors are subject to shareholder re-election every three years.

The full Board currently hold a number of scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address significant matters as they arise.

Standing Board meeting agenda items include the Managing Director's report, financial reports, strategic matters, governance and compliance.

Board members possess complementary business disciplines and experience aligned with the Company objectives. The experience and qualifications of directors are noted in the Directors' Report.

Where any director has a personal interest in a matter, the director is not permitted to be present during discussions or to vote on the matter. The enforcement of this requirement ensures that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent directors.

The Company has developed Board committee charters for both the Audit Committee and Remuneration Committee, however due to the size of the Company the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Company will give consideration at an appropriate juncture in the Company's development, for the creation of a Nomination and Remuneration Committee. The current size of the full Board permits it to act as this committee and to regularly review membership. The Board will give consideration to appointment of specialist and independent directors when the activities and scale of operation of the Company warrant such appointments.

The Board reviews the performance of Board members regularly on an on-going basis. The reviews are conducted by the Chairman and involve an exchange of views with all the members of the Board. In particular, the Board assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Board intends to formally introduce a formal process of self assessment of its collective performance, the performance of individual directors and of Board committees.

Principle 3: Promote ethical and responsible decision making

The Company actively promotes ethical and responsible decision-making. The Company has established a formal code of conduct that addresses practices necessary to maintain confidence in the Company's integrity. The code takes into account the Board's legal obligations and the reasonable expectations of its stakeholders. In addition, it is a condition of each employee's employment contract that they uphold minimum standards of generally accepted ethical conduct.

Dealing in Company shares

The Board has formally instituted a Company requirement that limits the purchase or disposal of shares by directors, officers and employees to the period of 4 weeks from the:

a) date of the Company's Annual General Meeting;
b) release of the quarterly results announcement to the Australia Stock Exchange (ASX);
c) release of the half yearly results announcement to the ASX;
d) release of the preliminary final results announcement to the ASX; or
e) release of a disclosure document offering securities in the Company.

NSL has a policy agreed to by the Board members, other Company officers and employees that any proposed trade in the Company's securities is to be firstly advised to the Chairman. Once the Chairman has given approval, the relevant person may execute the trade. Such policy clearly mitigates the risk of breaching the insider trading provisions and gives the Chairman control to restrict trading if the Chairman may be privy to sensitive information before the other Company officers and personnel are, or the Chairman has knowledge that certain sensitive information (eg. exploration results) are due for receipt within a short term timeframe.

Directors, officers and employees with any non-public sensitive information are prohibited from purchasing or disposing of Company shares, in accordance with the Corporations Act 2001.

Directors must advise the Company of any transactions conducted by them in the shares of the Company, in accordance with the Corporations Act 2001 and ASX Listing Rules.

The Board has approved and published in the public domain the Guidelines for Buying and Selling Securities which details the points listed above.

Diversity Policy

The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

The Diversity policy provides a framework for the Company to achieve:

a) diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;

b) workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;

c) improved employment and career development opportunities for women;

d) a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and

e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

Principle 4:
Safeguard integrity in financial reporting

The Board has previously established an audit committee whose responsibility it was to monitor and review the effectiveness of the Company's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

The Company presently does not have a separately constituted audit committee as it is not presently of a size, or its affairs of such complexity, to warrant such a committee. All matters capable of delegation to such a committee are presently dealt with by the full Board. The Board is responsible for the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. A charter has been formulated and is on the Company's website.

The responsibilities include:

- **reviewing and approving statutory financial reports and all other financial information distributed externally;**
- **monitoring the effective operation of the risk management and compliance framework;**
- **reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;**
- **the nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and**
- **considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.**

The external auditor, BDO, has engagement terms refreshed annually and has indicated its independence to the Board. BDO were appointed as auditors in 2008.

Principle 5 & 6:
Make timely and balanced disclosures and respect the rights of shareholders

The Board adopts communications strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at General Meetings. The external auditor will attend the meeting to respond to specific questions from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows; reports distributed to all shareholders; and notices of all meetings to shareholders.

The Board encourages full participation of shareholders at General Meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

Shareholders are requested to vote on the appointment of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder upon request.

Material information is lodged immediately with the ASX and on acknowledgement, disseminated by posting to the website.

Principle 5 & 6:
Make timely and balanced disclosures and respect the rights of shareholders (continued)

Timely and balanced disclosure

The Board supports the Australasian Investor Relations Association "Best Practice Guidelines for Communication between Listed Entities and the Investment Community". The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated authorised spokesperson.

Material information is lodged immediately with the ASX and on acknowledgement disseminated by posting to the website. A strict protocol is practiced for all investors/ analyst/ media meetings, Group briefings and conference calls.

Principle 7:
Recognise and manage risk

The Company has identified material business risks associated with its day-to-day operations and the possible impacts on the Company as a consequence. The Company aims to review its' risk management policies on a quarterly basis to mitigate material risks identified from eventuating and to ensure a sound internal control system is in place. The Managing Director is required to report to the Board if any material business risks that significantly impact on the business have arisen since the last Board meeting and if an effective internal control policy is in place and has been followed (as applicable). The Board declares that it has received assurance from the CEO and CFO that a sound and effective risk management and internal control had been adhered to during the financial year ended 30 June 2011.

As part of the Company's internal risk management policies, the CEO and CFO have recently completed a review identifying risk areas and internal controls required to mitigate such risk. The report relating thereto has been circulated to the Board concluding that an effective internal control system is in place. Such review will occur on an ongoing basis.

In summary, the Company's internal risk management policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

Principle 8:
Renumerate fairly and responsibly

Due to the size of the Group the Board has not established committees to review compensation arrangements of senior executives or to manage Board succession. The full board approves all management renumeration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The Board is kept advised on renumeration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based renumeration plans.

The renumeration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Other executives may also participate in employee share option schemes, with any option issues normally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in appropriate circumstances. The Company has not distinguished the structure of the non-executive directors' renumeration from that of executive director due to its size.

Principle 8:
Renumerate fairly and responsibly (continued)

The Board also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior promotions.

Access to professional advice
Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties.

SUMMARY

NSL Consolidated Limited has adopted or is in the process of adopting the following policies and charters:

Board Charter, Corporate Code of Conduct, Guidelines for Buying and Selling Securities, Audit Committee Charter, Continuous Disclosure Policy, Shareholder Communication Policy, Renumeration Committee Charter and Diversity Policy.

The Company has departed from the ASX Corporate Governance recommendations with respect to the Directors being considered independent for reasons stated. The Company's full board of Directors performs the functions of the Nomination and Renumeration Committee. Other corporate practices continue to evolve.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Revenue from continuing operations		-	-	-	-
Other income	4	372,559	42,000	42,663	41,784
Employee benefits expense	4	(1,433,883)	(1,052,247)	(1,334,247)	(1,038,952)
Depreciation of non-current assets	4	(66,886)	(67,786)	(37,284)	(60,206)
Corporate expenses	4	(351,746)	(1,222,224)	(161,905)	(1,097,877)
Finance & administration	4	(778,791)	(746,124)	(427,238)	(700,632)
Interest expense	4	(78,726)	-	-	-
Share-based compensation	27	(24,531)	(1,704,750)	(24,531)	(1,704,750)
Provision against investment in subsidiaries	4	-	-	(2,542,182)	(754,347)
Impairment of Exploration and evaluation costs	11	(113,969)	(681,524)	(1,586)	-
Loss before income tax		(2,475,973)	(5,432,655)	(4,486,310)	(5,314,980)
Income tax expense	5	(134,139)	-	-	-
Loss for the year attributable to the owners of NSL Consolidated Limited		(2,610,112)	(5,432,655)	(4,486,310)	(5,314,980)

Other comprehensive Income				
Exchange differences on translation of foreign operations	(1,876,198)	117,675	-	-
Total comprehensive(loss) for the year attributable to the owners of NSL Consolidated Limited	(4,486,310)	(5,314,980)	(4,486,310)	(5,314,980)

Earnings per share for loss for the year	Note	Cents	Cents
Basic loss per share	26	(0.96)	(2.69)
Diluted loss per share	26	n/a	n/a

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
ASSETS					
Current Assets					
Cash and cash equivalents	6	1,503,858	6,279,909	76,004	5,761,372
Trade and other receivables	7	184,176	564,245	92,061	253,634
Prepayments	7	460,071	346,427	209,983	5,507
Total current assets		2,148,105	7,190,581	378,048	6,020,513
Non-current assets					
Other financial assets	8	12,001	-	13,226,478	12,422,976
Property, plant and equipment	9	257,275	406,006	73,717	258,731
Intangible assets	10	27,945	4,255	-	-
Exploration and evaluation	11	11,533,692	11,582,958	-	-
Total non-current assets		11,830,913	11,993,219	13,300,195	12,681,707
TOTAL ASSETS		13,979,018	19,183,800	13,678,243	18,702,220
LIABILITIES					
Current liabilities					
Trade and other payables	12	516,255	1,285,124	340,349	803,544
Interest-bearing liabilities	13	-	41,740	-	41,740
Current tax liabilities	5	124,869	-	-	-
Other liabilities	12	129,527	59,148	129,527	59,148
Total current liabilities		770,651	1,386,012	469,876	904,432
Non-current liabilities					
Interest-bearing liabilities	13	-	107,348	-	107,348
Total non-current liabilities		-	107,348	-	107,348
TOTAL LIABILITIES		-	1,493,360	-	1,011,780
NET ASSETS		13,208,367	17,690,440	13,208,367	17,690,440
Equity					
Contributed equity	14	29,303,616	29,323,910	29,303,616	29,323,910
Other reserves	15	609,352	2,461,019	2,451,400	2,426,869
Capital and reserves attributable to owners of NSL Consolidated Limited		29,912,968	31,784,929	31,755,016	31,750,779
Accumulated losses	16	(16,704,601)	(14,094,489)	(18,546,649)	(14,060,339)
Total equity		13,208,367	17,690,440	13,208,367	17,690,440

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 $	2010 $	2011 $'000	2010 $'000
Cash flows from operating activities					
Cash receipts from customers		331,068	-	-	-
Cash paid to suppliers and employees		(2,625,410)	(2,703,523)	(2,374,054)	(2,354,429)
Interest paid		(78,726)	(10,313)	-	(6,323)
Interest received		41,491	42,000	42,663	41,784
Net cash inflow/(outflow) from operating activities	25	(2,331,577)	(2,671,836)	(2,331,391)	(2,318,968)
Cash flows from investing activities					
Purchase of property, plant and equipment		(89,576)	(306,663)	-	(147,553)
Payment for exploration and evaluation		(1,570,540)	(12,264,483)	-	-
Payment for other receivables		-	-	-	-
Net cash inflow/(outflow) from investing activities		(1,660,116)	(12,571,146)	-	(147,553)
Cash flows from financing activities					
Proceeds from issue of shares		-	20,664,527	-	20,664,527
Share issue costs		(20,294)	(1,202,151)	(20,294)	(1,202,151)
Loans to controlled entities		-	-	(3,333,683)	(13,177,323)
Finance lease payments		-	(20,093)	-	(20,093)
Net cash inflow/(outflow) from financing activities		(20,294)	19,442,283	(3,353,977)	6,264,960
Net increase/(decrease) in cash and cash equivalents		(4,011,987)	4,199,301	(5,685,368)	3,798,439
Net foreign exchange differences		(764,064)	117,675	-	-
Cash and cash equivalents at beginning of period		6,279,909	1,962,933	5,761,372	1,962,933
Cash and cash equivalents at end of period	6	1,503,858	6,279,909	76,004	5,761,372

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

CONSOLIDATED	Share Capital	Foreign currency translation reserve	Share based payments reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2009	**9,443,649**	**(83,525)**	**134,836**	**(8,661,834)**	**833,126**
Other comprehensive income for the year					
Exchange differences on translation of foreign operations	-	117,675	-	-	117,675
Total other comprehensive income for the year	-	117,675	-	-	117,675
Loss for the year	-	-	-	(5,432,655)	(5,432,655)
Total comprehensive income for the year	-	117,675	-	(5,432,655)	(5,314,980)
Transactions with owners in their capacity as owners					
Options exercised	2,909,695	-	-	-	2,909,695
Share placement net of fees	16,970,566	-	-	-	16,970,566
Share based payments	-	-	2,292,033	-	2,292,033
Balance as at 30 June 2010	**29,323,910**	**34,150**	**2,426,869**	**(14,094,489)**	**17,690,440**
Balance at 1 July 2010	**29,323,910**	**34,150**	**2,426,869**	**(14,094,489)**	**17,690,440**
Other comprehensive income for the year					
Exchange differences on translation of foreign operations	-	(1,876,198)	-	-	(1,876,198)
Total other comprehensive income for the year	-	(1,876,198)	-	-	(1,876,198)
Loss for the year	-	-	-	(2,610,112)	(2,610,112)
Total comprehensive income for the year	-	(1,876,198)	-	(2,610,112)	(4,486,310)
Transactions with owners in their capacity as owners					
Options exercised	-	-	-	-	-
Share placement net of fees	(20,294)	-	-	-	(20,294)
Share based payments	-	-	24,531	-	24,531
Balance as at 30 June 2011	**29,303,616**	**(1,842,048)**	**2,451,400**	**(16,704,601)**	**13,208,367**

The above Statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011 (continued)

PARENT	Share Capital $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2009	**9,443,649**	**-**	**134,836**	**(8,745,359)**	**833,126**
Loss for the year	-	-	-	(5,314,980)	(5,314,980)
Total comprehensive income for the year	-	-	-	(5,314,980)	(5,314,980)
Transactions with owners in their capacity as owners					
Options exercised	2,909,695	-	-	-	2,909,695
Share placement net of fees	16,970,566	-	-	-	16,970,566
Share based payments	-	-	2,292,033	-	2,292,033
Balance as at 30 June 2010	**29,323,910**	**-**	**2,426,869**	**(14,060,339)**	**17,690,440**
Balance at 1 July 2010	**29,323,910**	**-**	**2,426,869**	**(14,060,339)**	**17,690,440**
Loss for the year	-	-	-	(4,486,310)	(4,486,310)
Total comprehensive income for the year	-	-	-	(4,486,310)	(4,486,310)
Transactions with owners in their capacity as owners					
Options exercised	-	-	-	-	-
Share placement net of fees	(20,294)	-	-	-	(20,294)
Share based payments	-	-	24,531	-	24,531
Balance as at 30 June 2011	**29,303,616**	**-**	**2,451,400**	**(18,546,649)**	**13,208,367**

The above Statements of changes in equity should be read in conjunction with the accompanying notes.

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for NSL Consolidated Limited as an individual entity and the consolidated entity consisting of NSL Consolidated Limited and its subsidiaries.

a) Basis of Preparation

These financial statements are general purpose financial statements which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

i) Compliance with IFRS
The consolidated financial statements of NSL Consolidated Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii) Historical cost convention
The financial report has also been prepared on a historical cost basis.

iii) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note (1)(w).

b)Basis of consolidation

i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NSL Consolidated Limited ("Company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. NSL Consolidated Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when accessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and the Board of Directors of NSL.

d) Foreign currency translation

i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in AUD, which is NSL's functional and presentation currency.

ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

iii) Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.
The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met as described below.

i) Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control; the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.
Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases

Lease of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for the liability of each period. The property, plant and equipment acquired under finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.
Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement between 30 and 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

k) Financial assets

Classification
The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition.

i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 7) in the statement of financial position.

ii) Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.

The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in the financial risk management note at note 2.

Impairment
The Group assesses at each statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliable estimated.

For loan and receivables, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

l) Property, Plant & Equipment

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Increase in the carrying amount arising on revaluation of land is recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase in reserves a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reserve previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing-balance method to allocate their cost:

Plant & equipment	**13.91%**
Furniture and fixtures	**18%**
Computer equipment	**40%**
Buildings	**20%**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

m) Intangible assets

Computer software
Costs incurring in acquiring software that will contribute to the future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Amortisation is calculated using diminishing-balance method. Depreciation rate is 40%

n) Exploration and evaluation asset

Exploration and evaluation costs are accumulated in respect of each separate 'area of interest' or geographical segment. Costs are either expensed as incurred or capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

- **the expenditure is expected to be recouped through successful development and exploitation of the area of interest; or**
- **activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.**

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amounts exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. Impairment losses are recognised in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probably that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholder's equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

r) Provisions

Provision for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Employee benefits

i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee obligations are presented as payables.

ii) Other long-term employee benefit obligations
Liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Share-based payments
Share-based compensation benefits are provided to employees via the Company Employee Option Plan. Information relating to the scheme is set out in note 27.

The fair value of options granted under the Company Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Employee Option Plan is administered by the Company Employee Share Trust. When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

iv) Profit-Sharing and Bonus Plans
The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is past practise that has created a constructive obligation.

v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the equity proceeds.

Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

u) Earnings Per Share

i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of NSL Consolidated Limited, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

v) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

w) Critical accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share-based payment transactions
The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that, the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date.

The Company has issued performance based options to key management personnel during the year based upon conditions as outlined in note 27. The Company follows the guidelines of AASB 2 'Share based payments' and takes into account all non-vesting conditions and estimates the probability and expected timing of achieving these performance conditions.

Accordingly, the expense recognised over the vesting period may vary based upon information available and estimates made at each reporting period, until the expiry of the vesting period.

The performance conditions relating to the Class A, B and C performance options issued are expected to be met within a period of 12 months from the date they were granted and the total value of these options of $24,531 (2010: $1,704,750) has been expensed to the profit and loss during the period.

ii) Capitalisation of exploration and evaluation expenditure
The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

iii) Impairment of capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. 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) and changes to commodity prices.

As at 30 June 2011, the carrying value of exploration expenditure for the Group is $11,533,692.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group has not applied any of the following in preparing this financial report:

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS				
Affected Standard	**Title of Affected Standard**	**Nature of Change**	**Application Date ***	**Impact on Initial Application**
AASB 2009-11 and AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	AASB 09 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard will affect in particular the Group's accounting for its available-for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income statement if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognised directly in profit or loss.	1 January 2013, but available for early adoption	There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities
Revised AASB 124 And AASB 2009-12	Related Party Disclosures Amendments to Australian Accounting Standards AASB 124	The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities	1 January 2011 and must be applied retrospectively	The Group will apply the amended standard from1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there is no impact on any of the amounts recognised in the financial statements.
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement.	The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.
AASB 1053 and AASB 2010-2	Application of Tiers of Australian Accounting Standards. Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements	1 July 2013	The Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards- Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)				
Affected Standard	**Title of Affected Standard**	**Nature of Change**	**Application Date ***	**Impact on Initial Application**
AASB 2010-6	Amendments to Australian Accounting Standards- Disclosures on Transfers of Financial Assets	Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	1 July 2011	They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through the use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	A January 2012	The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
IFRS 11 (issued May 2011)	Joint Arrangements	Joint arrangements will be classified as either ' joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements using the equity method, rather than the proportionate consolidation method. On 1 July 2012, the initial equity accounted investment will be measured as the aggregate of the net |carrying amounts of all assets and liabilities previously accounted for using proportionate consolidation. Any impairment adjustments required on 1 July 2012 will be debited to retained earnings on that date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)				
Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
IFRS 11 (issued May 2011)	Joint Arrangements	However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.		
IAS 19 (issued June 2011)	Employee Benefits	Main changes include: - Elimination of the “corridor” approach for deferring gains/losses for defined benefit plans. - Elimination of the “corridor” approach for deferring gains/losses for defined benefit plans. - Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent period -Subtle amendments to timing for recognition of liabilities for termination benefits. - Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods comm-encing on or after 1 January 2013	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave any time. The amendments to IAS 19 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

y) Parent entity financial information

The financial information for the parent entity, NSL Consolidated Limited, has been prepared on the same basis as the consolidated financial statements.

2. FINANCIAL RISK MANAGEMENT

The Group's and the parent's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to provide finance for Group operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade payables, which arise directly from its operations.

The Group's and the parent's activities expose it to a variety of financial risk, being market risk (including currency risk and interest rate risk) and liquidity. Risk management is carried out by the Board of Directors, who regularly evaluates and agrees upon risk policy management and objectives. There are currently no other risk management policies in place.

The Group and the parent hold the following financial instruments:

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Financial assets				
Cash and cash equivalents	1,503,858	6,279,909	76,004	5,761,372
Trade and other receivables	184,176	564,245	92,061	253,634
	1,688,034	6,844,154	165,065	6,015,006
Financial liabilities				
Interest bearing liabilities	-	149,088	-	149,088
Trade and other payables	645,782	1,344,272	469,876	862,692
	645,782	1,493,360	469,876	1,011,780

a) Market risk

i) Foreign exchange risk
The Group's operations are located in India and Singapore where both revenues and expenditures are recorded. The statement of financial position can be significantly affected by movements in the AUD/INR & AUD/USD exchange rates upon translation of Australian Dollar for its Indian and Singapore operations.

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group is developing currency and commodity policies to mitigate the risk. The Group seeks to mitigate its risks by borrowing in local currencies and hedging fund transfers as they occur.

The Group's exposure to foreign exchange risk at the reporting date is limited to the transfer of funding to the Indian and Singapore operations.

ii) Sensitivity analysis
Based on the financial instrument held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against Indian National Rupee (INR) with all other variables held constant, the Company's loss for the year would have been $5,257,233 or $3,544,071 (2010 loss would have been $6,046,364 or $4,421,066), mainly as a result of foreign exchange gains/losses on translation of INR dominated financial instruments. Loss is more sensitive to movements in the Australian dollar/INR exchange rate in 2011 than 2010 because of the increased amount of INR dominated borrowings.

2. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

iii) Cash flow and interest rate risk

The Group's and the parent's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's and the parent's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

Floating interest rate	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Cash and cash equivalents	1,503,858	6,279,909	76,004	5,761,372
Weighted average interest rate	6.8%	4.25%	6.8%	4.25%

b) Credit risk

The Group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 2.

Financial assets that are neither past due and not impaired are as follows:

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Cash and cash equivalents				
'AA' S&P rating	1,503,858	6,279,909	76,004	5,761,372

2. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The directors monitor the cash-burn rate of the Group on an on-going basis against forecast and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group and Parent at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments. No borrowings existed at year end.

Maturities of financial liabilities

The table below analyses the Group's and Parent's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 30 June 2011	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	645,782	-	-	-	-	645,782	645,782
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	645,782	-	-	-	-	645,782	645,782

Group – At 30 June 2010	Less than 6 months $	6-12 mkonths $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	1,344,272	-	-	-	-	1,344,272	1,344,272
Variable rate	-	-	-	-	-	-	-
Fixed rate	20,870	20,870	29,248	78,100	-	149,088	149,088
Total non-derivatives	1,365,142	20,870	29,248	78,100	-	1,493,360	1,493,360

2. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

Parent – At 30 June 2011	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	469,876	-	-	-	-	469,876	469,876
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	469,876	-	-	-	-	469,876	469,876

Parent – At 30 June 2010	Less than 6 months $	6-12 mkonths $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	862,692	-	-	-	-	862,692	862,692
Variable rate	-	-	-	-	-	-	-
Fixed rate	20,870	20,870	29,248	78,100	-	149,088	149,088
Total non-derivatives	883,562	20,870	29,248	78,100	-	1,011,780	1,011,780

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

3. SEGMENT INFORMATION

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

Segment information

Segment information provided to the board of directors for the year is as follows:

	Consolidated	
	2011 $	2010 $
Revenue from external sources	-	-
Reportable segment loss	(465,697)	(1,260,713)
Depreciation	(29,602)	(7,580)
Reportable segment assets	12,325,178	12,721,104
Additions to non-current assets	114,236	151,530
Reconciliation of reportable segment profit or loss		
Reportable segment loss	(465,697)	(1,260,713)
Other profit	-	-
Unallocated:		
Corporate expenses	(2,144,415)	(4,171,942)
Loss before tax	(2,610,112)	(5,432,655)
Reportable segment assets are reconciled to total assets as follows:		
Segment assets	12,325,178	12,721,104
Unallocated:		
Cash and cash equivalents	1,265,406	5,815,456
Corporate assets	388,434	647,240
Total assets as per the statement of financial position	13,979,018	19,183,800
Reportable segment liabilities are reconciled to total liabilities as follows:		
Segment liabilities – external	154,841	448,217
Segment liabilities – intra-group	16,691	443,912
Unallocated:		
Corporate liabilities	599,119	601,231
Total liabilities as per the statement of financial position	770,651	1,493,360

Description of the segment

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

4. REVENUE AND EXPENSES

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Loss before income tax includes the following items of revenue and expense:				
Revenue from Continuing Operations				
Interest revenue	41,491	42,000	42,663	41,784
Other income	331,068	-	-	-
	372,559	42,000	42,663	41,784
Expenses				
Employee benefits	(1,433,883)	(1,052,247)	(1,334,247)	(1,038,952)
Impairment of investment in subsidiaries	-	-	(2,542,182)	(754,347)
Depreciation of non-current assets: Property, plant & equipment	(66,886)	(67,786)	(37,284)	(60,206)
Corporate expenses	(351,746)	(1,222,224)	(161,905)	(1,097,877)
Finance & administration	(778,791)	(746,124)	(427,238)	(700,632)
Interest expenses	(78,726)	-	-	-
Share based payments	(24,531)	(1,704,750)	(24,531)	(1,704,750)
Exploration and evaluation	(113,969)	(681,524)	(1,586)	-
	(2,848,532)	(5,474,655)	(4,528,973)	(5,356,764)

5. INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
The major components of income tax are:				
Income statement				
Current income tax	-	-	-	-
Deferred income tax	-	-	-	-
Income tax expense reported in the income statement	-	-	-	-
(a) Numerical reconciliation of income tax benefit to prima facie tax payable				
Loss from continuing operations before income tax expense	(2,475,973)	(5,432,655)	(4,486,310)	(5,314,980)
Tax at the Australian tax rate of 30% (2010:30%)	(742,791)	(1,629,796)	(1,345,893)	(1,594,494)

5. INCOME TAX (continued)

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Tax effect of amounts that are not deductible /(taxable) in calculating taxable income:				
Impairment	-	-	762,654	226,304
Share-based compensation	7,359	511,425	7,359	511,425
Others	54,335	-	66,716	-
Tax losses and timing differences not brought to account	806,756	1,107,640	509,164	856,765
Foreign tax rate differential	8,480	10,731	-	-
Income tax expense /(benefit)	134,139	-	-	-

(b) Tax losses				
Unused tax losses for which no deferred tax assets has been recognised	4,771,816	4,116,785	3,849,135	3,926,288
Potential tax benefit at 30%	1,431,545	1,235,036	1,154,741	1,177,887
(c) Unrecognised temporary differences				
Deferred tax assets and liabilities not recognised relate to the following:				
Deferred tax assets				
Tax losses	1,431,545	1,235,036	1,154,741	1,177,887
Exploration expenditure	204,457	204,457	-	-
Other temporary differences	224,718	17,744	109,898	17,744
Deferred tax liabilities				
Other temporary differences	-	-	-	-
Net deferred tax assets not recognised	1,860,720	1,457,237	1,264,639	1,195,631

The deferred tax assets arising from these balances have not been recognised as an asset because recovery of tax losses is not probable at this point in time.

The potential tax benefit will only be obtained if the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and

(i) the relevant Company continues to comply with the conditions for deductibility imposed by the law; and

(ii) into changes in tax legislation adversely affect the relevant Company in realising the benefit.

6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Cash at bank and in hand	1,503,858	6,279,909	76,004	5,761,372

7. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Current				
Security Deposits	109,152	332,927	23,734	22,316
Prepayments	460,071	346,427	9,982	5,507
Other receivables (2)	575,024	231,318	768,328	231,318
Impairment write down	(500,000)	-	(500,000)	-
	644,247	910,672	302,044	259,141
Non-current				
Loan to wholly-owned controlled entity (3)	-	-	1,164,191	1,164,191
Impairment write down	-	-	(1,164,191)	(1,164,191)
	-	-	-	-

(1) Ageing of trade receivables past due not impaired
As at 30 June 2011 and 30 June 2010 there were no trade receivables.

(2) Other receivables
These transactions generally arise from transactions outside the usual operating activities of the entity. The balance represents the receivables relating to good and services tax.

An amount of $500,000 was provided against representing a loan to Kingsway Resources Pte Ltd which has not been repaid. The loan is secured by a personal guarantee. Repayment has not been forthcoming to date and, as a result, NSL is pursuing legal action to recover the outstanding amount.

(3) Loans to controlled entities
Amounts receivable from wholly-owned controlled entity have been outstanding more than 12 months.

8. OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Non-current				
Investment in controlled entities (1)	-	-	16,603,501	13,257,817
Allowance for impairment loss (2)	-	-	(3,377,023)	(834,841)
Others	12,001	-	-	-
	12,001	-	13,226,478	12,422,976

(1) These represent shares in controlled entities which are carried at cost, less any provision for diminution.

(2) Allowance for impairment amounting to $2,542,182 (2010: $754,347) has been recorded in the current year. An assessment was made during the year for the recoverability of the balance and as a result an impairment loss was recorded.

9. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant and equipment $	Furniture and Fixtures $	Motor Vehicles $	Computer Equipment $	Land $	Buildings $	Total $
At 1 July 2009							
Cost or fair value	301,337	-	-	-	-	-	301,337
Accumulated depreciation	(299,134)	-	-	-	-	-	(299,134)
Net book amount	2,203	-	-	-	-	-	2,203
Year ended 30 June 2010							
Additions	143,254	17,101	169,181	82,591	59,017	-	471,144
Depreciation charge	(22,014)	(3,814)	(21,451)	(20,062)	-	-	(67,341)
Closing net book amount	123,443	13,287	147,730	62,529	59,017	-	406,006
At 30 June 2010							
Cost or fair value	161,326	17,101	169,181	82,591	59,017	-	489,216
Accumulated depreciation	(37,883)	(3,814)	(21,451)	(20,062)	-	-	(83,210)
Net book amount	123,443	13,287	147,730	62,529	59,017	-	406,006
Year ended 30 June 2011							
Additions	18,845	19,784	-	14,653	-	33,769	87,051
Disposal/Written-off	-	-	(147,730)	-	-	-	(147,730)
Depreciation charge	(28,153)	(4,603)	-	(23,650)	-	(7,540)	(63,946)
Exchange differences	(11,502)	(2,041)	-	(815)	(10,190)	442	(24,106)
Closing net book amount	102,633	26,427	-	52,717	48,827	26,671	257,275
At 30 June 2011							
Cost or fair value	167,729	34,061	-	96,039	48,827	33,769	380,425
Accumulated depreciation	(65,096)	(7,634)	-	(43,322)	-	(7,098)	(123,150)
Net book amount	102,633	26,427	-	52,717	48,827	26,671	257,275

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Plant and equipment $	Furniture and fixtures $	Motor Vehicles $	Computer equipment $	Total $
At 1 July 2009					
Cost or fair value	301,337	-	-	-	301,337
Accumulated depreciation	(299,134)	-	-	-	(299,134)
Net book amount	2,203	-	-	-	2,203
Year ended 30 June 2010					
Additions	71,198	745	169,181	75,610	316,734
Depreciation charge	(19,559)	(140)	(21,451)	(19,056)	(60,206)
Closing net book amount	53,842	605	147,730	56,554	258,731
At 30 June 2010					
Cost or fair value	89,269	745	169,181	75,610	334,805
Accumulated depreciation	(35,427)	(140)	(21,451)	(19,056)	(76,074)
Net book amount	53,842	605	147,730	56,554	258,731
Year ended 30 June 2011					
Additions	-	-	-	-	-
Disposals	-	-	(147,730)	-	(147,730)
Depreciation charge	(18,088)	(140)	-	(19,056)	(37,284)
Closing net book amount	35,754	465	-	37,498	73,717
At 30 June 2011					
Cost or fair value	89,269	745	-	75,610	165,624
Accumulated depreciation	(53,515)	(280)	-	(38,112)	(91,907)
Net book amount	35,754	465	-	37,498	73,717

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 4 to the financial statements.

10. INTANGIBLE ASSETS

Consolidated	Software $
At 1 July 2009	
Cost or fair value	-
Accumulated depreciation	-
Net book amount	-
Year ended 30 June 2010	
Additions	4,699
Depreciation charge	(444)
Closing net book amount	4,255
At 30 June 2010	
Cost or fair value	4,699
Accumulated depreciation	(444)
Net book amount	4,255
Year ended 30 June 2011	
Additions	27,185
Depreciation charge	(2,940)
Exchange differences	(555)
Closing net book amount	27,945
At 30 June 2011	
Cost or fair value	31,072
Accumulated depreciation	(3,127)
Net book amount	27,945

11. EXPLORATION AND EVALUATION

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Carrying amount at beginning of financial year	11,582,958	-	-	-
Additions	1,186,107	12,264,482	1,586	-
Impairment (1)	(113,969)	(681,524)	(1,586)	-
Exchange differences	(1,121,404)	-	-	-
Carrying amount at end of financial year	11,533,692	11,582,958	-	-

(1) These costs relating to acquisition, exploration and evaluation costs for due diligence of the Thummalur project were written off at year end because the acquisition did not meet the investment criteria and therefore did not go ahead.

11. EXPLORATION AND EVALUATION (continued)

The value of the Company's interest in exploration and evaluation is dependent upon:

- **the continuance of the Company's right to tenure of the areas of interest;**
- **the results of future exploration activities; and**
- **the recoupment of costs through successful development of the areas of interest or, alternatively by their sale.**

12. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Trade payables (1)	461,794	716,919	285,888	300,509
Other payables (1)	54,461	568,205	54,461	503,035
	516,255	1,285,124	340,349	803,544

(1) Payables are non-interest bearing and generally settled on 30-90 day term. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

OTHER LIABILITIES

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Other liabilities (2)	129,527	59,148	129,527	59,148

(2) Other liabilities represent amounts payable for annual leave.

13. INTEREST BEARING LIABILITIES

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Current				
Lease liabilities (1)	-	41,740	-	41,740
Non current				
Lease liabilities (1)	-	107,348	-	107,348
	-	149,088	-	149,088

(1) The Company entered into lease agreements for the purchase of motor vehicle during the prior year. Monthly instalments were required under the terms of the lease which have expiry dates of 1 April 2015 and 1 November 2011 respectively. During the year, the Company reviewed the terms of the agreements and reclassified from finance leases to operating leases.

14. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2011 No.	2010 No.	2011 No.	2010 No.
Share capital				
Fully paid ordinary share capital	272,333,208	272,333,208	29,303,616	29,323,910
	272,333,208	272,333,208	29,303,616	29,323,910

Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1/07/2009	Opening balance	515,440,405		9,443,649
13/07/2009	Conversion of bonus options	125,609,514	$0.010	1,256,095
16/07/2009	Conversion of bonus options	95,000,000	$0.010	950,000
30/07/2009	Conversion of bonus options	10,000,000	$0.050	50,000
30/07/2009	Conversion of bonus options	2,000,000	$0.010	20,000
12/10/2009	Conversion of bonus options	52,400,000	$0.010	377,600
09/11/2009	Conversion of bonus options	25,600,000	$0.010	256,000
19/11/2009	Issue of shares	87,539,018	$0.026	2,276,014
22/12/2009	Issue of shares	47,076,366	$0.026	1,223,986
29/01/2010	Issue of shares	146,000,000	$0.035	5,110,000
08/03/2010	Issue of shares	5,000,000	$0.030	150,000
		1,111,665,303		
	Share consolidation	222,333,208		
10/03/2010	Issue of shares	50,000,000	$0.200	10,000,000
	Less equity raising cost			(1,789,434)
30/06/2010	Balance as at 30 June 2010	272,333,208		29,323,910
	Less equity raising cost			(20,294)
30/06/2011	Balance as at 30 June 2011	272,333,208		29,303,616

(a) Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

On 8 March 2010, the Company in its general meeting approved a share consolidation where by shares were consolidated on a one to five basis. Similarly, the options were also consolidated.

14. CONTRIBUTED EQUITY (continued)

(b) Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated losses.

The Group's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital.

The Board of Directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios as the Group has not derived any income from operations and there are no debt facilities in place.

15. RESERVES

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Foreign currency translation reserve	(1,842,048)	34,150	-	-
Share based payment reserve	2,451,400	2,426,869	2,451,400	2,426,869
	609,352	2,461,019	2,451,400	2,426,869
Movement:				
Foreign Currency Translation Reserve				
Balance at beginning of the financial year	34,150	(83,525)	-	-
Transfer to accumulated losses	-	-	-	-
Translation of foreign operations	(1,876,198)	117,675	-	-
Balance at the end of the financial year	(1,842,048)	34,150	-	-
Share Based Payment Reserve				
Balance at beginning of the financial year	2,426,869	134,836	2,426,869	134,836
Options issued during financial year	24,531	2,292,033	24,531	2,292,033
Balance at the end of the financial year	2,451,400	2,426,869	2,451,400	2,426,869

(a) Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and cumulated in a separate reserve within equity.

The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Option Reserve

The option reserve records items recognised as expenses on valuation of employee and consultant share options.

16. ACCUMULATED LOSSES

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Balance at beginning of the financial year	(14,094,489)	(8,661,834)	(14,060,339)	(8,745,359)
Loss after related income tax	(2,610,112)	(5,432,655)	(4,486,310)	(5,314,980)
Balance at the end of the financial year	(16,704,601)	(14,094,489)	(18,546,649)	(14,060,339)

17. DIVIDENDS

No dividends have been declared or paid during the period.

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Short-term employee benefits	1,046,199	877,666	1,046,199	877,666
Post-employment benefits	105,585	79,875	105,585	79,875
Long-term employee benefits	21,667	-	21,667	-
Share-based payments	21,993	1,704,750	21,993	1,704,750
	1,195,444	2,662,291	1,195,444	2,662,291

Further information regarding the identity of key management personnel and their compensation can be found in the “Renumeration Report – Audited contained in the Directors’ Report which forms part of this Annual Financial Report.

(b) Equity Instrument disclosures relating to key management personnel

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011 Name	Balance at the start of the year	Granted as Compensation	Exercised	Other Changes	Balance at the end of the year	Vested and exercisable	Unvested
Non executive Directors							
J Muir	2,000,000	-	-	-	2,000,000	2,000,000	-
P C Wall	2,000,000	-	-	-	2,000,000	2,000,000	-
P I Richards	2,000,000	-	-	-	2,000,000	2,000,000	-
Executives Director							
C F Goode	8,000,000	-	-	-	8,000,000	2,000,000	6,000,000
Other key management personnel							
S M Freeman	4,000,000	-	-	-	4,000,000	1,000,000	3,000,000
J S M Tambyrajah	-	2,000,000	-	-	2,000,000	-	2,000,000
E G Hall	-	600,000	-	-	600,000	-	600,000
Total	18,000,000	2,600,000	-	-	20,600,000	9,000,000	11,600,000

2010 Name	Balance at the start of the year	Granted as Compensation	Exercised	Other Changes	Balance at the end of the year	Vested and exercisable	Unvested
Non executive Directors							
J Muir	-	2,000,000	-	-	2,000,000	2,000,000	-
P C Wall	5,235,000	2,000,000	(1,000,000)	(4,235,000)	2,000,000	2,000,000	-
P I Richards	-	2,000,000	-	-	2,000,000	2,000,000	-
S P Henbury*	683,334	-	-	(683,334)	-	-	-
Executives Director							
C F Goode	15,000,000	8,000,000	(15,000,000)	-	8,000,000	2,000,000	6,000,000
Other key management personnel							
S M Freeman	-	4,000,000	-	-	4,000,000	1,000,000	3,000,000
J S M Tambyrajah	-	-	-	-	-	-	-
E G Hall	-	-	-	-	-	-	-
S P Henbury	-	-	-	-	-	-	-
Total	20,918,334	18,000,000	(16,000,000)	(4,918,334)	18,000,000	9,000,000	9,000,000

*resigned 13 August 2009

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Shareholdings

The numbers of shares in the Company held during the financial year by each director of NSL Consolidated Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011 Name	Balance at the start of the year	Granted as Compensation	Received on exercise of options or rights	Other Changes	Balance at the end of the year
Directors					
J Muir	3,700,000	-	-	300,000	4,000,000
P C Wall	8,370,000	-	-	-	8,370,000
P I Richards	5,770,000	-	-	350,000	6,120,000
Executives Director					
C F Goode	21,500,000	-	-	-	21,500,000
Other key management personnel					
S M Freeman	7,000,000	-	-	150,000	7,150,000
J S M Tambyrajah	-	-	-	-	-
E G Hall	-	-	-	-	-
Total	46,340,000	-	-	800,000	47,140,000

2010 Name	Balance at the start of the year	Granted as Compensation	Received on exercise of options or rights	Other Changes	Balance at the end of the year
Directors					
Jock Muir	-	-	-	3,700,000	3,700,000
P C Wall	6,870,000	-	1,000,000	500,000	8,370,000
P I Richards	-	-	-	5,770,000	5,770,000
S P Henbury	1,366,667	-	-	250,000	1,616,667
Executives Director					
C F Goode	6,000,000	-	10,000,000	5,500,000	21,500,000
Other key management personnel					
J S M Tambyrajah	-	-	-	-	-
S M Freeman	-	-	-	7,000,000	7,000,000
E G Hall	-	-	-	-	-
SP Henbury	-	-	-	-	-
Total	14,236,667	-	11,000,000	22,720,000	47,956,667

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Other transactions and balances

- The Company has agreed to engage Steinepreis Paganin, Lawyers and Consultants, of which Peter Wall is a Partner, to support the Company's legal function. The engagement is not for a fixed period and may be terminated by the Company or by Mr Wall at any time. The terms and conditions to which this contract is entered is a normal arms length transaction. Total payments to Steinepreis Paganin during the year amounted to $36,750 (2010:$164,252) No amounts were outstanding as at 30 June 2011 and as at 30 June 2010.

- An agreement is in place between the Company and FJH Solutions Pty Limited, a company in which Mr Henbury is a Director, whereby FJH Solutions provides company secretarial, administration, and accounting services to the Company. The engagement is not for a fixed period, and may be terminated by the Company or by Mr Henbury at any time. The terms and conditions to which this contract is entered is a normal arms length transaction. Total payments to FJH Solutions Pty Limited during the year amounted to $61,424 (2010:$186,011). Amount outstanding as at 30 June 2011 was nil (30 June 2010: $38,079).

19. AUDITORS' RENUMERATION

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Amounts paid/payable for audit for review of the financial statements for the entity or any entity in the Group				
- BDO	53,227	73,941	43,418	41,448
- Grant Thornton	10,306	-	-	-
Due diligence	-	8,000	-	8,000
Taxation services				5,665
- BDO	8,986	5,665	8,986	5,665
- Grant Thornton	3,435	-	-	-
Total auditor's renumeration	75,954	87,606	52,404	55,113

20. CONTINGENCIES

Litigation between NSL Consolidated Ltd and Kingsway Resources Pte Ltd

On 16 July 2008, NSL signed an agreement with Kingsway Resources Pte Ltd to lend $500,000. The loan related to a transaction for the purchase of the Iron Ore Hill project in India, which was terminated on 16 February 2009. This loan was secured by a personal guarantee. Repayment has not been forthcoming to date, as a result, NSL is pursuing legal action to recover the outstanding amount.

On 28 July 2011, the District Court of Western Australia in Civil has concluded that the guarantor is responsible to pay NSL $500,000 plus interest at a rate of 14% per annum calculated with daily rests from 31 July 2008.

Litigation between NSL Mining Resources India (Pvt) Ltd (NSL MRI) and Mega Logistics and Solutions NSL MRI is in the process of a counterclaim, through Arbitration for approximately $250,000 for unrecovered advances to Mega Logistics and Solutions, a related Company of Mega Mining and Solutions.

20. CONTINGENCIES (continued)

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

NSL MRI was recently involved in litigation brought by Mega Mining and Solutions in the High Court of India. The total quantum of the claim was approximately $500,000 for disputed invoices of approximately $125,000. The litigation was recently dismissed in the High Court of India on jurisdictional grounds, however it is unknown if Mega Mining and Solutions will seek to bring the litigation again in different court. Although the Board considers the claim brought by Mega Mining and Solutions to be frivolous, it does note that there is a risk that NSL MRI will again in the future face legal action from Mega Mining and Solutions in India and there are uncertainties in relation to the outcome of any claim due to the Indian legal jurisdiction.

21. COMMITMENTS

a) Capital commitments
Capital expenditure contracted for at the reporting date but not recognised as liabilities as follow:

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Within one year (1)	2,814,157	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	2,814,157	-	-	-

(1) Acquisition cost related to purchase of Queensland EPC's applications.

b) Finance lease commitments
Lease expenditure contracted and provided for:

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Within one year	-	41,740	-	41,740
Later than one year but not later than five years	-	157,770	-	157,770
Later than five years	-	-	-	-
Total minimum lease payment	-	199,510	-	199,510
Less: future finance charges	-	(50,422)	-	(50,422)
Present value of minimum lease payments	-	149,088	-	149,088
Reconciled to:				
Current liability	-	41,740	-	41,740
Non-current liability	-	107,348	-	107,348
TOTAL	-	149,088	-	149,088

21. COMMITMENTS (continued)

c) Operating lease commitments

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Within one year	77,188	61,950	46,077	61,950
Later than one year but not later than five years	77,374	-	68,648	-
Total minimum lease payment	154,562	61,950	114,725	61,950

The Group does not have exploration commitments at the balance sheet date.

22. RELATED PARTY TRANSACTIONS

Related Party Information

(a) Parent Entity
The parent entity within the Group is NSL Consolidated Limited.

(b) Subsidiaries
Interest in subsidiaries is set out in Note 23.

(c) Key management personnel
Disclosures relating to Directors and executives are set out in Note 18.

(d) Transactions and balances with key management personnel
Disclosures relating to transactions with related parties are set out in Note 18.

23. SUBSIDIARIES

Parent Entity	Country of Incorporation	2011 %	2010 %
NSL Consolidated Ltd (1)	Australia	100%	100%
I-S Iron Ore Pte Ltd	Singapore	100%	100%
NSL Mining Resources India(Pvt) Ltd	India	100%	100%
DenX Asia Pacific Pte Ltd (2)	Singapore	100%	100%

(1) During the year, the Parent entity invested an amount of $3,333,683 (2010: $13,177,323) in NSL Mining Resources India (Pvt) Ltd and in I-S Iron Ore Pte Ltd. These investments were made to set up the subsidiaries companies and to enable them in starting their operating activities. These amounts are disclosed as 'other financial assets' in note 8 of the financial statements. The subsidiaries have recorded these amounts as equity in their respect financial statements. All amounts are outstanding as at 30 June 2011 and as at 30 June 2010.

(2) DenX Asia Pacific Pte Ltd is a wholly owned subsidiary which was used in relation to the previous operations when the Company was known as NSL Health Limited. This entity is now dormant.

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Litigation between NSL Consolidated Ltd and Kingsway Resources Pte Ltd

On 16 July 2008, NSL signed an agreement with Kingsway Resources Pte Ltd to lend $500,000. The loan related to a transaction for the purchase of the Iron Ore Hill project in India, which was terminated on 16 February 2009. This loan was secured by a personal guarantee. Repayment has not been forthcoming to date, as a result, NSL is pursuing legal action to recover the outstanding amount.

On 28 July 2011, the District Court of Western Australia in Civil has concluded that the guarantor is responsible to pay NSL $500,000 plus interest at a rate of 14% per annum calculated with daily rests from 31 July 2008.

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

NSL MRI is in the process of a counterclaim, through Arbitration for approximately $250,000 for unrecovered advances to Mega Logistics and Solutions, a related Company of Mega Mining and Solutions.

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

NSL MRI was recently involved in litigation brought by Mega Mining and Solutions in the High Court of India. The total quantum of the claim was approximately $500,000 for disputed invoices of approximately $125,000. The litigation was recently dismissed in the High Court of India on jurisdictional grounds, however it is unknown if Mega Mining and Solutions will seek to bring the litigation again in different court. Although the Board considers the claim brought by Mega Mining and Solutions to be frivolous, it does note that there is a risk that NSL MRI will again in the future face legal action from Mega Mining and Solutions in India and there are uncertainties in relation to the outcome of any claim due to the Indian legal jurisdiction.

Capital raising

On 29 July 2011, the Company announced a capital raising of $4.3m consisting of a Placement to sophisticated investors to raise $2,189,000 combined with a 1:8 Renounceable Rights Issue to raise $2,152,791 both priced at 5.5 cents. At the time of writing the equity placement was complete and funds had been received whilst the Rights Issue continued on its time table and was fully underwritten. The Company has no events occurring after the reporting period except for those stated in Director's report under matters subsequent to the end of the financial year.

25. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW USED IN OPERATING ACTIVITIES

Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Operating loss after tax	(2,610,112)	(5,432,655)	(4,486,310)	(5,314,980)
Adjustment for;				
Depreciation and amortisation	66,886	67,787	37,284	60,206
Gain on disposal of fixed assets	(1,358)	-	(1,358)	-
Exploration and evaluation	113,969	681,524	-	-
Non-cash share-based payments expense	24,531	1,704,750	24,531	1,704,750
Impairment against investment in subsidiaries	-	-	2,542,182	754,347
Changes in assets / liabilities				
-(increase)/decrease in trade and other receivables	368,068	(523,732)	(54,904)	(213,121)
-(decrease) in prepayments	(113,644)	(346,427)	-	(5,507)
-Increase in provision for income taxes payable	134,139	-	-	-
-Increase/(decrease) in trade and other payables	(314,056)	1,176,917	(392,816)	695,337
Net cash flow used in operating activities	(2,331,577)	(2,671,836)	(2,331,391)	(2,318,968)

26. LOSS PER SHARE

(a) Basic and diluted earnings per share

	Consolidated	
	2011 Cents	2010 Cents
Basic loss per share	(0.96)	(2.69)
Diluted loss per share	n/a	n/a

Diluted loss per share not disclosed as it does not increase loss per share.

(b) Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share

	Consolidated	
	2011 $	2010 $
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share.	(2,610,112)	(5,432,655)

(c) Weighted average number of shares used as the denominator

	Consolidated	
	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	272,333,208	201,859,840
Adjustments for calculation of diluted earnings per share:		
- options (anti dilutive)	23,900,000	22,000,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	272,333,208	201,859,840

Options outstanding as at 30 June 2011 have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2011. These options could potentially dilute basic earnings per share in the future.

27. SHARE-BASED PAYMENTS

The Company in its annual general meeting held on 30 November 2009, approved a Directors' share scheme which allowed the allotment and issue up to a maximum of 3,000,000 Shares (subject to adjustment by any share consolidation or split) per year to each of the directors during the 3 year period commencing from the date of this Annual General Meeting. The actual number of Shares to be acquired by the Participants under the Scheme will be determined by the Participants' election to convert all or a portion of directors' fees owed by the Company into Shares divided by the issue price of Shares. The issue price of the Shares shall be calculated on the basis of the weighted average trading price of Shares on ASX during the 5 trading days immediately preceding the last day of each calendar month of service provided to the Company by the Participant. The issue of Shares under the Scheme will be in full and final satisfaction of the Company's obligation to pay that portion of directors' fees that are sub-

27. SHARE-BASED PAYMENTS (continued)

Set out below are summaries of options granted:

Grant Date	Expiry Date	Exercise Price $	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Vested and Exercisable at end of year Number
2011							
30/11/2009	30/11/2012	$0.200	4,500,000	-	-	-	4,500,000
30/11/2009	30/11/2013	$0.210	4,500,000	-	-	-	4,500,000
30/11/2009	30/11/2013	$0.200	-	-	-	-	-
30/11/2009	30/11/2013	$0.400	-	-	-	-	-
30/11/2009	30/11/2013	$0.600	-	-	-	-	-
29/11/2005	30/11/2010	$1.000	1,000,000	-	-	(1,000,000)	-
30/11/2009	30/11/2011	$0.200	1,000,000	-	-	-	1,000,000
30/11/2009	30/11/2011	$0.300	1,000,000	-	-	-	1,000,000
30/11/2009	30/11/2011	$0.400	1,000,000	-	-	-	1,000,000
30/06/2011	30/11/2013	$0.200	-	966,666	-	-	-
30/06/2011	30/11/2013	$0.400	-	966,666	-	-	-
30/06/2011	30/11/2013	$0.600	-	966,668	-	-	-
Total			13,000,000	2,900,000	-	(1,000,000)	12,000,000
Weighted average exercise price			-	$0.400	-	-	$0.314
2010							
13/07/2009	30/11/2009	$0.025	5,000,000	-	(5,000,000)	-	-
13/07/2009	30/11/2009	$0.005	5,000,000	-	(5,000,000)	-	-
16/07/2009	30/11/2009	$0.005	-	6,000,000	(6,000,000)	-	-
30/11/2009	30/11/2012	$0.200	-	4,500,000	-	-	4,500,000
30/11/2009	30/11/2013	$0.210	-	4,500,000	-	-	4,500,000
30/11/2009	30/11/2013	$0.200	-	3,000,000	-	-	-
30/11/2009	30/11/2013	$0.400	-	3,000,000	-	-	-
30/11/2009	30/11/2013	$0.600	-	3,000,000	-	-	-
29/11/2005	30/11/2010	$1.000	1,000,000	-	-	-	1,000,000
30/11/2009	30/11/2011	$0.200	-	1,000,000	(1,000,000)	-	-
30/11/2009	30/11/2011	$0.200	-	1,000,000			1,000,000
30/11/2009	30/11/2011	$0.300	-	1,000,000	-	-	1,000,000
30/11/2009	30/11/2011	$0.400	-	1,000,000	-	-	1,000,000
Total			11,000,000	28,000,000	(17,000,000)	-	13,000,000
Weighted average exercise price			-	$0.33	-	-	$0.33
Weighted average share price			-	-	$0.01	-	-

Weighted average contractual life of share options outstanding at the end of the period was 1.4 years (2010: 2.4 years).

27. SHARE-BASED PAYMENTS (continued)

Fair value of options granted

The assessed average fair values of the options granted during the year ended 30 June 2011 are as per table below. The fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the option term, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

a) Directors and Key Executive's Options – Performance Options
Set out below are summaries of the options granted:

	Number of options	Value per option (cents)	Vested during the period	Exercisable at period end	Unvested at period end
Exercisable at 20 cents, on or before 30 November 2013	966,666	$0.014	-	-	966,666
Exercisable at 40 cents, on or before 30 November 2013	966,666	$0.007	-	-	966,666
Exercisable at 60 cents, on or before 30 November 2013	966,668	$0.005	-	-	966,668

The Performance Options will vest, unless otherwise agreed by the Board, based on the following performance milestones being achieved:

- upon the Company owning projects that in aggregate have 25 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe), the Class 'A' Performance Options shall vest;
- upon the Company owning projects that in aggregate have 50 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe), the Class 'B' Performance Options shall vest; and
- upon the Company owning projects that in aggregate have 100 million tonnes of iron ore delineated to an inferred JORC standard (grading a minimum of 55% Fe), the Class 'C' Performance Options shall vest.

The price was calculated by using Black Scholes Pricing Model applying the following inputs:

Life of the option (years)	2.42
Share price at grant date (cents)	5.5
Expected share price volatility	90%
Risk free interest rate	5.67%

Total value of the options above is $24,531, which has been expensed in profit and loss for the current period as described in Note 1 (w).

The fair value of the options issued has been used as the fair value of the services received cannot be reliably measured. Share-based payment expense recognised during the financial year:

	Consolidated		Parent	
	2011 $	2010 $	2011 $	2010 $
Options issued under employee option plan	24,531	1,704,750	24,531	1,704,750

DIRECTORS' DECLARATION

In the directors' opinion:

a) The financial statements and notes set out on page 24 to 66 are in accordance with the Corporations Act 2001, including:

i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the financial year ended on that date;

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

d) The remuneration disclosures set out in the directors' report comply with Section 300A of the Corporations Regulations 2001; and

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Cedric Goode
Managing Director
NSL Consolidated Limited

Dated 15 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NSL CONSOLIDATED LIMITED

Report on the Financial Report

We have audited the accompanying financial report of NSL Consolidated Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion
In our opinion:

(a) The financial report of NSL Consolidated Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1a.

Report on the Renumeration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of NSL Consolidated Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 15th day of September 2011

ASX ADDITIONAL INFORMATION

The securities exchange information set out below was applicable as at 23 September 2011.

Distribution of Holders of Equity Securities		Ordinary Shares	Options
1 to	1,000	178	-
1,001 to	5,000	245	-
5,001 to	10,000	190	-
10,001 to	100,000	729	-
100,001 and over		397	12
		1,739	12

Distribution of Holders of Equity Securities

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Number	Percentage
JP MORGAN NOMINEES AUST LTD	24,619,584	6.99%
MR CEDRIC FRASER GOODE+ KYLIE NICOLE MANN	22,409,090	6.36%
TWYNAM AGRICULTURAL GROUP PTY	15,934,187	4.52%
FIORI PTY LTD	12,715,239	3.61%
PHEAKES PTY LTD	10,229,531	2.90%
MR PETER IAN RICHARDS + CAROL RICH-ARDS	6,885,000	1.95%
MR JOHN MUIR + JOANNA MARGARET MUIR	5,967,718	1.69%
MR SEAN MICHAEL FREEMAN	5,500,000	1.56%
R W ASSOCIATES PTY L TD	4,705,273	1.34%
CRYING ROCK PTY L TD	4,584,091	1.30%
MR ARIF ELBERT MATTHEE + HAMEEDAH MATTHEE	4,100,000	1.16%
DRAGON GAS LIMITED	3,681,818	1.05%
NATIONAL NOM INEES LTD	3,607,000	1.02%
MR DANIEL JOHN VARGA	3,601,926	1.02%
ROMFAL SIFAT PTY LTD	3,337,500	0.95%
ACCORD INVESTMENT CORPORATION	3,037,500	0.86%
BRIDGELANE CAP PTY LTD	3,000,000	0.85%
MR SIMON WILLIAM TRITTON	2,800,000	0.79%
MR JAYSON MARK BEBEK & MRS TRISHA SHARLENE BEBEK	2,750,000	0.78%
TINKERS FUND PTY LTD	2,673,512	0.76%
	146,138,969	41.48%

SUBSTANTIAL SHAREHOLDING

Substantial shareholders as advised in substantial holding notices (2011) given to the Company are set out below:

Ordinary Shareholders	Number	Percentage
JP MORGAN NOM AUST LTD	24,619,584	6.99%
GOODE CEDRIC F + MANN K N	22,409,090	6.36%
TWYNAM AGRICULTURAL GRP P	15,934,187	4.52%

Number of Holders of Equity Securities

(a) Ordinary Share Capital

There are 352,274,859 fully paid ordinary shares on issue, held by 1,739 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

(b) Options over Unissued Ordinary Share Capital

There are 23,900,000 options on issue, held by 12 individual holders. Options do not carry a right to vote.

NOTES

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