

**FRONTIER RESOURCES LTD**  
(formerly TasGold Ltd)

A.B.N. 96 095 684 389

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2006

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Frontier Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

A.B.N. 96 095 684 389

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Frontier Resources Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

## DIRECTORS

The following persons were directors of Frontier Resources Ltd during the whole of the half-year and up to the date of this report:

Robert D. McNeil  
Peter A. McNeil  
Graham J. Fish  
Warren J. Staude

## RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$1,050,140 (2005: \$636,770). There is no dividend paid or recommended.

The result for the half-year was significantly affected by expenditure of \$561,519 (2005: \$370,431) in respect of exploration expenditure in accordance with company policy as outlined in Note 1.

## REVIEW OF OPERATIONS

During the half-year;

- (i) The consolidated entity funded ongoing exploration and evaluation work on its exploration areas in Tasmania and Papua New Guinea.
- (ii) Raised \$2,018,327 before costs by the issue of 16,908,553 ordinary shares in Frontier Resources Ltd.

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* immediately follows this report.

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

Peter A. McNeil  
Managing Director



Stoneville, Western Australia  
8<sup>th</sup> March 2007

# FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

A.B.N. 96 095 684 389

## Auditors' Independence Declaration

As lead auditor for the review of Frontier Resources Ltd for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Frontier Resources Ltd and the entities it controlled during the period.



Stephen R Snook  
Partner  
PricewaterhouseCoopers

Brisbane  
13<sup>th</sup> March 2007

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF FRONTIER RESOURCES LTD**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Frontier Resources Ltd and its controlled entities, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Frontier Group (the consolidated entity). The consolidated entity comprises both Frontier Resources Limited (the company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Frontier Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

# FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

A.B.N. 96 095 684 389

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FRONTIER RESOURCES LTD (continued)

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

### *Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of Frontier Resources (the company) for the half-year ended 31 December 2006 included on Frontier Resources Limited's web site. The company's directors are responsible for the integrity of the Frontier Resources Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

### *Material uncertainty regarding continuation as a Going Concern*

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters disclosed in note 1 there is significant uncertainty whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



PricewaterhouseCoopers



Stephen R Snook  
Partner

Brisbane  
13<sup>th</sup> March 2007

# FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

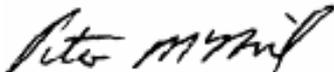
A.B.N. 96 095 684 389

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 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 consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Frontier Resources Ltd will be able to pay its debts as and when they become due and payable.

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



Peter A. McNeil  
Managing Director

Stoneville, Western Australia  
8<sup>th</sup> March 2007

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Notes	Half-year	
		2006	2005
		\$	\$
<b>Revenue from continuing operations</b>		<b>99,665</b>	10,897
Other income		<b>10,053</b>	-
		<b>109,718</b>	10,897
Exploration expenditure		<b>(561,519)</b>	(370,431)
Employee benefits expense		<b>(235,218)</b>	-
Administration and insurance		<b>(98,602)</b>	(46,043)
Corporate compliance and shareholder relations		<b>(48,186)</b>	(34,320)
Depreciation		<b>(78,120)</b>	(75,553)
Office rental, communications and consumables		<b>(28,887)</b>	(22,781)
Repairs and maintenance		<b>(26,945)</b>	(63,290)
Other expenses from ordinary activities		<b>(82,381)</b>	(35,249)
<b>Loss before income tax</b>		<b>(1,050,140)</b>	(636,770)
Income tax expense		-	-
<b>Loss for the half year</b>		<b>(1,050,140)</b>	(636,770)
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>		<b>Cents</b>	Cents
Basic and diluted loss per share		<b>(1.35)</b>	(0.25)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>			
Basic and diluted loss per share		<b>(1.35)</b>	(0.25)

*The above consolidated income statement above should be read in conjunction with the accompanying notes.*

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	Notes	31-Dec-06	30-Jun-06
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>1,044,974</b>	300,195
Trade and other receivables		<b>606,624</b>	233,945
<b>TOTAL CURRENT ASSETS</b>		<b>1,651,598</b>	534,140
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		<b>84,474</b>	84,474
Property plant and equipment		<b>452,120</b>	682,491
Mineral exploration and development expenditure		<b>2,207,692</b>	1,582,976
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,744,286</b>	2,349,941
<b>TOTAL ASSETS</b>		<b>4,395,884</b>	2,884,081
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>816,390</b>	302,489
<b>TOTAL CURRENT LIABILITIES</b>		<b>816,390</b>	302,489
<b>NET ASSETS</b>		<b>3,579,494</b>	2,581,592
<b>EQUITY</b>			
Contributed equity		<b>9,063,718</b>	7,139,214
Reserves		<b>258,688</b>	135,150
Accumulated losses		<b>(5,742,912)</b>	(4,692,772)
<b>TOTAL EQUITY</b>		<b>3,579,494</b>	2,581,592

*The above consolidated balance sheet above should be read in conjunction with the accompanying notes.*

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2006**

	Half-year	
	2006	2005
	\$	\$
<b>Total equity at the beginning of the half-year</b>	<b>2,581,592</b>	4,145,302
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:		
Fair value investments reserve	-	(846,791)
<b>Restated total equity at the beginning of the half-year</b>	<b>2,581,592</b>	3,298,511
Movement in asset revaluation reserve	-	-
<b>Net income recognised directly in equity</b>	<b>2,581,592</b>	3,298,511
<b>Profit/(loss) for the half-year</b>	<b>(1,050,140)</b>	(636,770)
<b>Total recognised income and expense for the half-year</b>	<b>1,531,452</b>	2,661,741
Transactions with equity holders in their capacity as equity holders:		
Share based payments reserve	<b>123,538</b>	-
Contributions of equity, net of transaction costs (note 3)	<b>1,924,504</b>	1,056,687
Dividends provided for or paid	-	-
	<b>2,048,042</b>	1,056,687
<b>Total equity at the end of the half-year</b>	<b>3,579,494</b>	3,718,428

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

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Notes	Half-year	
		2006	2005
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations		156,247	-
Interest received		12,135	10,897
Payments received on behalf of joint venture partners		-	514,678
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(670,167)	(270,864)
Goods and Services Tax refunded		87,792	104,161
<b>Net cash flow inflow (outflow) from operating activities</b>	5(a)	<b>(413,993)</b>	<b>358,872</b>
<b>Cash Flows From Investing Activities</b>			
Exploration and evaluation activities	5(b)	(916,078)	(847,770)
Payments for property, plant and equipment		(79,026)	(55,868)
Proceeds from sale of property, plant and equipment		241,329	5,000
<b>Net cash (outflow) inflow from investing activities</b>		<b>(753,775)</b>	<b>(898,638)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares (net of share issue costs)		1,903,547	1,056,687
Proceeds from subscription money held pending issue of shares		9,000	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>1,912,547</b>	<b>1,056,687</b>
<b>Net increase in cash and cash equivalents</b>		<b>744,779</b>	<b>516,921</b>
Cash and cash equivalents at the beginning of the half-year		300,195	299,339
<b>Cash and cash equivalents at end of the half-year</b>		<b>1,044,974</b>	<b>816,260</b>

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Frontier Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

*Basis of Preparation and Going Concern Basis*

The financial statements have been prepared on the going concern basis. As at 31 December 2006 the Company had net current assets of \$835,208 and continues to incur expenditure on its exploration tenements drawing on its cash balances. At the date of this report, the Company has approximately \$182,000 in cash and cash equivalents. Without raising additional funds there is significant uncertainty whether the Group will continue as a going concern and therefore, whether the Group will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. As disclosed in note 4 the company is currently raising funds via an entitlements issue. The directors remain confident that the company will be successful in its fund raising activities and have accordingly prepared the financial report on a going concern basis.

In addition, the ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2006. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

**2. SEGMENT INFORMATION**

Primary reporting format – geographical segments.

	GEOGRAPHICAL SEGMENTS				
	Half Year	Australia \$	Canada \$	Papua New Guinea \$	Consolidated \$
Segment revenue	<b>2006</b>	<b>109,718</b>	-	-	<b>109,718</b>
	2005	10,897	-	-	10,897
Share of net loss of associate	<b>2006</b>	-	-	-	-
	2005	-	-	-	-
Segment results	<b>2006</b>	<b>(584,575)</b>	-	<b>(465,565)</b>	<b>(1,050,140)</b>
	2005	(636,401)	-	(369)	(636,770)

The consolidated entity operates predominantly in the mining industry. This comprises exploration and evaluation of gold, silver and base metals projects. Inter-segment transactions are priced at cost to the consolidated entity.

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**3. EQUITY SECURITIES ISSUED**

Issues of ordinary shares during the half-year	2006	2005	2006	2005
	Shares	Shares	\$	\$
Rights Issue	-	12,209,477	-	1,098,853
Share purchase plan issues	-	-	-	-
Private placement issues	<b>16,323,553</b>	-	<b>1,958,827</b>	-
Issued for no cash, in lieu of services	-	-	-	-
Exercise of employee options	<b>575,000</b>	-	<b>57,500</b>	-
Exercise of directors options	-	-	-	-
Exercise of listed options	<b>10,000</b>	20,000	<b>2,000</b>	4,000
Transfer from share-based payments reserve	-	-	<b>24,955</b>	-
Less cost of issues	-	-	<b>(118,778)</b>	(46,166)
	<b>16,908,553</b>	12,229,477	<b>1,924,504</b>	1,056,687

Issues and exercise or cancellation of options during the half-year	2006	2005
	Options	Options
Rights issue	-	12,209,477
Private placement	-	-
Issued in lieu of services	-	-
Issue of listed options	-	-
Issue of employee options	<b>1,630,000</b>	-
Transfer from share-based payments reserve	-	-
Issue of directors options	-	-
Exercise of listed options	<b>(10,000)</b>	(20,000)
Exercise of employee options	<b>(575,000)</b>	-
Exercise of directors options	-	-
Cancellation of employee options	<b>(375,000)</b>	(40,000)
	<b>670,000</b>	12,149,477

**4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 4 January 2007 and 5 February 2007 the Company issued a total of 190,000 shares at 10 cents each pursuant to the exercise of employee options.

On 22 February 2007 the Company lodged a prospectus for an entitlements issue on a 1 for 2 basis with a free attaching option for each share purchased. The issue will close on 28 March 2007 and, if fully subscribed, will raise a maximum of \$5,600,000 after costs. The funds will be used to fund exploration on Papua New Guinea and Australian projects and provide working capital.

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**5. CASH FLOW STATEMENT**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-06</b>	<b>31-Dec-05</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of the operating loss after income tax to the net cash flow from operations</b>		
Operating loss after income tax	<b>(1,050,140)</b>	(636,770)
Adjustment for non cash items:-		
- Exploration and development costs written off (relates to investing activities)	<b>561,519</b>	370,431
- Loss/(Gain) on disposal of fixed assets	<b>(10,053)</b>	12,757
- Depreciation and amortisation expense	<b>78,120</b>	75,553
- Non-cash employee benefit expense – share-based payments	<b>148,493</b>	-
Change in operating assets and liabilities:-		
- Accounts payable and provisions	<b>230,746</b>	43,616
- Amounts receivable	<b>(429,972)</b>	511,715
- Prepayments	<b>57,294</b>	(18,430)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(413,993)</b>	358,872
<b>(b) Reconciliation of the exploration and evaluation expenditure:-</b>		
Movement in Balance Sheet for the half year		
- Exploration and evaluation	<b>624,716</b>	512,917
Adjustment for Non Cash Items:-		
- Exploration costs written off	<b>561,519</b>	370,431
Change in assets and liabilities:-		
- Accounts payable and provisions	<b>(270,157)</b>	(35,578)
<b>Net exploration and evaluation expenditure cashflow</b>	<b>916,078</b>	847,770

**6. EXPLORATION COMMITMENTS**

**Exploration Expenditure Commitments**

In order to maintain rights of tenure to exploration tenements the company and the consolidated entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments. Outstanding obligations are not provided for in the accounts and are payable:

Not later than 1 year	<b>964,000</b>	958,000
Later than 1 year but not later than 2 years	<b>647,000</b>	205,000
	<b>1,611,000</b>	1,163,000

**Administration Agreement Commitments**

Administration agreement fees are payable as follows:

Not later than 1 year	<b>268,000</b>	150,000
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