



FRONTIER RESOURCES LTD

A.B.N. 96 095 684 389

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2010

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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 2010 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 2010.

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
Hugh David Swain

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$1,608,955 (2009: \$546,182). There is no dividend paid or recommended.

The result for the half-year was significantly affected by expenditure of \$1,147,665 (2009: \$474,969) in respect of exploration expenditure.

REVIEW OF OPERATIONS

During the half-year the Company;

- (i) Raised \$1.77 million from the exercise of listed and unlisted options; and
- (ii) Continued its exploration activities in Papua New Guinea and Tasmania, particularly the Andewa Gold Project. Details of the exploration activities can be found in the Company announcements.

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

15 March 2011

15 March 2011

Board of Directors
Frontier Resources Limited
Unit 6, 34 York Street
NORTH PERTH WA 6006

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE BOARD OF DIRECTORS OF
FRONTIER RESOURCES LIMITED**

As lead auditor of Frontier Resources Limited for the period ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

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



Chris Burton
Director



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Perth, Western Australia



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frontier Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2010 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. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Frontier Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Basis for Qualified Auditor's Conclusion

As at 31 December 2010, property, plant and equipment to the value of \$255,045 are currently held in a remote location in Papua New Guinea. Access to the location of these assets is limited. As a result of this we were unable to obtain sufficient assurance over the physical existence and condition of these assets. Accordingly, we are not in a position to and do not express any assurance in respect of the existence and the recoverability of these items of property, plant and equipment for the half-year ended 31 December 2010.

Qualified Auditor's Opinion

Based on our review, which is not an audit, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the matters referred to in the proceeding paragraph, 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) the financial report of Frontier Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Emphasis of Matter

Without further qualification to our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$1,608,955 during the half year and had net operating cash outflows of \$1,075,773. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Audit (WA) Pty Ltd

BDO Audit


Chris Burton
Director

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

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 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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

15 March 2011

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

| | Notes | Half-year | |
|--|-------|--------------------|-----------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue | 2 | 6,531 | 11,455 |
| Interest income | 2 | 114 | 545 |
| Other income | 2 | 28,849 | 297,037 |
| | | 35,494 | 309,037 |
| Exploration expenditure written off | | (1,147,665) | (474,969) |
| Gross employee benefit expense | | (72,867) | (51,297) |
| Share based payments expense | 8 | (107,256) | (87,790) |
| Administration and insurance | | (67,476) | (41,107) |
| Corporate compliance and shareholder relations | | (66,294) | (90,576) |
| Depreciation | | (70,437) | (53,521) |
| Office rental, communications and consumables | | (15,375) | (6,853) |
| Loss on disposal of plant and equipment | | (72,389) | - |
| Loss on foreign exchange | | (8,443) | - |
| Other expenses | | (16,247) | (49,106) |
| Loss from continuing operations | | (1,608,955) | (546,182) |
| Income tax expense | | - | - |
| Loss after income tax | | (1,608,955) | (546,182) |
| Other comprehensive income | | | |
| Movement in Foreign Currency Reserve | | (43,305) | (24,583) |
| Total comprehensive income for the half year attributable to owners of Frontier Resources Limited | | (1,652,260) | (570,765) |
| Loss per share for loss attributable to the ordinary equity holders of Frontier Resources Limited | | Cents | Cents |
| Basic and diluted loss per share | | (0.76) | (0.33) |

This consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

| | Notes | 31-Dec-10 \$ | 30-Jun-10 \$ |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,938,717 | 1,197,008 |
| Trade and other receivables | | 16,077 | 293,972 |
| Total Current Assets | | 1,954,794 | 1,490,980 |
| Non-Current Assets | | | |
| Trade and other receivables | | 37,234 | 84,410 |
| Property, plant and equipment | | 348,953 | 493,651 |
| Mineral exploration and development expenditure | | 2,176,872 | 2,176,872 |
| Total Non-Current Assets | | 2,563,059 | 2,754,933 |
| Total Assets | | 4,517,853 | 4,245,913 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 86,613 | 41,825 |
| Total Current Liabilities | | 86,613 | 41,825 |
| Total Liabilities | | 86,613 | 41,825 |
| Net Assets | | 4,431,240 | 4,204,088 |
| EQUITY | | | |
| Contributed equity | 4 | 20,224,683 | 18,452,527 |
| Reserves | | 520,598 | 456,647 |
| Accumulated losses | | (16,314,041) | (14,705,086) |
| Total Equity | | 4,431,240 | 4,204,088 |

This consolidated statement of financial position 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 2010

| Consolidated Entity | \$ | \$ | \$ | \$ | \$ |
|------------------------------------|---------------------------|-----------------------|--------------------|--------------------------------|-------------|
| | Share Capital Ordinary | Accumulated Losses | Options Reserve | Foreign Exchange Reserve | Total |
| Balance at 30 June 2009 | 15,861,872 | (13,267,378) | 712,353 | (398,311) | 2,908,536 |
| Total comprehensive income | - | (546,182) | - | (24,583) | (570,765) |
| Transactions with equity holders | | | | | |
| Shares issued during the period | 1,370,880 | - | - | - | 1,370,880 |
| Share based payments | - | - | 87,790 | - | 87,790 |
| Balance at 31 December 2009 | 17,232,752 | (13,813,560) | 800,143 | (422,894) | 3,796,441 |
| Balance at 30 June 2010 | 18,452,527 | (14,705,086) | 894,880 | (438,233) | 4,204,088 |
| Total comprehensive income | - | (1,608,955) | - | (43,305) | (1,652,260) |
| Transactions with equity holders | | | | | |
| Shares issued during the period | 1,772,156 | - | - | - | 1,772,156 |
| Share based payments | - | - | 107,256 | - | 107,256 |
| Balance at 31 December 2010 | 20,224,683 | (16,314,041) | 1,002,136 | (481,538) | 4,431,240 |

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

| | Notes | Half-year | |
|---|-------|--------------------|------------------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Cash Flows from Operating Activities | | | |
| Cash receipts in the course of operations | | 37,090 | 15,165 |
| Interest received | | 114 | 545 |
| Payments to suppliers and employees not included as part of exploration and evaluation activities below | | (239,350) | (309,114) |
| Exploration and evaluation activities | | (873,627) | (474,969) |
| Goods and Services Tax refunded | | | - |
| Net cash outflow from operating activities | | (1,075,773) | (768,373) |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (1,273) | - |
| Proceeds from return of security deposits | | 46,600 | - |
| Proceeds from sale of exploration tenements | | - | 295,869 |
| Net cash inflow from investing activities | | 45,327 | 295,869 |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of shares (net of share issue costs) | | 1,772,156 | 1,370,880 |
| Net cash inflow from financing activities | | 1,772,156 | 1,370,880 |
| Net increase in cash and cash equivalents | | 741,710 | 898,376 |
| Cash and cash equivalents at the beginning of the half-year | | 1,197,008 | 185,585 |
| Cash and cash equivalents at end of the half-year | | 1,938,718 | 1,083,961 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of Frontier Resources Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Frontier Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial statements have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the most recent annual financial statements.

Basis of Preparation and Going Concern Basis

The consolidated entity incurred a loss for the half year of \$1,608,955 (2009: half-year loss of \$719,867) and had a net operating cash outflows of \$1,075,773 for the six months ended 31 December 2010 (31 December 2009: net operating cash outflow \$768,373).

At 31 December 2010 the consolidated entity had cash assets of \$1,938,717 (30 June 2010: \$1,197,008), working capital of \$1,868,181 (30 June 2010: \$1,449,155) and net assets of \$4,431,240 (30 June 2010: \$4,204,088).

The Financial Statements have been prepared on the going concern basis, subsequent to a review of the capital requirements by the Directors. This contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business when they fall due. Due to the encouraging results of past exploration activities, the Directors anticipate a continued focus on exploration over the next 12 months. To facilitate the ongoing exploration and drilling program, the Group may undertake a capital raising to meet its funding requirements during the period. In the unlikely even that capital raising does not occur, the Group may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining tenements.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. REVENUE

| | 2010 | 2009 |
|--|---------------|----------------|
| | \$ | \$ |
| Revenue from continuing operations: | | |
| Drilling contract income | 6,531 | 11,455 |
| Other Revenue: | | |
| Gain on Sale of Asset | - | 294,679 |
| Interest Income | 114 | 545 |
| Other | 28,849 | 2,358 |
| | <u>35,494</u> | <u>309,037</u> |

3. OPERATING SEGMENTS

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.

Segment assets include the cost to acquire the tenement and the capitalised exploration costs of those tenements.

| | Australian Exploration \$ | Papua New Guinea Exploration \$ | Treasury \$ | Consolidated \$ |
|--|---------------------------------|--|----------------|--------------------|
| For the Half Year to 31 December 2010 | | | | |
| Segment Revenue | 15,225 | 20,155 | 114 | 35,494 |
| Segment Results | (362,094) | (893,017) | 114 | (1,254,997) |
| Amounts not included in segment results but reviewed by Board: | | | | |
| Corporate Expenses | | | | (353,958) |
| Profit/(Loss) before Income Tax | | | | <u>(1,608,955)</u> |
| As at 31 December 2010 | | | | |
| Segment Assets | 2,532,360 | 46,776 | 1,938,717 | 4,517,853 |
| Segment Liabilities | 42,263 | 44,350 | - | 86,613 |

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. OPERATING SEGMENTS (Cont.)

| | Australian Exploration \$ | Papua New Guinea Exploration \$ | Treasury \$ | Consolidated \$ |
|--|---------------------------------|--|----------------|--------------------|
| For the Half Year to 31 December 2009 | | | | |
| Segment Revenue | 11,220 | 297,272 | 545 | 309,037 |
| Segment Results | (303,740) | (137,500) | 545 | (440,695) |
| Amounts not included in segment results but reviewed by Board: | | | | |
| Corporate Expenses | | | | (105,487) |
| Profit/(Loss) before Income Tax | | | | (546,182) |
| As at 30 June 2010 | | | | |
| Segment Assets | 2,662,043 | 386,862 | 1,197,008 | 4,245,913 |
| Segment Liabilities | 20,867 | 20,958 | - | 41,825 |

4. EQUITY SECURITIES

| Ordinary shares – fully paid | 2010 | 2009 | 2010 | 2009 |
|------------------------------|-------------|-------------|------------|------------|
| | Shares | Shares | \$ | \$ |
| Balance at 1 July | 205,154,014 | 148,886,279 | 18,452,527 | 15,861,872 |
| Listed options exercised | 39,381,232 | - | 1,772,156 | - |
| Rights issue | - | 39,221,495 | - | 1,370,880 |
| Balance at 31 December | 244,535,246 | 188,107,774 | 20,224,683 | 17,232,751 |

| Options to purchase ordinary shares | 2010 | 2009 |
|--|--------------|------------|
| | Options | Options |
| Balance at 1 July | 55,069,575 | 6,798,496 |
| Issue of listed options | - | 39,167,971 |
| Listed options exercised | (39,381,232) | - |
| Expiry of listed options | (1,788,343) | - |
| Issue of employee options | 4,500,000 | 3,200,000 |
| Cancellation or expiry of employee options | (550,000) | - |
| Issue of Directors options | 5,000,000 | 6,500,000 |
| Expiry of Directors options | (3,200,000) | - |
| Balance at 31 December | 19,650,000 | 55,666,467 |

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

5. EVENTS OCCURRING AFTER THE BALANCE DATE

On 10 January 2011, the Company issued a total of 1,150,000 fully paid ordinary shares. 750,000 of these shares were issued at \$0.004 pursuant to the exercise of FNTAI unlisted options, while the remaining 400,000 shares were issued at \$0.003 pursuant to the exercise of FNTAM unlisted employee options.

6. COMMITMENTS AND CONTINGENT LIABILITIES

The Group's commitments remain consistent with those noted at 30 June 2010. The Group has no contingent liabilities at 31 December 2010.

7. RELATED PARTY TRANSACTIONS

On 24 November 2010, the Directors were issued 5,000,000 options, as detailed below:

| Director | Exercise Price | Expiry Date | Quantity | Fair Value | Volatility |
|-----------------|-----------------------|--------------------|-----------------|-------------------|-------------------|
| Graham Fish | \$0.09 | 31 Dec 2012 | 500,000 | \$0.012 | 35.5% |
| Graham Fish | \$0.10 | 31 Dec 2012 | 500,000 | \$0.007 | 35.5% |
| Peter McNeil | \$0.09 | 31 Dec 2012 | 1,000,000 | \$0.012 | 35.5% |
| Peter McNeil | \$0.10 | 31 Dec 2012 | 1,000,000 | \$0.007 | 35.5% |
| Warren Staude | \$0.09 | 31 Dec 2012 | 500,000 | \$0.012 | 35.5% |
| Warren Staude | \$0.10 | 31 Dec 2012 | 500,000 | \$0.007 | 35.5% |
| Hugh Swain | \$0.09 | 31 Dec 2012 | 500,000 | \$0.012 | 35.5% |
| Hugh Swain | \$0.10 | 31 Dec 2012 | 500,000 | \$0.007 | 35.5% |

8. DIVIDENDS

There were no dividends paid or recommended during the financial period ended 31 December 2010.