



## FRONTIER RESOURCES LTD

A.B.N. 96 095 684 389

### INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

#### HALF-YEAR ENDED 31 DECEMBER 2011

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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 2011 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 2011.

## 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:

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 \$5,329,641 (2010: \$1,608,955). There is no dividend paid or recommended.

The result for the half-year was significantly affected by expenditure of \$3,891,772 (2010: \$1,147,665) in respect of exploration expenditure.

## REVIEW OF OPERATIONS

During the half-year the Group:

- (i) Raised \$90,000 from the exercise of 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 2012

15 March 2012

The Directors  
Frontier Resources Limited  
Level 4, 66 Kings Park Road  
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor for the review of Frontier Resources Limited for the half-year ended 31 December 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 review; and
- no contraventions of 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.

BDO  


**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

## 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 2011, 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.

### 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 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 Conclusion

As at 31 December 2011 property, plant and equipment with a net book value of \$1,929,285 in relation to the company's drill rigs were held in a remote location in Papua New Guinea. Access to the location of these assets is limited. As a result of this we have been unable to obtain sufficient assurance over the physical existence and condition of these assets. Accordingly, we are unable to and do not express any assurance in respect of the existence and the recoverability of these items of property, plant and equipment as at 31 December 2011. Had we been able to complete our review of property, plant and equipment, matters might have come to our attention indicating that adjustments might be necessary to the half-year financial report.

### Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to 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 2011 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*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2012

# 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 14 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 2011 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 2012

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	Half-year	
		2011	2010
		\$	\$
<b>Continuing Operations</b>			
Revenue	2	41,929	6,531
Interest income	2	125,173	114
Other income	2	6,794	28,849
		<b>173,896</b>	<b>35,494</b>
Exploration expenditure written off		(3,891,772)	(1,147,665)
Gross employee benefit expense		(95,820)	(72,867)
Share based payments expense		(881,287)	(107,256)
Administration and insurance		(106,876)	(67,476)
Corporate compliance and shareholder relations		(69,166)	(66,294)
Depreciation		(395,614)	(70,437)
Office rental, communications and consumables		(51,102)	(15,375)
Loss on disposal of plant and equipment		-	(72,389)
Loss on foreign exchange		-	(8,443)
Other expenses		(11,900)	(16,247)
<b>Loss from continuing operations</b>		<b>(5,329,641)</b>	<b>(1,608,955)</b>
Income tax expense		-	-
Loss after income tax		<b>(5,329,641)</b>	<b>(1,608,955)</b>
<b>Other comprehensive income</b>			
Movement in Foreign Currency Reserve		208,574	(43,305)
<b>Total comprehensive income for the half year attributable to owners of Frontier Resources Limited</b>		<b>(5,121,067)</b>	<b>(1,652,260)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of Frontier Resources Limited</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share		<b>(1.80)</b>	<b>(0.76)</b>

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 2011**

	Notes	31-Dec-11 \$	30-Jun-11 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,034,132	8,287,285
Trade and other receivables		60,042	711,323
<b>Total Current Assets</b>		<b>3,094,174</b>	<b>8,998,608</b>
<b>Non-Current Assets</b>			
Trade and other receivables		326,154	104,537
Plant and equipment	5	3,025,453	1,164,880
Mineral exploration and development expenditure		2,176,872	2,176,872
<b>Total Non-Current Assets</b>		<b>5,528,479</b>	<b>3,446,289</b>
<b>Total Assets</b>		<b>8,622,653</b>	<b>12,444,897</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		537,374	209,838
<b>Total Current Liabilities</b>		<b>537,374</b>	<b>209,838</b>
<b>Total Liabilities</b>		<b>537,374</b>	<b>209,838</b>
<b>Net Assets</b>		<b>8,085,279</b>	<b>12,235,059</b>
<b>EQUITY</b>			
Contributed equity	4	30,588,737	30,498,737
Reserves	6	1,880,493	790,632
Accumulated losses		(24,383,951)	(19,054,310)
<b>Total Equity</b>		<b>8,085,279</b>	<b>12,235,059</b>

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 2011**

Consolidated Entity	\$	\$	\$	\$	\$
	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
<b>Balance at 30 June 2010</b>	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
<b>Balance at 31 December 2010</b>	<b>20,224,683</b>	<b>(16,314,041)</b>	<b>1,002,136</b>	<b>(481,538)</b>	<b>4,431,240</b>
<b>Balance at 30 June 2011</b>	<b>30,498,737</b>	<b>(19,054,310)</b>	<b>1,251,462</b>	<b>(460,830)</b>	<b>12,235,059</b>
Total comprehensive income	-	(5,329,641)	-	208,574	(5,121,067)
Transactions with equity holders					
Options exercised during the period	90,000	-	-	-	90,000
Share based payments	-	-	881,287	-	881,287
<b>Balance at 31 December 2011</b>	<b>30,588,737</b>	<b>(24,383,951)</b>	<b>2,132,749</b>	<b>(252,256)</b>	<b>8,085,279</b>

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 2011**

	Notes	Half-year	
		2011	2010
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations		43,562	37,090
Interest received		125,173	114
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(180,345)	(239,350)
Exploration and evaluation activities		(3,583,103)	(873,627)
<b>Net cash (outflow) from operating activities</b>		<b>(3,594,713)</b>	<b>(1,075,773)</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(1,575,568)	(1,273)
Proceeds from sale of property, plant and equipment		48,745	-
Payment of security deposits		(221,617)	-
Proceeds from return of security deposits		-	46,600
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(1,748,440)</b>	<b>45,327</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares (net of share issue costs)		90,000	1,772,156
<b>Net cash inflow from financing activities</b>		<b>90,000</b>	<b>1,772,156</b>
<b>Net increase in cash and cash equivalents</b>		<b>(5,253,153)</b>	<b>741,710</b>
Cash and cash equivalents at the beginning of the half-year		8,287,285	1,197,008
<b>Cash and cash equivalents at end of the half-year</b>		<b>3,034,132</b>	<b>1,938,718</b>

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 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year consolidated financial report is 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 report is 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 2011 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 report has 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 \$5,329,641 (2010: half-year loss of \$1,608,955) and had a net operating cash outflows of \$3,594,713 for the six months ended 31 December 2011 (31 December 2010: net operating cash outflow \$1,075,773).

At 31 December 2011 the consolidated entity had cash assets of \$3,034,132 (30 June 2011: \$8,287,285), working capital of \$2,556,800 (30 June 2011: \$8,788,770) and net assets of \$8,085,279 (30 June 2011: \$12,235,059).

The Financial Report has 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 event 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 2011**

**2. REVENUE**

	2011	2010
	\$	\$
<b>Revenue from continuing operations:</b>		
Drilling contract income	-	6,531
<b>Other Revenue:</b>		
Gain on Sale of Asset	6,794	-
Interest Income	125,173	114
Other	41,929	28,849
	<u>173,896</u>	<u>35,494</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 \$
<b>For the Half Year to 31 December 2011</b>				
Segment Revenue	30,414	18,309	125,173	173,896
Segment Results	(1,178,130)	(3,060,533)	125,173	(4,113,490)
Amounts not included in segment results but reviewed by Board:				
Corporate Expenses				(334,864)
Share-based Payments Expense				(881,287)
(Loss) before Income Tax				<u>(5,329,641)</u>
<b>As at 31 December 2011</b>				
Segment Assets	3,129,086	2,459,435	3,034,132	8,622,653
Segment Liabilities	281,178	256,196	-	537,374

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

**3. OPERATING SEGMENTS (Cont.)**

	Australian Exploration \$	Papua New Guinea Exploration \$	Treasury \$	Consolidated \$
<b>For the Half Year to 31 December 2010</b>				
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)
(Loss) before Income Tax				(1,608,955)
<b>As at 30 June 2011</b>				
Segment Assets	3,632,532	525,080	8,287,285	12,444,897
Segment Liabilities	125,708	84,130	-	209,838

**4. CONTRIBUTED EQUITY**

	2011	2010	2011	2010
	Shares	Shares	\$	\$
Ordinary shares – fully paid				
Balance at 1 July	294,520,253	205,154,014	30,498,737	18,452,527
Listed options exercised	2,000,000	39,381,232	90,000	1,772,156
Balance at 31 December	296,520,253	244,535,246	30,588,737	20,224,683

	2011	2010
	Options	Options
Options to purchase ordinary shares		
Balance at 1 July	13,200,000	55,069,575
Listed options exercised	-	(39,381,232)
Expiry of listed options	-	(1,788,343)
Issue of employee options	10,200,000	4,500,000
Cancellation or expiry of employee options	-	(550,000)
Issue of Directors options	6,000,000	5,000,000
Directors options exercised	(2,000,000)	-
Expiry of Directors options	-	(3,200,000)
Balance at 31 December	27,400,000	19,650,000

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

**5. PLANT AND EQUIPMENT**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and equipment</b>		
Plant and equipment at cost	1,908,264	593,972
Drill rigs at cost	2,062,312	182,138
Less accumulated depreciation	(945,123)	(427,157)
Carrying amount at 31 December	3,025,453	348,953

**Reconciliation**

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the financial period are set out below:

Carrying amount at 1 July	1,164,880	493,651
Additions	2,125,835	1,273
Disposals	(31,846)	(72,389)
Depreciation expense	(395,614)	(70,437)
Foreign exchange differences	162,198	(3,145)
Carrying amount at 31 December	3,025,453	348,953

**6. RESERVES**

**Reserves**

Share based payment reserve	2,132,749	1,002,136
Foreign currency translation reserve	(252,256)	(481,538)
	1,880,493	520,598

**Movements – Share based payment reserve**

Balance at 1 July	1,251,462	894,880
Option expense	881,287	107,256
Balance at 31 December	2,132,749	1,002,136

**Movements – Foreign currency translation reserve**

Balance at 1 July	(460,830)	(438,233)
Currency translation differences arising during the period	208,574	(43,305)
Balance at 31 December	(252,256)	(481,538)

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

**7. EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no subsequent events from reporting date, except for:

On 6 March 2012, the Company announced that it had signed a Heads of Agreement pursuant to which between the Company and a wholly owned subsidiary of Newcrest Mining Limited pursuant to which:

- Newcrest agreed to subscribe for \$750,000 of Frontier Shares; and
- Newcrest and the Company have agreed to negotiate the terms of a proposed farm-in by Newcrest into Frontier's Mt Andewa project.

On 9 March 2012, 7,026,429 fully paid ordinary shares at \$0.1067 were issued to Newcrest Mining Limited in respect to the Heads of Agreement to raise \$749,719.97.

On 9 March 2012, the Group issued 2,220,000 employee options exercisable at 16.5 cents on or before 30 December 2014 and 2,320,000 employee options exercisable at 11 cents on or before 30 December 2014.

**8. COMMITMENTS AND CONTINGENT LIABILITIES**

At 31 December 2011 the Group had commitments totalling \$281,556 of instalments payable on plant and equipment ordered but not yet delivered.

The Group's other commitments remain consistent with those noted at 30 June 2011. The Group has no contingent liabilities at 31 December 2011.

**9. RELATED PARTY TRANSACTIONS**

On 24 November 2011, the Directors were issued 6,000,000 options, as detailed below:

<b>Director</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Quantity</b>	<b>Fair Value</b>	<b>Volatility</b>
Graham Fish	\$0.19	31 Oct 2014	1,000,000	\$0.0682	95%
Peter McNeil	\$0.19	31 Oct 2014	3,000,000	\$0.0682	95%
Warren Staude	\$0.19	31 Oct 2014	1,000,000	\$0.0682	95%
Hugh Swain	\$0.19	31 Oct 2014	1,000,000	\$0.0682	95%

**10. DIVIDENDS**

There were no dividends paid or recommended during the financial period ended 31 December 2011.