



FRONTIER RESOURCES LTD

A.B.N. 96 095 684 389

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2012

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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 2012 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 2012.

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
Martin Otway (appointed 17 October 2012)

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$1,649,007 (2011: \$5,329,641). There is no dividend paid or recommended.

The result for this half year included revenue of \$3,635,446 (2011: nil) for drilling and exploration services, cost of sales \$2,244,720 (2011: nil) and exploration expenditure of \$884,288 (2011: \$3,891,772).

REVIEW OF OPERATIONS

During the half-year the Group:

- (i) Raised \$20,000 from the exercise of unlisted options;
- (ii) Divested its interest in Torque Mining Limited, agreeing to reduce its interest to 16.4% through an in-specie distribution of Torque shares to the Company's shareholders, which was completed on 9 January 2013; and
- (iii) Continued its JV with Newcrest, raising significant revenues from the provision of drilling services, heavy equipment and management of the exploration program.

EVENTS OCCURRING AFTER THE REPORTING DATE

Pursuant to the agreement confirmed by the Company's shareholders on 21 December 2012, the Company completed the in-specie distribution of 29,998,321 shares in Torque Mining Limited to the Company's shareholders on 9 January 2013. No adjustment has been made to these financial statements in this respect.

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 2013

15 March 2013

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 2012, 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 entity it controlled during the period.



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 consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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 review report.



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 2012 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 15th day of March 2013

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 17 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 2012 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 2013

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	Half-year	
		2012	2011
		\$	\$
Continuing Operations			
Revenue	2	3,635,446	41,929
Interest income	2	32,278	125,173
Other income	2	38,579	6,794
		<u>3,706,303</u>	<u>173,896</u>
Cost of sales		(2,244,720)	-
Exploration expenditure written off		(884,288)	(3,891,772)
Gross employee benefit expense		(489,641)	(95,820)
Share based payments expense		(887,909)	(881,287)
Administration and insurance		(136,396)	(106,876)
Corporate compliance and shareholder relations		(172,372)	(69,166)
Depreciation		(387,465)	(395,614)
Office rental, communications and consumables		(52,804)	(51,102)
Other expenses		(99,715)	(11,900)
		<u>(1,649,007)</u>	<u>(5,329,641)</u>
Loss from continuing operations		(1,649,007)	(5,329,641)
Income tax expense		-	-
		<u>(1,649,007)</u>	<u>(5,329,641)</u>
Loss for the half year is attributable to:			
Equity holders of Frontier Resources Limited		(1,369,414)	(5,329,641)
Non-controlling interest		(279,593)	-
		<u>(1,649,007)</u>	<u>(5,329,641)</u>
Total loss for the half year		(1,649,007)	(5,329,641)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Movement in foreign currency reserve		(191,247)	208,574
Movement in fair value of available for sale assets		(72,800)	-
		<u>(264,047)</u>	<u>208,574</u>
Total comprehensive loss for the half year attributable to owners of Frontier Resources Limited		(1,913,054)	(5,121,067)
Total comprehensive loss for the half year is attributable to:			
Equity holders of Frontier Resources Limited		(1,633,461)	(5,121,067)
Non-controlling interest		(279,593)	-
		<u>(1,913,054)</u>	<u>(5,121,067)</u>
Total comprehensive loss for the half year		(1,913,054)	(5,121,067)
Loss per share for loss attributable to the ordinary equity holders of Frontier Resources Limited		Cents	Cents
Basic and diluted loss per share		(0.54)	(1.80)

This Consolidated Statement of Profit or Loss and Other 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 2012

	Notes	31-Dec-12 \$	Restated 30-Jun-12 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,024,935	2,862,050
Trade and other receivables		516,725	124,826
		<u>1,541,660</u>	2,986,876
Assets classified as held for sale	5	2,527,723	-
Total Current Assets		<u>4,069,383</u>	2,986,876
Non-Current Assets			
Trade and other receivables		197,858	222,632
Plant and equipment	4	2,484,427	2,977,882
Mineral exploration and development expenditure	5	-	2,176,872
Available for sale investment	6	546,001	-
Total Non-Current Assets		<u>3,228,286</u>	5,377,386
Total Assets		<u>7,297,669</u>	8,364,262
LIABILITIES			
Current Liabilities			
Trade and other payables		171,178	475,338
Other liabilities		-	976,315
		<u>171,178</u>	1,451,653
Liabilities directly associated with assets classified as held for sale	5	172,021	-
Total Current Liabilities		<u>343,199</u>	1,451,653
Total Liabilities		<u>343,199</u>	1,451,653
Net Assets		<u>6,954,470</u>	6,912,609
EQUITY			
Contributed equity	7	31,358,457	31,338,457
Reserves	8	3,536,309	2,912,447
Accumulated losses		<u>(28,683,976)</u>	(27,338,295)
Capital and reserves attributable to the owners of Frontier Resources Ltd		6,210,790	6,912,609
Non-controlling interest		<u>743,680</u>	-
Total Equity		<u>6,954,470</u>	6,912,609

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 2012

Consolidated Entity	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Available For Sale Reserve	Foreign Exchange Reserve	Total	Non-Controlling Interest	Total Equity
Balance at 30 June 2011	30,498,737	(19,054,310)	1,251,462	-	(460,830)	12,235,059	-	12,235,059
Loss for the half year	-	(5,329,641)	-	-	-	(5,329,641)	-	(5,329,641)
Other comprehensive income -								
Foreign currency translation	-	-	-	-	208,574	208,574	-	208,574
Total Comprehensive Income/(Loss) for the period	-	(5,329,641)	-	-	208,574	(5,121,067)	-	(5,121,067)
Transactions with equity holders -								
Options exercised during the period	90,000	-	-	-	-	90,000	-	90,000
Share based payments	-	-	881,287	-	-	881,287	-	881,287
Balance at 31 December 2011	30,588,737	(24,383,951)	2,132,749	-	(252,256)	8,085,279	-	8,085,279
Restated Balance at 30 June 2012	31,338,457	(27,338,295)	3,004,301	-	(91,854)	6,912,609	-	6,912,609
Loss for the half year	-	(1,369,414)	-	-	-	(1,369,414)	(279,593)	(1,649,007)
Other comprehensive income -								
Unrealised gain on available-for-sale assets, net of deferred tax liability	-	-	-	(72,800)	-	(72,800)	-	(72,800)
Foreign currency translation	-	-	-	-	(191,247)	(191,247)	-	(191,247)
Total Comprehensive Income/(Loss) for the period	-	(1,369,414)	-	(72,800)	(191,247)	(1,633,461)	(279,593)	(1,913,054)
Transactions with equity holders -								
Options exercised during the period	20,000	-	-	-	-	20,000	-	20,000
Share based payments	-	-	887,909	-	-	887,909	-	887,909
Non-controlling interest share of net assets	-	23,733	-	-	-	23,733	1,023,273	1,047,006
Balance at 31 December 2012	31,358,457	(28,683,976)	3,892,210	(72,800)	(283,101)	6,210,790	743,680	6,954,470

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 2012

	Notes	Half-year	
		2012	2011
		\$	\$
Cash Flows from Operating Activities			
Cash receipts from customers		(5,071)	43,562
Interest received		32,278	125,173
Payments to suppliers and employees		(1,099,002)	(180,345)
Joint venture contributions for tenement expenditure		3,248,618	-
Payments for exploration and evaluation activities		(3,129,008)	(3,583,103)
Net cash (outflow) from operating activities		(952,185)	(3,594,713)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(8,499)	(1,575,568)
Proceeds from sale of property, plant and equipment		5,868	48,745
Payment for shares in listed entity		(637,675)	-
Payment of security deposits		24,774	(221,617)
Commission income received		37,403	-
Transfer to assets classified as held for sale		(328,168)	-
Net cash (outflow) from investing activities		(906,297)	(1,748,440)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of share issue costs)		20,000	90,000
Net cash inflow from financing activities		20,000	90,000
Net decrease in cash and cash equivalents		(1,838,482)	(5,253,153)
Cash and cash equivalents at the beginning of the half-year		2,862,050	8,287,285
Effect of exchange rates on cash holdings in foreign currencies		1,367	-
Cash and cash equivalents at end of the half-year		1,024,935	3,034,132

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 2012

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.

This 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 2012 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.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarify about the nature of items presented as other comprehensive income and the related tax presentation.

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. The Group has decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value and subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the drilling contract is recognised based on the terms of the contract that provide for revenue recognition on the basis of actual meters drilled at contract rates.

Revenue from ancillary charges, primarily relating to extra services to the customer, is recorded when the services are rendered.

Revenue in relation to the reimbursable expenditure is recognised in the period in which the expenditure was incurred,

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. REVENUE

	2012	2011
	\$	\$
Revenue from continuing operations:		
Drilling and exploration contract income	3,635,446	-
Other income:		
Gain on sale of asset	1,176	6,794
Interest income	32,278	125,173
Other income	37,403	41,929
	<u>3,706,303</u>	<u>173,896</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 2012				
Segment Revenue	357,316	3,316,709	32,278	3,706,303
Segment Results	(203,843)	361,395	32,278	189,830
Amounts not included in segment results but reviewed by Board:				
Corporate Expenses				(950,928)
Share-based Payments Expense				(887,909)
(Loss) before Income Tax				<u>(1,649,007)</u>
As at 31 December 2012				
Segment Assets	3,186,712	2,540,021	1,570,936	7,297,669
Segment Liabilities	237,497	105,702	-	343,199

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. OPERATING SEGMENTS (Cont.)

	Australian Exploration \$	Papua New Guinea Exploration \$	Treasury \$	Consolidated \$
For the Half Year to 31 December 2011				
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				(5,329,641)
As at 30 June 2012 (Restated)				
Segment Assets	2,989,964	2,512,248	2,862,050	8,364,262
Segment Liabilities	405,420	69,918	976,315	1,451,653

4. PLANT AND EQUIPMENT

	Dec 2012 \$	Jun 2012 \$
Plant and equipment		
Plant and equipment at cost	1,812,670	1,870,680
Drill rigs at cost	2,415,547	2,516,728
Less accumulated depreciation	(1,743,790)	(1,409,526)
Carrying amount at end of the period	2,484,427	2,977,882

Reconciliation

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

Carrying amount at 1 July	2,977,882	1,164,880
Additions	8,499	2,503,331
Disposals	(4,692)	(105,134)
Depreciation expense	(387,465)	(860,466)
Foreign exchange differences	(109,797)	275,271
Carrying amount at end of the period	2,484,427	2,977,882

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

5. ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities identified below represent the assets and liabilities of Torque Mining Limited, a subsidiary of Frontier Resources Limited, in which Frontier Resources Ltd has entered into a divestment contract on 21 December 2012 to reduce its interest from 65.6% to 16.4%. Refer to note 13 for further information.

	Dec 2012	Jun 2012
	\$	\$
Assets		
Cash and cash equivalents	328,168	-
Receivables	22,681	-
Mineral exploration and development expenditure	2,176,874	-
Carrying amount at end of the period	<u>2,527,723</u>	<u>-</u>
Liabilities		
Payables	172,021	-
Carrying amount at end of the period	<u>172,021</u>	<u>-</u>

6. AVAILABLE FOR SALE INVESTMENT

In November 2012, the Company purchased 7,280,012 shares in Quintessential Resources Ltd (ASX: QRL) at 8.5 cents each.

	Dec 2012	Jun 2012
	\$	\$
Quintessential Resources Ltd		
Opening fair value	-	-
Additions	618,801	-
Revaluation	(72,800)	-
Closing fair value	<u>546,001</u>	<u>-</u>

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

7. EQUITY SECURITIES

Ordinary shares – fully paid	Dec 2012	Jun 2012	Dec 2012	Jun 2012
	Shares	Shares	\$	\$
Balance at 1 July	303,546,682	294,520,253	31,338,457	30,498,737
Unlisted options exercised	500,000	2,000,000	20,000	90,000
Share Placement	-	7,026,429	-	749,720
Balance at end of the period	304,046,682	303,546,682	31,358,457	31,338,457

Options to purchase ordinary shares	Dec 2012	Jun 2012
	Options	Options
Balance at 1 July	21,740,000	13,200,000
Issue of employee options	-	14,740,000
Cancellation of employee options	-	(10,200,000)
Issue of directors' options	18,000,000	6,000,000
Directors' options exercised	(500,000)	(2,000,000)
Cancellation of directors' options	(6,000,000)	-
Expiry of directors' options	(6,000,000)	-
Balance at end of the period	27,240,000	21,740,000

8. RESERVES

	Dec 2012	Jun 2012
	\$	\$
Share based payment reserve	3,892,210	3,004,301
Available-for-sale reserve	(72,800)	-
Foreign currency translation reserve	(283,101)	(91,854)
	3,536,309	2,912,447

Movements – Share based payment reserve

Balance at 1 July	3,004,301	1,251,462
Option expense	887,909	1,752,839
Balance at end of the period	3,892,210	3,004,301

Movements – Available for sale reserve

Balance at 1 July	-	-
Unrealised loss on available for sale assets	(72,800)	-
Balance at end of the period	(72,800)	-

Movements – Foreign currency translation reserve

Balance at 1 July	(91,854)	(460,830)
Currency translation differences arising during the period	(191,247)	368,976
Balance at end of the period	(283,101)	(91,854)

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9. PRIOR PERIOD RESTATEMENT

The Group has restated its 30 June 2012 financial statements in relation to the accounting for revenue. The Group has corrected the accounting for revenue by reclassifying the Joint Venture funding in advance to revenue and the corresponding expenditure to cost of sales.

These corrections have been recorded by restating each of the affected financial statement line items for the prior period as follows:

Consolidated Statement of Financial Position (extract)	As reported at 30 June 2012 \$	Increase/ (Decrease) \$	Restated 30 June 2012 \$
Trade and other payables	837,409	(362,071)	475,338
Net assets	6,550,538	362,071	6,912,609
Accumulated losses	(27,700,366)	362,071	(27,338,295)
Equity	6,550,538	362,071	6,912,609

Consolidated Statement of Comprehensive Income (extract)	As reported at 30 June 2012 \$	Increase/ (Decrease) \$	Restated 30 June 2012 \$
Revenue from continuing operations	-	872,948	872,948
Cost of sales	-	510,877	510,877
Loss for the year before tax	(8,646,056)	362,071	(8,283,985)

As the above adjustment only affects the result for the year ended 30 June 2012 and not any other period, there is no impact on the opening balances as at 1 July 2011.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The Group's commitments remain consistent with those noted at 30 June 2012. The Group has no contingent liabilities at 31 December 2012.

11. DIVIDENDS

There were no dividends paid or recommended during the financial period ended 31 December 2012.

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12. RELATED PARTY TRANSACTIONS

(a) Quintessential Resources Limited

On 3 December 2012, the Directors acquired 7,280,012 shares in Quintessential Resources Ltd (ASX: QRL) from the shortfall available from the November rights issue. A commission of 6% totalling \$37,128 was waived by the underwriter, Cygnet Capital Pty Ltd, and paid to Frontier Resources Ltd directly.

In December 2012, Frontier Resources Ltd agreed to enter into a 50/50 joint venture agreement with Quintessential Resources Ltd, to explore five tenements on the Papua New Guinea island of New Britain. Two of these tenements are owned by Quintessential Resources Ltd, and three by the Company.

The Directors of Quintessential Resources Ltd include Jay Stephenson (Company Secretary of Frontier Resources Ltd) and Paige McNeil (wife of Frontier Resources Ltd's Managing Director, Peter McNeil).

(b) Options issued to Directors

On 21 December 2012, the Directors were issued 18,000,000 options, as detailed below:

Director	Exercise Price	Expiry Date	Quantity	Fair Value*	Volatility
Graham Fish	\$0.061	1 Nov 2017	2,000,000	\$0.033	120%
Peter McNeil	\$0.061	1 Nov 2017	10,000,000	\$0.033	120%
Martin Otway	\$0.061	1 Nov 2017	2,000,000	\$0.033	120%
Warren Staude	\$0.061	1 Nov 2017	2,000,000	\$0.033	120%
Hugh Swain	\$0.061	1 Nov 2017	2,000,000	\$0.033	120%

In September 2012, the options issued to Directors on 24 November 2011 were cancelled. These are detailed below:

Director	Exercise Price	Expiry Date	Quantity	Fair Value*	Volatility
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%

* The fair value was determined using the black-scholes model.

There were no other changes from the related party transactions disclosed at year end.

13. EVENTS OCCURRING AFTER THE REPORTING DATE

Pursuant to the agreement confirmed by the Company's shareholders on 21 December 2012, the Company completed the in-specie distribution of 29,998,321 shares in Torque Mining Limited to the Company's shareholders on 9 January 2013. No adjustment has been made to these financial statements in this respect.

There were no other material subsequent events at reporting date.