FRONTIER RESOURCES LTD

A.B.N. 96 095 684 389

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2013

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 2013 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*.

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 2013.

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, unless otherwise indicated:

Peter A. McNeil
Graham J. Fish
Warren J. Staude
Hugh David Swain
Martin Otway (resigned 13 January 2014)

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is $587,587 (2012: $1,649,007). There is no dividend paid or recommended.

The result for this half year included exploration expenditure of $96,222 (2012: $884,288). In this half year there was no revenue for drilling and exploration services (2012: $3,635,446), and no related cost of sales (2012: $2,244,720).

REVIEW OF OPERATIONS

During the half-year:

(i) Frontier Resources Ltd raised $95,195 from the issue of shares; and
(ii) Ok Tedi Mining Ltd withdrew from its farm-in agreement in relation to 5 Exploration Licences in Papua New Guinea, which are still owned 100% by Frontier.

EVENTS OCCURING AFTER THE REPORTING DATE

During February 2014, the Group terminated its 50/50 contributing Joint Venture with Quintessential Resources Ltd. The Exploration Licences reverted to the original holders, so Frontier holds 100% of EL2047 and EL2057.

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

14 March 2014

MOORE STEPHENS
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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FRONTIER RESOURCES LIMITED

As lead auditor for the review of Frontier Resources Limited for the half-year ended 31 December 2013, 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.

Suan-Lee Tan **Partner**	**Moore Stephens** **Chartered Accountants**

Signed at Perth this 14th day of March 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FRONTIER RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frontier Resources Limited and controlled entities (the consolidated entity) which comprises the consolidated condensed statement of financial position as at 31 December 2013, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Frontier Resources Limited (the Company) are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 2013 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 and controlled entities, 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 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, provided to the directors of Frontier Resources Limited and controlled entities, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Basis for Qualified Conclusion

The Company's consolidated statement of financial position as at 31 December 2013 includes plant and equipment with a carrying value as at 31 December 2013 of $1,094,447. We were unable to obtain sufficient evidence to substantiate the recoverable value and existence of the plant and equipment. Consequently we were unable to determine whether any adjustments were required to the carrying value of these assets.

Except for the effects of the matter described above, 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 and controlled entities is not 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 2013 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern

In addition to the conclusion expressed above, we draw attention to note 1 of the financial statements which states that the financial statements have been prepared on a going concern basis. Whilst the Company currently has adequate financial resources for the short term its ability to continue as a going concern for at least the next 12 months will require it to undertake further capital raisings during this period. Based on prior experience the directors of the Company are confident of obtaining the necessary shareholder support if and when required. Notwithstanding this there is some degree of uncertainty of the Company achieving these outcomes and consequently we have significant uncertainty as to whether the Company will continue as a going concern for a minimum period of the next 12 months. Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

Inherent Uncertainty Regarding the Recoverability of Receivable

The Company's consolidated statement of financial position as at 31 December 2013 includes a loan receivable from Torque Mining Limited with a carrying value of $588,330. The recoverability of this receivable is contingent on Torque Mining Limited receiving proceeds from mining activities exceeding a minimum specified level by June 2014. In the event that the minimum level of proceeds is not met, a partial repayment will be negotiated. The Directors are confident that the minimum required level will be met, and the receivable recovered in full, however there is some uncertainty as to whether this outcome will be achieved and consequently we have some uncertainty regarding the recoverability and carrying value of this receivable as at 31 December 2013.

MOORE STEPHENS

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 14th day of March 2014

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 18 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 2013 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

14 March 2014

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	Half-year 2013 $	Half-year 2012 $
Continuing Operations			
Revenue	2	**-**	3,635,446
Interest income	2	**2,727**	32,278
Other income	2	**-**	38,579
		2,727	3,706,303
Cost of sales		**-**	(2,244,720)
Exploration expenditure written off		**(96,222)**	(884,288)
Gross employee benefit expense		**(56,373)**	(489,641)
Share based payments expense		**-**	(887,909)
Administration and insurance		**(81,327)**	(136,396)
Consultancy		**(16,571)**	(27,812)
Corporate compliance and shareholder relations		**(62,755)**	(172,372)
Depreciation		**(220,894)**	(387,465)
Office rental, communications and consumables		**(32,659)**	(52,804)
Impairment of financial asset		**(21,840)**	-
Other expenses		**(1,673)**	(71,903)
Loss from continuing operations		**(587,587)**	(1,649,007)
Income tax expense		**-**	-
Loss after income tax		**(587,587)**	(1,649,007)
Loss for the half year is attributable to:			
Equity holders of Frontier Resources Limited		**(587,587)**	(1,369,414)
Non-controlling interest		**-**	(279,593)
Total loss for the half year		**(587,587)**	(1,649,007)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Movement in foreign currency reserve		**(129,573)**	(191,247)
Movement in fair value of available for sale assets		**-**	(72,800)
Total comprehensive loss for the half year attributable to owners of Frontier Resources Limited		**(129,573)**	(1,913,054)
Total comprehensive loss for the half year is attributable to:			
Equity holders of Frontier Resources Limited		**(717,160)**	(1,633,461)
Non-controlling interest		**-**	(279,593)
Total comprehensive loss for the half year		**(717,160)**	(1,913,054)
Loss per share for loss attributable to the ordinary equity holders of Frontier Resources Limited		**Cents**	Cents
Basic and diluted loss per share		**(0.19)**	(0.54)

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 2013

	Notes	31-Dec-13 $	30-Jun-13 $
ASSETS			
Current Assets			
Cash and cash equivalents		**63,804**	733,449
Trade and other receivables		**872,773**	843,806
Total Current Assets		**936,577**	1,577,255
Non-Current Assets			
Trade and other receivables		**100,616**	104,478
Plant and equipment	4	**1,094,447**	1,433,822
Available for sale investment	5	**594,725**	616,565
Total Non-Current Assets		**1,789,788**	2,154,865
Total Assets		**2,726,365**	3,732,120
LIABILITIES			
Current Liabilities			
Trade and other payables		**82,610**	466,400
Total Current Liabilities		**82,610**	466,400
Total Liabilities		**82,610**	466,400
Net Assets		**2,643,755**	3,265,720
EQUITY			
Contributed equity	7	**29,953,736**	29,858,541
Reserves	8	**3,484,856**	3,614,429
Accumulated losses		**(30,794,837)**	(30,207,250)
Total Equity		**2,643,755**	3,265,720

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 2013

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 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
Balance at 30 June 2013	29,858,541	(30,207,250)	3,939,885	-	(325,456)	3,265,720	-	3,265,720
Loss for the half year	-	(587,587)	-	-	-	(587,587)	-	(587,587)
Other comprehensive income -								
Foreign currency translation	-	-	-	-	(129,573)	(129,573)	-	(129,573)
Total Comprehensive Income/(Loss) for the period	-	(587,587)	-	-	(129,573)	(717,160)	-	(717,160)
Transactions with equity holders -								
Share issued during the period	95,195	-	-	-	-	95,195	-	95,195
Balance at 31 December 2013	29,953,736	(30,794,837)	3,939,885	-	(455,029)	2,643,755	-	2,643,755

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	Half-year 2013 $	2012 $
Cash Flows from Operating Activities			
Cash receipts from customers		**-**	(5,071)
Interest received		**2,727**	32,278
Payments to suppliers and employees		**(532,303)**	(1,099,002)
Joint venture contributions for tenement expenditure		**-**	3,248,618
Payments for exploration and evaluation activities		**(340,017)**	(3,129,008)
Net cash (outflow) from operating activities		**(869,593)**	(952,185)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		**-**	(8,499)
Proceeds from sale of property, plant and equipment		**-**	5,868
Payment for shares in listed entity		**-**	(637,675)
Payment of security deposits		**3,862**	24,774
Loan repayments received		**100,450**	-
Commission income received		**-**	37,403
Transfer to assets classified as held for sale		**-**	(328,168)
Net cash (outflow) from investing activities		**104,312**	(906,297)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of share issue costs)		**95,195**	20,000
Net cash inflow from financing activities		**95,195**	20,000
Net increase in cash and cash equivalents		**(670,086)**	(1,838,482)
Cash and cash equivalents at the beginning of the half-year		**733,449**	2,862,050
Effect of exchange rates on cash holdings in foreign currencies		**441**	1,367
Cash and cash equivalents at end of the half-year		**63,804**	1,024,935

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

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 2013 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.

Going concern basis of preparation

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realization of assets and extinguishment of liabilities in the ordinary course of business. For the half-year ended 31 December 2013 the Group recorded a loss after tax of $587,587 (2012: $1,649,007) and had a net working capital surplus of $853,967 (2012: surplus of $1,110,855).

Frontier has an agreement with Torque Mining Ltd whereby FNT will receive 5% of profit from gold sales from Torque's proposed Stormont Mine in north-central Tasmania. Mining commenced in November 2013. Approximately $300,000 should be realised as profit to FNT from Stormont gold sales (dependent on gold price) in 2014, and subject to the success of the Stormont Mine, Torque will repay the remainder of its loan of $588,330 in mid 2014.

Following the rights issue in October 2013 which raised $95,195, the Board is confident of the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. However, in the unlikely event the conditions above are not met, the Group may not be able to realize its assets and extinguish it's liabilities at amounts stated in the amount stated in the financial statement.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

– AASB 10: *Consolidated Financial Statements;*

– AASB 127: *Separate Financial Statements* (August 2011);

– AASB 11: *Joint Arrangements;*

– AASB 128: *Investments in Associates and Joint Ventures* (August 2011);

– AASB 12: *Disclosure of Interests in Other Entities;*

– AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and

– AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(a).

– *Fair value measurements and disclosures:*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in Note 6. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(b), should be incorporated in these financial statements.

– *Other:*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period did not affect the Group's accounting policies or the amounts reported in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Frontier Resources Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. There has been no change in the subsidiaries disclosed in the June 2013 annual report.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity’s own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Valuation techniques:

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy:

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. REVENUE

	2013 $	2012 $
Revenue from continuing operations:		
Drilling and exploration contract income	**-**	3,635,446
Other income:		
Gain on sale of asset	**-**	1,176
Interest income	**2,727**	32,278
Other income	**-**	37,403
	2,727	3,706,303

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 2013				
Segment Revenue	-	-	2,727	2,727
Segment Results	(129,101)	(188,015)	2,727	(314,390)
Amounts not included in segment results but reviewed by Board:				
Corporate Expenses				(251,357)
Impairment of Financial Assets				(21,840)
(Loss) before Income Tax				(587,587)
As at 31 December 2013				
Segment Assets	808,357	1,259,479	658,529	2,726,365
Segment Liabilities	72,636	9,974	-	82,610

3. OPERATING SEGMENTS (Cont.)

	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				(1,649,007)
As at 30 June 2013				
Segment Assets	-	1,422,348	2,309,772	3,732,120
Segment Liabilities	-	317,018	149,382	466,400

4. PLANT AND EQUIPMENT

	Dec 2013 $	Jun 2013 $
Plant and equipment		
Plant and equipment at cost	878,367	934,432
Drill rigs at cost	2,176,290	2,376,744
Less accumulated depreciation	(1,553,327)	(1,435,027)
Less impairment of drilling equipment	(406,883)	(442,327)
Carrying amount at end of the period	1,094,447	1,433,822

Reconciliation

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

	Dec 2013 $	Jun 2013 $
Carrying amount at 1 July	1,433,822	2,977,882
Additions	-	8,499
Disposals	-	(430,955)
Depreciation expense	(220,894)	(643,895)
Impairment of drilling equipment	-	(442,327)
Foreign exchange differences	(118,481)	(35,382)
Carrying amount at end of the period	1,094,447	1,433,822

5. AVAILABLE FOR SALE INVESTMENTS

NON-CURRENT	**Dec 2013 $**	**Jun 2013 $**
Quintessential Resources Ltd	94,641	116,481
Torque Mining Ltd	500,084	500,084
Closing fair value	594,725	616,565
Quintessential Resources Ltd		
Opening fair value	116,481	-
Additions: 7,280,012 shares @ 8.5 cents	-	618,801
Revaluation	(21,840)	(502,320)
Closing fair value	94,641	116,481
Torque Mining Ltd		
Opening fair value	500,084	-
Additions: 40,000,000 shares @ 5 cents	-	2,000,000
In-specie distribution 29,998,321 shares @ 5 cents	-	(1,499,916)
Revaluation	-	-
Closing fair value	500,084	500,084

6. FAIR VALUE MEASUREMENT

Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements are Categorised:

	Fair Value Measurements at 31 December 2013 Using:		
	Quoted Prices in Active Markets for Identical Assets $	**Significant Observable Inputs Other than Level 1 Inputs $**	**Significant Unobservable Inputs $**
Recurring fair value measurements	**(Level 1)**	**(Level 2)**	**(Level 3)**
Securities held for trading (fair value through profit or loss):			
Investments in shares of listed corporations			
– mining sector	94,641	-	-
Investments in shares of other corporations			
– mining sector	-	500,084	-

6. FAIR VALUE MEASUREMENT (Cont.)

	Fair Value Measurements at 30 June 2013 Using:		
	Quoted Prices in Active Markets for Identical Assets $	Significant Observable Inputs Other than Level 1 Inputs $	Significant Unobservable Inputs $
Recurring fair value measurements	**(Level 1)**	**(Level 2)**	**(Level 3)**
Securities held for trading (fair value through profit or loss):			
Investments in shares of listed corporations			
– mining sector	116,481	-	-
Investments in shares of other corporations			
– mining sector	-	500,084	-

Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 31 December 2013	Description of Valuation Techniques
Level 2	**$**	
Shares in public unlisted company	500,084	Valued at the most recent share placement price

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

7. EQUITY SECURITIES

Ordinary shares – fully paid	Dec 2013 Shares	Jun 2013 Shares	Dec 2013 $	Jun 2013 $
Balance at 1 July	**304,046,682**	303,546,682	**29,858,541**	31,338,457
Unlisted options exercised	**-**	500,000		20,000
In-specie distribution to shareholders	**-**	-	**-**	(1,499,916)
Share Issue	**13,599,092**	-	**95,195**	-
Balance at end of the period	**317,645,774**	304,046,682	**29,953,736**	29,858,541

Options to purchase ordinary shares	Dec 2013 Options	Jun 2013 Options
Balance at 1 July	**27,240,000**	21,740,000
Expiry of employee options	**(200,000)**	-
Issue of directors' options	**-**	18,000,000
Directors' options exercised	**-**	(500,000)
Cancellation of directors' options	**-**	(6,000,000)
Expiry of directors' options	**-**	(6,000,000)
Balance at end of the period	**27,040,000**	27,240,000

8. RESERVES

	Dec 2013 $	Jun 2013 $
Share based payment reserve	3,939,885	3,939,885
Foreign currency translation reserve	(455,029)	(325,456)
	3,484,856	3,614,429
Movements – Share based payment reserve		
Balance at 1 July	3,939,885	3,004,301
Option expense	-	935,584
Balance at end of the period	3,939,885	3,939,885
Movements – Foreign currency translation reserve		
Balance at 1 July	(325,456)	(91,854)
Currency translation differences arising during the period	(129,573)	(233,602)
Balance at end of the period	(455,029)	(325,456)

9. COMMITMENTS AND CONTINGENT LIABILITIES

The Group's commitments remain consistent with those noted at 30 June 2013. The Group has no contingent liabilities at 31 December 2013.

10. DIVIDENDS

There were no dividends paid or recommended during the financial period ended 31 December 2013.

11. RELATED PARTY TRANSACTIONS

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

12. EVENTS OCCURRING AFTER THE REPORTING DATE

During February 2014, the Group terminated its 50/50 contributing Joint Venture with Quintessential Resources Ltd. The Exploration Licences reverted to the original holders, so Frontier holds 100% of EL2047 and EL2057.

There were no other material subsequent events at reporting date.