ABN 96 095 684 389

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

FRONTIER RESOURCES LTD

ABN 96 095 684 389

CONTENTS

CORPORATE DIRECTORY

Chairman & Managing Director Peter A. McNeil **Non-Executive Directors** Peter Swiridiuk Paige McNeil **Company Secretary** Matthew Foy **Stock Exchange** Australian Securities Exchange – FNT Frankfurt Stock Exchange – TG5	**Registered Office** Unit 5, Ground Floor, 1 Centro Ave Subiaco WA 6008 Australia Telephone: (08) 9486 4036 Facsimile: (08) 9486 4799 Email: info@frontierresources.com.au Website: www.frontierresources.com.au **Postal Address**: PO Box 510 Subiaco WA 6904 Australia	**Share Registry** Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace, Perth, WA 6000 **Auditors** Moore Stephens Perth Level 15, 2 The Esplanade Perth, WA, 6000 **Bankers** Westpac Banking Corp. Level 13, 109 St Georges Tce Perth, WA, 6000 **Lawyers** Steinepreis Paganin Level 4, 16 Milligan Street Perth, WA, 6000

Your Directors present their report on the Group for the financial year ended 30 June 2017.

DIRECTORS

The following persons were Directors of Frontier Resources Ltd during the financial year and up to the date of this report unless otherwise stated: P.A. McNeil, P.S. McNeil, P. Swiridiuk.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were exploration and evaluation of gold and base metal projects in Papua New Guinea.

RESULTS AND DIVIDENDS

The consolidated loss of the Group after tax (including discontinued operations) amounted to $1,711,031 (2016: $641,520). There were no dividends paid or recommended during the financial year ended 30 June 2017.

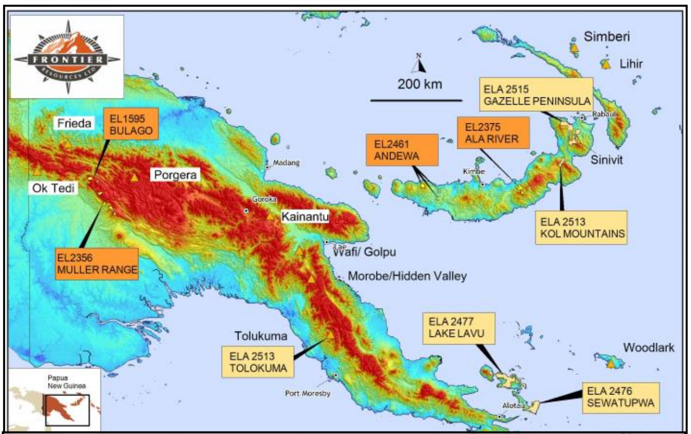
REVIEW OF OPERATIONS

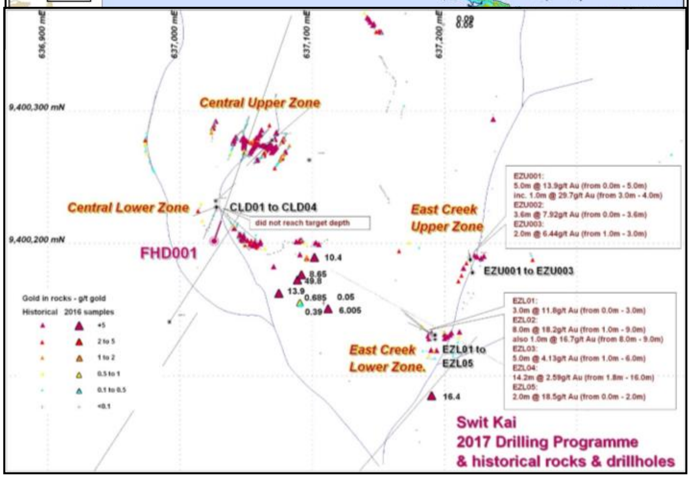
Frontier Resources Ltd is a socially responsible, innovative and technically successful junior mineral explorer.

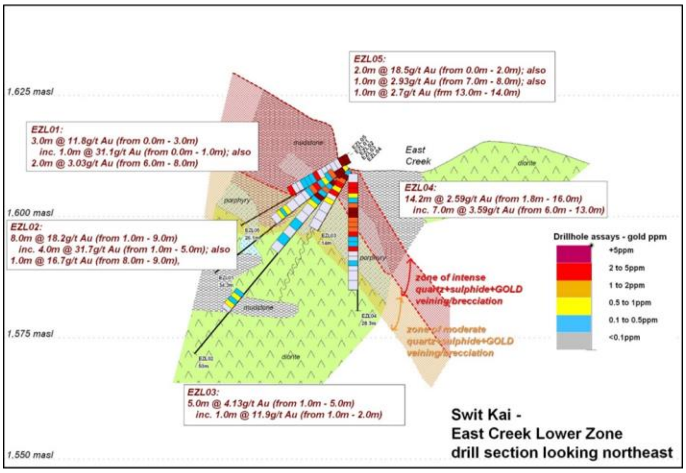
The Company is focused on mineral exploration in highly prospective Papua New Guinea (PNG), targeting copper+/- gold +/-molybdenum porphyries and intrusive related epithermal gold deposits on its Exploration Licences (ELs), plus a number of significant EL Applications.

The Papuan Fold Belt contains Frontier's Bulago and Muller ELs and the Ok Tedi porphyry copper-gold Mine (located 80km WNW of Bulago), Porgera intrusive/ epithermal related gold Mine (120km east of Bulago) and Kili Teke porphyry copper-gold Deposit (50km east of Bulago and north of Muller).

Strategy is to produce high quality targets for drill testing by Frontier owned/operated diamond core drill rigs and also to obtain quality Joint Venture partners to limit Frontier's risk while enhancing possible future development of any discoveries. Exploration and drilling is strongly warranted on all areas.







BULAGO

The Minister for Mining in Papua New Guinea renewed EL 1595 – Bulago, effective July 7th 2016 for the normal 2-year period.

One diamond core hole (GCZ002 for 303.9m total of HQ TT) was completed in early-May, targeting porphyry copper-gold in the NNE trending/ NW dipping anomalous gold in soil zone crossing the Bulago Valley, at its junction with the WNW trending Bulago River structure + gold in soil trend. The hole intersected 6 major zones and >10 smaller zones of hydrothermal brecciation/ veining in diorites and mudstones. The best copper intercept was 2.4m grading 0.16% copper (+ 0.16g/t gold at the top of hole), the best gold intercept was 3m grading 0.36 g/t and the entire hole averaged 0.06 g/t gold + 308 ppm copper + 9 ppm molybdenite. About half of the hole was 'moderately' molybdenite mineralised, with a peak of 35ppm.

Three diamond core holes (93.6m total of HQ TT) were completed at the Swit Kai Central Lower Horizon in March. A 0.6m intercept returned 50.7 g/t gold, from 13.9m to 14.5m downhole (adjacent to landslide colluvium that may have removed some of that mineralisation when it slipped), plus a 1.1m intercept that returned a weighted assay average of 79.18 g/t gold.

Four diamond core holes (CLD001-004 for 161.3m total of HQ TT), were completed at Swit Kai's Central Lower Horizon in late October, but all were inadequate and need to be lengthened to reach the target zone.

Five core holes (153.7m total of HQ TT) were completed on "Pad 2" in East Creek, obliquely targeting a 3.0m wide zone, 50-degree south dipping zone, that graded 45.2 g/t gold in previous jackhammer channel samples. Downhole assay intercepts from the East Creek drilling were:

EZL001 3.0m grading 11.76 g/t gold (including 1.0m grading 31.10 g/t gold), plus 2.0m grading 3.03, plus 1.0m grading 0.84, plus 1.0m grading 0.90 plus 0.8m grading 0.51 g/t gold.

EZL002 4.0m grading 31.66 g/t gold, within 11.0m grading 13.37 g/t gold, including 1.0m grading 90.50 g/t gold.

EZL003 1m grading 11.90 g/t gold, within 5m grading 4.13 g/t gold.

EZL004 2.2m grading 3.03 g/t gold, plus 7.0m grading 3.59 g/t gold, within 14.2m grading 2.55 g/t gold (including 1.0m grading 11.88 g/t gold).

EZL005 1.0m grading 12.55 g/t gold, within 2.0m grading 9.26 g/t gold, plus 1.0m grading 2.93 g/t gold, plus 1.0m grading 2.70 g/t gold.

MULLER Thirteen samples were collected, six were analysed and weak gold and copper anomalism was demonstrated.

GAZELLE ELA 2515 - Gazelle (including the former Sinivit gold Mine) was refused grant by the Minister for Mining in Papua New Guinea in late April. ELA 2529 was lodged for the Gazelle area again and it is 'next in line'.

Sample Number	From (m)	To (m)	Intercept Length (m)	Average Gold g/t	Silver g/t	Arsenic ppm	Copper ppm	Zinc ppm
FDH001-1	**13.9**	**14.5**	**0.6**	**50.7**	**22.2**	**532**	**101**	**470**
FDH001-2	**15.4**	**15.8**	**0.4**	**181**	**40.4**	**5610**	**1450**	**12700**
FDH001-3	**15.8**	**16.5**	**0.7**	**21**	**3.6**	**54**	**58**	**1530**
Weighted	**15.4**	**16.5**	**1.1**	**79.18**	**17.0**	**2,074**	**564**	**5,592**

EL 1595 Holes FDH002 and FDH003 Assay Results

Hole and Sample Number	From (m)	To (m)	Interval (m)	Gold (g/t)	Silver (g/t)	Zinc (ppm)	Arsenic (ppm)
FDH002-1	15.45	16.8	1.35	0.05	0.0	97	57
FDH002-2	19.7	20.07	0.37	**8.69**	1.0	193	**4110**
FDH003-1	18.5	19.2	0.7	0.05	1.2	**1850**	54
FDH003-2	33	33.5	0.5	0.01	0.0	111	8
FDH003-3	35.9	37.1	1.2	**0.70**	2.5	**1500**	84
FDH003-4	37.1	37.8	0.7	**0.41**	2.9	994	160
FDH003-5	38.6	40.1	1.5	**1.20**	**8.0**	**7830**	4
FDH003-6	40.1	41.3	1.2	**0.15**	1.6	**1870**	5
FDH003-7	44.3	44.9	0.6	**0.20**	3.3	**3830**	6
FDH003-8	44.9	47.3	2.4	0.02	0.0	229	8

EL 1595 Hole GZC001 Assay Results

Sample Number	From (m)	To (m)	Interval (m)	Gold (g/t)	Copper (ppm)	Moly (ppm)
650007	25	28	3	0.04	488	0
650008	28	31	3	0.03	256	0
650009	31	34	3	0.03	277	0
650010	34	37	3	0.04	439	7
650011	37	40	3	0.04	472	6
650012	40	43	3	0.05	287	5
650013	43	46	3	0.05	501	21
650014	46	49	3	0.06	460	20
650015	49	52	3	0.04	316	7
650016	52	55	3	0.06	369	0
650017	55	58	3	0.05	315	18
650018	58	61	3	0.02	152	5
650019	61	64	3	0.05	372	11
650020	64	67	3	0.04	323	10
650021	67	70	3	0.04	259	32
650022	70	73	3	0.04	277	10
650023	73	76	3	0.05	377	5
650024	76	79	3	0.08	544	8
650025	79	82	3	0.07	384	8
650026	82	85	3	0.07	276	34

Hole ID	Co-ordinates (AMG066)			Azimuth ˚		Inclination (degrees)	End of Hole Depth (m)
	Northing	Easting	RL (m)	(AMG)	(MN)		
CLD001	9,400,217	637,027	1,627	142	137	-43	55.3
CLD002	9,400,217	637,028	1,627	152	147	-45	47.9
CLD003	9,400,217	637,021	1,627	205	210	-43	34.9
CLD004	9,400,217	637,027	1,627	260	255	-40	25.2
FNT Swit Kai Central Lower Zone Total Meters of Drilling							**163.3**
EZL001	9,400,117	637,150	1,573	320	315	-38	34.3
EZL002	9,400,117	637,151	1,573	320	315	-50	50.0
EZL003	9,400,116	637,151	1,573	320	315	-60	14.0
EZL004	9,400,115	637,152	1,573	-	-	-90	28.3
EZL005	9,400,118	637,152	1,573	305	300	-30	26.1
FNT Swit Kai East Creek Lower Zone Total Meters of Drilling							**152.7**
FDH001	9,400,202	637,024	1,619	30	25	-40	22.9
FDH002	9,400,201	637,024	1,619	30	25	-60	23.6
FDH003	9,400,200	637,024	1,619	30	25	-80	47.1
FNT Swit Kai Central Lower Zone (SUG002 Pad) Total Meters of Drilling							**93.6**
GCZ001	9399396	639380	1716	55	50	-50	88.2
GCZ002	9399395	639379	1716	55	50	-60	303.9
FNT Bulago Valley (BUL002 Pad) Total Meters of Drilling							**392.1**

TOLUKUMA ELA 2531 – Tolukuma was lodged that surrounds the Tolukuma Mining Lease.

NEW BRITAIN Option Agreements were signed for the acquisition of the Andewa and Ala River ELs, plus Kol Mountains ELA from Frontier's Chairman (subject to shareholder approval). Terms were modified on EL 2461 on 19/7/17 and again in late September whereby the Options were both terminated.

LAKE LAVU ELA 2477 covers 839 sq km and contains a large number of project areas that are highly prospective for epithermal gold mineralisation.

SEWATUPWA RIVER ELA 2476 covers 436 sq km of the S, SE central and E Normanby Island, D'Entrecasteaux Island group and contains anomalous gold /arsenic values in stream sediment samples, pan concentrate samples, rock float samples and soil anomalies at 6 prospect areas.

CORPORATE

Rights Issues

On 8 December 2016, the Company lodged a Replacement Rights Issue Prospectus to raise up to $469,851 via non-renounceable rights issue on the basis of one new share for every three existing shares by Australian and New Zealand resident shareholders at the record date of 5 December 2016 at an issue price of $0.03 per share (**Rights Issue**). The Rights Issue closed on 16 January 2017 having received 230 applications for 11,005,001 shares totalling $330,150. On 17 February 2017, the Company advised it had placed a total of 5,794,947 new shares to raise a $173,848 (before costs), representing the shortfall from the Rights Issue together with an additional placement of shares. The new shares were issued at $0.03 per share.

On 12 April 2017 the companied issued a prospectus to raise up to $1,056,776 via a non-renounceable rights issue on the basis of one new share for every three existing shares held by Australian and New Zealand resident shareholders at the record date of 21 April 2017 at an issue price of $0.045 per share (**Second Rights Issue**). The Second Rights Issue closed on 18 May 2017 having received 106 applications for 626,964 shares totalling $28,213.

Share Purchase Plans

During the reporting period, Frontier conducted a Share Purchase Plan to raise up to $293,126.81 at $0.03 per share (**SPP1**). The SPP1 closed on 14 July 2016 with applications for 6,830,015 shares for a total of $204,900 received. On 3 August 2016 the Company advised it had placed a further 3,366,667 ordinary shares at an issue price of $0.03 to raise a further $101,000, utilising the Company's existing placement capacity under ASX Listing Rule 7.1.

Subsequent to the reporting period the Company conducted an additional Share Purchase Plan to raise up to $410,044 at $0.017 per share (**SPP2**). The SPP2 closed on 14 September 2017 with applications for 23,875,882 shares raising a total of $405,890.

Issue of Shares in Lieu of Fees

On 26 May 2017 the Company advised it had agreed with its consultants and contractors to settle future fees totalling $280,000 in shares at a conversion price of $0.045 per share.

Small Shareholder Sale Facility

On 10 April 2017 the Company announced it had established a sale facility for holders of unmarketable parcels for shareholders with holdings valued at less than $500 (**Sale Facility**). The Sale Facility closed on 26 May 2017 with 2,404,808 shares representing 2,404,808 available for sale pursuant to the Authorised Price set out in the Company's constitution.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the reporting period the Company conducted an additional Share Purchase Plan to raise up to $410,044 at $0.017 per share (**SPP2**). The SPP2 closed on 14 September 2017 with applications for 23,875,882 shares raising a total of $405,890.

Other than the above no matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(i) the Group's operations in future financial years; or
(ii) the results of those operations in future financial years; or
(iii) the Group's state of affairs in future financial years.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is available on its website www.frontierresources.com.au

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the operations of the Group and the expected results of those operations in subsequent financial years are consistent with those reported for the current period.

The Directors are pleased with exploration results during the financial year, however, they are conscious that additional funding through equity, joint ventures or borrowings will be required to pursue the potential of existing projects in the future. Further discussion on the Company's Going Concern assumption is set out in Note 1 on page 24.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect of its mineral exploration activities.

The Group has exploration and mining tenements in Papua New Guinea. The Group is not aware of any breach of environmental regulations during or since the end of the financial year.

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent, financial years. The Directors will reassess this position as and when the need arises.

INFORMATION ON DIRECTORS	Particulars of Directors' interest in shares and options of Frontier Resources Ltd	
Director and Experience	**Ordinary Shares**	**Options**
Peter A. McNeil Chairman appointed 20 January 2010. Managing Director from 17 February 2016 Age 56. B.Sc., M.Sc. He has 32 years' exploration experience in Papua New Guinea, U.S.A., Canada and Australia, including programs at the Lihir gold deposit and in the Goldfields and Kimberley regions of Western Australia and Tasmania. Peter has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in Western Australia. Peter McNeil is a graduate from the University of Houston, Texas B.Sc. (1982) and M.Sc. (Geochemistry-1985). He has accumulated 35 year's continuous professional post–graduate mineral exploration industry experience, with >30 of those in Papua New Guinea (including the Lihir gold Deposit). Peter has also worked in Tasmania, WA's Kimberley and NE Goldfields, Arizona and Newfoundland. He was consultant site supervisory geologist on the 'discovery' holes of both the Nimary and Sunrise Dam gold ore bodies in WA, which became the largest and second largest gold discoveries in Australia during the 1990's totalling >15 million ounces combined. Mr McNeil has 25 years' corporate and managerial experience as a Chairman, Managing Director, Director, and President associated with several ASX and TSX-V listed companies. Mr McNeil is a member of the Australian Institute of Geoscientists, the Society of Economic Geologists, the Society for Geology Applied to Mineral Deposits and the Society of Resource Geology. He is the principal of a private mineral exploration consultancy (Exploration & Management Consultants Pty Ltd), which has provided a varied range of exploration and corporate services to the minerals exploration industry for the past 26 years. Peter has not held any other former directorships of listed companies within the last 3 years.	14,816,760	• 1,500,000 unlisted options exercisable at $0.034 on or before 10 February 2020. • 500,000 unlisted options exercisable at $0.22 on or before 2 December 2017. • 500,000 unlisted options exercisable at $1.22 on or before 1 November 2017.
Paige McNeil (appointed 1 December 2014) Non-Executive Director from 17 February 2016 GradDipEd, ACIS, GAICD, AGIA. Is a Corporate Governance practitioner with 16 years' operational and administrative	14,816,760	• 1,500,000 unlisted options exercisable at $0.034 on or before 10 February 2020.

INFORMATION ON DIRECTORS

Director and Experience	Ordinary Shares	Options
experience in the mineral exploration industry in Papua New Guinea, Australia and Canada. Paige was a Founding Director and Company Secretary of Kanon Resources Ltd (2003) and Quintessential Resources Ltd (2010) which were subsequently listed on the TSX-V and ASX respectively. Paige was responsible for raising over $10M in capital for Quintessential over 2 years. Paige was the former Administration Manager and Company Secretary for Frontier Resources (2006 and 2010). She was appointed Alternate Director for Peter McNeil in August 2014 and has now resigned from this position. Paige holds a Graduate Diploma in Corporate Governance from Governance Institute of Australia (2006) and is a Graduate of the Australian Institute of Company Directors (2008). She is a director of two private Australian companies and also facilitates modules for the Governance Institute of Australia. Paige was previously Managing Director of Quintessential Resources Ltd.		• 500,000 unlisted options exercisable at $0.22 on or before 2 December 2017. • 500,000 unlisted options exercisable at $1.22 on or before 1 November 2017.
Peter Swiridiuk (appointed 1 December 2014)		
Non-Executive Director Age 50. BSc (Hons), DipEd, MAIG. Peter has over 25 years' experience exploring for copper, gold, diamonds, coal and base metals. Between 1997 and 2012, he spent substantial amounts of time managing exploration, discovery and resource definition for projects in Papua New Guinea, including evaluation of data at Frieda River and acting as a consultant geophysicist to Frontier Resources (2003-2013). In 2007 he spent over six years as Managing Director of ASX listed Coppermoly Limited where he attracted over $32 million through an IPO, capital raisings and joint venture partner Barrick Gold Corp. While leading Coppermoly, over 2 billion pounds of copper, in two separate JORC resources, were delineated on New Britain Island, Papua New Guinea. Peter was geophysicist for DeBeers diamond services during the 1990's where he managed geophysical surveys for the exploration of diamonds in Australia. Since 1997, he has been a technical consultant working on projects in Australia, PNG, Solomon Islands, Philippines, Cyprus, Mexico and Oman, where his exploration led to the discovery of two copper mines. Peter has authored numerous independent technical reports for the purpose of capital raisings. Peter was previously a Director of Coppermoly Ltd.	Nil	• 500,000 unlisted options exercisable at $0.034 on or before 10 February 2020.

COMPANY SECRETARY – QUALIFICATIONS & EXPERIENCE

Matthew Foy - BCom, GradDipAppFin, GradDipACG, SAFin, AGIA, ACIS

Matthew is a contract company secretary and active member of the WA State Governance Council of the Governance Institute Australia (GIA). He spent four years at the ASX facilitating the listing and compliance of companies and possess core competencies in publicly listed company secretarial, operational and governance disciplines. Matthew is currently Company Secretary for a number of ASX listed companies.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year (and the number each Director was entitled to attend):

	Directors' Meetings	
	Number eligible to attend	**Number attended**
P.A. McNeil	3	3
P.S. McNeil	3	3
P. Swiridiuk	3	3

REMUNERATION REPORT (Audited)

The information in this remuneration report has been audited as required by s.308 (3C) of the *Corporations Act 2001.*

(a) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. As there is no remuneration committee the role is assumed by the full Board of Directors. The Board ensures that director and executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value;
- attracts and retains high calibre executives;
- rewards capability and experience;
- reflects competitive reward for contribution to shareholder growth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

REMUNERATION REPORT (continued)

(a) Principles used to determine the nature and amount of remuneration (continued)

Relationship between remuneration and Group performance

During the past year and since listing on 9 April 2003 the Group has generated losses because it is still involved in mineral exploration, not in production.

Given that the remuneration is commercially reasonable / appropriate / benchmarked, the link between remuneration, Group performance and shareholder wealth generation is tenuous, particularly in the exploration stage of a minerals company. Since listing the Group has recorded significant losses as it carries out exploration activities on its tenements, and no dividend has been paid. Share prices are subject to the influence of international metal prices and market sentiment toward the sector, and increases or decreases may occur quite independent of executive performance or remuneration. Share prices, largely unrelated to profit and loss, have fluctuated between $0.01 and $0.66 during the last five years, and at 30 June 2017 the price was $0.028.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect their responsibilities and the demands placed on individual Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board seeks to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

Directors' fees

The current base remuneration was last reviewed with effect from January 2010. Directors' fees are inclusive of committee fees.

Non-Executive Directors' fees are determined within the Non-Executive Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at $150,000 per annum for Non-Executive Directors as approved at the Company's Annual General Meeting on 25 November 2009.

Retirement allowances for Directors

The Company provides no retirement allowances for Non-Executive Directors.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits;
- short-term incentives;
- long-term incentives through Directors options (refer Note 19); and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually by the Board to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Benefits

Executives receive no benefits outside of the base pay, options and superannuation disclosed in this report.

REMUNERATION REPORT (continued)

(a) Principles used to determine the nature and amount of remuneration (continued)

Retirement benefits

Other than statutory superannuation contributions, no retirement benefits are provided for executives except statutory entitlements.

Short-term incentives

Key management personnel are entitled to short term incentives (STI's) based on performance that is agreed by the board from time to time.

Performance Conditions

There are no performance conditions on remuneration. The Board may from time to time pay a cash bonus to employees on the achievement of agreed individual performance indicators.

(b) Details of remuneration

Details of the nature and amount of each element of the emoluments of each of the key management personnel of the Group for the year ended 30 June 2017 are set out in the following tables:

	Short-term employee benefits			Post-employment benefits		Share-based payment		
	Cash salary and fees	Cash bonus	Non-Monetary benefits	Super-annuation	Retirement benefits	Options*	Shares	Total
2017	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Director								
P.A. McNeil	258,701	-	-	-	-	43,050	93,000	394,751
Non-Executive Directors								
P.S. McNeil	25,000	-	-	-	-	-	-	25,000
P. Swiridiuk	47,495	-	-	-	-	14,350	-	61,845
Total	331,196	-	-	-	-	57,400	93,000	481,596
2016								
Executive Director								
P.A. McNeil	150,525	-	-	-	-	-	-	150,525
Non-Executive Directors								
P.S. McNeil	25,204	-	-	-	-	-	-	25,204
P. Swiridiuk	56,500	-	-	-	-	-	-	56,500
Total	232,229	-	-	-	-	-	-	232,229

* Option value calculation using Black-Scholes Model.

Remuneration that is performance based % is that percentage of remuneration that consisted of options.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk – LTI *	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
P.A. McNeil	89%	100%	-	-	11%	-
P.S. McNeil	100%	100%	-	-	-	-
P. Swiridiuk	77%	100%	-	-	23%	-

* Long-term incentives reflect the value of remuneration consisting of options expensed during the year.

REMUNERATION REPORT (continued)

(c) Service agreements

There are no service agreements in place for executive or non-executive Directors.

(d) Share-based Compensation

Options

Options are granted to key management personnel under the Frontier Resources Ltd Employee Option Plan and are subject to the terms of the Frontier Resources Ltd Employee Option Plan as outlined in Note 19 to the Financial Statements.

Options are granted under the Plan for no consideration and for a period not exceeding five years. There are no performance conditions attached to options, other than the employee must maintain employment for a 12 month period.

Type of Options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable	% vested during the year	% forfeited during the year	Financial year options vest	Range of possible values relating to future payments
Director	2 Dec 2014	2 Dec 2017	$0.22	$0.0078	Between 2 Dec 2014 and 2 Dec 2017	100%	-	2015	-
Director	21 Dec 2012	1 Nov 2017	$1.22	$0.0330	Between 21 Dec 2012 and 1 Nov 2017	100%	-	2013	-
Director	03 Nov 2016	20 Feb 2020	$0.034	$0.0287	Between 23Nov 2016 to 20 Feb 2020	100%	-	2017	-
Employee	10 Feb 2017	30 Dec 2019	$0.03	$0.0158	Between 10 Feb 2017 to 30 Dec 2019	100%	-	2017	-

Options granted under the Plan carry no dividend or voting rights. All options were provided at no cost to the recipients. When exercisable, each option is convertible into one ordinary share of Frontier Resources Ltd. Further information on the options is set out in Note 20 to the Financial Statements.

2,000,000 options exercisable at $0.034 on or before 10 February 2020 (**Director Options**) and 2,800,000 options exercisable at $0.03 on or before 30 December 2019 were issued under the Plan during the reporting period. Shareholder approval was sought and obtained on 23 November 2016 for the issue of 1,000,000 Director Options to Mr McNeil, 500,000 Director Options to Mrs McNeil and 500,000 Director Options to Mr Swiriduik that were issued pursuant to the Plan.

(e) Equity Instrument disclosures relating to KMP

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options over ordinary shares in the Company provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report.

REMUNERATION REPORT (continued)

(e) Equity Instrument disclosures relating to KMP (continued)

(ii) Option holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

2017 **Name**	**Balance at the start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors -						
Peter McNeil*	1,000,000*	1,500,000*	-	-	2,500,000*	2,500,000*
Paige McNeil[1*]	1,000,000*	1,500,000*	-	-	2,500,000*	2,500,000*
Peter Swiridiuk	-	500,000	-	-	500,000	500,000
Total	1,000,000	2,000,000	-	-	3,000,000	3,000,000

*Options granted to Peter McNeil as remuneration during the previous year are held in an entity jointly controlled by both Peter and his spouse Paige McNeil. As such the option holdings attributed to Paige and Peter include the options they jointly control.

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

2016 **Name**	**Balance at the start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors -						
Peter McNeil*	20,000,000	-	-	(19,000,000)	1,000,000	1,000,000
Paige McNeil[1*]	20,000,000	-	-	(19,000,000)	1,000,000	1,000,000
Peter Swiridiuk[1]	-	-	-	-	-	-
Total	20,000,000*	-	-	(19,000,000)**	1,000,000	1,000,000

*Options granted to Peter McNeil as remuneration during the previous year are held in an entity jointly controlled by both Peter and his spouse Paige McNeil. As such the option holdings attributed to Paige and Peter include the options they jointly control.

**Options were reduced on a 20:1 basis, consistent with the share capital consolidation on 9 December 2015.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Frontier Resources Ltd and other key management personnel of the consolidated group are set out below.

2017	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors -				
Peter McNeil*	6,507,106	-	8,309,654	14,816,760
Paige McNeil[1**]	6,507,106	-	8,309,654	14,816,760
Peter Swiridiuk	-	-	-	-
Total	6,507,106	-	8,309,654	14,816,760

* Shares attributed to Peter McNeil include 609,518 shares held outright by his spouse Paige McNeil (also included in the 30 June 2017 balance of shares attributed to Paige) as well as 13,669,506 shares Peter controls jointly with Paige through jointly controlled entities.

** Shares attributed to Paige McNeil include 537,736 shares held outright by her spouse Peter McNeil (also included in the 30 June 2017 balance of shares attributed to Peter) as well as 13,669,506 shares Paige controls jointly with Peter through jointly controlled entities.

REMUNERATION REPORT (continued)

(e) Equity Instrument disclosures relating to KMP (continued)

(iii) Share holdings (continued)

2016	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors -				
Peter McNeil*	60,742,128	-	(54,235,022)	6,507,106
Paige McNeil[1]**	60,742,128	-	(54,235,022)	6,507,106
Peter Swiridiuk[1]	-	-	-	-
Total	60,742,128	-	(54,235,022)	6,507,106*

* Shares attributed to Peter McNeil include 457,138 shares held outright by his spouse Paige McNeil (also included in the 30 June 2016 balance of shares attributed to Paige) as well as 5,646,665 shares Peter controls jointly with Paige through jointly controlled entities.

** Shares attributed to Paige McNeil include 403,301 shares held outright by her spouse Peter McNeil (also included in the 30 June 2016 balance of shares attributed to Peter) as well as 5,646,665 shares Paige controls jointly with Peter through jointly controlled entities.

(f) *Loans to Directors and executives*

No loans were made to Directors of Frontier Resources Ltd or other key management personnel of the consolidated group, including their personally-related entities (2016: Nil).

(g) *Other transactions with Directors and other key management personnel*

A Director, Peter McNeil has a consulting arrangement in place for the provision of geological and management services to the consolidated group through Exploration and Management Consultants Pty Ltd. The services are provided at market rates, and no specified period has been agreed.

No other transactions occurred between the Group and other key management personnel except for the reimbursement at cost of expenditure incurred on behalf of the Group.

The amounts owed to Directors, key management personnel and their related parties as at 30 June 2017 was $241,752 owed to Exploration & Management Consultants Pty Ltd and accrued Non-Executive Director Fees of approximately $27,000.

Aggregate amounts of each of the above types of other transactions with Directors and key management personnel of Frontier Resources Ltd:

	2017 $	2016 $
Amounts recognised as expense		
Consulting fees:		
Administration	61,713	79,871
Exploration	289,988	95,858
Provision of office space	30,000	30,000
	351,701	285,429
Outstanding balance at year end	241,752	285,429

REMUNERATION REPORT (continued)

(h) Additional information

Share-based compensation: Options

The Company has a share trading policy which imposes basic trading restrictions on all employees of the Company with 'insider information', and additional trading restrictions on the Directors of the Company.

Directors must not trade in the Company's securities except later than an hour after and within the period of 1 month after the release of the quarterly, half-yearly and yearly reports and any announcement to the ASX which may or are likely to effect the value of the company's assets in a material way or 1 month after the holding of the AGM.

Full details of the Share Trading Policy can be found on the Company's website.

No options provided as remuneration were exercised during the year.

Relationship between remuneration and the Group's performance

The following table shows key performance indicators for the Group over the last five years:

	2017	2016	2015	2014	2013
Loss for the year	$1,711,031	$641,520	$2,413,968	$1,479,803	$2,900,373
Closing Share Price	3.0 cents	3.0 cents	0.2 cents	1.4 cents	0.9 cents
KMP Incentives	$57,400	$nil	$78,000	$nil	$764,518
Total KMP Remuneration	$481,596	$232,229	$521,552	$405,799	$1,259,110

Remuneration Consultants

The Group did not engage the services of any remuneration consultants during the year.

END OF AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

Unissued ordinary shares of Frontier Resources Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
23 November 2016	10 February 2020	$0.034	2,000,000
9 February 2017	30 December 2019	$0.03	2,800,000
2 December 2014	2 December 2017	$0.22	500,000
21 December 2012	1 November 2017	$1.22	900,000
			6,200,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the financial year ended 30 June 2017, there were nil shares of Frontier Resources Ltd issued upon the exercise of options. None have been issued since the end of the financial year.

INSURANCE OF OFFICERS

Since the end of the previous financial year the consolidated group has paid insurance premiums in respect of directors' and officers' legal expenses and liability insurance. The policies prohibit disclosure of details of the policies or the premiums paid. The Company has not otherwise, during or since the end of the year, except at the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Group are important.

Details of the amounts paid or payable to the auditor (Moore Stephens Perth) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Board in its capacity as the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2017 $	2016 $
Assurance services		
Audit Services		
Moore Stephens Perth	25,547	26,990
Sinton Spence Chartered Accountants (PNG)	-	-
Total remuneration for audit and assurance services	25,547	26,990
Taxation and Accounting Services		
Moore Stephens Perth	7,253	-
Sinton Spence Chartered Accountants (PNG)	900	-
Total remuneration for taxation services	8,153	-

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsible on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under Section 237 of the *Corporations Act 2001*.

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

P.A. McNeil
Chairman

29 September 2017

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF FRONTIER RESOURCES LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Moore Stephens

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

Signed at Perth this 29th day of September 2017

FINANCIAL REPORT – 30 JUNE 2017

This financial report includes the consolidated financial statements and notes of Frontier Resources Limited and its controlled entities ('Consolidated Group' or 'Group'). The financial report is presented in the Australian currency.

Frontier Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its principal place of business is:

Frontier Resources Ltd
120 Tranquil Place
STONEVILLE WA 6081

Its registered office is:

Frontier Resources Ltd
1 Centro Avenue
Subiaco WA 6008

A description of the nature of the Group's operations and principal activities is included in the Managing Director's Review of Operations in the Directors' report.

The financial report was authorised for issue by the Directors on 29 September 2017. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: www.frontierresources.com.au.

For queries in relation to our reporting please call +61 8 9486 4036 or email info@frontierresources.com.au

FRONTIER RESOURCES LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
			$
Revenue from Continuing Operations			
Revenue	4	71,792	285,757
Other income	4		
		71,792	285,757
Exploration expenditure	5	(877,430)	(296,397)
Administration and insurance expenses		(236,499)	(128,959)
Corporate compliance and shareholder		(122,797)	(53,422)
Gross employee benefit expense		(189,638)	(48,477)
Depreciation	5	(148,339)	(234,894)
Consultancy		(11,596)	(91,500)
Rent, consumables and communication	5	(37,299)	(62,343)
Impairment of financial assets	9	(112,511)	-
Share based payments expense		(44,240)	-
Foreign exchange loss		(2,474)	-
Other expenses		-	(11,285)
Loss before income tax		(1,711,031)	(641,520)
Income tax expense/(benefit)	6	-	-
Loss after tax from continuing operations		(1,711,031)	(641,520)
Profit after income tax from discontinued operations		-	-
Loss for the year attributable to ordinary equity holders of Frontier Resources Ltd		(1,711,031)	(641,520)
Other comprehensive income			
Items that may be subsequently reclassified to profit or			
Movement in foreign currency translation		(44,890)	(44,041)
Other comprehensive income for the year		(44,890)	(44,041)
Total comprehensive loss for the year attributable to ordinary equity holders of Frontier Resources Ltd		(1,755,921)	(685,561)
Loss per share for the year attributable to members of Frontier Resources Ltd		**Cents**	**Cents**
Continuing operations		(2.92)	(0.26)
Discontinued operations		-	-
Total basic and diluted (loss) per share	15	(2.92)	(0.26)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	2017	2016
			$
ASSETS			
Current Assets			
Cash and cash equivalents	7	41,714	28,846
Trade and other receivables	8	29,575	35,379
Prepayments		187,286	
Total Current Assets		258,575	64,225
Non-Current Assets			
Trade and other receivables	8	5,238	5,841
Plant and equipment	9	-	265,028
Total Non-Current Assets		5,238	270,869
Total Assets		263,813	335,094
LIABILITIES			
Current Liabilities			
Trade and other payables	10	425,819	379,408
Total Current Liabilities		425,819	379,408
Total Liabilities		425,819	379,408
Net Assets/(Liabilities)		(162,006)	(44,314)
EQUITY			
Contributed equity	13	32,733,828	31,197,239
Reserves	14	3,557,738	3,500,988
Accumulated losses	14	(36,453,572)	(34,742,541)
Total Equity/(Deficit)		(162,006)	(44,314)

The above Consolidated Statement of Financial Position
should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Equity $	Accumulated Losses $	Share Based Payment Reserve $	Options Premium $	Foreign Currency Translation $	Total $
Balance at 1 July 2015	31,132,949	(34,101,021)	3,939,885	78,000	(472,856)	576,957
Loss attributable to ordinary equity holders of Frontier Resources Ltd	-	(641,520)	-	-	-	(641,520)
Other comprehensive income -						
Foreign currency translation	-	-	-	-	(44,041)	(44,041)
Total comprehensive loss for the year	-	(641,520)	-	-	(44,041)	(685,561)
Transaction with owners, in their capacity as owners -						
Options issued during the year	-	-	-	-	-	-
Shares issued during the year, net of costs	64,290	-	-	-	-	64,290
Balance at 30 June 2016	31,197,239	(34,742,541)	3,939,885	78,000	(516,897)	(44,314)
Balance at 1 July 2016	31,197,239	(34,742,541)	3,939,885	78,000	(516,897)	(44,314)
Loss attributable to ordinary equity holders of Frontier Resources Ltd	-	(1,711,031)	-	-	-	(1,711,031)
Other comprehensive income -						
Foreign currency translation	-	-	-	-	(44,890)	(44,890)
Total comprehensive loss for the year	-	(1,711,031)	-	-	(44,890)	(1,755,921)
Transaction with owners, in their capacity as owners -						
Options issued during the year	-	-	-	101,640	-	101,640
Shares issued during the year, net of costs	1,536,589	-	-	-	-	1,536,589
Balance at 30 June 2017	32,733,828	(36,453,572)	3,939,885	179,640	(567,187)	(162,006)

The above Consolidated Statement of Changes in Equity
Should be read in conjunction with the accompanying notes.

	Note	2017	2016
		$	$
Cash Flows From Operating Activities			
Cash receipts from customers		-	40,235
Payments to suppliers and employees		(192,826)	(405,292)
Interest received		315	617
Joint venture interests		-	30,000
Refund of tenement bonds		-	163,003
Payments to exploration expenditure		(694,795)	(132,809)
Net cash outflow from operating activities	**21**	**(887,306)**	**(304,244)**
Cash Flows From Investing Activities			
Proceeds from security deposits		-	(5,002)
Payments for financial assets		-	-
Proceeds from disposal of financial assets		74,073	102,000
Net cash inflow/(outflow) from investing activities		**74,073**	**96,998**
Cash Flows From Financing Activities			
Proceeds from the issue of shares		809,572	-
Proceeds from application funds held in trust		17,539	11,000
Payments for capital raising costs		(14,721)	(5,109)
Proceeds from borrowings		20,011	**-**
Net cash inflow from financing activities		**832,401**	**5,891**
Net increase/(decrease) in cash and cash equivalents		**19,168**	**(201,355)**
Cash at 1 July		28,846	216,367
Effect of exchange rates on cash holdings in foreign currencies		(6,300)	13,834
Cash at 30 June	**7**	**41,714**	**28,846**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated financial statements and notes of Frontier Resources and controlled entities ('Consolidated Group' or 'Group).

Basis of preparation
This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.* Frontier Resources Limited is a for profit entity for the purposes of preparing the financial statements.

Compliance with IFRS
These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 year ended 30 June 2017 the Group recorded a loss after tax of $1.71m (2016: $0.64 m) and had a net working capital deficit of $167,244 (2016: deficit of $315,183).

The ability of the Company to continue as a going concern is dependent on it being able to successfully raise further debt or capital funding. Following the Share Purchase Plan completed in September 2017, the Company raised $383,489 and subsequently placed a further $22,401 through a placement at on 20 September 2017. Provided the Company can successfully raise additional funding within the current year and recognising that the Australian equity market may not be well supported currently, 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 its liabilities at amounts stated in the amount stated in the financial statement.
Removal of Parent
Separate financial statements for Frontier Resources Limited as an individual entity are no longer presented as a consequence of a change to the Corporation Act 2001. Financial information for Frontier Resources Limited as an individual entity is included in note 23.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of plant and equipment.

Critical accounting estimates
The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Frontier Resources Limited) 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. A list of the subsidiaries is provided in Note 22.

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 unrealized 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 recognizes 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.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation (continued)

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquire either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and evaluation expenditure

The Company has adopted a policy of writing off exploration and evaluation expenditure at the end of the period in which it is incurred, unless a mineral resource has been estimated for the area of interest.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the consolidated group.

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 areas of interest.

All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resource in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the company has decided to discontinue such activities in the specific area.

(d) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Items of plant and equipment are depreciated over their estimated useful lives. The diminishing balance method is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Estimates of useful lives are made at the time of acquisition and varied as required.

Expected useful lives are: Plant and Equipment between 4 years and 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Available for sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(g) Financial instruments

Initial recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.
The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognised at fair value and subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are initially recognised at fair value and subsequently measured at amortised cost.

Fair value
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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)
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 instrument, 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.

Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Derecognition
Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits

Short-term employee benefits
Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined benefit obligations
The Group provides defined benefit superannuation entitlements to select employees of the Group.

The difference, if any, between the Group's obligation for employees' defined benefit entitlements at the end of the reporting period and the fair value of plan assets attributable to the employees at the same date is presented as a net defined benefit liability (asset) in the statement of financial position. The Group's obligation for defined benefit entitlements, as well as the related current service cost and, where applicable, past service cost, is calculated at the end of each reporting period by an independent and suitably qualified actuary using the projected unit credit method. In determining the Group's obligation for defined benefits, the actuary discounts the present value of the estimated future cash flows attributable to providing the defined benefit entitlements at rates determined by reference to market yields at the end of the reporting period on Australian government bonds that have maturity dates that approximate the terms of the obligation.

Any net defined benefit asset recognised by the Group is limited to the present value of economic benefits available in the form of any future refunds from the employees' defined benefit plan or reductions in future contributions in respect of employees with defined benefit entitlements. In calculating the present value of any such potential economic benefits, consideration is given to any minimum funding requirements that apply in respect to the employees' defined benefit entitlements. An economic benefit is considered available to the Group if it is realisable during the period of the employees' membership of the plan or on settlement of all of the employees' entitlements from plan assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits (continued)

The periodic cost of providing defined benefit entitlements is disaggregated and accounted for as follows:

- service cost (including current and past service costs and any gains or losses on settlements or curtailments) is recognised in profit or loss in the period in which it arises as a part of employee benefits expense;
- interest on the net defined benefit liability (asset) is calculated by multiplying the average balance of the liability (asset) during the reporting period by the discount rate applied to the defined benefit obligation and is recognised in profit or loss in the period in which it arises as a part of finance costs; and
- remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets less amounts included in the net interest on the net defined benefit liability (asset), and any changes in the limit on a net defined benefit asset (excluding interest)) are recognised in other comprehensive income (retained earnings) in the periods in which they occur.

Defined contribution superannuation benefits

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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,

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

(j) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(k) Income tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income tax (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Potential shares as a result of options outstanding at the end of the year are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign currency transactions and balances

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

a. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
b. Income and expenses are translated at average exchange rates for the period; and
c. Share capital and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(q) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(r) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(t) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the Group elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have impact on the Group’s financial instruments, including hedging activity.

AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) New Accounting Standards for Application in Future Periods (continued)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will not have an impact on the Group's financial statements.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The new Standard does not make any significant changes to lessor accounting and as such is only expected to impact lease accounting from a lessee's perspective. Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group is engaged in mineral exploration and evaluation, and does not currently sell product and derives only limited revenue from interest earned.

Risk management is carried out by the board as a whole and no formal risk management policy has been adopted but is in the process of development.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the PNG Kina. Since the Group has not yet commenced mining operations or to sell products the exposure is limited to the movement in loan accounts between the Parent and the Subsidiaries located in Papua New Guinea.

The Group limits its foreign currency risk by limiting funds held in overseas bank accounts and paying its creditors promptly. The Group's exposure to foreign currency risk on PNG Kina, translated into Australian Dollars at 30 June, was as follows:

	2017 AUD	**2017 Kina**	**2016 AUD**	**2016 Kina**
Foreign currency assets and liabilities				
Cash and cash equivalents	3,554	8,848	7,409	17,775
Trade and other receivables	1,875	4,668	2,501	6,000
Prepayments	187,286	466,311	-	-
Intercompany loans payable	(16,106,973)	(40,103,809)	(15,566,039)	(37,345,826)
Trade and other payables	(3,870)	(9,637)	(656)	(1,573)

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. Exposure to interest rates is limited to the cash and cash equivalents balances.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2017	**Floating Interest Rate**	**Non-interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash and cash equivalents	41,714	-	41,714
Trade and other receivables	-	29,575	29,575
Prepayments	-	187,286	187,286
	41,714	216,861	258,575
Weighted average interest rate	0.67%		
Financial liabilities			
Trade and other payables	-	425,819	425,819
	-	425,819	425,819
Net financial assets	41,714	(208,958)	(167,244)

2016	**Floating Interest Rate**	**Non-interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash and cash equivalents	28,846	-	28,846
Trade and other receivables	-	35,379	35,379
	28,846	35,379	64,225
Weighted average interest rate	1.25%		
Financial liabilities			
Trade and other payables	-	379,408	379,408
	-	379,408	379,408
Net financial assets	28,846	(344,029)	(315,183)

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis

The following table illustrates sensitivities of the Group's exposure to changes in interest rates. The table indicates the impact on how profit reported at balance date would have been affected by changes in the interest rate risk variable that management considers to be reasonably possible.

	2017 $	2016 $
Net financial assets subject to variable interest rates	41,714	28,846
Increase in profits resulting from a 1% pa increase in variable interest rates	417	288
Decrease in profits resulting from a 1% pa decrease in variable interest rates	(417)	(288)

The following table illustrates sensitivities of the Group's exposure to changes in foreign exchange rates. The table indicates the impact on how other comprehensive income reported at balance date would have been affected by changes in the foreign exchange rate variable that management considers to be reasonably possible.

	2017 $	2016 $
Decrease in other comprehensive income resulting from a 10% increase in Australian Dollar against the Kina	(4,131)	(4,404)
Increase in other comprehensive income resulting from a 10% decrease in Australian Dollar against the Kina	(4,131)	4,404

The entity is not exposed to material price risk.

Net Fair Value

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

(b) Credit risk

Credit risk exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables including intercompany loans and cash. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. Credit terms are generally 30 days from the invoice date. The Group has no concentrations of credit risk, other than holding all its cash with Westpac Bank. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position, which has not changed materially from the prior year.

Receivables also include $2,501 in bonds, primarily mines department deposits.

Credit risk exposures

Credit risks related to balances with bank and other financial institutions is managed by the Board in accordance with Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. Cash is held with Westpac Banking Corporation, which is AA Rated.

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is as follows:

	2017 $	2016 $
Current Assets:		
Cash and cash equivalents	41,714	28,846
Trade and other receivables	29,575	35,379
Prepayments	187,286	-
Non-Current Assets:		
Trade and other receivables	5,238	5,841
	263,813	70,066

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The Group's current financial assets and liabilities are summarised as follows:

	2017 $	2016 $
Cash and cash equivalents	41,714	28,846
Trade and other receivables	29,575	35,379
Prepayments	187,286	
Trade and other payables	(425,819)	(379,408)
	(167,244)	(315,183)

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days from the reporting date.

The contractual amounts payable are equal to the carrying amounts in the accounts.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes assumptions concerning the future. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below.

(a) Impairment of assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The Board has reviewed its Consolidated Statement of Financial Position at 30 June 2017 and carried out a review of the recoverable amount of its plant and equipment. An impairment loss of $112,511 (2016: $nil) has been recognised in Statement of Profit or Loss and Other Comprehensive Income.

(b) Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, using the assumptions detailed in Note 19.

	2017 $	2016 $
NOTE 4 REVENUE		
From continuing operations		
Drilling and exploration contract income	-	40,235
Gain on sale of Asset	71,629	-
Other sundry income	-	132,000
Interest – unrelated parties	163	617
Tenement bond refunds	-	112,905
Total Revenue	71,792	285,757

NOTE 5 EXPENSES AND SIGNIFICANT ITEMS

	2017 $	2016 $
Depreciation of plant & equipment	148,339	234,894
Office rental	37,299	62,343
Significant Items		
Exploration and evaluation expenditure	1,068,294	296,397
Impairment of plant & equipment	112,511	-
Share-based payments expense	44,240	-

NOTE 6: INCOME TAX EXPENSE

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense / (benefit) reported in Statement of Profit and Loss and Other Comprehensive Income	-	-
b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss from continuing operations before income tax	(1,711,031)	(641,520)
Prima facie tax benefit on loss from continuing operations at 27.5% (2016: 30%)	(470,534)	(192,456)
Add / (less) tax effect of:		
- Revenue losses not recognised		
Capital losses not recognised	131,258	40,328
		930
- Share based payments	27,950	
- Other non-allowable items	316,106	156,064
	4,780	4,866
Less tax effect of:		
- Other deferred tax balances not recognised	(4,780)	(4,866)
Income tax expense / (benefit) recorded in Statement of Profit and Loss and Other Comprehensive Income	-	-
c. Unrecognized deferred tax assets: at 27.5% (2016: 30%)		
Carry forward revenue losses	3,509,013	3,678,138
Carry forward capital losses	485,696	471,567
Financial assets	273,909	298,810
Other	7,184	8,199
	4,275,802	4,456,714

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilizing the benefits.

NOTE 7 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	41,714	28,846
Reconciliation of Cash Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank	41,714	28,846
Bank deposits at call	-	-
Cash on hand	-	-
Cash and cash equivalents	41,714	28,846

Cash at bank earns an interest rate of 1.25% (2015: 2.0%). Refer to note 2 for the Group's exposure to interest rate risk.

Cash in maxi account does not have a fixed term and funds are available on call.

NOTE 8 TRADE AND OTHER RECEIVABLES

CURRENT		
Prepayments	187,286	**-**
Other receivables (a)	29,575	35,379
	216,861	35,379
NON-CURRENT		
Deposits – tenements and premises (b)	5,238	5,841

(a) Other current receivables are all non-interest bearing.
(b) Deposits – tenements and premises deposits for performance and private land and are non-interest bearing.

No receivables were past due but not impaired.

NOTE 9 PLANT AND EQUIPMENT

Plant and equipment		
Plant and equipment at cost	2,602,778	2,690,502
Less accumulated depreciation	(2,131,674)	(2,052,500)
Less impairment charges of PPE	(471,104)	(372,974)
Carrying amount at the end of the financial year	-	265,028

Reconciliation

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

Carrying amount at the beginning of the financial year	265,028	546,898
Additions	-	-
Disposals	-	-
Depreciation expense	(148,338)	(234,894)
Impairment of carrying values	(112,511)	
Foreign currency exchange differences	(4,179)	(46,976)
Carrying amount at the end of the financial year	-	265,028

NOTE 10 TRADE AND OTHER PAYABLES

	2017 $	2016 $
CURRENT		
Trade and sundry creditors (a)	339,548	346,658
Accrued expenses	56,663	32,750
Loan from Director	29,608	-
	425,819	379,408

(a) All creditors are non-interest bearing and are normally settled on 30 day terms.
(b) Employee benefit and related on-costs liabilities include payroll deductions and superannuation payable, and are non-interest bearing. The loan from a Director is non-interest bearing.

Refer to note 2 for the Group's exposure to liquidity risk.

NOTE 11 COMMITMENTS

Exploration Expenditure Commitments
In order to maintain rights of tenure to exploration tenements the Group is required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.

Outstanding obligations are not provided for in the accounts and are payable:		
Not later than 1 year	48,745	-
Later than 1 year but not later than 5 years	-	130,000
Any greater than 5 years	-	-
	48,745	130,000

NOTE 12 CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2017 (2016: nil).

NOTE 13 CONTRIBUTED EQUITY

	2017 Shares	2016 Shares	2017 $	2016 $
(a) Paid Up Capital				
Ordinary shares – fully paid of no par value	80,400,916	32,569,646	32,733,828	31,197,239

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

NOTE 13 CONTRIBUTED EQUITY (continued)

(b) Movements in ordinary share capital of the Company:

Date	Details	Number of Shares	Issue Price $	$
30 Jun 2015	Closing Balance	581,971,496		31,132,949
	Consolidation of capital (20:1)	(552,871,850)	-	-
	Shares issued	3,470,000	0.02	69,400
	Share capital raising costs			(5,110)
30 Jun 2016	Closing Balance	32,569,646		31,197,239
	Shares issued	39,284,963	0.03	1,178,549
		1,697,128	0.0383	65,000
		6,849,179	0.045	308,214
	Share capital raising costs			(15,174)
30 Jun 2017	Closing Balance	80,400,916		32,733,828

(c) Options

	No. of Options 2017	No. of Options 2016
The number of unissued ordinary shares relating to options not exercised at year end:		
- Non-transferable options exercisable on or before 1 November 2017 at $1.22 (2016: 6.1 cents)	900,000	900,000
- Non-transferable options exercisable on or before 2 December 2017 at 22 cents (2016: 1.1 cents)	500,000	500,000
- Non-transferable options exercisable on or before 20 Feb 2020 at 3 cents (2017: n/a)	2,800,000	-
- Non-transferable options exercisable on or before 30 Dec 2019 at 3.4 cents (2017: n/a)	2,000,000	-
	6,200,000	1,400,000

(d) Option Issues

During the 2015 financial year, the Company issued 10,000,000 on a pre-consolidation basis unlisted options to the Director Peter McNeil. These options were issued pursuant to shareholder approval at the Annual General Meeting held on 28 November 2014 and are fully vested. The options are exercisable at $0.011 (pre-consolidation) with an expiry date of 2 December 2017.

(e) Option Exercise

During the financial year nil options were exercised.

(f) Option Expiry

During the financial year the no options expired unexercised.

(g) Option Cancellation and Lapse

During the financial year no classes of options were cancelled.

NOTE 13 CONTRIBUTED EQUITY (continued)

(h) Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and accumulative losses.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2017 and 30 June 2016 was as follows:

	2017 $	2016 $
Cash and cash equivalents	41,714	28,846
Trade and other receivables	29,575	35,379
Prepayment	187,286	-
Trade and other payables	(425,819)	(379,408)
Working capital position	(167,244)	(315,183)

The Group is not subject to any externally imposed capital requirements.

Refer to note 2 for Financial Risk Management.

NOTE 14 RESERVES AND ACCUMULATED LOSSES

	2017 $	2016 $
(a) Reserves		
Share based payment reserve	3,939,885	3,939,885
Options premium reserve	179,640	78,000
Foreign currency translation reserve	(561,787)	(516,897)
	3,557,738	3,500,988
Movements		
Share based payment reserve		
Balance 1 July	3,939,885	3,939,885
Option expense	-	-
Balance 30 June	3,939,885	3,939,885
Options premium reserve		
Balance 1 July	78,000	78,000
Options issued	101,640	-
Balance 30 June	179,640	78,000
Foreign currency translation reserve		
Balance 1 July	(516,897)	(472,856)
Currency translation differences arising during the year	(44,890)	(44,041)
Balance 30 June	(561,787)	(516,897)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2017 $	2016 $
Balance 1 July	(34,742,541)	(34,101,021)
Net loss for the year	(1,711,031)	(641,520)
Balance 30 June	(36,453,572)	(34,742,541)

(c) Nature and purpose of reserves

Share based payment reserve
This reserve is used to recognise the fair value of share based payments.

Options premium reserve
This reserve is used to recognise the fair value of options issued.

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(p). The reserve is recognised in profit or loss when the net investment is disposed of.

NOTE 15 EARNINGS/(LOSS) PER SHARE ("EPS")

	2017 $	2016 $
Earnings per share from continuing operations Loss after income tax	(1,711,031)	(641,520)
Weighted average number of shares used in the calculation of the basic EPS.	58,533,125	250,252,912
The number of potential ordinary shares relating to options not exercised at the end of the year. These potential ordinary shares are anti-dilutive in both years and so have not been included in the EPS calculations.	6,200,000	1,400,000
Basic and diluted (loss) per share	(2.92) cents	(0.26) cents
Earnings per share from discontinued operations Profit after income tax		-
Weighted average number of shares used in the calculation of the basic EPS.	58,533,125	250,252,912
The number of potential ordinary shares relating to options not exercised at the end of the year.	6,200,000	1,400,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	58,533,125	250,252,912
Basic earnings per share	-	-
Diluted earnings per share	-	-

NOTE 16 DIVIDENDS

There were no dividends paid or recommended during the financial year ended 30 June 2017 (2016: nil).

NOTE 17 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors and specified executives

Disclosures relating to Directors and specified executives are set out in Directors' Remuneration Report.

Wholly-owned group

The consolidated group consists of Frontier Resources Ltd and its wholly-owned subsidiaries, Frontier Gold (PNG) Ltd, and Frontier Copper (PNG) Ltd. Ownership interests in these subsidiaries are set out in Note 22.

Other related parties

There were no transactions or balances with other related parties including director related entities during the year.

NOTE 18 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel (KMP) Compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2017.

The totals of remuneration paid to KMP during the year are as follows:

	2017 $	2016 $
Short term employee benefits	331,196	232,229
Post-employment benefits	-	-
Share based payments	150,400	-
	481,596	232,229

NOTE 19 SHARE-BASED PAYMENTS

(a) Frontier Resources Ltd Employee Option Plan

The Directors of the Company may, upon the recommendation of the Managing Director, issue options to subscribe for shares in the Company to employees and consultants of the Company, a company related to the Company ("Related Company") and any joint venture in which the Company or a Related Company participates. The information presented and tabled below relate to options issued in prior financial periods. New options were issued or granted during the year ended 30 June 2017 (2016: $nil).

- Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.
- The options are exercisable at any time prior to 5.00 p.m. eastern standard time, on the first business day five (5) years after the date of issue of the options ("expiry date" or at an earlier date specified at the time the options are granted). Options may only be exercised in multiples of 5,000. Any options not exercised by the expiry date shall lapse.
- The exercise price of each option will be 110% of the average of the market closing price for Company ordinary shares over the 5 business days prior to the day on which options are issued (rounded up to the nearest full cent) or a greater price determined by the Directors. The amount calculated by that average is to be advised to the recipient at the time of issue of the options.
- Exercise of the options is affected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the option holder of the Notice and the exercise price in respect of the options.
- Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.
- Options are not transferable. Application will not be made to ASX for their Official Quotation.
- All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options.
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

NOTE 19 SHARE-BASED PAYMENTS (continued)

- In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying. This would not result in any benefits being conferred on option holders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.
- If an option holder under this Plan ceases to be substantially involved with the Company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days' notice of their intention to do so.

Set out below are summaries of options granted under the plan.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Cancelled or Expired during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2017							
21 Dec 2012	1 Nov 2017	$1.220	900,000	-	-	-	900,000
28 Nov 2014	2 Dec 2017	$0.220	500,000	-	-	-	400,000
03 Nov 2016	20 Feb 2020	$0.034		2,800,000	-	-	2,800,000
10 Feb 2017	30 Dec 2019	$0.03		2,000,000	-	-	2,000,000
			1,400,000	4,800,000	-	-	6,200,000
Weighted average remaining contracted life of options (Years)							2.08 Years
Weighted average exercise price							$0.220
2016							
21 Dec 2012	1 Nov 2017	$1.220	900,000	-	-	-	900,000
28 Nov 2014	2 Dec 2017	$0.220	500,000	-	-	-	500,000
			1,400,000	-	-	-	1,400,000
Weighted average remaining contracted life of options (Years)							1.25 Years
Weighted average exercise price							$0.860

All options at the end of the year were vested and exercisable.

Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(b) Frontier Resources Ltd Directors & Employee Options

The terms and conditions for these options are set out below.

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company. The options are exercisable at any time within the dates specified in the table below, prior to 5.00pm eastern standard time. Options may only be exercised in multiples of 2,500. Any options not exercised by the expiry date shall lapse.

NOTE 19 SHARE-BASED PAYMENTS (continued)

(b) Frontier Resources Ltd Directors & Employee Options (continued)
Exercise of the options is affected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the option holder of the Notice and the exercise price in respect of the options.

Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.

Options are not transferable. Application will not be made to Australian Securities Exchange Limited ("ASX") for their Official Quotation.

All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX Limited of all shares issued upon exercise of the options.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying. This would not result in any benefits being conferred on option holders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

The options can be issued to a Director, employee or nominee.

(c) Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the year as part of director benefits or share based payment expense were as follows:

	2017	**2016**
	$	**$**
Options issued under directors & employee option plan	101,640	-

The fair value of the options issued during the financial year was based on the Black Scholes options pricing model and the following:

Type of Options:	**Employees**
Number of options issued	2,800,000
Exercise price	3c
Share price at date granted	3.4c
Risk free rate	1.50%
Volatility factor	100%
Valuation	0.0158c
Expiry	30/12/2019

NOTE 19 SHARE-BASED PAYMENTS (continued)

(c) Expenses arising from share-based payment transactions (continued)

Type of Options:	**Directors**
Number of options issued	2,000,000
Exercise price	3c
Share price at date granted	3.4c
Risk free rate	1.50%
Volatility factor	100%
Valuation	0.0287c

(d) Frontier Resources Ltd Key Management Personnel Shares

2017	**Number of shares Issued**	**Issue Price**	**$**
Key management personnel			
Exploration & Management Consultants Pty Ltd[1]	3,100,000	$0.03	93,000

[1] Exploration & Management Consultants Pty Ltd ("EMC") is a company jointly controlled by the Directors Peter and Paige McNeil. During the year ended 30 June 2017 shares were issued to EMC in lieu of cash for consultancy services. These shares were valued at $0.03 per share, being the share price on the date of issue.

2016	**Number of shares Issued**	**Issue Price**	**$**
Key management personnel			
Exploration & Management Consultants Pty Ltd[1]	3,470,000	$0.02	69,400

[1] Exploration & Management Consultants Pty Ltd ("EMC") is a company jointly controlled by the Directors Peter and Paige McNeil. During the year ended 30 June 2016 shares were issued to EMC in lieu of cash for consultancy services. These shares were valued at $0.02 per share, being the share price on the date of issue.

NOTE 20 OPERATING SEGMENTS

Identification of reportable segments

The Group 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 Group.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis. Management has identified the operating segments based on the two principal locations of its projects – Australia and Papua New Guinea.

Corporate expenses include administration and regulatory expenses arising from operating an ASX listed entity.

Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements. Cash and cash equivalents are reported in the Treasury segment.

NOTE 20 OPERATING SEGMENTS (continued)

For the Year to 30 June 2017	Papua New Guinea Exploration $	Treasury $	Total $
Segment Revenue	-	216	216
Segment Results	(1,149,474)	216	(1,149,258)
Amounts not included in segment results but reviewed by Board:			
- Corporate charges			(460,133)
- Share-based payment expenses			(101,640)
Loss before Income Tax			(1,711,031)
As at 30 June 2017			
Segment Assets	195,273	68,540	263,813
Segment Liabilities	3,871	421,948	425,819

For the Year to 30 June 2016	Papua New Guinea Exploration $	Treasury $	Total $
Segment Revenue	40,235	245,522	285,757
Segment Results	(520,213)	245,522	(274,691)
Amounts not included in segment results but reviewed by Board:			
- Corporate charges			(366,829)
Loss before Income Tax			(641,520)
As at 30 June 2016			
Segment Assets	265,825	69,269	335,094
Segment Liabilities	-	379,408	379,408

NOTE 21 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of operating loss after income tax to the net cash flow from operations:

Operating loss after income tax	(1,711,031)	(641,520)
Adjustment for non-cash items:		
- Depreciation expense	148,339	234,894
- Share-based payments	44,240	-
- Impairment of property, plant & equipment	112,551	-
- Other non-cash expenses	628,849	-
Change in operating assets and liabilities:		
- Trade and other payables and provisions	(116,661)	109,900
- Trade and other receivables	6,407	(7,518)
Net cash outflow from operating activities	(887,306)	(304,244)

There were no non-cash financing and investing activities during the year (2016: nil).

NOTE 22 SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2017 %	Equity Holding 2016 %
Frontier Gold (PNG) Ltd	Papua New Guinea	Ordinary	100	100
Frontier Copper (PNG) Ltd	Papua New Guinea	Ordinary	100	100

NOTE 23 PARENT ENTITY DISCLOSURES

(a) Financial Position of Frontier Resources Limited

	2017 $	2016 $
CURRENT ASSETS		
Cash and cash equivalents	38,160	21,437
Trade and other receivables	30,380	35,380
TOTAL CURRENT ASSETS	68,540	56,817
NON-CURRENT ASSETS		
Trade and other receivables	-	2,680
Other financial assets	10,622	1,011,624
Plant and equipment	-	-
TOTAL NON-CURRENT ASSETS	10,622	1,014,304
TOTAL ASSETS	79,162	1,071,121
CURRENT LIABILITIES		
Trade and other payables	392,340	380,064
Borrowings	29,608	-
TOTAL CURRENT LIABILITIES	421,948	380,064
TOTAL LIABILITIES	421,948	380,064
NET ASSETS	(342,786)	691,057
EQUITY		
Contributed equity	32,733,828	31,197,240
Reserves	4,119,525	4,017,885
Accumulated losses	(37,196,139)	(34,524,068)
TOTAL EQUITY	(342,786)	691,057

(b) Financial Performance of Frontier Resources Limited

	2017 $	2016 $
Loss for the year	(2,672,071)	(121,308)
Total comprehensive loss	(2,672,071)	(121,308)

(c) Guarantees entered into by Frontier Resources Limited to the debts of its subsidiaries

There are no guarantees entered into by Frontier Resources Limited for the debts of its subsidiaries as at 30 June 2017 (2016: none).

(d) Contingent liabilities of Frontier Resources Limited

There are no contingent liabilities as at 30 June 2017 (2016: none).

(e) Commitments Frontier Resources Limited

There are no commitments as at 30 June 2017 (2016: none).

NOTE 24 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditors of the group, their related practices and non-related audit firms.

	2017 $	2016 $
Assurance services		
Audit Services		
Moore Stephens	25,547	26,990
Total remuneration for audit services	25,547	26,990
Non-Assurance services		
Taxation and Accounting Services		
Moore Stephens	7,253	
Sinton Spence Chartered Accountants (PNG)	900	-
Total remuneration for taxation services	8,153	-

NOTE 25 EVENTS OCCURRING AFTER THE BALANCE DATE

Subsequent to the reporting period the Company conducted an additional Share Purchase Plan to raise up to $410,044 at $0.017 per share (**SPP2**). The SPP2 closed on 14 September 2017 with applications for 23,875,882 shares raising a total of $405,890.

Other than the above no matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(i) the Group's operations in future financial years; or
(ii) the results of those operations in future financial years; or
(iii) the Group's state of affairs in future financial years.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance of the year ended on that date of the consolidated group.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. In the directors' opinion, the financial statements and notes are prepared in compliance with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

4. The remuneration disclosures included in pages 9 to 15 within the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001*.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

P.A. McNeil
Chairman

29 September 2017

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Frontier Resources Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to note 1 "Going Concern Basis of Preparation" of the financial statements which states that the financial statements have been prepared on a going concern basis. The consolidated entity is in a net deficit position of $162,006 as at 30 June 2017 and continues to incur operating losses and negative net operating cashflows. Whilst the Company has successfully raised equity during the 30 June 2017 financial year and post year-end, 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 uncertainty of the Company achieving these outcomes and consequently there is 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.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Group's Ability to Continue as a Going Concern</th></tr>
<tr><th colspan="2">Refer to Note 1 "Going concern basis of preparation"</th></tr>
<tr><td>During the year ended 30 June 2017, the Group incurred a net loss after tax of $1,711,031, and net cash outflow from operating activities of $887,306. As at 30 June 2017 the Group had net current liabilities of $167,244, and a cash balance of $41,714. As per management, the ability of the Company to continue as a going concern is dependent on it being able to successfully raise capital funding.

Provided the Company can successfully raise additional funding within the next year and recognizing that the Australian equity market may not be well supported currently, 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.

In the event that the company is unable to raise capital as and when required, the Group may be unable to continue as a going concern.

This key audit matter is referred to in our Emphasis of Matter paragraph above.</td><td>Our procedures included, amongst others:
Review and testing of cash flow forecasts for the 15 months ended 30 September 2018, including assessment of the key financial and operational assumptions, understanding forecast expenditure and commitments, and assessing the liquidity of existing assets on the balance sheet.
Discussion with management regarding the Group's reliance on future funding and the various avenues on obtaining this funding
Reviewing supporting evidence concerning the completion of the recent Share Purchase Plan which raised $405,890 as announced on 20 September 2017.
Based on the work done, we agree with the Directors' assessment that the going concern basis of preparation is appropriate. However, based on the matters described in Note 1, we also concur that there is a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.

The disclosures contained in the financial statements appropriately identify this risk.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Frontier Resources Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

SUAN LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 29th day of September 2017

TENEMENT SCHEDULE

Tenement Name	Tenement Name	Status	Ownership
Bulago	EL 1595	Granted Exploration Licence	100%
Muller Range	EL 2356	Granted Exploration Licence	100%
Andewa	EL 2461	Granted Exploration Licence	Nil. Subject to transfer from WNB Resources Ltd (100%)
Ala	EL 2375	Granted Exploration Licence	Nil. Acquisition subject to shareholder approval and 3% royalty to P.McNeil

Information required by Australian Securities Exchange Limited and not shown elsewhere in this report is as follows:-

STATEMENT OF QUOTED SECURITIES AS AT 13 SEPTEMBER 2017

a) Distribution of Shareholders

Size of Holding	**Number of Shareholders**
1 – 1,000	235
1,001 – 5,000	111
5,001 – 10,000	66
10,001 – 100,000	346
100,001 and over	114
Total	**872**

b) Number of holders of less than marketable parcels: 560

d) There is 1 substantial shareholder listed in the Company's register as at 13 September 2017 being:

EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD: 14,861,760 Ordinary shares (18.42%)

e) Twenty largest shareholders as at 13 September 2017:

Rank	Name	Units	% of Units
1.	EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD	4,825,667	6.00
2.	EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD <MALALO SUPER FUND A/C>	4,768,535	5.93
3.	EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD <MALALO A/C>	4,075,304	5.07
4.	NIUGINI HELICOPTERS\C	4,000,000	4.98
5.	MR TERRY CAMPION	2,800,000	3.48
6.	MR CRAIG DYMKE	2,666,667	3.32
7.	FRONTIER RESOURCES LIMITED <UMP SALE FACILITY A/C>	2,404,808	2.99
8.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,635,938	2.03
9.	MR JOSE MARTIM RODRIGUES PIMENTA	1,300,000	1.62

10.	CITICORP NOMINEES PTY LIMITED	1,274,415	1.59
11.	PNG SUSTAINABLE DEVELOPMENT PROGRAM LIMITED	1,196,427	1.49
12.	MR IAN HUGHES TULLY	1,186,814	1.48
13.	MR GARTH STEPHENSON	1,185,300	1.47
14.	MR ROBERT CAMERON GALBRAITH	1,132,763	1.41
15.	TROMSO PTY LIMITED	1,113,368	1.38
16.	DOG TRAP INVESTMENTS PTY LTD	1,069,050	1.33
17.	MR CHRISTOPHER LINDSAY BOLLAM	1,038,206	1.29
18.	MR JEREMY FERGUSON	1,007,922	1.25
19.	SHAREHOLDERS MUTUAL ALLIANCE PTY LTD <SHMA A/C>	1,000,000	1.24
20.	MR JOHN KIRAKAR	888,889	1.11
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**40,570,073**	**50.46%**
Total Remaining Holders Balance		**39,830,843**	**49.54%**
Total Shares On issue		**80,400,916**	**100.00%**

f) Voting Rights
Registered holders of ordinary shares in the capital of the Company may attend and vote at general meetings of the Company in person or by proxy and may exercise one vote for each share held. Every person present at a general meeting as an ordinary shareholder shall have one vote on a show of hands.

g) The name of the Company Secretary is Matthew Foy

h) The address of the registered office is: Unit 5, Ground Floor, 1 Centro Avenue Subiaco WA 6008.

i) Registers of securities are held at Computershare Investor Services Pty Ltd, Level 11, 172 St Georges Tce, Perth WA 6000.

j) Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange Ltd.

k) There are nil securities currently subject to escrow.

l) **Unquoted Options over Unissued Shares**

- 900,000 Director Options exercisable at $1.22 on or before 11 November 2017
- 500,000 Options exercisable at $0.22 on or before 2 December 2017
- 2,800,000 Options exercisable at $0.03 expiring 30 December 2019
- 2,000,000 Options exercisable at $0.034 expiring 10/02/2020

m) **Unquoted Equity Securities Holders with Greater than 20% of an Individual Class**
As at 13 September 2017 the following classes of unquoted securities had holders with greater than 20% of the class on issue.

Options exercisable at $1.22 on or before 11 November 2017

Percentage Held	Name	Number of Securities held
55.56%	Exploration & Management Consultant Pty Ltd <Malalo Superannuation Fund>	500,000

Options exercisable at $0.22 on or before 2 December 2017

Percentage Held	Name	Number of Securities held
100%	Exploration & Management Consultant Pty Ltd <Malalo A/C>	500,000

Options exercisable at $0.034 on or before 10 February 2020

Percentage Held	Name	Number of Securities held
75.00%	Exploration & Management Consultant Pty Ltd <Malalo A/C> (and associated entities)	1,500,000

Options exercisable at $0.03 on or before 30 December 2019

Percentage Held	Name	Number of Securities held
67.85%	Max Aldan	1,900,000