ANNUAL REPORT 2010

FRONTIER RESOURCES LTD

ASX: FNT, FNTO www.frontierresources.com.au

FRONTIER RESOURCES LTD

ABN 96 095 684 389

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CORPORATE DIRECTORY

Managing Director & Chairman Peter A. McNeil **Non-Executive Director** Graham J. Fish **Non-Executive Director** Warren J. Staude **Non-Executive Director** Hugh David Swain **Company Secretaries** Jay Stephenson Paige McNeil	**Principal Office** 120 Tranquil Place Stoneville WA 6081 Australia Telephone: (08) 9295 0388 Facsimile: (08) 9295 3480 **Registered Office** Unit 6, 34 York Street North Perth WA 6006 Australia **Postal Address**: PO Box 35 North Perth WA 6906 Australia Telephone: (08) 6468 0388 Facsimile: (08) 9228 0704 Email: info@frontierresources.com.au Website: www.frontierresources.com.au	**Share Registry** Registries Limited Level 2 28 Margaret Street Sydney NSW 2000 **Auditors** BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008

LETTER FROM THE MANAGING DIRECTOR

Dear Fellow Shareholder

Frontier has had a very exciting year with multiple high-grade gold trench /outcrop assays results at the Bulago and Leonard Schultz Exploration Licenses (ELs) in Papua New Guinea. The combination of highly prospective tenements and Frontier's exploration success culminated in an excellent strategic alliance with World Class copper producer Ok Tedi Mining Ltd (OTML) in PNG.

The farm-in - joint ventures stipulate a total earn-in of US$60 million over 6 years, consisting of US$12 million for each of the 5 projects. Frontier is then deferred carried to completion of a Bankable Feasibility Study on each tenement. The Company will retain a 42% interest in the Bulago and Leonard Schultz ELs to the completion of a Bankable Feasibility Studies and a 19.9% interest in the Likuruanga EL and the Central and East New Britain EL Applications. OTML's minimum exploration commitment before withdrawal is US$0.5 million/project, totalling US$2.5 million if the applications are granted. The JVs cover a total area of 2,763 km^2. Frontier has retained the Andewa EL and the Sudest ELA.

OTML also subscribed US$1 million (A$1.14 million) for Frontier shares at a premium to the market of 7.5 cents and will reimburse exploration costs of approximately US$235,000. OTML is a major producer of copper concentrate from the Ok Tedi mine (that started operations in 1984) and has become the single largest business contributor to the economy of PNG. In 2009, OTML's export earnings were K4 billion, representing 33% of PNG's total export earnings. The contributions of the mine to PNG are not simply economic, with employment, education and health services all facilitated by the mine.

OTML have commenced field operations at all the ELs and have completed a large aeromagnetics and radiometrics program at Likuranga and will commence one at Leonard Schultz and Bulago in the near term. Field checking of anomalies is now underway at Bulago and Likuranga.

Frontier's exploration program at Bulago demonstrated 10 zones of high-grade gold in outcrop channel samples at the Suguma and Funutu Prospects from continuous chip outcrop channel samples. Trench intercepts included 27m of 66.8 g/t gold, 4m of 135.6 g/t gold, 9m of 64.0 g/t gold, 16m of 36.5 g/t gold, 18m of 40.3 g/t gold, 7.5m of 67.0 g/t gold and 9m of 24.0 g/t gold.

Major exploration programs were also completed at the Kru and nearby Wasi Prospects in the Leonard Schultz EL, with excellent gold outcrop trench channel sample assay results including 16m of 18.60 g/t gold contained within 76m of 5.35 g/t gold. Additional significant assay results included 22m of 2.71 g/t and 36m of 1.15 g/t (within 384.3m of 0.67 g/t gold) in outcrop trench.

Grid based soil sampling was conducted at Wasi over a 4 x 1.5 km grid, along with rock outcrop / float sampling and geological mapping. Major gold, copper and molybdenum in soil anomalies were demonstrated, with the gold in soil anomaly 525m wide and greater than 900m long. The anomaly is open along strike to the south and merges into a major copper anomaly in the north and west. The gold anomaly grades 0.23 g/t over its widest part, with a peak grade of 0.87 g/t. Several additional smaller soil anomalies were documented grading up to 3.2 g/t gold.

The main copper anomaly discovered at Wasi is presently 1,800m long and 600 to 900m wide. It is located in the south of the grid, has coincident molybdenum anomalism and is partly coincident with the above noted gold anomaly. Peak copper in soil is 1080 ppm (0.108%) and peak molybdenum is 32 ppm. A second copper in soil anomaly occurs in the far north of the grid along with significant gold and molybdenum. The anomaly is 600m wide along line and is unconstrained to the north and south. Peak copper in soil is 1160 ppm, molybdenum is 214 ppm and gold is 3.2 g/t.

The Andewa EL has excellent mineralisation potential and Frontier has nearly completed a very large (~20 km^2), grid-based geophysical, geochemical and geological exploration program. The surveys will produce new and systematically defined, high quality trenching and drilling targets in multiple prospect areas. The goal is to demonstrate a major gold mineralised system to trench and drill or seek a substantial joint venture.

The 3D Induced Polarisation (3D-IP) survey will almost certainly define chargeability and resistivity anomalies. These anomalies can be directly or indirectly associated with gold and base metal mineralisation. A ground magnetic survey covering the entire grid will commence on September 20th to further assist in further defining geological and structural characteristics.

LETTER FROM THE MANAGING DIRECTOR

Previous Frontier gold in trench assay results at Andewa - Komsen Prospect included 5.0m of 18.5 g/t, 3.7m of 12.6 g/t, 3m of 14.26g/t and 21.6m of 4.41 g/t gold and drill results include 7.9m of 10.0 g/t gold, 10.8m of 7.0 g/t gold and 3m of 11.0 g/t gold. The Company's drilling has shown the Komsen structure is consistently gold mineralised and it remains open in all directions (to >320m depth).

The exact same 3D-IP surveys have demonstrated chargeability /resistivity anomalies extremely well to the east of Andewa on New Britain for 'competitor' companies, with their subsequent drilling defining significant moderate to higher grades and widths of potentially economic polymetallic base and precious metal mineralisation. The surveys for Frontier will produce new and systematically defined, high quality trenching and drilling targets in multiple prospect areas, based on geophysical and geochemical anomalies.

The SMRV project in SW Tasmania was recently renewed and future exploration is being planned. Previous Frontier drill results included 3.9m of 12.1% Zn + 7.3% Pb + 124 g/t Ag + 0.60 g/t Au and 5.7m of 7.5 % Zn + 4.0 % Pb + 77 g/t Ag + 0.35 g/t Au. A historic trench included 3m of 21.9% Zn + 13.9% Pb + 680g/t Ag + 0.84g/t Au, attesting to the area's excellent base and precious metal prospectivity.

Unfortunately the Stormont Retention License expired recently, but it will be re-applied for under the Tasmanian ERA tender system later in 2010 and I believe the Company has a good chance of regaining the area.

The Cethana EL in central-northern Tasmania (109 km^2), was won by competitive tender. It surrounds the 100% owned Narrawa Deposit and enhances Frontier's capability to evaluate the region for gold, base metal and tungsten resources. Re-assaying of drill core at Narrawa with megascopic wolframite returned high grade tungsten (1m of 1.98% $W0_3$), within a broad low grade geochemical halo (16m of 0.18% WO_3, from 29.6m downhole). This hole is located about 800m from the main cluster of historic tungsten workings (consisting of multiple shallow shafts, 2 adits and a small open pit). The long known strike length (>800m) demonstrates the excellent tungsten mineralisation potential that remains effectively untested.

Frontier's ongoing strategy consists of exploring and further advancing the Andewa, Narrawa / Cethana and SMRV projects through cost effective and value adding exploration.

- A highly experienced Exploration Manager has been appointed to progress the Tasmanian tenements.
- Drilling is planned to commence at the SMRV in late November targeting extensions to the polymetallic mineralisation already defined by Frontier and the Sassy Creek gold prospect, which has a historic drill result of 3m of 17.5 g/t gold that will be further evaluated.
- Trenching and drilling will be undertaken on the precious + base metal and tungsten targets at Narrawa /Cethana in 2011.

Please see the 'The Managing Director's Review of Operations' for detailed project descriptions and discussion of results returned during the year. I invite shareholders to call me on +61 (0) 8 9295 0388 for additional information relating to the Company and its projects and visit our website at www.frontierresources.com.au.

Thank you for your continued support and I wish you a successful and enjoyable 2010/2011.

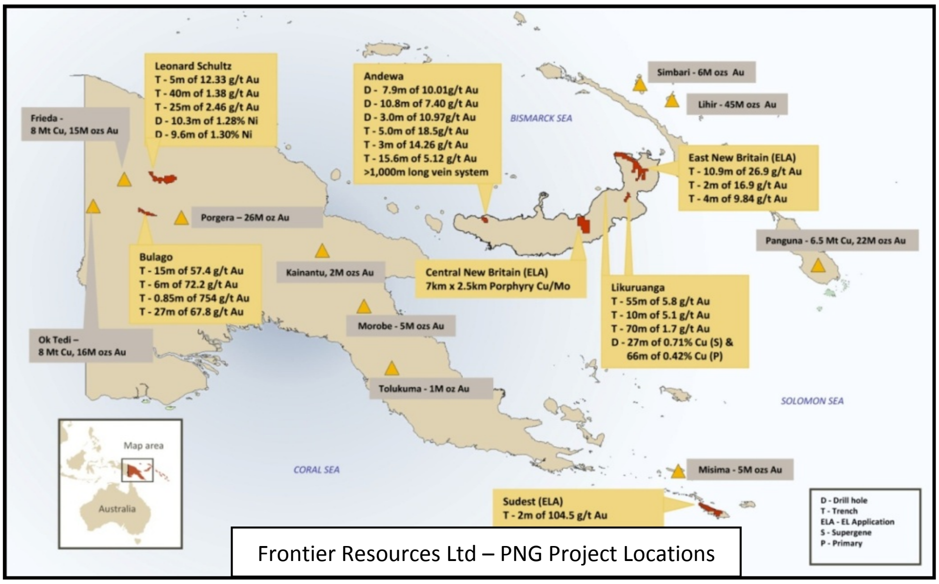
Sincerely,

P.A. McNeil, M.Sc.
CHAIRMAN / MANAGING DIRECTOR

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

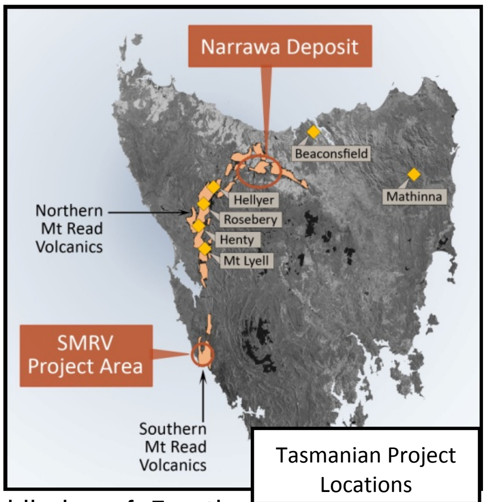
Frontier Resources Ltd is focused on exploring and developing mineral deposits in the highly mineralised Pacific 'Rim of Fire' in Papua New Guinea (PNG) and the highly prospective Mt Read Volcanics and Dolcoath Granite regions of Tasmania. The carefully selected portfolio offers excellent mineral deposit potential, with primary targets being World Class gold/silver epithermal, copper-gold-molybdenum porphyry, gold – base metal skarn, intrusive related gold and polymetallic VMS (zinc-lead-silver-gold) deposits.

The Company has a 100% interest in 4 Exploration Licences (ELs) in PNG covering approximately 1,140 km² and 3 EL Applications covering approximately 2,212 km². Frontier also has a 100% interest in 1 Retention Licence covering 3km^2 and a 100% or 90% interest in 2 ELs covering 120 km^2 in Tasmania. The projects all have high-grade or potentially economic exploration results in rock - trenches - drill hole and are in the same or similar geological terranes as existing World Class and/or major mines.



Frontier Resources Ltd – PNG Project Locations

Frontier had a very exciting year with multiple high-grade gold trench exploration assays at the Bulago and Leonard Schultz Exploration Licenses (Els) in PNG, which demonstrated the ELs' excellent prospectivity and reinforced the Company's ongoing strategies. The combination of highly prospective tenements and Frontier's exploration success culminated in an excellent strategic alliance with World Class copper producer (OTML) in PNG.



Tasmanian Project Locations

STRATEGIC ALLIANCE WITH OK TEDI MINING LTD

Frontier and Ok Tedi Mining Limited entered into binding term sheets pursuant to which OTML has agreed to establish exploration joint venture arrangements with wholly-owned subsidiaries of Frontier on 2 Exploration Licenses (ELs) in the Highlands of Papua New Guinea (PNG) and an EL and 2 Exploration Licence Applications (ELAs), if and when granted, on New Britain Island.

OTML is the largest copper/gold mining company in PNG and is a significant and successful copper and gold producer on a world scale. It is presently owned by the PNG Sustainable Development Program Limited (52%) and the Independent State of Papua New Guinea (30%) and Inmet Mining Corporation (18%). OTML has entered into these arrangements on behalf of its holding company, PNG Sustainable Development Program Limited. It is the intention that PNGSDPL will transfer its beneficial ownership in these arrangements to OTML once the publicly announced share exchange with Inmet Mining Corporation has been completed, giving OTML a full legal and beneficial interest in the arrangements.

The first joint venture arrangement relates to the Bulago (EL 1595) and Leonard Schultz (EL 1597) tenements held by Frontier Gold PNG Limited. The second joint venture arrangement relates to the Likuranga, West New Britain (EL 1351) tenement and two ELAs [Central New Britain (ELA 1598) and East New Britain (ELA 1592)], all located on New Britain Island and held by Frontier Copper PNG Limited.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

The terms of farm-in and joint venture arrangement for the Bulago & Leonard Schultz ELs are as follows: Frontier's PNG Highlands ELs cover a total area of approximately 894 km^2 and have excellent geological prospectivity for various types of mineral deposits, including World Class porphyry copper-gold+/-molybdenum, high-tonnage moderate-grade gold and moderate-tonnage very high-grade gold deposits, plus base and precious metal skarns.

OTML has the right to earn 58% participating interest in each of EL 1595 – Bulago and EL 1597 – Leonard Schultz, by spending US$12 million in exploration on each licence within 6 years. If the right is exercised on both ELs, the total spend by OTML will be US $24 million over 6 years. OTML will conduct a preliminary exploration program on each licence in the first year before deciding if it wishes to exercise its right to earn the 58% participating interest.

Upon OTML completing the earn-in requirement, Frontier Gold can elect to defer payment of its 42% share of ongoing project expenditure costs incurred up to the date of a Bankable Feasibility Study to be reimbursed from 50% of its share of future mine revenue.

Either party may elect not to contribute to project expenditure and dilute their participating interest.

OTML will have an automatic and immediately exercisable option to purchase an additional 14% participating interest in the relevant tenement upon completion of a Bankable Feasibility Study. The price for the exercise of this option is the relevant percentage of net present value of the Project (as determined by the relevant Bankable Feasibility Study).

OTML subscribed for 7.62 million fully paid ordinary shares in Frontier at a subscription price of A$571,232.70, representing just over 4% of the Company's issued share capital. The placement price is A$0.075 per share and OTML must not transfer those shares until it completes its earning requirement. However, it may sell the shares if it withdraws from the joint venture arrangement and, in that event, Frontier will have an option to buy-back the shares at the current market price.

OTML will reimburse Frontier Gold costs for the 2010 Leonard Schultz exploration program, estimated at US $200,000. In addition, OTML will reimburse Frontier Gold US$ 35,000 for the assay /sample preparation costs for the 2009 Bulago exploration program. These amounts will be deemed exploration expenditure for the purpose of the earning requirement.

OTML has committed to a minimum expenditure of US $1 million (total) within the first year and prior to any possible withdrawal from the joint venture arrangement. OTML has also committed to drilling the greater of 5 holes or 500m within year 2 at Bulago.

OTML will not retain any interest in the ELs if it withdraws prior to completing earning requirements.

If the Independent State of PNG exercises its right to participate in a development project on one or both of the ELs, and if OTML has not already exercised its option to acquire a further 14% participating interest, OTML has an option to acquire up to a further 9.5% participating interest to ensure it holds a participating interest of 50.1%. The price for the exercise of this option is the relevant percentage of net present value of the Project (as determined by the relevant Bankable Feasibility Study).

The terms of the farm-in and joint venture arrangement in respect of the New Britain Island EL/ELAs are: Frontier's EL and 2 ELAs cover a total area of 1,870 km^2 on the island of New Britain Island, with EL 1351 - Likuruanga covering 127 km^2. The areas have excellent geological prospectivity for various types of mineral deposits, including World Class porphyry copper+/-gold+/-molybdenum, moderate to high-tonnage and moderate to high-grade epithermal gold deposits & moderate to higher grade base/precious metal skarns.

OTML has the right to earn an 80.1% participating interest in each of EL 1351– Likuruanga, ELA 1598 – Central New Britain and ELA 1592 – East New Britain, by spending US$12 million in exploration on each granted licence within 6 years. If the right is exercised on all licences, the total spend by OTML will be US $36 million over six years. OTML will conduct a preliminary exploration program on each EL in the first year before deciding if it wishes to exercise its right to earn the 80.1% participating interest.

Upon OTML completing the earn-in requirement, Frontier Copper can elect to defer payment of its 19.9% share of ongoing project expenditure costs incurred up to the date of a Bankable Feasibility Study to be repaid from 50% of its share of future mine revenue.

OTML subscribed for a further 7.62 million fully paid ordinary shares in Frontier, at a subscription price of A$571,232.70, being A$0.075 per share and representing just over 4% of the Company's issued share capital. OTML must not transfer those shares until it completes its earning requirement. However, it may sell the shares if it withdraws from the joint venture arrangement and, in that event, Frontier will have an option to buy-back the shares at the current market price.

OTML has committed to a minimum expenditure of US$1.5 million (total) on the initial phase of exploration and prior to any possible withdrawal from the joint venture arrangement. This commitment includes US$0.5 million within the first 12 months and the remainder within 12 months of the granting of EL 1598 and EL 1592.

If the Independent State of PNG exercises its right to participate in a development project on one or more of the licences, OTML's participating interest will be diluted and Frontier will retain a 19.9% participating interest. OTML will not retain any interest in the ELs if it withdraws prior to completing earning requirements. The joint venture arrangement in respect of ELA 1598 – Central New Britain and ELA 1592 – East New Britain is conditional on ELs being granted in respect of each of those tenements.

About OTML
Ok Tedi Mining Limited is a major producer of copper concentrate for the world smelting market. It currently has a single operation, the Ok Tedi mine, situated in the remote Star Mountains of PNG's Western Province, where it extracts and exports copper, gold and silver concentrate to customers throughout Europe and the Asia-Pacific region.

OTML's headquarters are in the town of Tabubil in the Western Province of PNG with the mine site located on Mount Fubilan, 18 kilometres from the PNG/Indonesian border. OTML also operates milling facilities at the mine site and shipping facilities at the port of Kiunga on the Fly River.

The Ok Tedi mine started operations in 1984, and has become the single largest business contributor to the economies of both the Western Province and PNG. In 2009, OTML's export earnings were K4 billion, which represents approximately 33 per cent of PNG's total export earnings. OTML profit in 2009 was K1.6 billion. However, the contributions of the mine to the Western Province are not simply economic, with employment in spin off business on-going, provision of education and training facilities and programs, establishment and on-going maintenance of infrastructure such as roads, airstrips, water and communications systems and health services, all facilitated by the mine.

OTML's shareholders are PNG Sustainable Development Program Limited (PNGSDPL) (52 per cent), Inmet Mining Corporation (Inmet) (18 per cent) and the Independent State of PNG (30 per cent). In 2002, PNGSDPL accepted a transfer of BHP Billiton Limited's 52 per cent shareholding in OTML. The OTML dividends paid to PNGSDPL are used to generate sustainable development projects for the benefit of the people of the Western Province and Papua New Guinea.

OTML directly employs 2,000 people. 95 per cent of employees are PNG nationals and 36 per cent are from the Western Province. In addition, businesses that work under contract to OTML are substantial employers in the region.

OTML has strong mining operations and technical capability as well as strong, community and government relations and environmental management skills developed over 30 years of operations in PNG. Using the strong skills base of its highly regarded workforce the company is looking to expand into other mines. Expansion of the exploration program into the regions outside of the immediate mine area through joint venture with junior exploration companies is a key strategy to provide opportunities for development of new mining operations. OTML aims to engage in exploration programs that are well resourced, efficient and safe. It aims to complete exploration programs in a timely manner so that mine development opportunities are presented as quickly as practical.

BULAGO EXPLORATION LICENSE - PAPUA NEW GUINEA

Approximately 164 trench channel samples, 349 rocks and 1,600 soils were collected during the three month exploration program conducted at EL 1595 in late 2009. Soil samples were grid based and trenches were cut as and where possible (ie they may not represent true widths of mineralisation).

Ten zones of high grade gold were demonstrated in outcrop channel samples at the Suguma Prospect.

Two discrete high-grade gold horizons were located in outcrop within the Central Creek Zone. The 'Upper Zone' of high-grade gold mineralisation has its 'width' open to the north, with the final 3m channel sample grading 161 g/t gold + 47 g/t silver. Its strike extent appears to be >160m to the east (past East Creek).

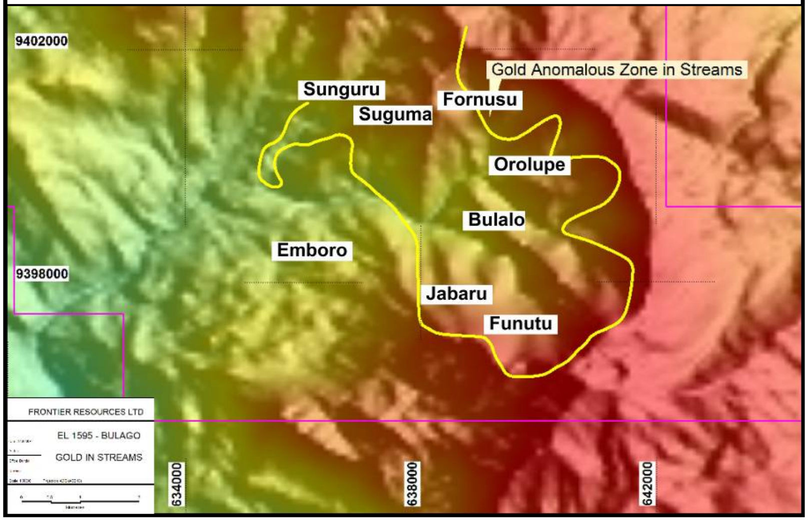
Continuous chip outcrop channel sample assays from the Upper Central Creek Zone included 12m grading 138 g/t gold + 49 g/t silver, within an interval of 27m grading 66.8 g/t gold + 25 g/t silver. The grade of a composite channel sample from the 'Lower Zone' is 18m grading 40.3 g/t gold.

These horizons were both sampled basically north–south (up the creek) and are separated horizontally by 50m. The outcrop continuous chip samples were collected where possible by their exposure and orientation and do not necessarily represent true widths of mineralisation.

Peak assay grades from the Suguma rock sampling included 3m grading 303 g/t gold (+ 125 g/t silver + 8.89% zinc), 323.0 g/t silver (float), 10.9% zinc (grab), 2m of 3.18 % lead and 2m of 1.01% copper.

High-grade silver mineralisation was noted at the Bulalo (Au- K1) Prospect in a 1.5m wide quartz sulphide vein outcrop, where two grab samples over the interval assayed 7.04 g/t gold + 3,150 g/t silver + 2.61% copper + 3.44% zinc and 4.14 g/t gold + 1,960 g/t silver + 1.73% copper + 2.89% zinc, respectively.

Bulago EL prospect locations and gold in streams



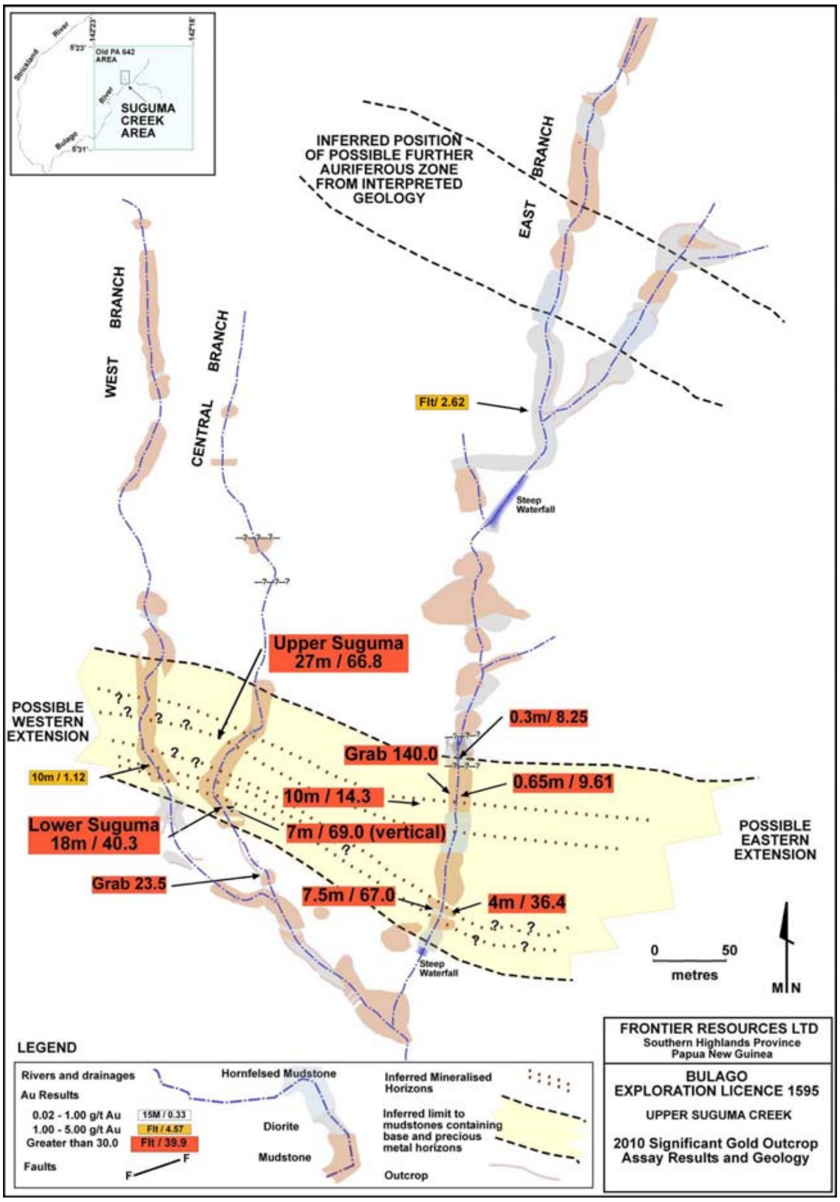
Suguma Prospect Rock Chip Channel, Grab and Float Assay Results

Sample Length	Gold (g/t)	Silver (g/t)	Zinc (%)	Lead (%)	Copper (%)
27.0m	67.8	25	0.25	0.16	0.05
incl. 12.0m	138.0	49	0.22	0.19	0.11
18.0m	40.3	32	1.13	0.14	0.06
incl. 12.0m	79.1	31	1.05	0.18	0.06
7.5m	67.0	42	2.27	1.52	0.28
incl. 4.5m	92.7	52	2.90	1.93	0.37
9.0m	24.0	45	1.30	0.23	0.08
incl. 3.0m	69.0	97	1.46	0.61	0.10
4.0m	135.6	105	3.49	2.68	0.63
4.0m	36.4	35	0.94	0.93	0.26
6.0m	21.1	20	1.25	0.53	0.12
10.0m	14.3	25	1.36	0.54	0.15
incl. 2.0m	48.3	61	2.35	1.97	0.51
0.65m	9.61	15	1.26	0.54	0.09
0.3m	8.25	<5	1.12	0.13	0.01
Outcrop Grab	140.0	101	2.97	2.77	0.45
Outcrop Grab	23.5	11	0.08	0.12	0.04
Outcrop Grab	10.1	151	10.90	0.12	0.14
Rock Float	16.7	323	0.78	0.45	0.15

Bulago EL – Suguma Prospect **Upper Horizon** Sampled Area

At the Funutu Prospect, intrusive outcrop grab rock samples assayed 8.33 g/t gold + 44 g/t silver and 3.30 g/t gold + 25 g/t silver. Semi massive sulphide outcrop rock samples assayed to 0.3m of 2.85 g/t gold + 230 g/t silver + 1.0% copper + 8.29 % zinc + 6.64 % lead. Skarn float assayed to 16.9% zinc + 20 g/t silver and skarn outcrop assayed to 5m of 0.18% copper + 0.1 g/t gold in several samples.

There were several additional rock samples with interesting gold and/or silver and/or copper and/or zinc assays, including gold to 4.27 g/t + 0.13% copper.



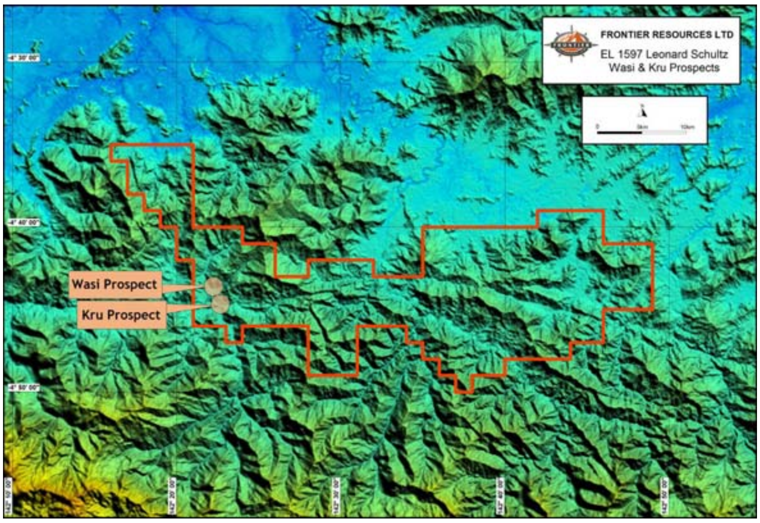
LEONARD SCHULTZ EXPLORATION LICENSE - PAPUA NEW GUINEA

A major exploration program was conducted between mid January and March 2010 at EL 1597, concentrating on the Kru and Wasi Prospects.

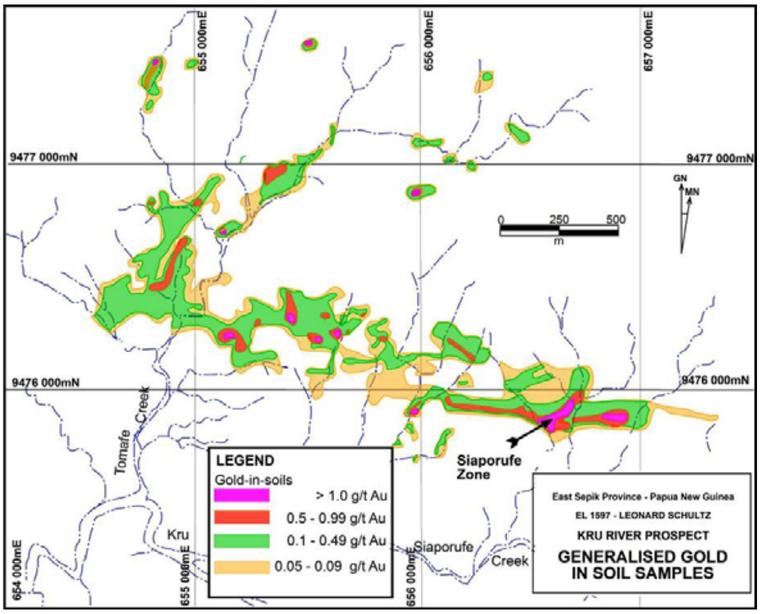
Gold mineralisation at the Kru Prospect (which has never been drilled) consists of mesothermal base metal sulphide-gold veins over an area of approximately 2,500m by greater than 100m, that is located peripheral to the Wasi porphyry copper occurrence. The Siaporufe Zone and the large size of the system can be seen through the generalised gold in soil sample plan.

Frontier re-located, joined together, deepened, extended and channel chip sampled the historically excavated hand trenches in the Siaporufe Zone. Higher grade gold and longer lower grade gold intercepts were returned from hand trenching at Siaporufe (Kru) and major gold, copper and molybdenum in soil anomalies were demonstrated at Wasi.

The first 384m long trench noted wraps around the SE terminating end of a ridgeline, as shown in the hand trench gold assay results plan. The gold assay results demonstrate excellent overall continuity to the gold mineralisation over an area of greater than 200m x greater than 125m. The mineralisation is open in all directions, but notably to the NW. Additional trenching was completed in this region along strike and vertically' up dip' or higher on the ridgeline and resulted in additional anomalies.



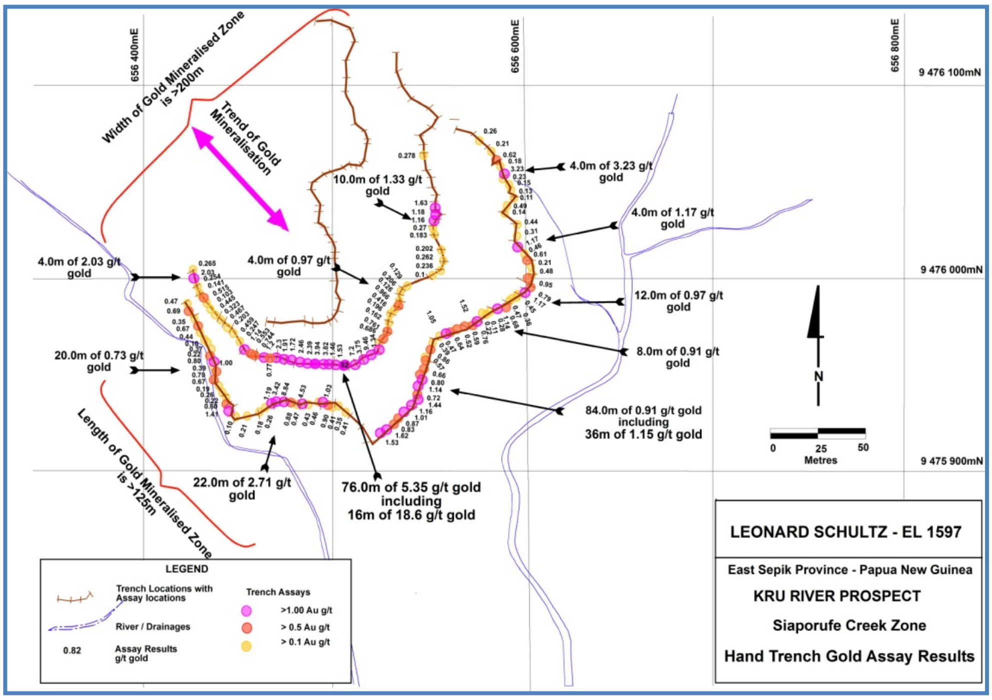
Peak assay grades from the Kru trench sampling included 4m of 52 g/t gold and 5.6m of 9.46 g/t gold. The weighted average of the higher grade mineralisation analysed is 76m of 5.35 g/t gold, including 16m of 18.60 g/t gold, plus 10m of 1.33 g/t gold, 4m of 2.03 g/t gold and 16m of 0.97 g/t gold.



The vertical interval (RL) between gold mineralisation noted in different parts of this trench and system is estimated to be approximately 80m vertically. This highlights the substantial minimum vertical component to the gold mineralisation that is already known. The 22m zone of higher grade gold mineralisation appears to represent an approximate true width, as the trench trends E-ENE and the mineralisation appears to trend NW-SE.

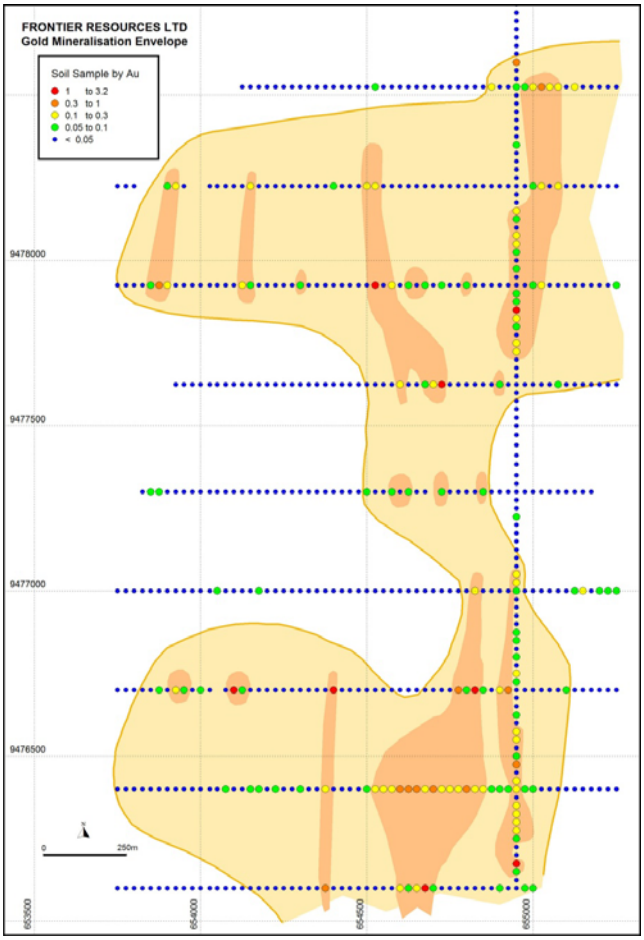
In addition to the high grade gold trenching results, major gold, copper & molybdenum in soil anomalies were demonstrated at the Wasi Prospect.

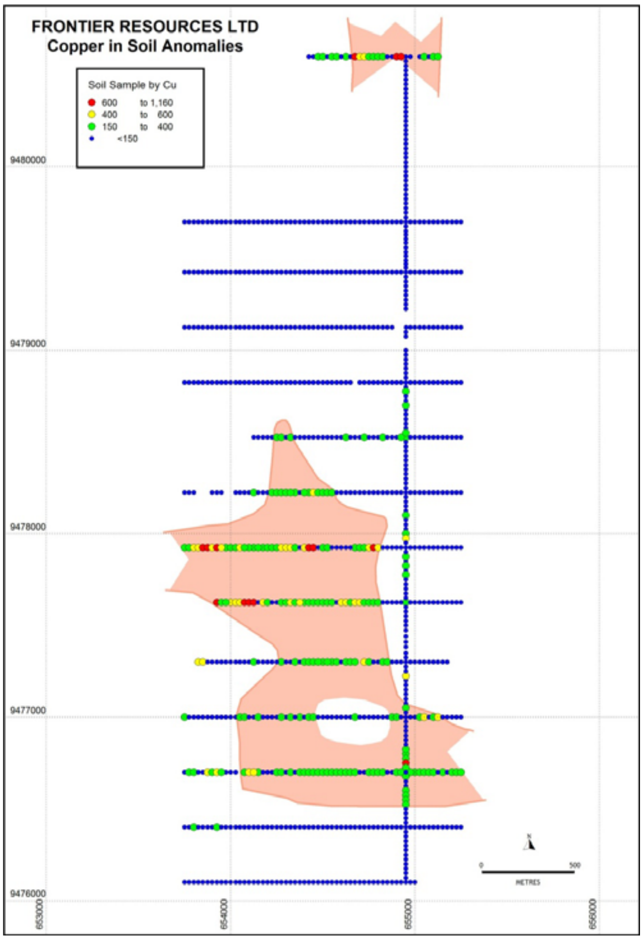
The Wasi soil grid was cut on a north south orientation to elucidate information relating to the location of the Wasi porphyry copper occurrence (no information is available on this prospect in the Geological Survey Library). It is located to the west of the Kru Prospect.



Copper occurs in two distinct zones. The southern anomaly is approximately 1,800m long and 600 to 900m wide. Its peak copper in soil is 1080 ppm, Mo is 32 ppm and gold is 0.87 g/t. The northern anomaly is approximately 600m wide and is totally unconstrained in terms of strike and orientation. Its peak copper in soil is 1160 ppm, molybdenum is 214 ppm and gold is 3.2 g/t.

Gold assays over the entire grid included 9 samples > 1.0 g/t gold plus 13 samples between 0.3 and 1.0 g/t gold, 52 samples between 0.1 and 0.3 g/t gold and 75 samples between 0.05 and 0.1 g/t gold. 1342 samples were classified as not anomalous.

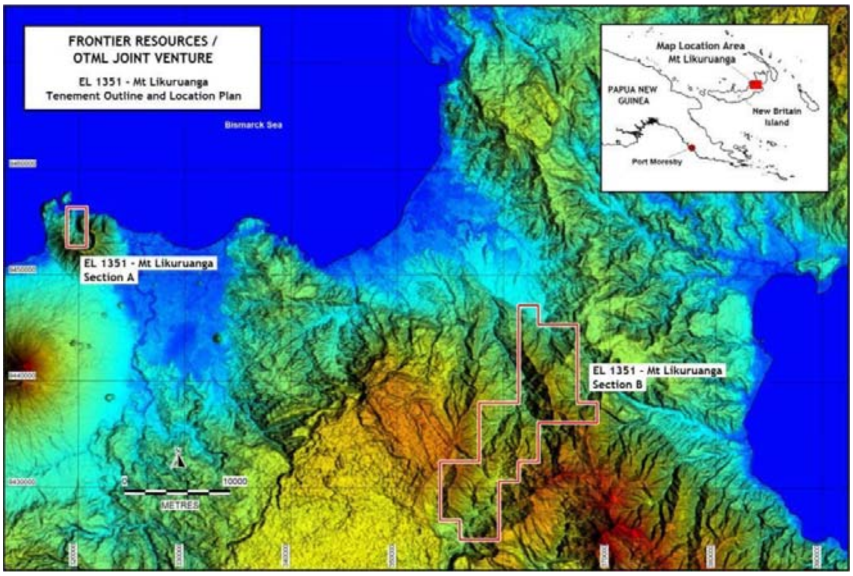


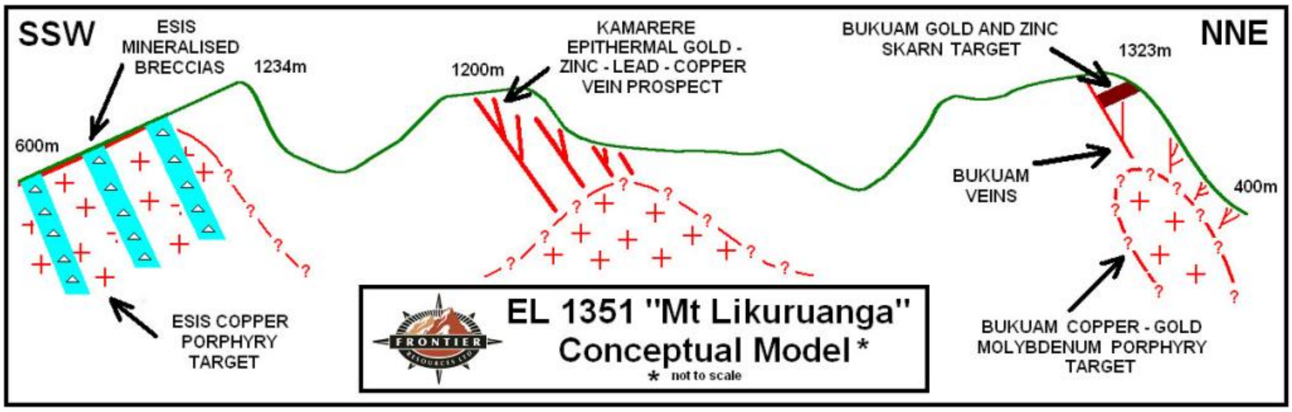


Copper assays over the entire grid included 14 samples > 600 ppm copper, 35 samples between 400 and 600 ppm copper and 160 between 150 and 400 ppm copper. 1,282 samples were classified as not anomalous.

LIKURANGA EXPLORATION LICENSE - PAPUA NEW GUINEA

EL 1351 is located in the Kol Mountains on the island of New Britain. The license is highly prospective for World Class porphyry copper – gold, high-grade gold - silver -zinc skarns and structurally controlled and/or epithermal gold deposits. The EL contains the Esis porphyry Deposit and the over 4.8km long Bukuam porphyry related copper, molybdenum, gold and zinc soil anomaly (refer to the Conceptual Model).

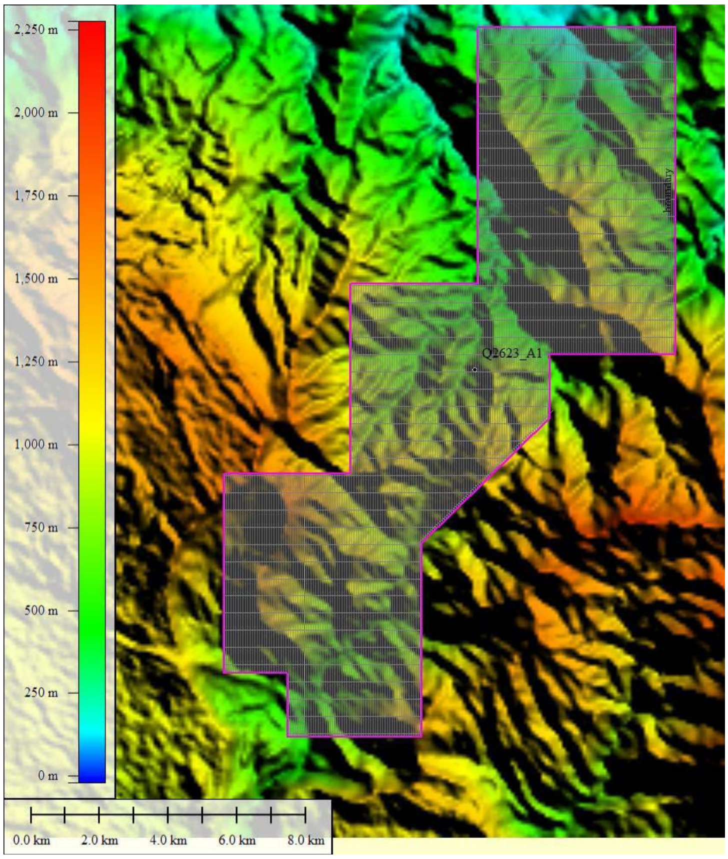




A large and very detailed aeromagnetic and radiometric geophysical survey was completed by Ok Tedi Mining Ltd at the Likuranga Joint Venture. The goal is to define porphyry copper–gold, precious-base metal skarn and/or epithermal gold trenching and drilling targets for continued evaluation.

Interpretation of the data will be undertaken by specialist geophysical consultants in conjunction with OTML. The geophysical data will then be integrated with the existing geological and geochemical information to discriminate and rank targets for follow up exploration, potentially including drilling.

The geophysical survey covers the entire Exploration License at a 30m sensor height on 50m traverse spacing, with 500m spaced tie lines, for 2,731 line kilometres total. In addition to the digital aeromagnetic and radiometric data, images will be produced of Total Magnetic Intensity -TMI (and derivative enhanced TMI), radiometrics and the digital elevation model for evaluation. The exploration program was budgeted to cost approximately US$ 300,000.



The Esis porphyry copper deposit is situated on a north-north-west trending ridgeline, on the western flanks of the approximately 20km long x 6km wide Esis-Sai granitoid complex. Mineralisation is in quartz-diorite and magnetite breccias. The strongly copper mineralised zone is more than 1,400m long before going under volcanic rocks to the north and is generally about 400m wide (but is up to 1,000m wide). Fifteen very shallow 'Winkie' reconnaissance holes and four deeper diamond core holes were drilled into primary mineralisation about 36 years ago.

Six Winkie holes had a weighted copper average for their entire length greater than 0.2% and were terminated in copper mineralisation. The best holes included DW7 with 21.6m grading 0.50% copper and DW15 with 30.3m grading 0.41% copper. These holes cover 1,000m of strike extent with the mineralized zone open to the north and south.

Four diamond holes (152.5 to 153.35m each) were drilled historically to test the supergene. The best result was from MD23, with 27m of supergene mineralisation grading 0.71% copper (from 33m depth), plus 66m of primary mineralisation grading 0.42% copper (from 86.6m to end of hole), proving a significantly mineralised system. The hole was terminated in potentially economic copper mineralisation, with the last 7.6m of the hole grading 0.49% copper. The entire hole weighted assay average was 152.6m grading 0.39% copper + 24ppm molybdenum, with peak grades of 1.62% copper and 124 ppm molybdenum. A resource has not been estimated to date.

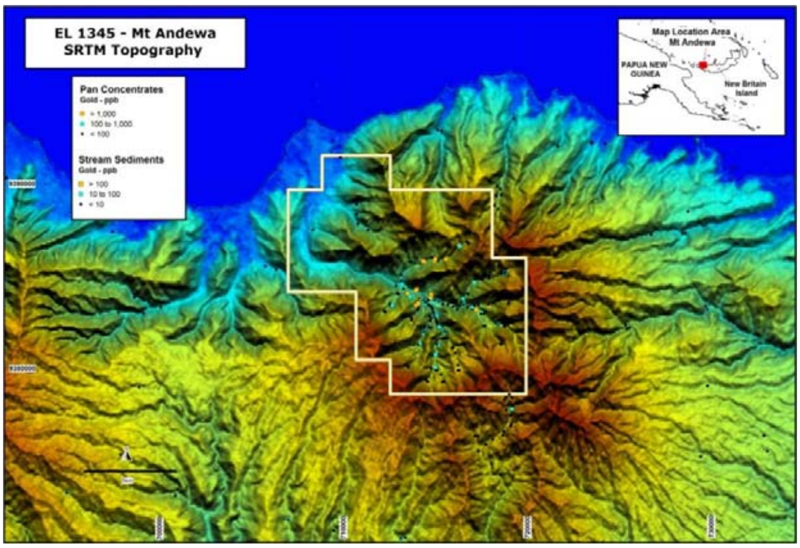
The Bukuam Prospect in contained within a 5.5km long x 1km wide copper in stream sediment anomaly located on the eastern margin of the Esis-Sai granitoid complex (opposite Esis). Frontier historically defined an impressive multi element soil anomaly over 4,800m long (open to the north, south and east) and completed a limited ground magnetic survey.

Historic trenching returned 55m of 5.8g/t gold, 10m of 5.1g/t gold and 70m of 1.7g/t gold in different zones. The 55m long trench anomaly remains untested by drilling and according to the CRA geologists who drilled it, "the gold grade in the skarn could increase towards the shear zone with a possible bonanza at the contact". Only 3 historic holes were drilled, returning 6m of 2.2g/t gold + 9.5g/t silver + 1.2% zinc, 2m of 3.5g/t gold + 9.5g/t silver and 10m of 1.7g/t gold + 2.7 g/t silver + 4.8% zinc. One hole did not reach the target.

The island of New Britain was confirmed mid 2010 to be a highly prospective mineral province for copper - gold deposits, with a competitor drilling 190.85m grading 1.01% copper + 0.36 g/t gold (including 13.5m of 2.8% copper + 0.23g/t gold in supergene mineralisation), with the bottom of their hole still to report.

ANDEWA EXPLORATION LICENSE - PAPUA NEW GUINEA

Andewa is located near the north coast of the island of New Britain. The Company commenced an extensive grid based 3D - Induced Polarisation geophysical, geochemical and geological exploration program at the Andewa Gold Project in late June and it is nearing completion.



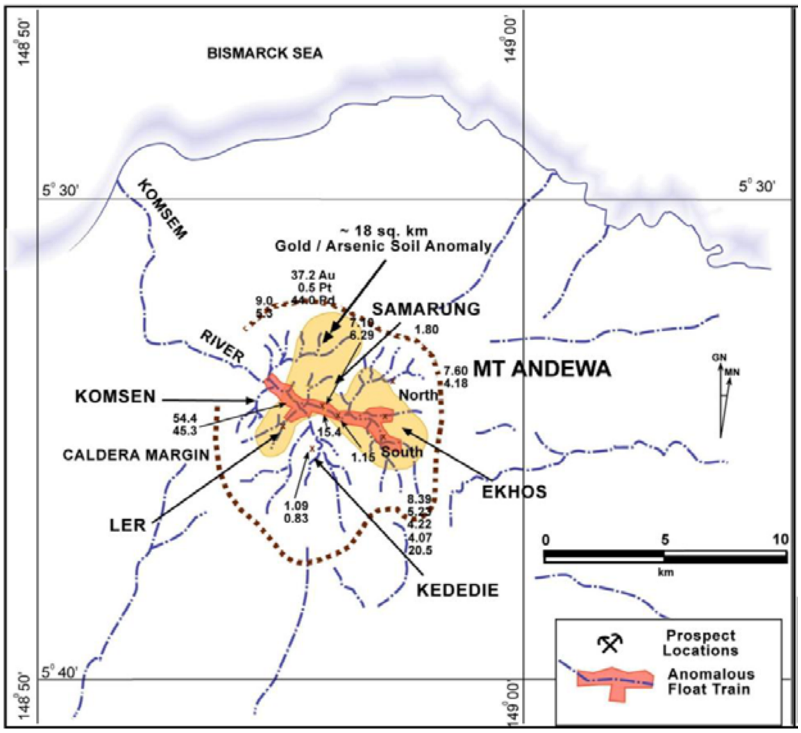
Rocks within the 9km wide crater show evidence of significant hydrothermal alteration, with five high-level gold prospects demonstrated within a 7 km by 2.5 km structural zone.

Soil and rock geochemical sampling is continuing and the first group of about 3,000 samples are expected to be announced mid October. A ground magnetic survey will commence on 20/9/2010 to delineate structures and areas of magnetite destruction (hydrothermal alteration).

The data (when finalised) will allow a comprehensive geological, geochemical and geophysical assessment of the Andewa gold mineralised system and will define high-quality, coherent and coincident anomalies for further evaluation.

The known gold mineralisation at Andewa is controlled by steeply dipping structures, structural intersections and possibly also low dipping favourable rock units.

Frontier (and most previous explorers at Andewa) concentrated mostly on the Komsen Prospect, leaving 4 additional prospects plus large potentially mineralised areas still to be systematically explored.



Komsem consists of at least 4 structurally controlled epithermal 'vein', breccia and silicified zones generally to 5m wide. They are located in a zone of phyllic alteration, with a total strike-length of about 2,000m, within an oval shaped, southeast trending, gold in ridge/ spur soil anomaly.

Previous gold in trench assay results at Komsen include: 5.0m of 18.5 g/t, 3.7m of 12.6 g/t, 3m of 14.26g/t, 3.7m of 9.1 g/t, 5.0m of 5.0 g/t, 21.6m of 4.41 g/t and 9m of 6.44 g/t. Visible gold was noted in 3 trenches and silver was anomalous at a 1:1 level (but with results locally as high as 1m of 155 g/t).

Frontier's drilling program in 2007/08 consisted of 22 holes for 2,353.9m. It successfully demonstrated that the Komsen structure is consistently gold mineralised (where drilled), but only tested a limited strike length. The mineralised zone remains open along strike in both directions on surface and at depth (to >320m below surface).

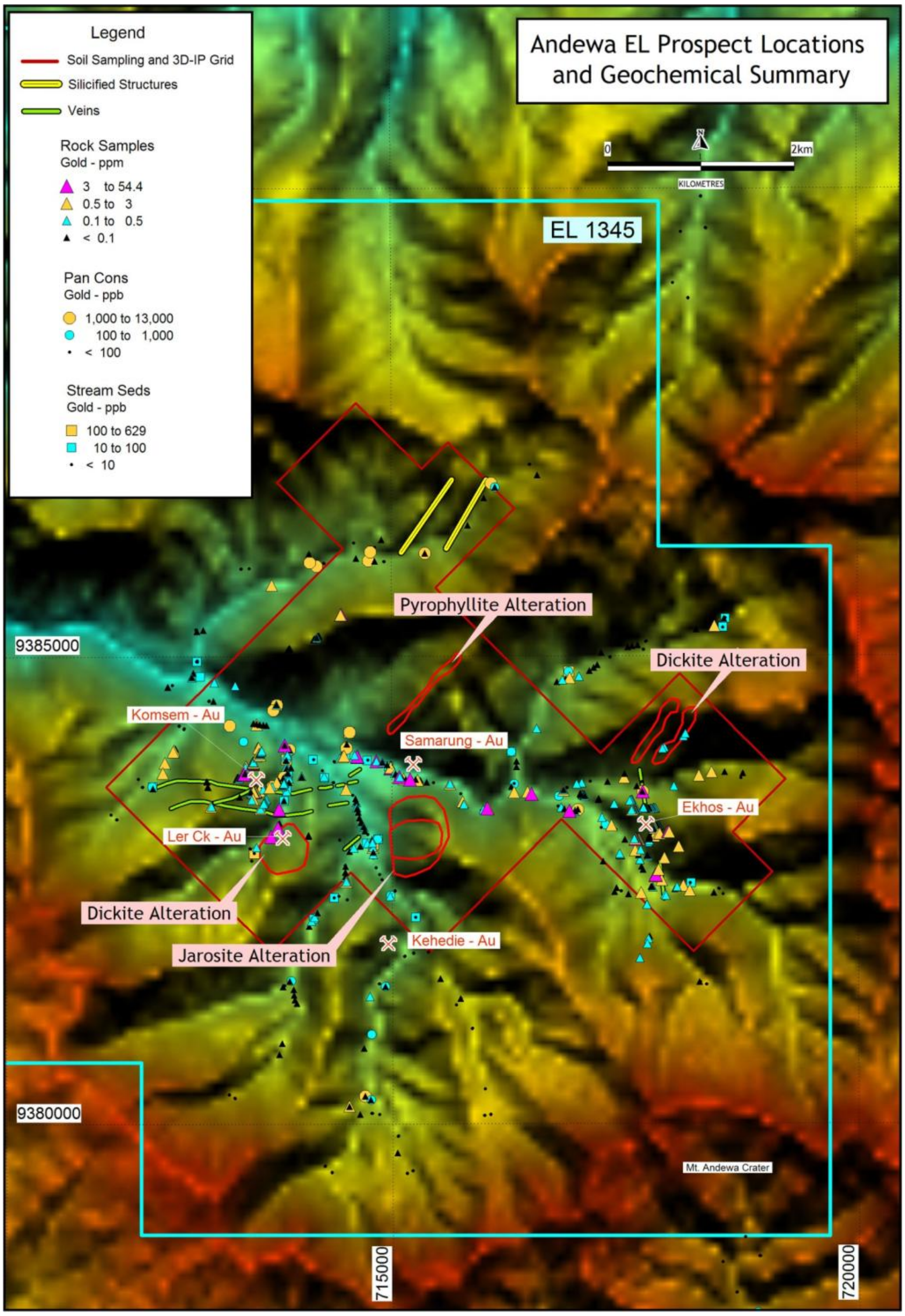
Drill intersections show increasing gold grade and width (total contained gold) at depth in several cases, with a higher grade gold mineralised zone appearing to run the length of the system at shallow to moderate depths.

Previous drill results at Komsen include: 7.9m of 10.0 g/t gold, 10.8m of 7.0 g/t gold, 3m of 11.0 g/t gold, 4.5m of 5.7 g/t gold +2.34% zinc, 2.9m of 6.4 g/t gold, 17.9m of 2.1 g/t gold, 6.9m of 1.6 g/t gold, 18.6m of 1.3 g/t gold, 7.5m of 3.7 g/t gold, 0.2m of 5.43 g/t gold+ 95 g/t silver+ 11.1% zinc+ 2.3% lead, 5m of 2.5 g/t gold, plus 16 additional >1 g/t intersections. The high grade zones in some of the holes at Komsen are related to medium grained pervasively silicified and brecciated andesite dykes /diorite intrusives.

Many silicified /auriferous zones are also known proximal/peripheral to the Komsen Prospect and are under-explored. Between the Komsen and Ekhos Prospects there is a consistent background of jarosite-limonite-clay-pyrite-fuchsite+\silica+\-dog's-tooth quartz alteration along fractures, with sparse and patchy clay-pyrite+\-silica+\-fuchsite alteration overprinting the commonly propylitically altered host-rock, indicating potential for gold mineralisation. This is also a jarosite equivalent alteration zone/core', surrounded by a pyrophyllite clay alteration halo in the Komsen porphyry from evaluation of Aster satellite data. A 1.1km diameter circular feature also shows alunite equivalent clay alteration. This requires further evaluation. Float samples assay to 54.4 g/t gold + 990 g/t silver and outcrop to 7.10 g/t gold.

The Ekhos Prospect is a 700m x 100m gold-in-soil anomaly, with gold occurring in quartz veins to about 10m width and associated with base metals. There are North and South Zones, with rock outcrop assays to 7.60 g/t gold and 20.5 g/t gold, respectively. The best assay results from limited hand trenching (15 trenches for 750m) were 9m at 1.96 g/t gold, 15m at 1.83 g/t gold and 2m of 5.19 g/t gold, with associated copper. Mineralisation is open to the northwest and strongly warrants evaluation.

Pasgoi Creek Prospect consists of gold associated with patchy siliceous iron oxides and moderate clay alteration. Creek outcrop sampling confirmed a 7m wide zone of 4.4 g/t gold trending north-westerly. Ridge /spur sampling was inconclusive, but a result of 60m of 0.86g/t gold requires follow-up.



The Ler Creek Prospect consists of SW plunging gold bearing veins in a fault bounded breccia, with a peak rock chip assay of 41.7 g/t gold. Follow-up sampling of the breccia showed assays ranging from 0.24 to 0.79 g/t gold, with a peak of 34.8 g/t Au. Evaluation of Aster satellite data indicates a dickite equivalent alteration zone at Ler (an epithermal alteration mineral) suggesting sub-surface mineralisation.

The Samarung Prospect had an anomalous float sample grading 37.2 g/t gold + 1.58% copper + 0.5 ppm platinum + 44 ppm palladium. The area could be a vent filled with breccia and overlying a dacitic intrusive. Ridge /spur gold in soil geochemical anomalies and numerous narrow auriferous veins/ structures have been noted and require follow up.

The Kehedie Prospect has had limited exploration conducted and consists of 3 gold (to 0.22 g/t) and arsenic soil anomalies over a 300m N-S zone and a 0.5 to 1.0m wide, ~100m long, E-W trending clay-silica-quartz vein assayed to 1.09 g/t gold in sub outcrop (hand trench), within hydrothermally altered andesites.

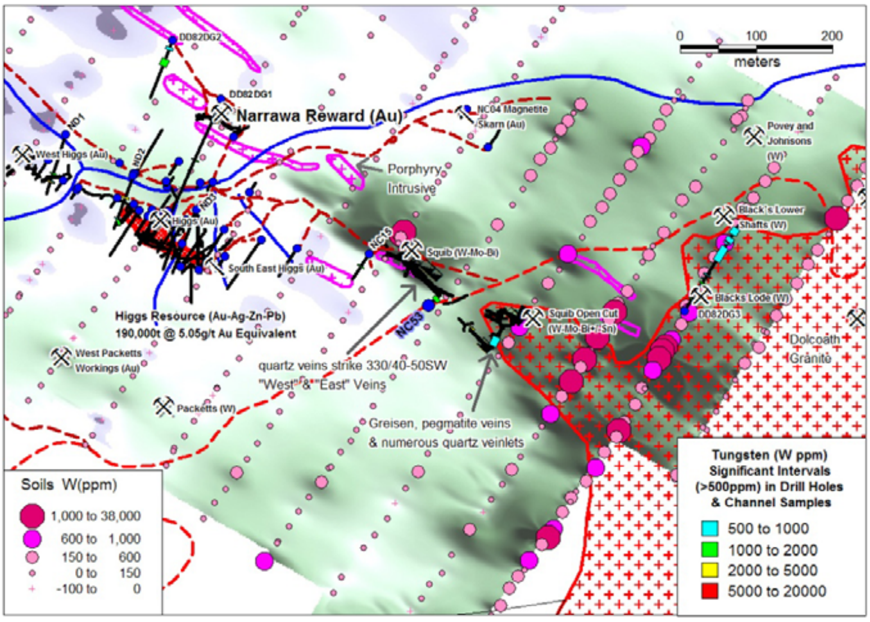
The Tamo River Prospect consists of disseminated chalcopyrite, bornite and malachite mineralisation grading 0.35% copper in monzonite float.

An assessment has shown geological and mineralisation similarities to the Round Mountain Gold Deposit in Nevada (> 11 million ounces of gold produced), where the gold occurs on the rim of an ancient collapsed crater/caldera and is mainly fine-grained, with visible gold occurring in structural intersections.

The goal is to demonstrate a major gold mineralised system at Andewa, producing new and systematically defined, high quality trenching and drilling targets in multiple prospect areas. Management believe the Exploration License has excellent potential to yield significant gold mineralisation with further exploration and subject to the 2010 program results, an extensive drilling program is planned for 2011.

NARRAWA RETENTION LICENSE - TASMANIA

Limited and selective re-sampling and assaying of the Narrawa base and precious metal Deposit core for wolfram/ tungsten has returned very encouraging results, with the highest grade tungsten drill intersection to date over a 1m downhole width. The sampling returned assays to 1m grading 1.98% WO_3 (in hole NC048 near the NW end of the Narrawa Deposit), within a broad low grade geochemical halo that averaged 14m of 0.20% WO_3 (from 21 to 37m).



Soil assays and historic drilling have demonstrated a large area of tungsten anomalism proximal to the Narrawa Deposit. There is a +800m known strike length between drill holes containing tungsten anomalism and it remains effectively untested.

The tungsten mineralisation is broadly coincident with the gold –base metals zone in hole NC048 (the gold + base metals and tungsten mineralisation are generally located in non-coincident, discrete mineralised orientations).

Significant tungsten mineralisation was noted by Frontier last year in drill hole NC53. The hole is located approximately 400m east of the Narrawa Deposit and included a 0.65m section grading 1.04% WO_3, that was contained within a 10.5m section grading 0.23% WO_3. The mineralisation is in the geochemical halo to the Squib Mine, peripheral to the high grade quartz/tungsten veins actually targeted by the hole that had been stoped out by historic mining to a lower level than historically recorded.

Six previous holes drilled for gold returned potentially economic grades of tungsten, peaking at 0.5m of 1.26% WO_3 with 0.12% molybdenum. Five channel samples returned anomalous tungsten with up to 1.5m grading 0.70% WO_3 and also 3m grading 1.17 g/t gold + 0.1% WO_3. The historic Squib Mine produced 34.5 tonnes of tungsten. Dump samples have analysed up to 5.03% WO_3 + 2.5 g/t Au + 19 g/t Ag and a sample from a lode in a drive at Squib returned 3.19% WO_3.

Metallurgical and spatial aspects of the wolfram/ tungsten mineralisation will be examined to determine if it has the potential to contribute to the economics of a possible gold-silver-lead-zinc mining operation at the Narrawa Deposit.

The plan above shows the large area of tungsten in soil anomalism with schematic soil assay results, the location of historic tungsten mines/workings and the Narrawa gold Deposit, NC53 drill collar/hole orientation information, relative to the trend of the Squib Mine tungsten mineralisation and schematic 2m composite drill assays on hole traces for NC53 and historic drill holes. Hole NC48 is located at the NW end of the 'Higgs' Resource area.

Note that calculations for FerroTungsten herein assume all concentrate is FeW, equating to 76.7% tungsten, whereas commercial concentrate typically contains 70 to 75% tungstic oxide (WO_3) or 55 to 63% tungsten. Ferro-tungsten was selling for US$25/Kg on 29/7/2009.

CETHANA EXPLORATION LICENSE– TASMANIA

Exploration License 29/2009 – Cethana was granted in Central Northern Tasmania. The 109 km^2 tenement surrounds the Narrawa Retention License and was won by competitive tender.

The Cethana Exploration License demonstrates excellent prospectivity for tungsten mineralisation in addition to the known precious and base metal potential. Soil assays and historic drilling for gold and base metals have fortuitously demonstrated a large area of tungsten anomalism proximal to the Narrawa Deposit and the mineralising Dolcoath Granite.

The Cethana EL consolidates Frontiers' commitment to central –northern Tasmania and positions the Company to evaluate the region for significant resources comprised of multiple precious and base metals.

Exploration programs in northern Tasmania later in 2010 will likely include:

- Evaluation of the high grade and bulk tonnage tungsten occurrences, plus precious and base metal anomalies within the Cethana EL and at Narrawa, with the goal of defining resources.
- Drilling to produce a Measured Resource at the Narrawa Deposit and evaluate alternate metallurgical possibilities.
- Re-evaluation of the Conceptual Mining Study in light of the new data.

Sincerely,
FRONTIER RESOURCES LTD

P.A.McNeil, M.Sc.
MANAGING DIRECTOR

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by, or compiled under the supervision of Peter A. McNeil - Member of the Aust. Inst. of Geoscientists. Peter McNeil is the Managing Director of Frontier Resources, who consults to the Company. Peter McNeil has sufficient experience which is relevant to the type of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting Exploration Results, Mineral Resources and Ore Resources. Peter McNeil consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

DIRECTORS' REPORT

Your Directors present their report on the Group for the financial year ended 30 June 2010.

DIRECTORS

The following persons were Directors of Frontier Resources Ltd during the financial year and up to the date of this report:

P.A. McNeil
G.J. Fish
W.J. Staude
H.D. Swain
R.D. McNeil – resigned 18 January 2010

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were exploration and evaluation of gold, silver and other base metal projects.

RESULTS AND DIVIDENDS

The consolidated loss of the Group after tax amounted to $1,437,708 (2009: $1,327,376). There were no dividends paid or recommended during the financial year ended 30 June 2010.

The result of the Group was significantly affected by exploration expenditure of $1,206,052 (2009: $1,274,813) expensed in accordance with the Group's accounting policy regarding the capitalisation of exploration expenditure as outlined in Note 1 to the Financial Statements.

REVIEW OF OPERATIONS

During the financial year, the Group funded ongoing exploration and evaluation work on its exploration areas in Tasmania and Papua New Guinea. Further information on the Operations of the Company can be found in
The section titled "Managing Director's Review of Operations and Activities" in this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company's non-renounceable Entitlement Issue on a 1 for 1 ratio offering shares at 4.5 cents raised $1,370,879. On 15 September 2009, the Company allotted 19,463,096 shares and issued 19,463,096 free options. On 14 October 2009, another 19,704,875 shares and 19,704,875 free options were issued.

In addition 15,232,872 shares were issued at 7.5 cents as a result of a Private Placement in May 2010, raising $1,142,465.

In the opinion of the Directors there were no other 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

Since the end of the financial year, the company has allotted 255,814 shares in the Company on the exercise of 255,814 options at $0.045.

On 5 August 2010, the Company announced that Ok Tedi Mining ltd had completed a major geophysical exploration program at the Likuranga Joint Venture.

There are no other matters of arising subsequent to the end of the financial year.

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:

- Continued assessment and evaluation of the Papua New Guinea and Tasmanian exploration licences.

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.

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 and in Tasmania, Australia. 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 recently enacted 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

Director and Experience	Special Responsibilities	Particulars of Directors' interest in shares and options of Frontier Resources Ltd: Ordinary Shares	Options
Peter A. McNeil Chairman appointed 20th January 2010 Managing Director for 9 years. Age 49. B.Sc., M.Sc. He has 29 years exploration experience in Papua New Guinea, U.S.A. and Australia, including programs at the Lihir gold deposit and in the Goldfields and Kimberley regions of Western Australia and Tasmania. He has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in Western Australia. Peter McNeil is Chairman of Coppermoly. He also held former Directorships within the last 3 years in Macmin Silver Ltd and New Guinea Gold Corp. He has not held any other former Directorships within the last 3 years.	Member of Planning & Operations Committee	9,024,249	2,800,000 Unlisted 604,764 Listed
Graham J. Fish Non-Executive Director for 3 years and Independent Non-Executive Director for 5½ years. Age 71. He graduated B.Sc. (Geology, Chemistry) in 1958, Dip. Ed. in 1961 and M.Ed. in 1980 from the University of Tasmania. He worked as a teacher of Geology and Chemistry in Tasmanian Education Department Colleges before promotion into administrative roles from 1973. He has 35 years of management skills and has extensive experience in administration and education development in Tasmania. He has a background in geology and has chaired committees on both national and state school curriculum and assessment boards. He has delivered papers and written science and education reports for UNESCO in Bangkok in 1983, and in Korea in 1988, for the South Pacific in Fiji in 1995, for International Conferences in Sydney in 1993 and New Zealand in 1994. He has not held any other former Directorships within the last 3 years.	Member of Planning & Operations Committee Member of Audit Committee	391,457	1,800,000 Unlisted 342,856 Listed

INFORMATION ON DIRECTORS

Director and Experience	Special Responsibilities	Particulars of Directors' interest in shares and options of Frontier Resources Ltd: Ordinary Shares	Options
Warren J. Staude			
Non Executive Director for 9 years. Age 67. Has over 40 years professional experience in the mining, exploration and resource finance industries. He is a graduate of University of Sydney (BSc), Macquarie University (MSc) and holds a Graduate Diploma from the Securities Institute of Australia and is a member of the Joint Ore Reserves Committee. He has worked in Government, in industry, as a private consultant and on the academic staff at Macquarie University. He worked for the AMP Society's resource investment team, in the stockbroking industry and GIO Australia Asset Management. He brings your Company a wealth of experience in the Australian financial markets. He is currently a non-executive director of Central West Gold NL, Malachite Resources Limited, Eagle Eye Metals Limited, Excelsior Gold Limited, Aphrodite Gold Limited and Stonehenge Metals Limited, all ASX-listed companies. He has not held any other former Directorships within the last 3 years.	Chairman of Audit Committee	61,112	1,800,000 Unlisted
Hugh David Swain			
Non-Executive Director for 3 years. Age 73. Mr H David Swain, B.Eng (Mining) 1962, M.Eng. (Civil) 1972 – University of Sheffield, is a Mining/Civil Engineer with 46 years professional experience, who has held senior management positions both operating and technical including Mine Superintendent and Chief Mining Engineer at Bougainville Copper, General Manager of Rossarden Tin Mines and Executive Manager with Goldsworthy Iron. He has worked as a consultant for 27 years and has completed projects in Australasia, West Africa, SE Asia and China. He is a Fellow of the AIMM and has presented and published several papers on ore reserve estimation and other aspects of mining engineering. He has not held any other former Directorships within the last 3 years.		-	1,000,000 Unlisted

INFORMATION ON DIRECTORS

Director and Experience	Special Responsibilities	Ordinary Shares	Options
		Particulars of Directors' interest in shares and options of Frontier Resources Ltd	
Robert D. McNeil - Resigned 18 January 2010			
Non-Executive Chairman for 8½ years.		7,237,893	2,300,000 Unlisted
Age 72, B.Sc., M.Sc. He has 49 years industry experience in Australia, Papua New Guinea, U.S.A., Indonesia, Thailand and other countries. He was formerly General Manager of Esso Papua New Guinea Inc. where he was based in Lae, Papua New Guinea for 5½ years. Before this assignment he resided in the U.S.A. for 5 years and prior to that worked for several major and minor companies mainly in Australia. He has been associated with the discovery of several orebodies, specifically the Juno and Warrego orebodies at Tennant Creek by Peko in the 1960's. He is Chairman of New Guinea Gold Corporation, a Yukon company listed on the TSX Venture Exchange (Canada), and Non-Executive Director of Coppermoly Ltd. He also held a former directorships within the last 3 years in Macmin Silver Ltd and Golden Tiger NL. He has not held any other former Directorships within the last 3 years.			2,525,514 Listed

COMPANY SECRETARY - QUALIFICATIONS & EXPERIENCE

Jay Stephenson – Appointed Company Secretary on 2 February 2008

Jay Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants, Certified Management Accountant (Canada), Member of the Australian Institute of Company Directors and Fellow of the Chartered Institute of Secretaries. Jay is currently Company Secretary for a number of ASX listed resources and industrial companies.

Paige McNeil – Appointed Joint Company Secretary on 5 March 2009

Paige McNeil holds a Graduate Diploma in Corporate Governance, is an Associate of the Institute of Chartered Secretaries and Administrators and a Graduate of the Australian Institute of Company Directors. Ms McNeil has been involved in the mineral exploration industry for 11 years including the past 8 years as Administration Manager for various Australian and Canadian listed and unlisted companies including Frontier Resources Limited from its inception. She has 9 years corporate administration and human resource experience in Papua New Guinea. Paige is currently an Executive Director of Exploration & Management Consultants Pty Ltd, an Executive Director of Quintessential Resources Ltd and a non-executive Director of Mundaring Financial Services Ltd.

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		Audit Committee Meetings		Planning & Operations Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P.A. McNeil	4	4	-	-	3	3
G.J. Fish	4	4	2	2	3	3
W.J. Staude	4	4	2	2	-	-
H.D. Swain	4	2	-	-	-	-
R.D. McNeil *Resigned 18 Jan 2010*	2	1	-	-	-	-

REMUNERATION REPORT (Audited)

The information in this remunerations report has been audited as required by s308(3C) of the *Corporations Act 2001.*

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

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. 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 Company 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)

Relationship between remuneration and Company 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, company performance and shareholder wealth generation is tenuous, particularly in the exploration stage of a minerals company. Since listing the company 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 1 cent and 26 cents during the last five years, and at 30 June 2010 the price was 2 cents.

Bonuses are paid to employees upon agreement by the Board. During the year, the Managing Director was paid a bonus of $25,000 upon the finalisations of the Ok Tedi Mining Limited joint venture.

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 Companies 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 three components:

- base pay and benefits;
- long-term incentives through Directors options (refer Note 17); 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 executives' 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 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)

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

Frontier Resources Ltd Employee Option Plan
Information on the Frontier Resources Ltd Employee Option Plan is set out in Note 17. Directors may not participate in the Employee Option Plan. The Frontier Option Plan does not remove the at risk aspect of options granted under the plan. The plan does not include any limitation of risk for option holders.

Performance Conditions
There are no performance conditions on remuneration other than options granted to Directors and those issued under the Employee Option Plan are not vested until the employee or Director have been with the Company for 12 months. In addition, the Board may from time to time pay a cash bonus to employees on the achievement of agreed performance indicators.

(*b***)** *Other key management personnel (audited)*

In addition to the Directors, the following persons also had authority for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
P.S. McNeil	Joint Company Secretary and Administration Manager	Frontier Resources Ltd
J. Stephenson	Joint Company Secretary and Chief Financial Officer	Frontier Resources Ltd

(c) Details of remuneration (audited)

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 2010 are set out in the following tables:

2010	Short-term employee benefits			Post-employment benefits		Share-based payment		
Name	Cash salary and fees $	Cash bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Options* $	Total $	Remuneration that is Performance Based %
Directors								
R.D. McNeil – *resigned 18/01/2010*	37,500	-	-	3,375	-	25,506	66,381	38%
P.A. McNeil	216,242	25,000	-	-	-	34,008	275,250	12%
G.J. Fish	36,167	-	-	3,255	-	17,004	56,426	30%
W.J. Staude	36,666	-	-	3,300	-	17,004	56,970	30%
H.D. Swain	45,250	-	-	-	-	17,004	62,254	27%
Other key management personnel								
P.S. McNeil	100,675	-	-	-	-	19,600	120,275	16%
J. Stephenson	40,538	-	-	-	-	9,800	50,338	19%
Total	513,038	25,000	-	9,930	-	139,926	687,894	20%

REMUNERATION REPORT (continued)

2009	Short-term employee benefits			Post-employment benefits		Share-based payment		
Name	Cash salary and fees $	Cash Bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Options* $	Total $	Remuneration that is Performance Based %
Directors								
R.D. McNeil	30,000	-	-	2,700	-	-	32,700	-
P.A. McNeil	127,430	-	-	-	-	-	127,430	-
G.J. Fish	26,625	-	-	2,396	-	-	29,021	-
W.J. Staude	20,000	-	-	1,800	-	-	21,800	-
H.D. Swain	20,000	-	-	1,800	-	-	21,800	-
C.E. Iewago - *Resigned 27/10/2008*	16,667	-	-	-	-	-	16,667	-
Other key management personnel								
R. Reid^	123,389	-	-	10,510	-	-	133,899	-
T. Grigson^	71,932	-	-	4,093	-	-	76,025	-
J. Jeal^	77,309	-	-	7,023	-	-	84,332	-
P.S. McNeil^	64,891	-	-	-	-	-	64,891	-
J. Stephenson	61,225	-	-	-	-	-	61,225	-
Total	639,468	-	-	30,322	-	-	669,790	-

^ These executives are the 4 highest paid executives of the Group.
* Option value calculation using Black-Scholes Model.
# Remuneration that is performance based % is that % of remuneration that consisted of options.

(d) Service agreements (audited)

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

The employment contract stipulates a one month resignation period. The Company may terminate the employment contract without cause by providing one month's written notice, or making payment in lieu of notice based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

REMUNERATION REPORT (continued)

(e) Share-based Compensation (audited)

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 17 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
Employee	19 Oct 2009	19 Oct 2013	$0.04	$0.0225	Between 19 Oct 2009 and 19 Oct 2013	100	-	2010	-
Director	10 Dec 2009	31 Dec 2012	$0.04	$0.0289	Between 10 Dec 2010 and 31 Dec 2012	58	-	2011	-
Director	10 Dec 2009	31 Dec 2012	$0.05	$0.0294	Between 10 Dec 2010 and 31 Dec 2012	58	-	2011	-
Employee	19 Jan 2010	21 Jan 2014	$0.03	$0.0230	Between 21 Jan 2010 and 21 Jan 2014	100	-	2010	-

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 17 to the Financial Statements.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Frontier Resources Limited and each of the key management personnel of the consolidated group are set out below:

Name	Grant date	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
Directors						
R.D. McNeil	10 Dec 2009	750,000	$21,675	437,500	-	-
	10 Dec 2009	750,000	$22,050	437,500	-	-
P.A. McNeil	10 Dec 2009	1,000,000	$28,900	583,333	-	-
	10 Dec 2009	1,000,000	$29,400	583,333	-	-
G.J. Fish	10 Dec 2009	500,000	$14,450	291,667	-	-
	10 Dec 2009	500,000	$14,700	291,667	-	-
W.J. Staude	10 Dec 2009	500,000	$14,450	291,667	-	-
	10 Dec 2009	500,000	$14,700	291,667	-	-

REMUNERATION REPORT (continued)

H.D. Swain	10 Dec 2009	500,000	$14,450	291,667	-	-
	10 Dec 2009	500,000	$14,700	291,667	-	-
Other key management personnel						
				(100%)		
P.S. McNeil	19 Oct 2009	600,000	$13,500	600,000	-	-
	19 Jan 2010	200,000	$4,600	200,000	-	-
J. Stephenson	19 Oct 2009	300,000	$6,750	300,000	-	-
	19 Jan 2010	100,000	$2,300	100,000	-	-

Refer to Note 17 for option balances by key management personnel as at 30 June 2010 and 30 June 2009.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. 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.

(f) Additional information – (audited)

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.

Options exercised during year provided as remuneration include:

Name	Date exercised	Number of shares issued on exercise	Value at exercise date
Directors			
Paige McNeil	1 June 2010	200,000	$13,800
Jay Stephenson	1 June 2010	400,000	$27,600

END OF REMUNERATION REPORT

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors of Frontier Resources Ltd and the specified executives of the Group, including their personally-related entities.

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
20 Oct 2006	20 Oct 2011	$0.14	180,000
19 Oct 2007	19 Oct 2010	$0.16	270,000
23 Nov 2007	30 Nov 2010	$0.20	3,200,000
11 Dec 2007	11 Dec 2010	$0.15	100,000
10 December 2009	31 Dec 2012	$0.04	3,250,000
10 December 2009	31 Dec 2012	$0.05	3,250,000
19 Oct 2009	19 Oct 2013	$0.04	2,700,000
	3 Dec 2010	$0.045	41,169,575
19 Jan 2010	21 Jan 2014	$0.03	950,000
			55,069,575

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

There were 1,886,892 ordinary shares of Frontier Resources Ltd issued during the financial year ended 30 June 2010 on the exercise of options. No amounts are unpaid on any of the shares. 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 (BDO) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, 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 Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

NON-AUDIT SERVICES (continued)

- 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 29.

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.

	2010 $	2009 $
Assurance services		
1. Audit Services		
BDO Audit (WA) Pty Ltd	37,170	17,691
BDO Group Holdings (QLD) Pty Ltd	-	29,000
Sinton Spence Chartered Accountants PNG	10,051	11,361
Total remuneration for audit services	47,221	58,052
2. Other Assurance Services		
BDO Audit (WA) Pty Ltd – attendance at AGM	-	240
Total remuneration for other assurance services	-	240
Total remuneration for assurance services	47,221	58,292
Taxation and Accounting Services		
BDO Tax (WA) Pty Ltd	14,039	-
Total remuneration for taxation services	14,039	-

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
Managing Director

30 September 2010

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30th September 2010

Board of Directors
Frontier Resources Limited
Unit 6, 34 York Street
North Perth WA 6066

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF FRONTIER RESOURCES LIMITED

As lead auditor of Frontier Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Frontier Resources Limited ("Company") is committed to maintaining high standards of Corporate Governance. This statement outlines the main Corporate Governance practices that where adopted or in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: *Companies should establish the functions reserved to the board and management.*

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders.

Its functions and responsibilities include:

- Determining strategic and policy direction and monitoring performance against strategy.
- Establishing goals and monitoring performance.
- Identifying risk and opportunities for ensuring risk management systems are established and reviewed.
- Approving and monitoring financial reports, capital management, and compliance.
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly.

The Board is also governed by the Company's constitution. The day to day management of the Company's affairs and implementation of corporate strategies and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

Recommendation 1.2 *Companies should disclose the process for evaluating the performance of senior executives.*

- There are no formal processes for monitoring senior executive performance as the size of the Company permits ongoing monitoring by the board of senior executive performance.

Recommendation 1.3 *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.*

The evaluation of performance of senior executives has taken place throughout the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: *A majority of the Board should be Independent Directors.*

Given the Company's background, nature and size of its business and the current stage of its development, the Board is comprised of four directors, three of whom are non-executive and independent. The Board believes that this is both appropriate and acceptable.

Recommendation 2.2: *The Chairperson should be an Independent Director.*

The Chairperson, Mr Peter McNeil is not independent, as set out above, but due to his experience and expertise in areas the Company operates in, the Board considers he is suitably skilled to perform the role.

Recommendation 2.3: *The roles of the chairperson and chief executive officer should not be exercised by the same individual.*

The positions of Chairman and Managing Director are held by the same person. The board believes this conserves cash resources by utilising the skills of Mr Peter McNeil.

Recommendation 2.4: *The Board should establish a nomination committee.*
The Company has established a nomination committee charter; however it has not established a nomination committee at this time due to the company's background, nature and size of its business and the current stage of its development. The Board undertakes the process of determining the need for, screening and appointing new directors.

Recommendation 2.5: *Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.*

The Company has adopted self evaluation processes to manage Board performance. An annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Recommendation 2.6: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

The skills and experience for the directors are set out in the company's Annual Report and on its website.

The Company has not included on its website, information on procedures for the selection and appointment of new Directors as these procedures are not formalised.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING.

Recommendation 3.1: *Establish a code of conduct to guide Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:*

3.1.1 The practices necessary to maintain confidence in the Company's integrity
3.1.2 The practices necessary to take into account the legal obligations and the reasonable expectations of stakeholders
3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Code of Conduct setting standards expected of directors, officers, employees and contractors and demonstrate the Company's commitment to conducting business in an ethical and accountable manner. Directors, officers, employees and contractors are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Adherence to the code of conduct is expected at all times and the Board actively promotes a culture of quality and integrity.

The Board monitors the implementation of the Code. Breaches are reported by employees or contractors to the Managing Director or Company Secretary.

Recommendation 3.2: *Disclose the policy concerning trading in company securities by directors, officers and employees.*

The Company has in place a trading policy, "Dealings in Company Securities Policy". A copy of the policy is provided to all directors, officers, employees and contractors.

The policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities (including the exercise of employee options);
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others - including colleagues, family or friends - knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must not acquire or sell, directly or indirectly any securities (shares or options) in the Company except later than an hour after and within the period of 1 month after the release of any of the quarterly, half-yearly and yearly reports and any announcements 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 Annual General Meeting.

A Director who intends to trade in Company securities must firstly notify the Managing Director or Company Secretary so that any potential embarrassment/market misconception may be avoided if an announcement is imminent. In the event of a significant trade, all Directors should be notified as soon as possible. If the Managing Director or Company Secretary intends to trade in Company securities they must firstly notify the Chairman.

The Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

The trading policy is reviewed annually.

Recommendation 3.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 3.*

A summary of both the Company's Code of Conduct and its Share Trading Policy are included on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: *The Board should establish an audit committee.*

The Company's Audit Committee comprises Mr Fish and Mr Staude, who currently acts as an independent chairperson. The Audit Committee currently consists of non-executive directors. The board considers this to be acceptable due to the size of both the Company and the Board. Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' report.

Recommendation 4.2: *Structure the Audit Committee so that it consists of:*

- *Only non-executive directors*
- *A majority of independent directors*
- *An independent chairperson, who is not chairperson of the Board*
- *At least 3 members*

Refer to Recommendation 4.1

Recommendation 4.3: *The Audit Committee should have a formal charter.*

The Audit Committee operates in accordance with a formal charter. The main responsibilities of the committee are to:

- Review reports prepared by the external auditors and other consultants to ensure that, should a major deficiencies or breakdowns in controls or procedures be identified, appropriate and prompt remedial action is taken by management.
- Liaising with the external auditors and ensuring that the annual statutory audit, half-year review are conducted in an effective manner.
- Reviewing internal controls and recommending enhancements.
- Monitoring compliance with the Corporations Act 2001, Australian Stock Exchange Listing Rules and any matters outstanding with auditors, taxation and other regulatory authorise and financial institutions.

Recommendation 4.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 4.*

Refer to Recommendation 4.1

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: *Establish written policies and procedure designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.*

The Company has a formal continuous disclosure policy. The policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practical after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on the ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed only if the ASX listing rules provide for non-disclosure.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Recommendation 5.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 5.*

Disclosure is reviewed as a routine agenda item at each Board meeting.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

The Company is committed to dealing fairly, transparently and promptly with shareholders. The Board aims to ensure that the shareholders are informed of all major developments.

The annual report is distributed to all shareholders who have specifically requested the document. In addition, the Company makes all ASX announcements, details of shareholder meetings and financial reports available of the Company's website.

Half-year financial reports prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange. The financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the ASX under the requirements of the Exchange relating to mining companies. Copies of the quarterly reports are sent to shareholders whenever sufficient new information in the report warrants distribution.

Recommendation 6.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 6.*

The Company effectively communicates with shareholders via ASX announcements and newsletters.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: *The Board or appropriate committee should establish policies on risk oversight and management of material business risks and disclose a summary of those policies.*

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level. The Risk Management Policy is reviewed annually. A copy of the Risk management policy is available on the Company's website.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as tot the effectiveness of the company's management of its material business risks.*

The Company is not of size to allow this recommendation to be followed. The Board is responsible for the design and implementation of risk management and internal control systems.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

The Company's Managing Director and Chief Financial Officer provide this statement.

Recommendation 7.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

A description of the Company's risk oversight and management policy and internal compliance and control system is included on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: *The Board should establish a remuneration committee.*

The Company has a charter for a remuneration committee however; a committee has not been established at this time. Given the small size of the board, the entire board performs the functions of the remuneration committee.

Recommendation 8.2: *Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.*

The Company outlines the structure of remuneration of non-executive Directors and executives of the Company in the Remuneration report in the annual report.

Recommendation 8.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8*

Refer to Recommendation 8.1 in relation to the remuneration committee.

Refer to the Remuneration report in this Annual Report in relation to the superannuation payments to directors. The Company does not have a superannuation scheme for its employees.

CONTENTS

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 registered office and principal place of business is:

Frontier Resources Ltd
Unit 6
34 York Street
NORTH PERTH WA 6006

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

The financial report was authorised for issue by the Directors on 30 September 2010. 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 9295 0388 or email info@frontierresources.com.au.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Continuing Operations			
Revenue	4	24,188	948,698
Other income	4	561,540	60,922
		585,728	1,009,620
Cost of sales		-	(199,074)
Exploration expenditure	5	(1,206,052)	(1,274,813)
Administration and insurance expenses		(77,212)	(89,526)
Corporate compliance and shareholder relations		(139,670)	(144,817)
Gross employee benefit expense		(136,513)	(126,209)
Share based payments expense	5	(182,527)	-
Depreciation	5	(132,372)	(220,381)
Loss on disposal of plant and equipment	5	(100,350)	(128,090)
Consultancy		(19,105)	(67,607)
Rent		(20,422)	(65,438)
Other expenses		(9,213)	(21,041)
Loss before income tax		(1,437,708)	(1,327,376)
Income tax expense	6	-	-
Loss from continuing operations		(1,437,708)	(1,327,376)
Other comprehensive income			
Movement in foreign currency translation reserve		(39,922)	32,642
Other comprehensive income for the year		(39,922)	32,642
Total comprehensive income for the year		(1,477,630)	(1,294,734)
Total comprehensive income attributable to members of the parent entity		(1,477,630)	(1,294,734)
		Cents	**Cents**
Basic and diluted (loss) per share	19	(0.8)	(0.9)

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,197,008	185,585
Trade and other receivables	8	293,972	24,617
Total Current Assets		1,490,980	210,202
Non-Current Assets			
Trade and other receivables	8	84,410	85,273
Plant and equipment	9	493,651	552,781
Exploration and evaluation expenditure	10	2,176,872	2,176,872
Total Non-Current Assets		2,754,933	2,814,926
Total Assets		4,245,913	3,025,128
LIABILITIES			
Current Liabilities			
Trade and other payables	11	41,825	116,592
Total Current Liabilities		41,825	116,592
Total Liabilities		41,825	116,592
Net Assets		4,204,088	2,908,536
EQUITY			
Contributed equity	12	18,452,527	15,861,872
Reserves	13	456,647	314,042
Accumulated losses	13	(14,705,086)	(13,267,378)
Total Equity		4,204,088	2,908,536

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2008	15,750,208	(11,940,002)	712,353	(430,953)	4,091,606
Loss attributable to members of parent entity	-	(1,327,376)	-	-	(1,327,376)
Other comprehensive income	-	-	-	32,642	32,642
Total comprehensive income for the year	-	(1,327,376)	-	32,642	(1,294,734)
Transaction with owners, directly in equity					
Shares issued during the year	111,664	-	-	-	111,664
Balance at 30 June 2009	15,861,872	(13,267,378)	712,353	(398,311)	2,908,536
Balance at 1 July 2009					
Loss attributable to members of parent entity	-	(1,437,708)	-	-	(1,437,708)
Other comprehensive income	-	-	-	(39,922)	(39,922)
Total comprehensive income for the year	-	(1,437,708)	-	(39,922)	(1,477,630)
Transaction with owners, directly in equity					
Share based payments expense	-	-	182,527	-	182,527
Shares issued during the year, net of costs	2,513,345	-	-	-	2,513,345
Options issued during the year	77,310	-	-	-	77,310
Balance at 30 June 2010	18,452,527	(14,705,086)	894,880	(438,233)	4,204,088

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash Flows from Operating Activities			
Cash receipts in the course of operations		18,444	1,262,565
Interest received		7,454	10,751
Purchase of exploration assets		(1,206,052)	(1,274,813)
Payments to suppliers and employees		(732,506)	(1,039,674)
Net cash used in operating activities	**22**	**(1,912,660)**	**(1,041,171)**
Cash Flows From Investing Activities			
Proceeds from sale of tenements		286,905	-
JV contributions for tenements		274,038	-
Purchase of plant and equipment		(189,381)	(116,631)
Proceeds from sale of plant and equipment		1,789	613,979
Net cash provided by investing activities		373,351	497,348
Cash Flows From Financing Activities			
Net cash proceeds from the issue of shares		2,590,655	111,664
Net cash provided by financing activities		2,590,655	111,664
Net increase/(decrease) in cash and cash equivalents		1,051,346	(432,158)
Cash at 1 July		185,585	585,102
Effect of exchange rates on cash holdings in foreign currencies		(39,923)	32,642
Cash at 30 June	7	1,197,008	185,585

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.*

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Frontier Resources Ltd comply with International Financial Reporting Standards (IFRS).

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.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Frontier Resources Ltd ("Company" or "parent entity") as at 30 June each year, and the results of all subsidiaries for the year then ended. Frontier Resources Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) 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.

Costs arising from exploration and evaluation activities are carried forward where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. 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.

(c) Income tax

The income tax expense (revenue) 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 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 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 comprehensive income.

(e) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave is expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Any liability for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Frontier Resources Ltd Employee Option Plan. Information relating to this Plan is set out in note 17.

The fair value of options granted under the Frontier Resources Ltd Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(f) 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.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

(i) 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.

(h) 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.

(i) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 subsequently measured at amortised cost.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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 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.

(j) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit 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.

(ii) 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.

(k) 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.

(l) 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.

(m) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 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 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:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- ncome and expenses are translated at average exchange rates for the period; 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 comprehensive income in the period in which the operation is disposed.

(o) Comparative Figures

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

(p) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. he following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Drake Resources Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 8: Operating Segments
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact
Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(q) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.
- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

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 and the manufacture of equipment.

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.

(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:

2010	**Floating Interest Rate**	**Non-interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash and cash equivalents	1,197,008	-	1,197,008
Trade and other receivables	-	293,972	293,972
	1,197,008	293,972	1,490,980
Weighted average interest rate	0.86%		
Financial Liabilities			
Trade and other payables	-	41,825	41,825
	-	41,825	41,825
Net financial assets	1,197,008	252,147	1,449,155

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

2009	Floating Interest Rate	Non-interest bearing	Total
	$	$	$
Financial assets			
Cash and cash equivalents	185,585	-	185,585
Trade and other receivables	-	24,617	24,617
	185,585	24,617	210,202
Weighted average interest rate	3.3%		
Financial Liabilities			
Trade and other payables	-	116,592	116,592
	-	116,592	116,592
Net financial assets	185,585	(91,975)	93,610

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 and equity values reported at balance date would have been affected by changes in the interest rate risk variable that management considers to be reasonably possible.

	Profit	Equity
	$	$
Year ended 30 June 2010		
+/- 1 in interest rates	+/- 8,628	+/- 8,628
Year ended 30 June 2009		
+/- 1 in interest rates	+/- 19,677	+/- 19,677

Net Fair Value

Fair value estimation

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 inter company 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. 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.

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

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-. The following table provides information regarding the credit risk relating to cash based on Standard and Poor's counterparty credit ratings.

	2010 $	2009 $
Cash and cash equivalents		
- AA Rated	1,197,008	185,585

Cash is held with Westpac Banking Corporation.

(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 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.

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 statement of financial position at 30 June 2010 and determined that no impairment is required for this financial year.

(b) Exploration and evaluation expenditure

Exploration and Evaluation costs are carried forward where a mineral resource has been estimated for the area of interest, refer to accounting policy stated in note 1(b).

(c) 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 17.

NOTE 4 REVENUE

	2010 $	2009 $
From continuing operations		
Drilling contract income	13,816	796,470
Other sundry income	2,918	139,438
Other revenue		
Interest – unrelated parties	7,454	12,790
Total Revenue	24,188	948,698
Other Income		
Sale of exploration tenement	286,905	-
Exploration reimbursements	274,038	-
Gain on disposal of plant and equipment	597	60,922
Total Other Income	561,540	60,922

NOTE 5 EXPENSES AND SIGNIFICANT ITEMS

	2010 $	2009 $
Depreciation		
Plant & equipment	132,372	220,381
Defined Contribution		
Superannuation expense	4,455	69,294
Significant Items		
Exploration and evaluation expenditure	1,206,052	1,274,813
Loss on disposal of plant and equipment	100,350	128,090
Share-based payments expense	182,527	-

NOTE 6 INCOME TAX

	2010 $	2009 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)		
Profit (loss) from continuing operations before income tax expense	(1,437,708)	(1,327,376)
Tax at Australian tax rate of 30% (2009: 30%) and Papua New Guinea tax rate of 30% (2009: 30%)	(431,312)	(398,213)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non - deductible	54,758	69,480
Share based payments expense	-	-
Deferred tax asset not brought to account	376,554	328,733
Income tax expense	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	19,040,750	18,639,109
Potential tax benefit @ 30%	5,712,225	5,591,733

This benefit for tax losses will only be obtained if:

- assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived; and
- conditions for deductibility imposed by law continue to be complied with; and
- no changes in tax legislation adversely affect the ability in realising the benefit.

Deferred tax liabilities/(assets) not recognised	2010 $	2009 $
Amounts recognised in profit or loss		
Exploration and evaluation costs	2,176,872	2,176,872
Provisions	(9,091)	(9,091)
Sundry	(126,965)	(36,077)
	2,040,816	2,131,704
Potential tax benefit @ 30%	612,245	639,511
Set-off deferred tax assets associated with carried forward losses not recognised	(612,245)	(639,511)
Net deferred tax liability	-	-

NOTE 7 CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank and on hand	1,197,008	185,585
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 and cash equivalents	1,197,008	185,585

Cash at bank earns an effective rate of 0.86% (2009: 3.3%).
Cash in maxi account does not have a fixed term and funds are available on call.

NOTE 8 TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
CURRENT		
Other receivables	293,972	24,617
NON-CURRENT		
Deposits – tenements and premises (a)	84,410	85,273

(a) Deposits – tenements and premises includes Mining Resource Tasmania deposits for performance and private land and are non-interest bearing.

NOTE 9 PLANT AND EQUIPMENT

	2010 $	2009 $
Plant and equipment		
Plant and equipment at cost	1,011,515	1,046,165
Less accumulated depreciation	(693,455)	(593,963)
Drill Rig at Cost	182,165	348
Less accumulated depreciation	(6,574)	(120)
Carrying amount at the end of the financial year	493,651	452,430
Assets under construction	-	100,351
	493,651	552,781

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

	2010 $	2009 $
Plant and Equipment		
Carrying amount at the beginning of the financial year	452,259	962,968
Additions	7,562	30,873
Disposals	(1,190)	(349,648)
Depreciation Expenses	(125,738)	(220,324)
Foreign currency exchange differences	(14,597)	28,390
Carrying amount at the end of the financial year	318,296	452,259

NOTE 9 PLANT AND EQUIPMENT (Continued)

	2010 $	2009 $
Drill Rigs		
Carrying amount at the beginning of the financial year	171	228
Additions	181,818	-
Disposals	-	-
Depreciation expense	(6,634)	(57)
Carrying amount at the end of the financial year	175,355	171
Assets Under Construction		
Carrying amount at the beginning of the financial year	100,351	339,754
Additions	-	38,139
Disposals	(100,351)	(277,542)
Depreciation expense	-	-
Carrying amount at the end of the financial year	-	100,351

NOTE 10 EXPLORATION AND EVALUATION

	2010 $	2009 $
NON-CURRENT		
Exploration expenditure capitalised	2,176,872	2,176,872

NOTE 11 TRADE AND OTHER PAYABLES

	2010 $	2009 $
CURRENT		
Trade and sundry creditors (a)	11,996	27,620
Accrued expenses	28,300	84,668
Aggregate employee benefit and related on-cost liabilities (b)	1,529	4,304
	41,825	116,592

(a) All creditors are non-interest bearing and are normally settled on 30 day terms.
(b) Employee benefit and related on-costs liabilities include holiday provision and superannuation payable and are non-interest bearing.

NOTE 12 CONTRIBUTED EQUITY

	2010 Shares	2009 Shares	2010 $	2009 $
(a) Paid Up Capital				
Ordinary shares – fully paid of no par value	205,154,014	148,886,279	18,452,527	15,861,872

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 12 CONTRIBUTED EQUITY (continued)

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

Date	Details	Notes	Number of Shares	Issue Price $	$
30 June 2008	Opening Balance		145,759,293		15,750,208
1 July 2008	Share Purchase Plan		58,490	0.085	4,966
28 Oct 2009	Rights Issue dated 28 October 2008		3,048,496	0.035	106,698
30 Jun 2009	Opening Balance		148,866,279		15,861,872
15 Sept 2009	Rights Issue		19,463,096	0.035	681,208
14 Oct 2009	Shortfall Placement		19,704,875	0.035	689,671
1 April 2010	Options Exercised		300,000	0.040	12,000
26 May 2010	Options Exercised		100,000	0.040	4,000
26 May 2010	Options Exercised		40,000	0.030	1,200
28 May 2010	Options Exercised		50,000	0.040	2,000
31 May 2010	Options Exercised		50,000	0.040	2,000
31 May 2010	Share Placement		15,232,872	0.075	1,142,465
1 June 2010	Options Exercised		1,022,190	0.045	45,999
22 June 2010	Options Exercised		24,702	0.045	1,112
23 June 2010	Options Exercised		200,000	0.030	6,000
24 June 2010	Options Exercised		100,000	0.030	3,000
30 Jun 2010	Closing Balance		205,154,014		18,452,527

(c) Options

	No. of Options 2010	No. of Options 2009
The number of unissued ordinary shares relating to options not exercised at year end:		
- Non-transferable options exercisable on or before 20 October 2011 at 14 cents	180,000	180,000
- Non-transferable options exercisable on or before 19 October 2010 at 16 cents	270,000	270,000
- Non-transferable options exercisable on or before 30 November 2010 at 20 cents	3,200,000	3,200,000
- Non-transferable options exercisable on or before 11 December 2010 at 15 cents	100,000	100,000
- Non-transferable options exercisable on or before 31 December 2012 at 4 cents	3,250,000	-
- Non-transferable options exercisable on or before 31 December 2012 at 5 cents	3,250,000	-
- Non-transferable options exercisable on or before 19 October 2013 at 4 cents	2,700,000	-
- Non-transferable options exercisable on or before 21 January 2014 at 3 cents	950,000	-
- Listed options exercisable on or before 3 December 2010 at 4.5 cents	41,169,575	3,048,496
	55,069,575	6,798,496

NOTE 12 CONTRIBUTED EQUITY (continued)

(d) Option Issues

During the financial year the Company made the following options issues:

Date	Details	Number of Options	Exercise Price	Expiry Date
19 Oct 2009	Listed options issued for free under the terms of the Rights Issue dated October 2009	39,167,971	$0.045	3 Dec 2010
	Non-transferable Options exercisable on or before 31 December 2012 at 4 cents	3,250,000	$0.040	31 Dec 2012
	Non-transferable Options exercisable on or before 31 December 2012 at 5 cents	3,250,000	$0.050	31 Dec 2012
	Non-transferable Options exercisable on or before 19 October 2013 at 4 cents	3,200,000	$0.040	19 Oct 2013
	Non-transferable Options exercisable on or before 21 January 2014 at 3 cents	1,290,000	$0.030	21 Jan 2014

(e) Option Exercise
Refer to Note 17.

(f) Option Expiry
During the financial year, no options expired.

(g) Option Cancellation and Lapse
Refer to Note 17.

(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 2010 and 30 June 2009 are as follows:

	2010 $	2009 $
Cash and cash equivalents	1,197,008	185,585
Trade and other receivables	293,972	24,617
Trade and other payables	(41,825)	(116,592)
Working capital position	1,449,155	93,610

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

NOTE 13 RESERVES AND ACCUMULATED LOSSES

	Note	2010 $	2009 $
(a) Reserves			
Share based payment reserve		894,880	712,353
Foreign currency translation reserve		(438,233)	(398,311)
		456,647	314,042
Movements			
Share based payment reserve			
Balance 1 July		712,353	712,353
Option expense		182,527	-
Balance 30 June		894,880	712,353
Movements			
Foreign currency translation reserve			
Balance 1 July		(398,311)	(430,953)
Currency translation differences arising during the year		(39,922)	32,642
Balance 30 June		(438,233)	(398,311)
(b) Accumulated losses			
Movements in accumulated losses were as follows:			
Balance 1 July		(13,267,378)	(11,940,002)
Net loss for the year		(1,437,708)	(1,327,376)
Balance 30 June		(14,705,086)	(13,267,378)

(c) Nature and purpose of reserves

(i) Share based payment reserve
The options reserve is used to recognise the fair value of options issued.

(ii) Foreign Exchange 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(n). The reserve is recognised in profit and loss when the net investment is disposed of.

NOTE 14 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:

	2010 $	2009 $
Not later than 1 year	529,050	990,741
Later than 1 year but not later than 2 years	29,050	1,129,630
Any greater than 5 years	-	125,000
	558,100	2,245,370

NOTE 15 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 Note 16.

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 24.

Frontier Gold (PNG) Ltd and Frontier Copper (PNG) Ltd are incorporated in, and operate in, Papua New Guinea.

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

NOTE 16 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) 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 2010.

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

	2010 $	2009 $
Short term employee benefits	543,575	639,468
Post employment benefits	9.930	30,322
Share Based Payments	139,431	-
	693,431	669,790

(b) 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.

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

2010 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 of Frontier Resources Ltd						
R.D. McNeil – *resigned 18/01/2010*	2,325,514	1,500,000	-	(3,825,514)	-	-
P.A. McNeil	1,426,988	2,000,000	(22,224)	-	3,404,764	1,404,764
G.J. Fish	1,142,856	1,000,000	-	-	2,142,856	1,142,856
W.J. Staude	811,112	1,000,000	-	-	1,811,112	811,112
H.D. Swain	-	1,000,000	-		1,000,000	-
Other key management personnel						
P.S. McNeil	381,112	800,000	(200,000)	-	981,112	981,112
J.Stephenson	-	400,000	(400,000)	-	-	-
Total	6,087,582	7,700,000	(622,224)	(3,825,514)	9,339,844	4,339,844

NOTE 16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2009 **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 of Frontier Resources Ltd						
R.D. McNeil	800,000	-	-	1,525,514	2,325,514	2,325,514
P.A. McNeil	800,000	-	-	626,988	1,426,988	1,426,988
G.J. Fish	800,000	-	-	342,856	1,142,856	1,142,856
W.J. Staude	800,000	-	-	11,112	811,112	811,112
H.D. Swain	-	-	-	-	-	-
C.E. Iewago – *resigned 27/10/2008*	-	-	-	-	-	-
Other key management personnel						
R. Reid	640,000	-	-	(640,000)	-	-
T. Grigson	710,000	-	-	(710,000)	-	-
John Jeal	130,000	-	-	(130,000)	-	-
J. McDougall	-	-	-	-	-	-
P.S. McNeil	370,000	-	-	11,112	381,112	381,112
J. Stephenson	-	-	-	-	-	-
Total	5,050,000	-	-	1,037,582	6,087,582	6,087,582

(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.

2010	**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 of Frontier Resources Ltd				
R.D. McNeil – *resigned 18/01/2010*	5,084,306	-	(5,084,306)	-
P.A. McNeil	9,718,599	22,224	771,428	10,512,251
G.J. Fish	105,743	-	285,714	391,457
W.J. Staude	124,000	-	-	124,000
H.D. Swain	-	-	-	-
Other key management personnel				
R. Reid	100,000	-	(100,000)	-
T. Grigson	30,000	-	(30,000)	-
J. Jeal	20,000	-	(20,000)	-
P.S. McNeil	1,904,201	200,000	-	2,104,201
J. Stephenson	-	400,000	-	400,000
Total	17,086,849	622,224	(4,177,164)	13,531,909

NOTE 16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2009	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 of Frontier Resources Ltd				
R.D. McNeil	4,614,554	-	469,752	5,084,306
P.A. McNeil	9,229,047	-	489,552	9,718,599
G.J. Fish	48,601	-	57,142	105,743
W.J. Staude	100,000	-	24,000	124,000
H.D. Swain	-	-	-	-
C.E. Iewago - *resigned 27/10/2008*	-	-	-	-
Other key management personnel				
R. Reid	100,000	-	-	100,000
T. Grigson	30,000	-	-	30,000
J. Jeal	20,000	-	-	20,000
P.S. McNeil	976,626	-	927,575	1,904,201
J. Stephenson	-	-	-	-
Total	15,118,828	-	1,968,021	17,086,849

No shares were held nominally at year end or the prior year end.

** Other changes during the year include other acquisitions and disposals for directors and their related parties.

(c) 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 (2009: Nil).

(d) Other transactions with Directors and other key management personnel

Directors of Frontier Resources Ltd
A Director, P.A. McNeil, has a Consulting arrangement in place for the provision of geological and management services to the consolidated group.

Directors R.D. McNeil and P.A. McNeil are parties to a joint venture agreement for the Group to solely fund exploration on the related parties interest of 10% in two exploration tenements controlled by the Group.

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.

No amount was owed to Directors, key management personnel and their related parties as at 30 June 2010.

Aggregate amounts of each of the above types of other transactions with Directors of Frontier Resources Ltd:

	2010 $	2009 $
Amounts recognised as expense		
Consulting fees:		
Administration*	100,675	64,891
Exploration*	216,242	127,430
Exploration Expenditure (JV)	-	-
Outstanding balances at year end	-	-

*includes the provision of office and motor vehicle.

NOTE 17 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. However, no options are to be issued to Directors of the Company pursuant to the Plan.

- 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 effected 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 optionholders 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 and which will not result in any benefits being conferred on optionholders 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 optionholder 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.

NOTE 17 SHARE-BASED PAYMENTS (continued)

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
2010							
20 Oct 2006	20 Oct 2011	$0.14	180,000	-	-	-	180,000
19 Oct 2007	19 Oct 2010	$0.16	270,000	-	-	-	270,000
23 Nov 2007	30 Nov 2010	$0.20	3,200,000	-	-	-	3,200,000
11 Dec 2007	11 Dec 2010	$0.15	100,000	-	-	-	100,000
19 Oct 2009	19 Oct 2013	$0.04	-	3,200,000	(500,000)	(875,000)	1,825,000
25 Nov 2009	31 Dec 2012	$0.04	-	3,250,000	-	-	3,250,000
25 Nov 2009	31 Dec 2012	$0.05	-	3,250,000	-	-	3,250,000
19 Jan 2010	21 Jan 2014	$0.03	-	1,290,000	(340,000)	-	950,000
			3,750,000	10,990,000	(840,000)	(875,000)	13,025,000
Weighted average remaining contracted life of options (Years)			1.44	2.86	3.41	-	0.87
Weighted average exercise price			$0.080	$0.042	$0.036	$0.040	$0.050
2009							
16 Mar 2006	01 Dec 2008	$0.10	1,330,000	-	-	(1,330,000)	-
20 Oct 2006	20 Oct 2011	$0.14	1,560,000	-	-	(1,380,000)	180,000
19 Oct 2007	19 Oct 2010	$0.16	2,830,000	-	-	(2,560,000)	270,000
23 Nov 2007	30 Nov 2010	$0.20	3,200,000	-	-	-	3,200,000
11 Dec 2007	11 Dec 2010	$0.15	740,000	-	-	(640,000)	100,000
			9,660,000	-	-	(5,910,000)	3,750,000
Weighted average remaining contracted life of options (Years)			2.23	-	-	-	1.44
Weighted average exercise price			$0.161	-	-	$0.153	$0.080

Options granted at the end of the year were all vested.

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.

NOTE 17 SHARE-BASED PAYMENTS (continued)

(b) Frontier Resources Ltd Directors' 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 50,000. Any options not exercised by the expiry date shall lapse.

Exercise of the options is effected 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 and will 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 or his nominee.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2010 $	2009 $
Options issued under employee option plan	182,527	-

NOTE 18 OPERATING SEGMENTS

Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of old, silver and base metals projets. 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 three 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.

For the Year to 30 June 2010	**Australian Exploration $**	**Papua New Guinea Exploration $**	**Treasury $**	**Total $**
Segment Revenue	19,274	566,454	-	585,728
Segment Results	(399,659)	(453,387)	-	(853,046)
Amounts not included in segment results but reviewed by Board:				
- Corporate charges				(402,135)
- Share-based payment expenses				(182,527)
Loss before Income Tax				(1,437,708)
As at 30 June 2010				
Segment Assets	2,662,043	386,862	1,197,008	4,245,913
Segment asset increases for the period:				
- capital expenditure	189,381	-	-	189,381
Segment Liabilities	20,867	20,958	-	41,825

For the Year to 30 June 2009	**Australian Exploration $**	**Papua New Guinea Exploration $**	**Treasury $**	**Total $**
Segment Revenue	862,346	147,274	-	1,009,620
Segment Results	(110,293)	(505,411)	-	(615,704)
Amounts not included in segment results but reviewed by Board:				
- Corporate charges				(711,672)
Loss before Income Tax				(1,327,376)
As at 30 June 2009				
Segment Assets	2,674,179	165,364	185,585	3,025,128
Segment asset increases for the period:				
- capital expenditure	30,873	85,758	-	116,631
Segment Liabilities	107,178	9,414	-	116,592

NOTE 19 EARNINGS/(LOSS) PER SHARE ("EPS")

	2010 $	2009 $
The (loss) used in calculating basic earnings/(loss) per share is the loss attributable to members of Frontier Resources Ltd.	(1,437,708)	(1,327,376)
Weighted average number of shares used in the calculation of the basic EPS.	179,214,316	147,810,510
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.	55,069,575	6,798,496
Basic and diluted (loss) per share	(0.8c)	(0.9c)

NOTE 20 EVENTS OCCURRING AFTER THE BALANCE DATE

Since the end of the financial year, the company has allotted 255,814 shares in the Company on the exercise of 255,814 options at $0.045.

On 5 August 2010, the Company announced that Ok Tedi Mining ltd had completed a major geophysical exploration program at the Likuranga Joint Venture.

There are no other matters of arising subsequent to the end of the financial year.

NOTE 21 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.

	2010 $	2009 $
Assurance services		
1. Audit Services		
BDO Audit (WA) Pty Ltd	37,170	17,691
BDO Group Holdings (QLD) Pty Ltd	-	29,000
Sinton Spence (PNG firm)	10,051	11,361
Total remuneration for audit services	47,221	53,052
2. Other Assurance Services		
BDO Audit (WA) Pty Ltd	-	240
Total remuneration for other assurance services	-	240
All Assurance Services		
BDO Audit (WA) Pty Ltd	37,170	17,931
BDO Group Holdings (QLD) Pty Ltd	-	29,000
Sinton Spence (PNG firm)	10,051	11,361
Total remuneration for assurance services	47,221	53,292
Non-Assurance services		
Taxation and Accounting Services		
BDO Tax (WA) Pty Ltd	14,039	-
Total remuneration for taxation services	14,039	-

NOTE 22 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 $	2009 $
(a) Reconciliation of operating loss after income tax to the net cash flow from operations:		
Operating loss after income tax	(1,437,708)	(1,327,376)
Adjustment for non cash items:		
- (Gain)/Loss on disposal of fixed assets	(461,190)	60,829
- Depreciation expense	132,372	220,381
- Non-cash employee benefits expense – share-based payments	182,527	-
- Prior Year Correction	-	231,599
- Net exchange differences	15,460	(29,658)
Change in operating assets and liabilities:		
- Accounts payable and provisions	(68,684)	(246,324)
- Accounts receivable and prepayments	(275,437)	(2,277)
- Inventory/WIP	-	51,655
Net cash used in operating activities	(1,912,660)	(1,041,171)

NOTE 23 PARENT ENTITY DISCLOSURES

	2010	2009
	$	$
(a) Financial Position of Frontier Resources Limited		
CURRENT ASSETS		
Cash and cash equivalents	1,176,924	179,501
Trade and other receivables	6,061	12,440
TOTAL CURRENT ASSETS	1,182,985	191,941
NON-CURRENT ASSETS		
Trade and other receivables	76,940	76,940
Other financial assets	10,622	10,622
Plant and equipment	402,171	407,927
Exploration and evaluation expenditure	2,176,872	2,176,872
TOTAL NON-CURRENT ASSETS	2,666,605	2,672,361
TOTAL ASSETS	3,849,590	2,864,302
CURRENT LIABILITIES		
Trade and other payables	20,867	107,177
TOTAL CURRENT LIABILITIES	20,867	107,177
TOTAL LIABILITIES	20,867	107,177
NET ASSETS	3,828,723	2,757,125
EQUITY		
Contributed equity	18,452,527	15,861,872
Options reserve	894,880	712,353
Accumulated losses	(15,518,684)	(13,817,100)
TOTAL EQUITY	3,828,723	2,757,125
(b) Financial Performance of Frontier Resources Limited		
Loss for the year	(1,701,584)	(1,215,954)
Other comprehensive income	-	-
Total comprehensive income	(1,701,584)	(1,215,954)

NOTE 23 PARENT ENTITY DISCLOSURES (continued)

(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 2010 (2009: none).

(d) Contingent liabilities of Frontier Resources Limited

(There are no contingent liabilities as at 30 June 2010 (2009: none).

(e) Commitments Frontier Resources Limited

Exploration Expenditure Commitments	2010 $	2009 $
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 longer than 1 year	500,000	250,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total	500,000	250,000

NOTE 24 SUBDSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2010 %	Equity Holding 2009 %
Frontier Gold (PNG) Ltd	Papua New Guinea	Ordinary	100	100
Frontier Copper (PNG) Ltd	Papua New Guinea	Ordinary	100	100

NOTE 25 NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no such activities during the year (2009: nil).

NOTE 26 CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2010.

NOTE 27 DIVIDENDS

There were no dividends paid or recommended during the financial year ended 30 June 2010.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards and the Corporations Regulations 2001;

    b. give a true and fair view of the financial position as at 30 June 2010 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 21 to 26 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, 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
Managing Director

30 September 2010

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

Report on the Financial Report

We have audited the accompanying financial report of Frontier Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the Directors at the time that this auditor's report was made.

Basis for Qualified Auditor's Opinion

As at 30 June 2010 Property, plant and equipment to the value of $300,488 as disclosed in note 9 in relation to the company's drill rigs are currently held in a remote location in Papua New Guinea. Access to the location of these assets is limited. As a result of this we were unable to obtain sufficient assurance over the physical existence and condition of these assets. Accordingly, we are not in a position to and do not express any assurance in respect of the existence and the recoverability of these items of property, plant and equipment for the year ended 30 June 2010. Consequently we were unable to determine whether any adjustments to inventory or Statement of Comprehensive Income were necessary.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the matters referred to in the proceeding paragraph.

(a) the financial report of Frontier Resources Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Frontier Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO Audit
C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 30th day of September 2010

SCHEDULE OF TENEMENTS

EL No	Tenement	Ownership
Frontier Copper PNG Ltd 100% owned PNG subsidiary		
EL 1345	Andewa (120 km²)	100% Frontier Resources
Frontier Copper PNG Ltd 100% owned PNG subsidiary under terms of Farm-in /J.V. with OTML		
EL 1351	Likuruanga (127km²)	100% Frontier Resources. Ok Tedi Mining Ltd earning right to 80.1% participating interest by spending US$12M within 6 years.
Frontier Gold PNG Ltd 100% owned PNG subsidiary under terms of Farm-in/J.V. with OTML		
EL 1595	Bulago (219 km²)	100% Frontier Resources - Ok Tedi Mining earning 58% participating interest by spending US$12M within 6 years.
EL 1597	Leonard Schultz (675 km²)	100% Frontier Resources - Ok Tedi Mining earning 58% participating interest by spending US$12M within 6 years.
Frontier Resources Ltd Tasmanian EL's		
EL 20/1996	Elliott Bay (11km²)	90% Frontier Resources/ 10% McNeil Associates & EMC Pty Ltd
RL 3/2005	Narrawa Creek (3km²)	100% Frontier Resources
EL20/2009	Cethana (109km²)	100% Frontier Resources

SHAREHOLDER INFORMATION

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

STATEMENT OF QUOTED SECURITIES AS AT 28 SEPTEMBER 2010

a) Distribution of Shareholders

Size of Holding	Number of Shareholders
1 – 1,000	1,046
1,001 – 5,000	569
5,001 – 10,000	360
10,001 – 100,000	1,121
100,001 and over	305
	3,401

b) Number of holders of less than marketable parcels 1,744

c) Percentage holding of 20 largest holders 38.57%

d) There are no substantial shareholders listed in the Company's register as at 28 September 2010.

e) Twenty largest shareholders and optionholders as at 28 September 2010.

Shareholder Name	Quantity	% of Total Holding
1. JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	27,812,121	13.42
2. OK TEDI MINING LIMITED	15,232,872	7.35
3. EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD <MALALO SUPER FUND A/C>	4,847,521	2.34
4. MCNEIL ASSOCIATES PTY LTD <MCNEIL SUPER FUND A/C>	3,028,397	1.46
5. MILLERS OF MANUKA PTY LTD	2,600,000	1.25
6. MR JUDE SEBASTIAN ALVA & MRS MELISSA EMMA ALVA <THE ALVA FAMILY A/C>	2,500,000	1.21
7. PETER ANDREW MCNEIL	2,494,043	1.20
8. MS CAROLYN GAYE STEWART	2,450,769	1.18
9. MR ROHAN WILLIAM HALFPENNY & MRS PHITSAMAI THONGLA HALFPENNY	2,000,000	0.97
10. MS PAIGE SIMONE MCNEIL	1,915,313	0.92
11. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,895,736	0.91
12. KENNETH CHARLES MARDEN <KENCEM SUPER FUND A/C>	1,700,000	0.82
13. MARKET CAPITAL GROUP PTY LTD <MARKET CAP SUPER FUND A/C>	1,656,390	0.80
14. MRS SUPORN THORN	1,538,580	0.74
15. MR ROBERT CAMERON GALBRAITH	1,492,404	0.72
16. CITICORP NOMINEES PTY LIMITED	1,469,251	0.71
17. KELANCO PTY LTD	1,400,000	0.68
18. EXPLORATION & MANAGEMENT CONSULTANTS PTY LTD	1,326,666	0.64
19. MR KWOK CHING CHOW & MS PIK YUN PEGGY CHAN	1,300,000	0.63
20. MR RICHARD BENJAMIN JAMIESON & MS GABRIELE WILKENS	1,300,000	0.63
TOTAL	**68,283,781**	**38.57**

Optionholder

Name	Quantity	% of Total Holding
1. MR MATTHEW DAVID BURFORD	4,130,000	10.58
2. MR RINO PASQUALE PISANO	2,787,000	7.14
3. MCNEIL ASSOCIATES PTY LTD <MCNEIL SUPER FUND A/C>	2,311,112	5.92
4. MR ROHAN WILLIAM HALFPENNY & MRS PHITSAMAI THONGLA HALFPENNY	2,000,000	5.13
5. MR SIMON ROBERT EVANS	1,945,181	4.99
6. MR ANTHONY JOHN VETTER	1,250,000	3.20
7. JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,231,886	3.16
8. MR PAUL STUART NICHOLS & MS THERESE MARY NICHOLS <NICHOLS SUPER FUND A/C>	1,000,000	2.56
9. MR ROBERT JOHN WELLBY & MS NATALIE HELEN WELLBY <ROBERTS RETIREMENT FUND A/C>	863,333	2.21
10. MS PAIGE MCNEIL	857,142	2.20
11. MRS SUPORN THORN	850,000	2.18
12. MR PETER RAYMOND KNAPMAN	753,062	1.93
13. MR JASON LEE BROWNLOW & MS ERYN LEIGH GRANT <BROWNLOW GRANT S/F A/C>	750,000	1.92
14. MR DOUGLAS JOHN MITCHELL	750,000	1.92
15. MR ROBERT CAMERON GALBRAITH	746,202	1.91
16. MR RICHARD BENJAMIN JAMIESON & MS GABRIELE WILKENS	738,400	1.89
17. MR MICHELE SANTI & MRS MARIA TERESA SANTI <THE M SANTI SUPER FUND A/C>	675,000	1.73
18. RARE EARTHS & MINERALS PTY LTD	625,000	1.60
19. MR MATTHEW DAVID BURFORD	620,000	1.59
20. MS ELIZABETH MARY ROTHWELL	500,000	1.28
TOTAL	25,383,318	65.05

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.

STATEMENT OF UNQUOTED SECURITIES (OPTIONS) AS AT 28 SEPTEMBER 2010

There are on issue the following unquoted securities:-	**Quantity**
Non transferable options expiring 19 October 2010 exercisable at 16 cents	270,000
Non transferable options expiring 30 November 2010 exercisable at 20 cents	3,200,000
Non transferable options expiring 11 December 2010 exercisable at 15 cents	100,000
Non transferable options expiring 20 October 2011 exercisable at 14 cents	180,000
Non transferable options expiring 19 October 2013 exercisable at 4 cents	3,200,000
Non transferable options expiring 31 December 2012 exercisable at 4 cents	3,250,000
Non transferable options expiring 31 December 2012 exercisable at 5 cents	3,250,000
Non transferable options expiring 21 January 2014 exercisable at 3 cents	1,290,000

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