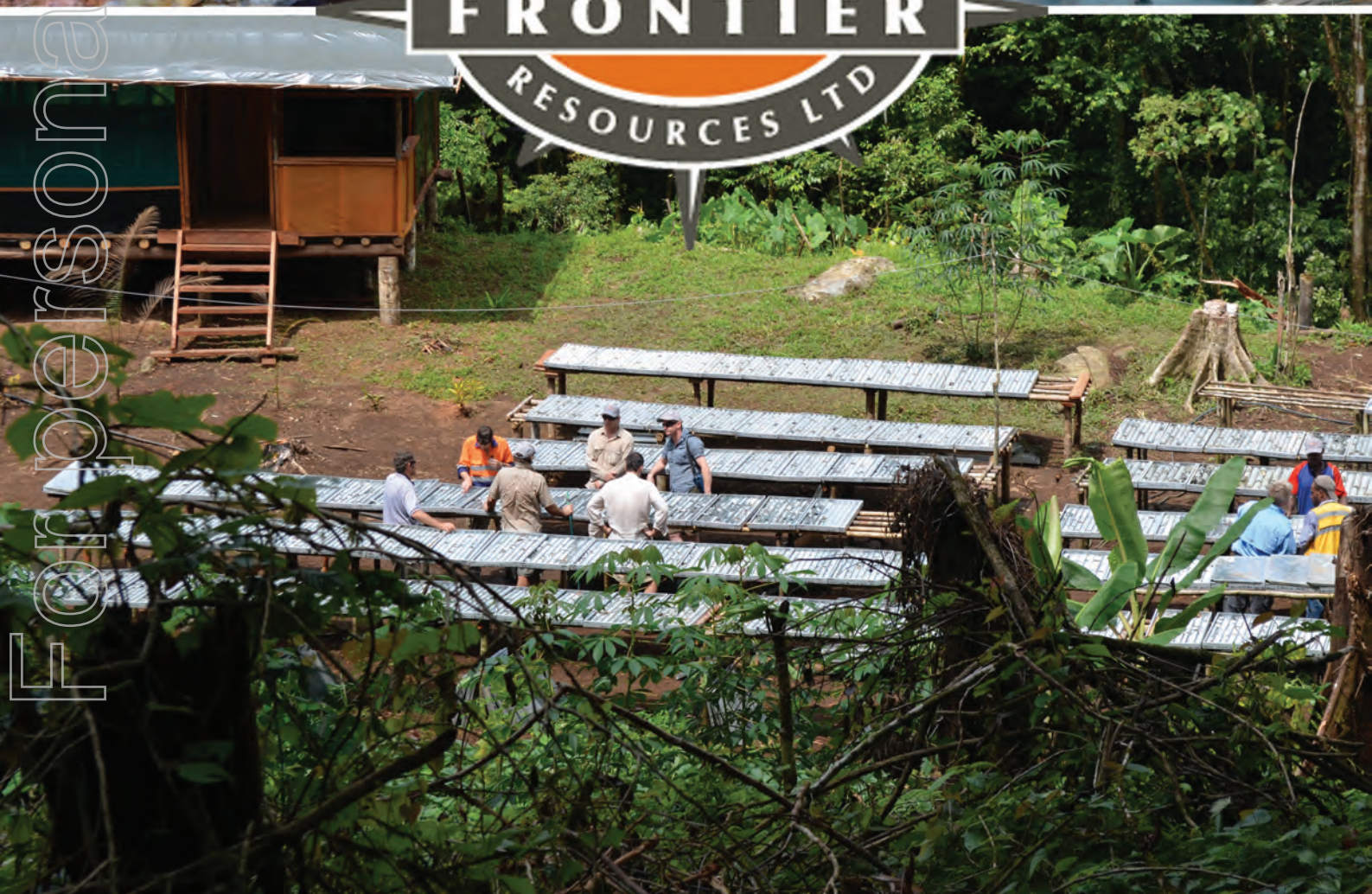


# ANNUAL REPORT 2012

For persons use only



# FRONTIER RESOURCES LTD

ABN 96 095 684 389

## CONTENTS

Chairman's Letter .....	2
Review of Operations & Activities .....	6
Directors' Report.....	50
Auditor's Independence Declaration .....	63
Corporate Governance Statement .....	64
Financial Report.....	70
Directors' Declaration .....	105
Independent Audit Report .....	106
Schedule of Tenements .....	108
Shareholder Information .....	109

## CORPORATE DIRECTORY

<b>Managing Director &amp; Chairman</b> Peter A. McNeil	<b>Principal Office</b> 120 Tranquil Place Stoneville WA 6081 Australia Telephone: (08) 9295 0388 Facsimile: (08) 9295 3480	<b>Share Registry</b> Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace PERTH WA 6000
<b>Non-Executive Director</b> Graham J. Fish		
<b>Non-Executive Director</b> Warren J. Staude	<b>Registered Office</b> Level 4, 66 Kings Park Road West Perth WA 6005 Australia Telephone: (08) 6141 3500 Facsimile: (08) 6141 3599 Email: <a href="mailto:info@frontierresources.com.au">info@frontierresources.com.au</a> Website: <a href="http://www.frontierresources.com.au">www.frontierresources.com.au</a>	<b>Auditors</b> BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
<b>Non-Executive Director</b> Hugh David Swain		<b>Bankers</b> Westpac Banking Corporation 1/100 Bundall Road Bundall, QLD 4217
<b>Company Secretaries</b> Jay Stephenson Julia Beckett		
<b>Stock Exchange</b> Australian Securities Exchange - FNT German Stock Exchange - TG5	<b>Postal Address:</b> PO Box 52 West Perth WA 6872 Australia	<b>Lawyers</b> Steinepreis Paganin Level 4, 16 Milligan Street Perth, WA 6000



Dear Fellow Shareholder

Frontier Resources Ltd is a successful, innovative and socially responsible junior mineral explorer that had a very successful 2011/2012 focussed on a highly prospective portfolio of porphyry copper- gold - molybdenum, porphyry gold, mesothermal and epithermal gold targets in Exploration Licences in Papua New Guinea.

Ok Tedi Mining Ltd and Newcrest Mining Ltd are in Earn-In Joint Ventures, spending potentially \$80 million total on 3 Agreements covering 7 ELs /~ 5,300 km<sup>2</sup>. The Newcrest Agreement was signed in June 2012. Frontier also owns 100% of the Sudest high grade gold EL.

The Tasmanian exploration and development assets will be de-merged from FNT (via an in-species distribution Frontier's shareholders) through 100% owned Torque Mining Ltd. Torque raised \$1.05 million in seed capital with the intent of listing on the ASX in late 2012. Frontier also maintains a 10% free carried interest to completion of Bankable Feasibility Study in all its former Tasmanian licences (except the SMRV).

Extensive and highly successful exploration was conducted by Frontier during 2011/2012 at the Andewa Project drilling wide intercepts of low grade porphyry gold and copper mineralisation.

Frontier/Torque were also very active exploring in Tasmania, drilling excellent results at the Stormont Deposit and converting the associated Inferred Resource to a comparable amount of Indicated Resource.

A large ~25km<sup>2</sup> 3D-IP grid was completed at the Moina Project, demonstrating excellent chargeability, conductivity and resistivity anomalies that variously correspond to known gold and base metal mineralisation. A VTEM electromagnetic survey flown over the entire SMRV project area

Frontier and Torque own and operate five and three diamond drill rigs respectively, plus earthmoving and support equipment that is used to cost effectively locate and delineate precious and base metal mineralisation.

A brief summary of exploration completed during the period is included below.

#### **EL 1594 - Sudest**

EL 1594 - Sudest is 100% owned and is located in the Misima Mine Gold Corridor in eastern Papua New Guinea. No drilling has ever been completed, even though alluvial gold was first discovered in PNG here in 1888 and 2 small high-grade gold hard rock mines have operated historically.

Exploration was initiated immediately after granting in mid-2012 with hand trenching and 2 soil grids covering ~6 km<sup>2</sup>. Assay results from the 2,825 soil samples are yet to be finalised but are delineating significant and cohesive gold anomalies. Frontier demonstrated a rock assay grading 256 g/t gold with 19 g/t silver and located coarse visible gold in outcrop at the Adelaide Prospect.

#### **Newcrest Mining Ltd Andewa /Schrader Earn-In Joint Venture**

- A Farm-in Agreement with Newcrest Mining was finalised on June 17th, 2012, regarding EL 1345 - Andewa and EL 1951 - Mt Schrader.
- Newcrest Mining Ltd can earn 60% interest in EL 1345 - Andewa and EL 1951 - Schrader by sole funding A\$15.25 million and \$4.0 million of exploration expenditure for the projects by 31/12/2015 and 11/3/2016, respectively.
- After Earn-In, Frontier may elect to be deferred carried to completion of a Feasibility Study, repayable from 50% of pro-rata mine profit.
- A\$1.915 million was reimbursed for actual exploration expenditure incurred since 1 January 2012 including Frontier's commercial drilling and equipment lease costs.
- After Earn-in, Newcrest may acquire an additional 12% equity in the project prior to the 'Decision to Mine' for a formula based payment relating to the feasibility study's estimated reserves and resources.



## CHAIRMAN'S LETTER

- Frontier is the Manager during the A\$2.5 million Initial Spend (already completed at the date of this report), then Newcrest can elect to become Manager.

Thirteen holes were completed during Frontier's initial 2011/2012 drilling program at Andewa for 5886.0m.

Frontier re-commenced drilling on behalf of the Newcrest JV in early July 2012 on a 5 hole, 5,000m long drilling program. Holes ADH014 and ADH015 have been completed and holes ADH016 and ADH017 were nearing completion in late September.

The objective is to drill potentially mineralised intersections and/or to obtain vectors from mineralogy and clay alteration to the 'hotter', more strongly mineralised part of the system. We are successfully accomplishing this task.

The first Frontier hole at Andewa (ADH001) intersected 93.2m grading 0.78 g/t gold + 0.30% copper, including 48.5m grading 1.02 g/t gold + 0.38% copper. The entire interval in ADH001 is mineralised from surface and includes 190.1m grading 0.55 g/t gold + 0.24% copper.

Frontier's second hole ADH002 returned a composite intercept of 114m grading 0.74 g/t gold + 0.20% copper, including 19m grading 1.86 g/t gold + 0.39% copper. The entire interval from surface to 372m was mineralised and graded 0.36 g/t gold + 0.10% copper. Lower tenor results were returned in subsequent holes, but interesting alteration is noted in every hole in this large mineralised system.

A 1,538 line kilometre aeromagnetic and radiometrics geophysical program was completed at Andewa in March. Data was obtained on a 100m line spacing. Several RTP magnetic anomalies were noted for follow up. A large and cohesive RTP aeromagnetic anomaly is located in the central northern sector of the EL associated with gold anomalous drainage geochemistry and a circular topographic feature and could be due to an intrusive.

There is an apparent correlation between the more subdued magnetic highs and gold/copper mineralisation as demonstrated by drill holes to date. Holes ADH016 and ADH017 are targeting these types of magnetic highs, that may also be associated with gold/copper mineralisation.

EL 1951 - Mt Schrader was granted on 12/3/2012. A 3,851 line kilometre aeromagnetics /radiometrics geophysical program was completed over the crater area in late July 2012, to assist future exploration.

### **Ok Tedi Mining Ltd Bulago/Leonard Schultz & Likuruanga/Central New Britain/East New Britain Earn-In Joint Venture Joint Ventures**

- Ok Tedi Mining Ltd have the option to earn 58% of EL 1595 and EL 1597 and the option to earn 80.1% of ELs 1351, 1592 and 1598 by spending US\$12 million on each EL within 6 years (by 25/5/2016 except ELs 1592 and 1598 by 21/3/17).
- Frontier is deferred carried from completion of Earn-In to the completion of a Bankable Feasibility Study, with repayments from 50% of its pro-rata future metal sales.
- Frontier's equity is non-dilutable in ELs 1351, 1592 and 1598 (if the PNG government elect to participate, then OTML must reduce pro-rata).

**EL 1351 - Likuruanga** is located between Wide and Open Bays in east New Britain. The EL is prospective for porphyry copper, gold - silver -zinc skarn and /or epithermal gold deposits. The area contains the Esis porphyry copper deposit and the Bukuam porphyry related copper, molybdenum, gold and zinc soil anomalies, which are situated about 14km opposite each other on the flanks of the Esis-Sai granitoid complex.

Esis is situated on a north-north-east trending ridgeline. A large and detailed aeromagnetic and radiometric geophysical survey was completed by OTML in late 2010 that demonstrated a number of 'Low Latitude



## CHAIRMAN'S LETTER

---

Total Magnetic Intensity Anomalies' that represent probable intrusives. Multiple, extensive and strong copper and gold anomalous soil and trench zones have been demonstrated in previous exploration with mineralisation in quartz-diorite and magnetite breccias.

The first diamond core hole of the planned drilling program on EL 1351 was terminated at 697.6m in copper mineralisation, due to depth limitations of the drilling rig. The hole was vertical and located on the same drill pad as MD23; it was designed to confirm the historic near surface mineralisation and to test the depth extent of the system.

The drilling has now demonstrated multiple zones of porphyry copper mineralisation extending over a +1,100m strike length in drill holes that is open in all directions and in multiple zones. Ten holes have now been completed for 6,155m, hole NBE011 was abandoned and drilling continues on holes 12 and 13.

Mineralisation demonstrated at Esis during 2011/2012 includes:

- 238m grading 0.37% copper (from 3m to 241m) NBE001.
- 306.8m grading 0.28% copper (from 18m to 324.8m) NBE005.
- 184m grading 0.30% copper (from 2m to 186m) NBE002.
- 199m grading 0.28% copper (from 0m to 199m) NBE003.

**EL 1595 - Bulago** is located between the OK-Tedi and Porgera Deposits. Targets are very high-grade epithermal and skarn gold and bulk mineable porphyry and intrusive related gold deposits. The Suguma and Funutu Prospects have at least 10 locations with very high-grade gold in outcrop channel samples with multiple orientations of mineralisation.

The prospects are located in a 4.5km x 6km well-defined gold, zinc and copper drainage anomaly covering a recessive intrusive in a sub-circular drainage basin, with anomalism continuing up to the peripheral limestones.

Nine holes have been completed by OTML at Bulago for 3,302.9m, with 2 of those (591.9m) completed at high grade gold Suguma Prospect. Hole BUL001 was drilled to its design depth of 440m to test an aeromagnetic anomaly for porphyry copper-gold mineralisation; it returned weighted average intercepts of 124m grading 0.13 % copper + 0.06 g/t gold (from 119 to 243m) plus 76.1m grading 0.15% copper + 0.16 g/t gold (from 267 to 343.1m). Assay results are awaited for the remaining holes. The geochemistry indicates two possible mineralisation events, a copper event with some gold and a gold only event.

The high-grade gold mineralised Lower and Upper Horizons at Suguma were channel chip outcrop sampled and subsequently drilled by the JV with one vertical and one angled diamond core hole to evaluate those targets. OTML's weighted average gold and silver channel outcrop assays for the Suguma Lower Gold Horizon was 15m grading 24.7 g/t gold + 47 g/t silver + 2.08% zinc, compared to Frontier's 18 metres grading 40.3 g/t gold + 32 g/t silver + 1.13% zinc. The next interval to be sampled should have been Frontier's 9m of 173 g/t gold + 60 g/t silver that was also open ended to the north.

**EL 1597 - Leonard Schultz** is located in NW PNG, about 65km along the Leonard Schultz fault zone to the east of the massive Frieda River porphyry copper deposits. Assay results from the infill-extension soil sampling program have confirmed a sizeable continuous copper anomaly over the southern half of the grid established by Frontier in 2010. Infill work is continuing and areas of stockwork quartz veining, mainly in sediments but also in intrusive have been recorded.

**EL 1592 - East New Britain** covers much of the Gazelle Peninsula in eastern New Britain Province. Targets are high-grade epithermal and skarn gold, bulk mineable intrusive related gold and porphyry copper-gold deposits. A large aeromagnetic and radiometric geophysical survey was completed in mid-2012 over the entire 1,003 km<sup>2</sup> area, for 5,959 line kilometres. The geophysical data is being modelled and integrated



## CHAIRMAN'S LETTER

---

with the existing geological and geochemical information to discriminate and rank targets for follow up exploration, potentially including drilling.

**EL 1598 - Central New Britain** has porphyry copper-gold, intrusive related gold, high-grade epithermal and skarn gold targets. A 4,085 line kilometre aeromagnetics and radiometrics acquisition program was completed over the entire EL in March 2012.

I would like to thank shareholders for their support during this tumultuous period. Success is not easily achieved, but Frontier has a solid strategy and will ultimately be rewarded.

Frontier's hard working Papua New Guinean and Australian staff, casuals and directors are also thanked for their assistance throughout the year. Exploration is definitely a team effort and everyone is working hard to achieve success.

Frontier is very pleased to be exploring for major mineral deposits in Papua New Guinea and look forward to future success on our own licences, with our Earn-In Joint Ventures, plus through our equity in Torque Mining and the carried interests in the Tasmanian exploration and development projects.

For additional information relating to Frontier Resources, please visit the Company's website at [www.frontierresources.com.au](http://www.frontierresources.com.au) or feel free to contact me.

### FRONTIER RESOURCES LTD

Sincerely

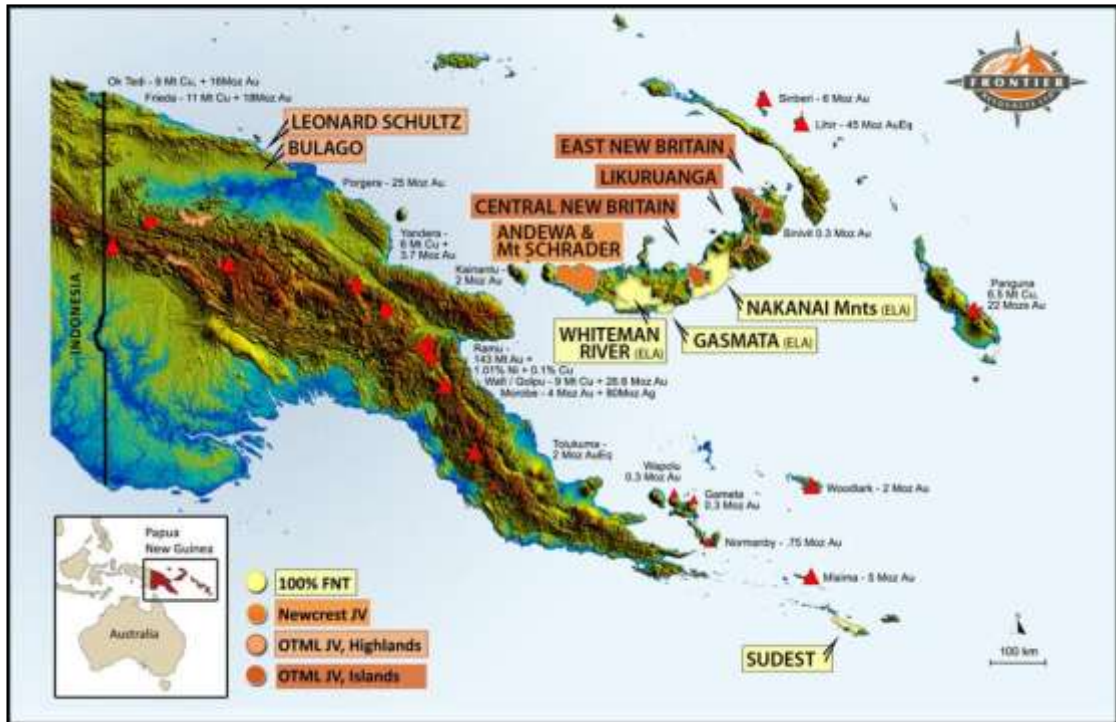
A handwritten signature in black ink, appearing to read "P.A. McNeil".

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

## Review of Operations & Activities

Extensive and highly successful exploration was conducted by Frontier during 2010/2011 at the 100% owned Andewa Project in Papua New Guinea (Figure 1). The Sudest EL was granted and exploration commenced almost immediately. The Company was also very active in Tasmania drilling excellent results at the SMRV Project and the Stormont Deposit.

Figure below shows the locations of Frontier's Exploration Licences and Joint Ventures in Papua New Guinea.



### EL 1594 Sudest

No drilling has ever been undertaken on Sudest. Frontier Resources Ltd was granted EL 1594 on March 12, 2012, for the normal renewable period of two years.

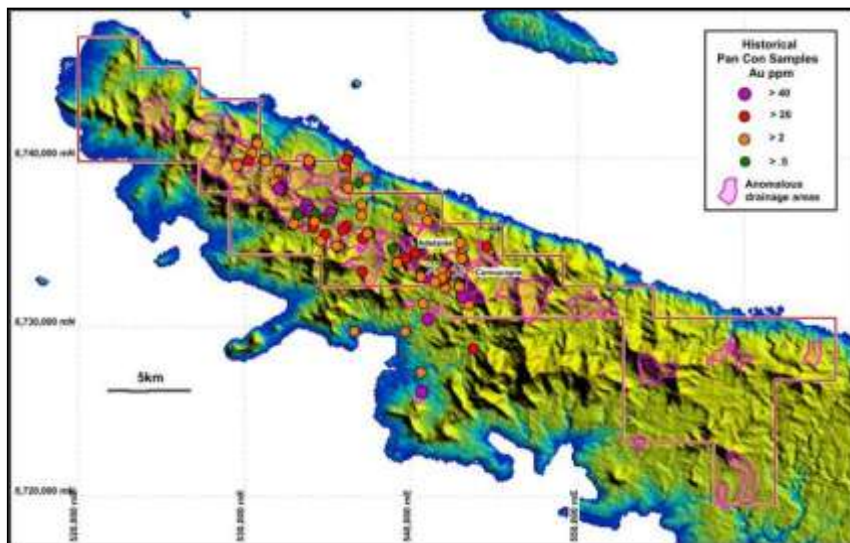
Placer Pacific was the last company to explore on Sudest; they selected it for its "potential to host an economic gold reserve containing at least 1 million ounces of gold". Sudest is approximately 100 km south-east of the former Placer owned Misima Deposit from which about 5 million ounces of low-grade epithermal gold was extracted.

Work undertaken by Placer included reconnaissance / semi-detailed geological mapping, stream sediment

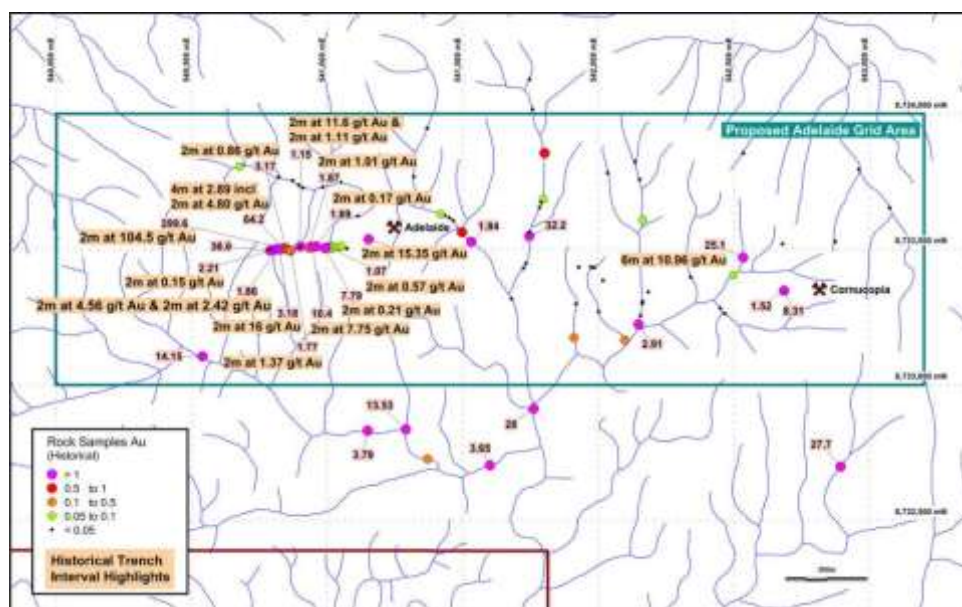
## Review of Operations & Activities (Cont.)

/pan concentrate /BLEG, ridge/spur soil, rock chip/hand trench sampling, plus petrographic analysis/ fluid inclusion studies. However, no serious evaluation work was completed.

The Placer Pacific work program located a 45km NW-SE striking zone defined by gold anomalous drainage geochemistry. Anomalous gold assay results (g/t) in stream sediments included 0.785 and 1.41 at Small 4-Mile, 1.49 at Nanhil, 0.808 at Cornucopia, 0.782 at Pamela, 0.635 at Gesila and 1.05 and 0.914 at Tauge – Big 4-Mile. Lower tenor gold results were also returned but it is noted that much of Sudest is mineralised in drainages.



Highlights of anomalous gold assay results (g/t) in panned concentrates included 387.0, 173.0, 64.0, 27.0, 15.5 and 21.6 at Adelaide, 202.0, 56.5, 33.8 and 21.8 at Cornucopia, 134.0, 129.0, 51.9, 43.5, 35.3 and 31.00 at Tauge, 214.0, 121.0, 71.9, 29.4 and 23.0 at Gesila / 4-Mile and 23.0 and 16.0 at Griffin Point. These are the high values, but lower tenor values were also recorded. Strongly anomalous gold assay results (g/t) in float rock chips included: 86.0, 42.5, 28.0, 27.7, 14.15 and 13.53 at Cornucopia and 260.0, 169.8, 132.7, 125.9, 46.0, 32.2, 30.9 and 28.35 at the Adelaide Prospect. Outcrop gold samples (g/t) included 4.05 and 0.974 at Adelaide and 0.41 at Small 4 Mile Prospect. The BLEG samples assayed a high of 2540ppb Au from the Cornucopia area and panned concentrate /BLEG results support an approximate east-west trending gold anomalous zone.



Field crews completed a 2.5 month 'maiden' exploration program on the Sudest EL consisting of 2 grid based soil sampling programs (covering a total of about 5 km<sup>2</sup>) and hand trenching at 2 prospects.





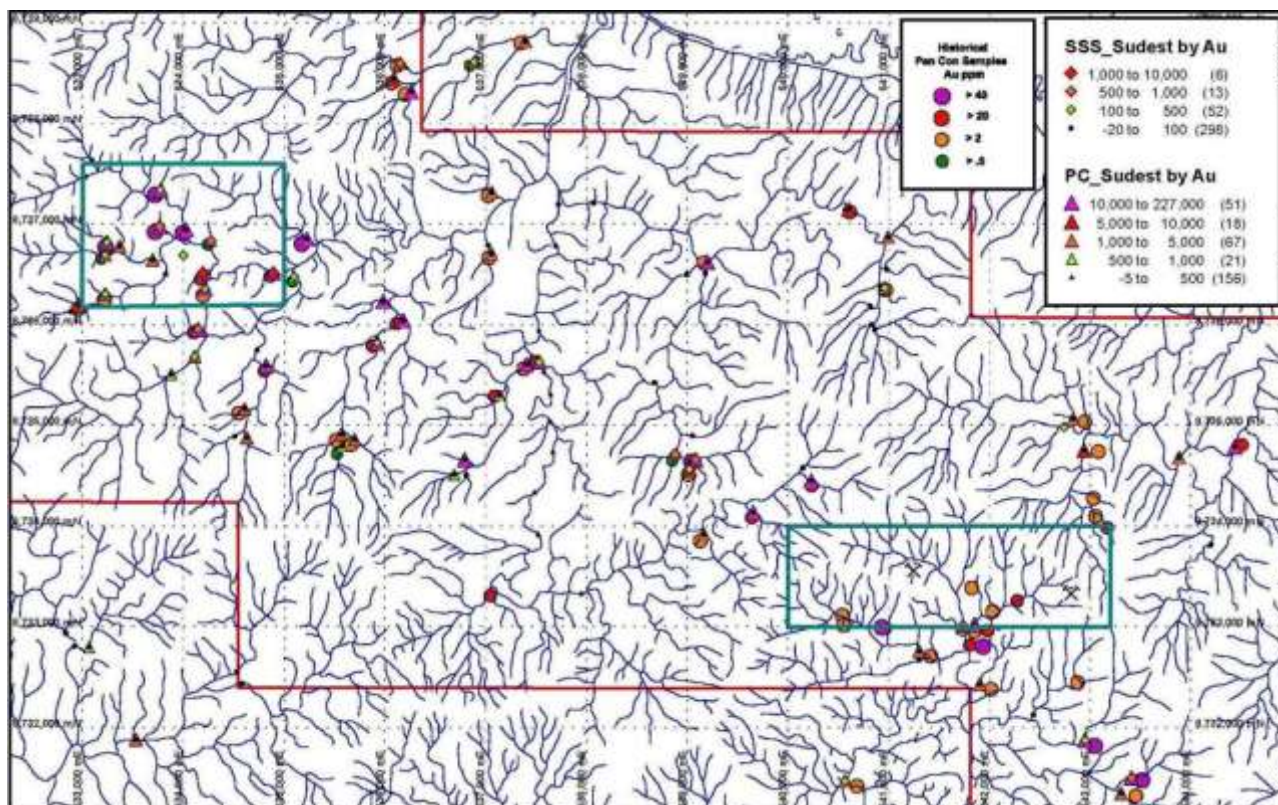
EL 1594 Sudest Trench Assay Compilation.				
Adelaide Trenches				
Trench No	Gold in Trench Assays	Interval From -- To	Trench Length	Rock grab samples in trench (measured from the start)
AT-01	2m of 0.57 g/tAu	0-2m	2m	-
AT-02	2m of 0.51 g/tAu	2-4m	14m	<b>6.10 g/tAu at 2.1m</b>
AT-03	2m of 0.05 g/tAu	20-22m	24m	1.03 g/tAu at 18.5m
AT-04	4m of 0.22 g/tAu	4-8m	8m	<b>5.79 g/tAu at 4.2m</b>
AT-05	2m of 0.18 g/tAu	8-10m	10m	<b>2.98 g/tAu at 5.5m</b>
AT-06	<b>2m of 7.75 g/tAu</b>	70-72m	74m	2.16 g/tAu at 62.2m
AT-06A	3.9m of 0.76 g/tAu	4-5.9m	5.9m	
AT-07	2m of 0.16 g/tAu	0-2m	8m	
AT-08	<b>4m of 6.36 g/tAu</b>	10-14m	18m	
incl.	<b>2m of 11.60 g/tAu</b>	12-14m	-	<b>13.01 g/tAu at 12.5m</b>
AT-09	<b>4m of 2.89 g/tAu</b>	0-4m	24m	<b>151.2 g/tAu at 2.0m</b>
incl.	<b>2m of 4.80 g/tAu</b>	2-4m	-	<b>22.70 g/tAu at 2.3m</b>
plus	2m below detection	4-6m	-	<b>4.97 g/tAu at 5.0m</b>
plus	4m of 0.20g/tAu	20-24m	-	<b>26.60 g/tAu at 22.0m</b>
AT-10	<b>4m of 52.50 g/tAu</b>	0-4m	8m	
incl.	<b>2m of 104.50 g/tAu</b>	0-2m	8m	
AT-11	2m of 0.86 g/tAu	4-6m	10m	2.36 g/tAu at 5.8m
AT-12	<b>2m of 1.37 g/tAu</b>	28-30m	34m	
AT-13	<b>2m of 16.0 g/tAu</b>	0-2m	5m	
AT-14	<b>2m of 4.56 g/tAu</b>	6-8m	12m	<b>24.25 g/Au at 7.5m</b>
plus	<b>2m of 2.42 g/tAu</b>	10-12m	12m	
AT-14A	2m of 0.015 g/tAu	0-2m	7m	
AT-15	2m of 0.028 g/tAu	0-2m	28m	
AT-16	2m of 0.05 g/tAu	0-2m	24m	
AT-17	2m of 0.10 g/tAu	2-4m	16m	
AT-18	No assays available		42m	
AT-19	2m of 0.005 g/tAu	2-4m	16m	
AT-20	2m of 0.025 g/tAu	10-12m	12m	
AT-21	2m of 0.27 g/tAu	2-4m	6m	
AT-22	<b>4m of 7.90 g/tAu</b>	4-8m	8m	1.25 g/tAu at 5.0m
incl.	<b>2m of 15.35 g/tAu</b>	6-8m	8m	
AT-23	2m of 0.027 g/tAu	0-2m	6m	
AT-24	2m of 0.19 g/tAu	2-4m	6m	
AT-25	2m of 0.78 g/tAu	2-4m	8m	
AT-26	No assays available		10m	
AT-27	No assays available		6m	
AT-28	2m of 1.012 g/tAu	6-8m	8m	
Cornucopia Trenches				
Trench No	Gold in Trench Assays	Interval From -- To	Trench Length	Rock grab samples in trench (measured from the start)
CT-01	No assays available		154m	<b>3.55 g/tAu at 32.0m</b>
CT-02	No assays available		?	1.020 g/tAu at 228m
CT-03	No assays available		?	
CT-04	2m of 1.11 g/tAu	10-12m	138m	
	<b>2m of 2.42 g/tAu</b>	12-14m		
	<b>6m of 10.96 g/Au</b>	28-34m		<b>14.49 g/tAu</b>
	<b>incl. 2m of 20.53 g/tAu</b>	32-34m		<b>36.40 g/tAu</b>

## Review of Operations & Activities (Cont.)

The 2,825 assay results will provide first class vectors to gold mineralisation and excellent future trenching and drilling targets.

1,474 grid based soil samples were collected from the 3.2km x 1.0 km Adelaide – Cornucopia soil grid (figure 2) and 1,200 soil samples were collected from the 2.0km x ~1.2km Feiori soil grid (figure 3).

114 trench samples were collected from new and re-excavated historic hand trenches at the Adelaide Prospect, plus 1 creek outcrop grab sample and 36 trench samples were collected from the Cornucopia Prospect.



### Newcrest Mining Limited Earn-In Joint Venture

The Farm-in Agreement with Newcrest Mining was finalised on June 17th, 2012, in relation to EL 1345 - Andewa and EL 1951 - Mt Schrader.

Newcrest Mining Limited (Newcrest) and Frontier Resources Ltd signed of a Heads of Agreement on March 6<sup>th</sup> 2012, pursuant to which Newcrest agreed to subscribe for A\$750,000 of Frontier shares; and Newcrest and Frontier agreed to negotiate the terms of a proposed farm-in by Newcrest into Frontier's gold-copper porphyry Mt Andewa exploration project on the island of New Britain, Papua New Guinea.

Under the Share Subscription, Newcrest subscribed for A\$750,000 of Frontier ordinary shares, comprising 7,026,429 shares at A\$0.1067 per share (approximately 2.3% of Frontier).

1. Newcrest may earn a 60% interest in Andewa by spending A\$15.25 million over 4 years commencing 1 January 2012,
2. Newcrest may earn a 60% interest in Schrader by spending a further A\$4 million over 4 years, taking the total farm-in expenditure to A\$19.25 million.



## Review of Operations & Activities (Cont.)

3. Newcrest will have an option to acquire an additional 12% in each Project by making a payment to Frontier related to the ore reserve and resource gold (equivalent) ounces specified in any subsequent feasibility study to develop Andewa and/or Schrader.
4. Frontier may elect to be deferred-carried during the period from Newcrest completing its earn-in until completion of a project feasibility study for Andewa. The carried amount plus interest (LIBOR +5%) will be repayable to Newcrest from 50% of Frontier's share of mine profit upon commencement of production.
5. The A\$15.25 million Farm-In expenditure includes reimbursement of audited exploration costs incurred by Frontier in the period commencing 1 January 2012 of \$1.915 million. A management fee equal to 10% of the actual exploration expenditure is payable to the manager of the exploration activities.
6. During the minimum expenditure period, Frontier will provide drilling, earth-moving, boat/barge and logistic support equipment and will be reimbursed by Newcrest at agreed commercial rates (part of the A\$2.5 million minimum expenditure).
7. After a minimum expenditure of A\$2.5 million, (the Minimum Commitment Period), Newcrest may elect to withdraw from the Proposed Farm-in.

Frontier is manager and operator of the project during the Minimum Commitment Period (completed already) with Newcrest providing technical direction and support. Newcrest may now elect to assume management of the exploration activities”.

Newcrest Executive General Manager Minerals, Colin Moorhead said “Newcrest is pleased to establish this relationship with Frontier in accord with our strategy of seeking opportunities for early stage entry into high-quality gold projects in the Asia-Pacific region.

### EL 1345 - Andewa

Drilling commenced early July 2011 and was temporarily halted in late April to enable a complete evaluation of the recently obtained aeromagnetic and radiometrics, in combination with the 3D-IP and soil geochemical data.

A summary of drill hole intercepts is located in the following text and hole collar and orientation information is in Table 2. Due to the long intervals of lower grade mineralisation, the entire holes are reported (at no cut off grade) along with higher grade internal intervals.

Five hand trenches were completed in the ADH002 area and all are mineralised with gold >0.1 g/t. The weighted assay average for all these trenches is 470.5m grading 0.54 g/t gold, which is comparable to the mineralisation noted in hole ADH002

The assay results from the drill holes and trenches, plus the textures, lithologies and mineralisation observed indicate that the Joint Venture is drilling into the upper sections of a major porphyry gold - copper system that is well located for future development.

- ADH 001 intersected 48.5m grading 1.02 g/t gold + 0.38% copper, within 93.2m grading 0.78 g/t gold + 0.30% copper (from 166.6m to 259.8m downhole). The intercept from the top of the copper envelope to the bottom of the gold + copper envelope is 190.1m grading 0.55 g/t gold + 0.24% copper.
- ADH002 intersected a composite interval of 114m\* grading 0.74 g/t gold + 0.20% copper, including 19m grading 1.86 g/t gold + 0.39% copper. The entire interval from surface to 372m is mineralised and grades 0.36 g/t gold + 0.10% copper.
- ADH003 intersected 409.1m grading 0.30g/t gold + 0.08% copper, including 1.0m of 9.40g/t gold + 0.26% copper.
- ADH004 intersected 404.6m grading 0.24 g/t gold + 0.06 % copper.
- ADH005 intersected 296.2m grading 0.29 g/t gold + 0.09 % copper.



## Review of Operations & Activities (Cont.)

- ADH006 intersected 353.5m grading 0.13 g/t gold + 0.02 % copper.
- ADH007 intersected 408.4m grading 0.09 g/t gold + 0.02 % copper.
- ADH008 intersected 403.5m grading 0.27 g/t gold over its entire length, including 36.5m grading 0.77 g/t gold and 5 zones > 1.0 g/t gold.
- ADH009 intersected 407.9m grading 0.23 g/t gold over its entire length, including 58.5m grading 0.33 g/t gold and multiple additional mineralised zones.
- The top half of hole ADH010 intersected 187m grading 0.26 g/t gold and 0.17% copper (sampling commenced at 2m downhole) from 'surface'.
- ADH 011 was being drilled at the same time and the top 118m has been analysed and intersected 114.5m (from 3.5m) downhole grading 0.08 g/t gold (no samples were below detection limit) and 232ppm copper.

Peak assays from the diamond core drill holes ADH 001 - ADH 009 were:

- ADH001 - 2m of 2.46 g/t gold 1m of 0.79% copper, and 1.5m of 50 ppm molybdenum.
- ADH002 - 7.12 g/t gold 1m of 1.63% copper with and 1m of 219 ppm molybdenum.
- ADH003 - 1m of 9.4 g/t gold , 1.1m of 1.08 g/t gold and 1m of 106 ppm molybdenum.
- ADH004 - 1m of 0.88 g/t gold, 1m of 0.41% copper and 0.6m of 1,190ppm molybdenum.
- ADH005 – 0.5m of 4.89 g/t gold , and 0.9m of 0.49% copper + 0.74 g/t gold + 74 ppm molybdenum.
- ADH006 – 2.0m of 0.93 g/t gold, 2m of 0.06 % copper and 8 ppm molybdenum.
- ADH007- 0.6m of 4.39 g/t gold , 0.07% copper and 0.6m of 18 ppm molybdenum.
- ADH008 -1.5m of 4.43 g/t gold, 1m of 0.46% copper and 1.0m of 148 ppm molybdenum.
- ADH009 -1.0m of 2.00 g/t gold, 0.9m of 0.53% copper and 2.4m of 387 molybdenum.

The top half of hole ADH010 returned 187m grading 0.26 g/t gold and 0.17% copper (sampling commenced at 2m downhole) from 'surface'. Peak grades were 1m of 1.99 g/t gold and 1.5m of 0.534% copper.).

Hole ADH011 was being drilled at the same time and the top 118m has been analysed and returned 114.5m (from 3.5m) downhole grading 0.08 g/t gold (no samples were below detection limit) and 232ppm copper.

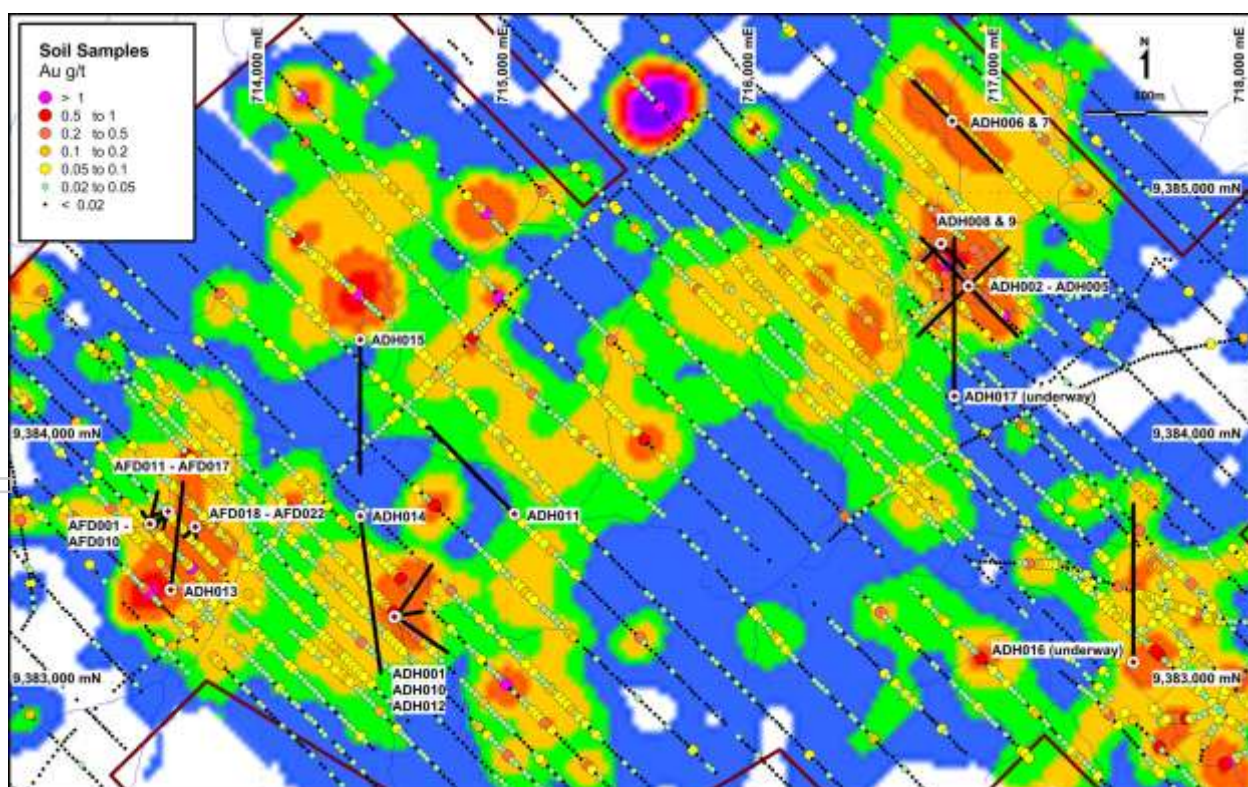
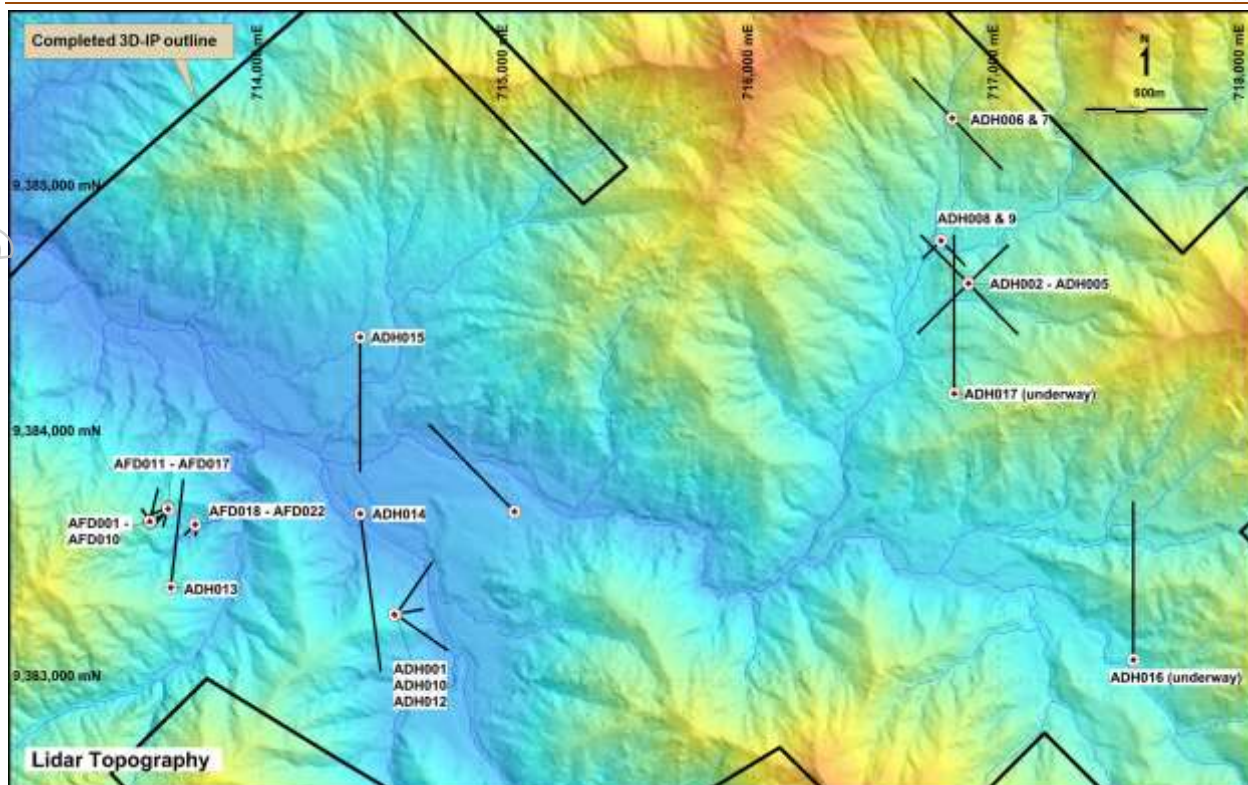


## Review of Operations & Activities (Cont.)

The gold and copper grades encountered to date have been modest, but the intercepts and their extensive lengths reflect a very large and pregnant system with excellent prospectivity. The last sample in hole ADH009 assayed 1.0m of 0.55 g/t gold + 0.11% copper (from 406 to 407m downhole).

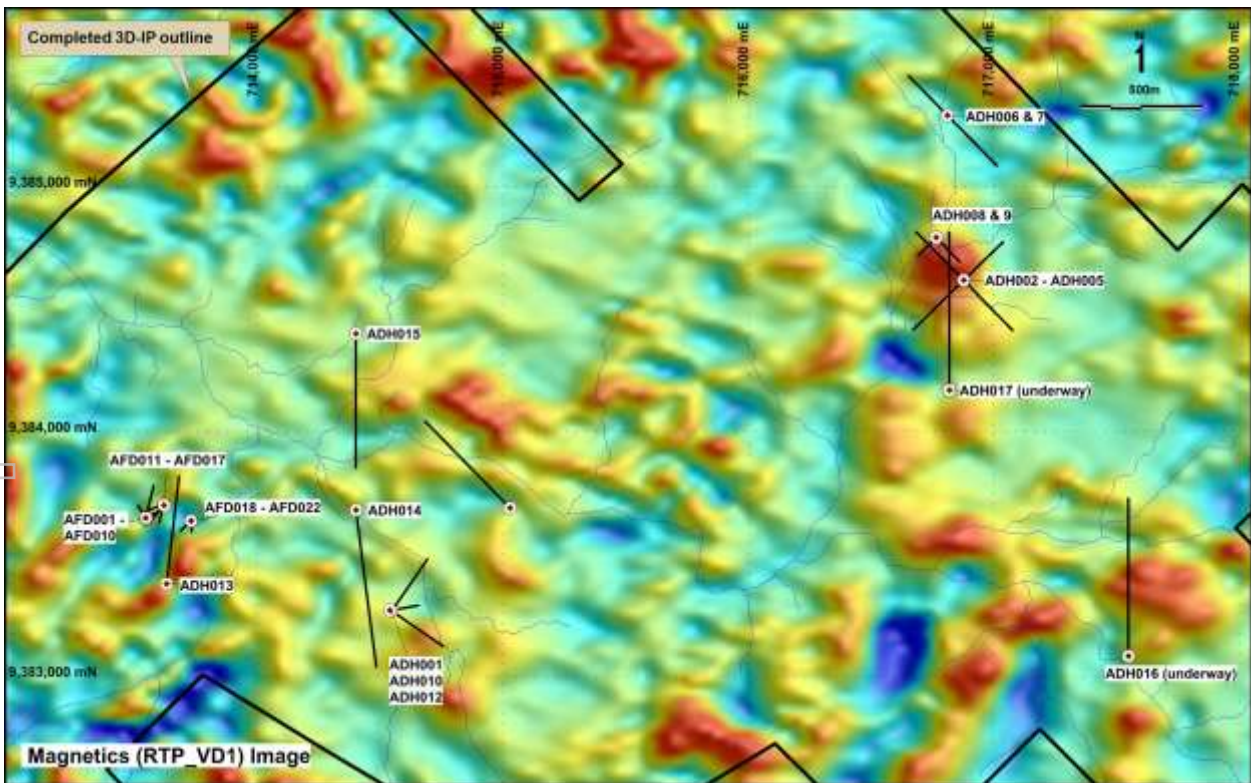
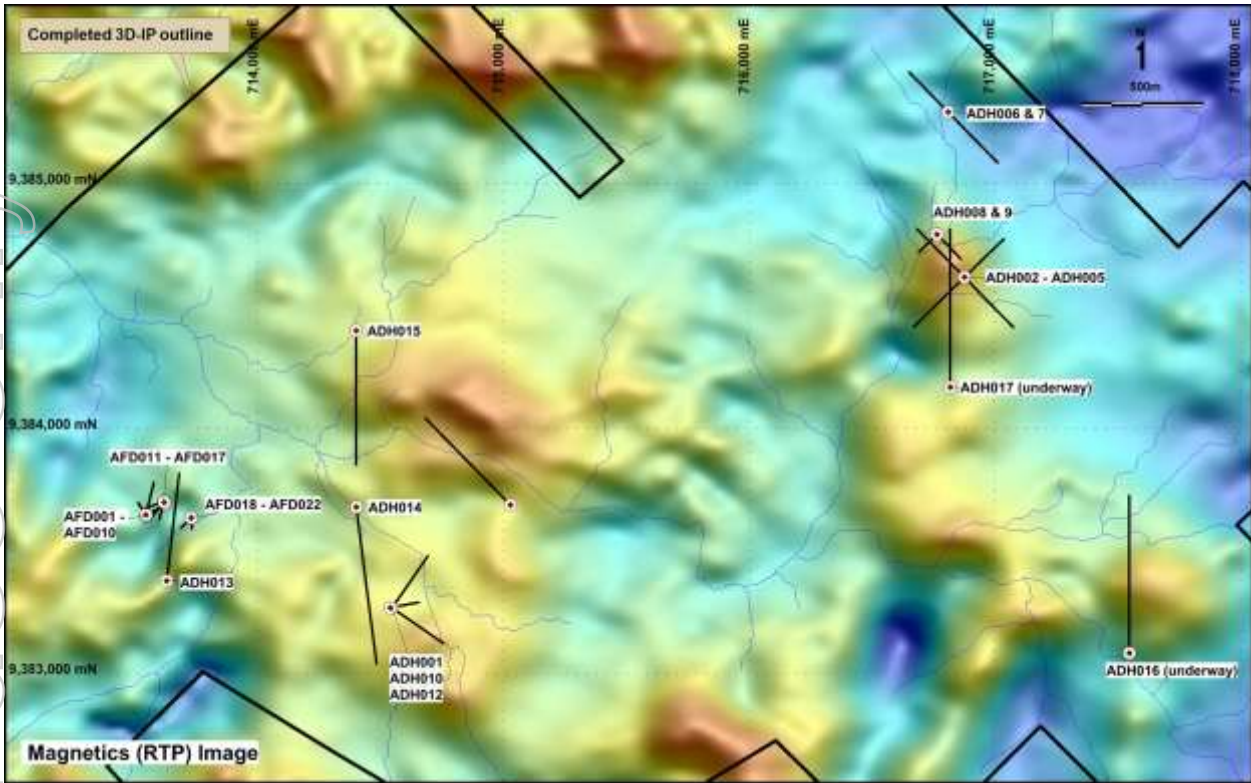
HOLE ID	EOH DEPTH (m)	AZIM (AMG)	DIP (degrees)	EASTING (m)	NORTHING (m)	RL (m)
ADH 001	398.8m	125	-50	714546	9383269	278
ADH 002	389.6m	316	-45	716878	9384618	386
ADH 003	409.1m	226	-45	716878	9384618	386
ADH 004	404.6m	136	-45	716878	9384618	386
ADH 005	317.6m	046	-45	716878	9384618	386
ADH 006	353.5m	316	-50	716811	9385292	489
ADH 007	408.4m	136	-45	716811	9385292	489
ADH 008	403.5m	226	-75	716766	9384793	278
ADH 009	407.0m	136	-70	716766	9384793	278
ADH 010	400.0m	028	-50	714546	9383269	190
ADH 011	700.9m	316	-45	715029	9383689	202
ADH 012	667.5m	080	-80	714540	9383270	278
ADH 013	625.5m	007	-45	713628	9383379	341
ADH 014	1004.0m	173	-50	714400	9383680	163
ADH 015	850.5m	180	-50	714400	9384400	215
ADH 016	to 1,000m	0/360	-50	717549	9383084	339
ADH 017	to +800m	0/360	-50	716825	9384165	421
<b>Total to Date = 7740.5 m</b>						

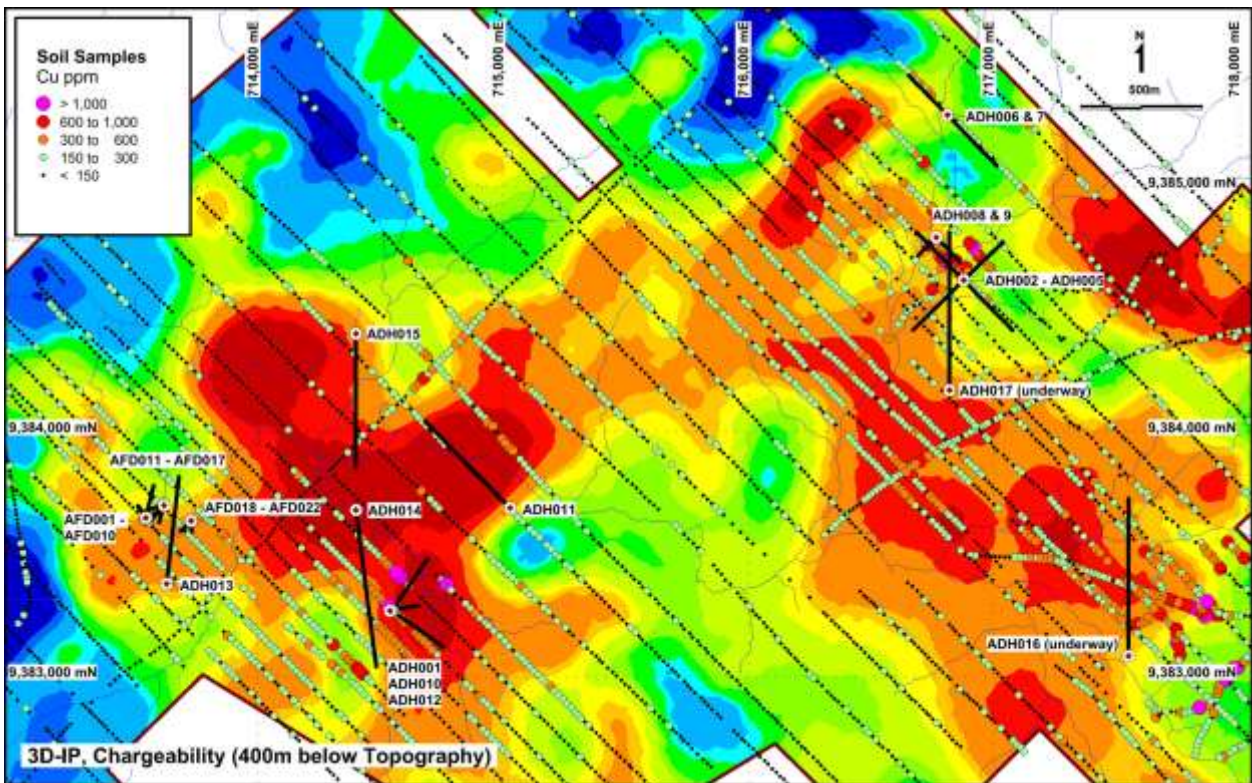
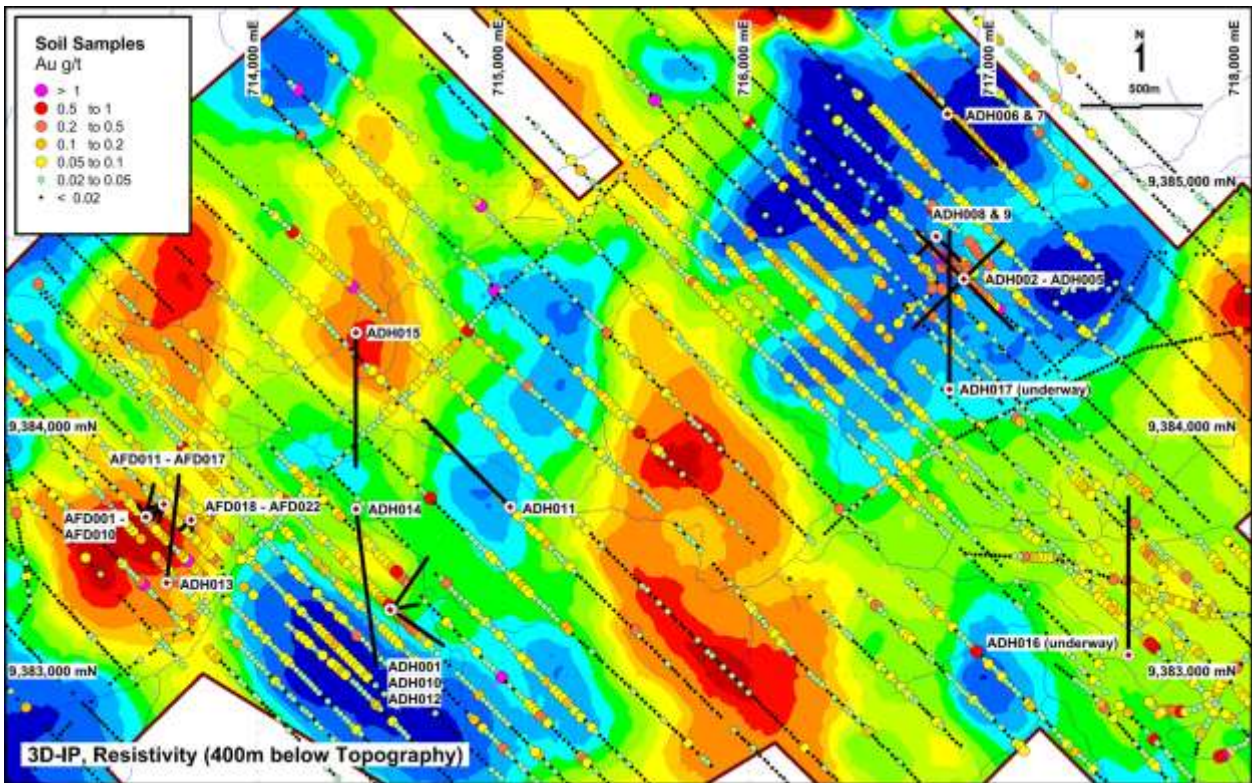
# Review of Operations & Activities (Cont.)



For personal use only

# Review of Operations & Activities (Cont.)



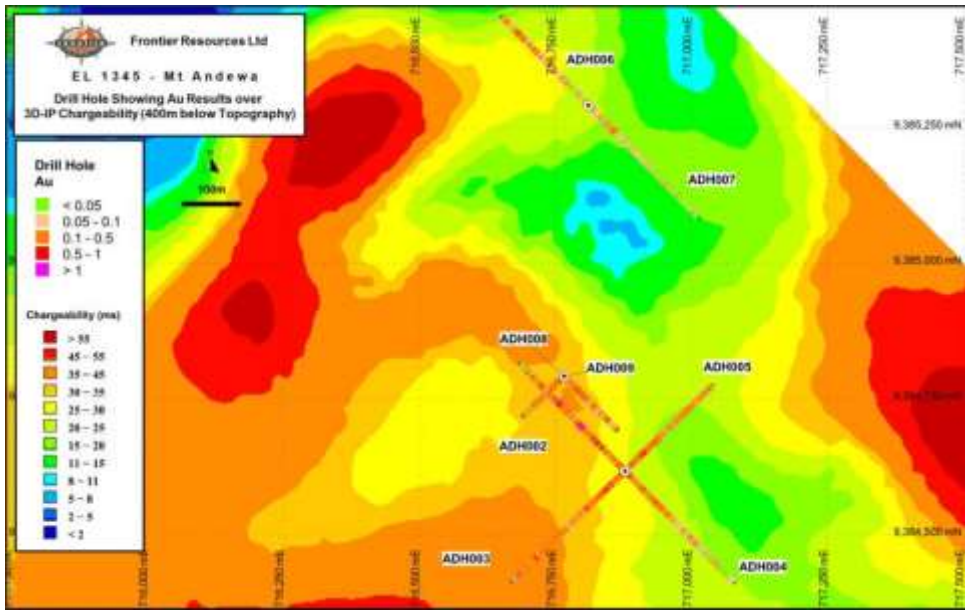
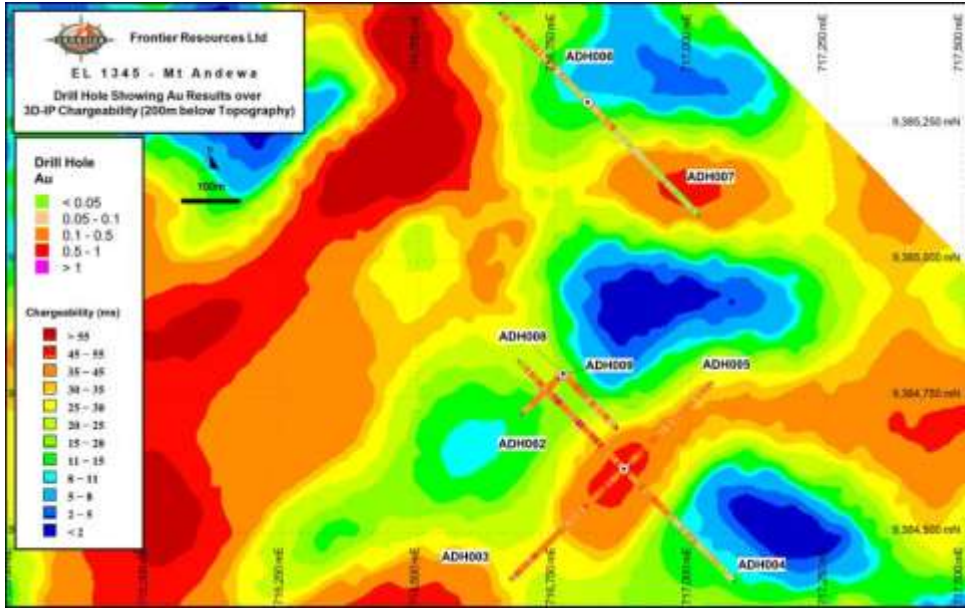
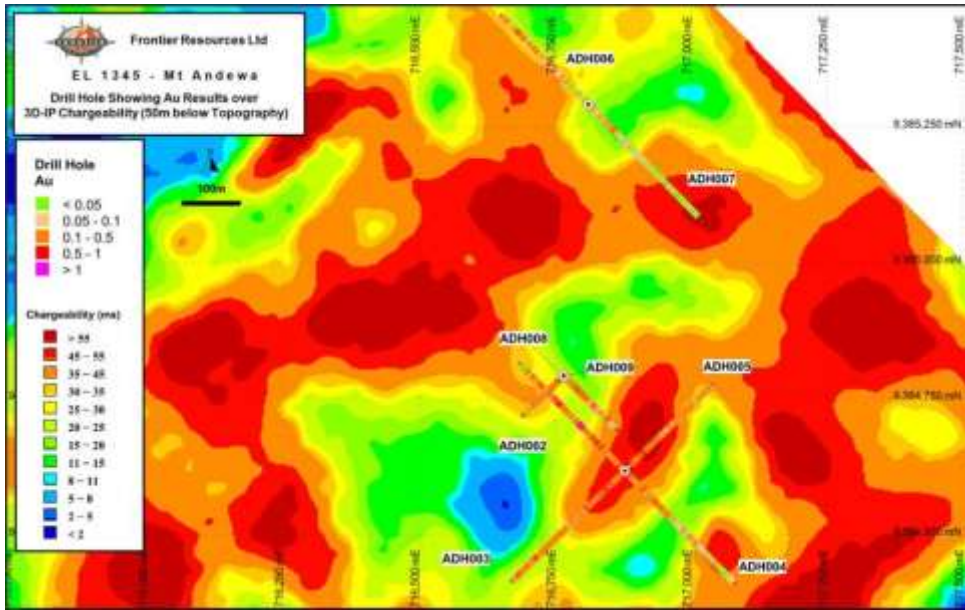


For personal use only





For personal use only





## Review of Operations & Activities (Cont.)

### Aeromagnetic/Radiometric Program

A 1,538 line kilometre aeromagnetic and radiometrics geophysical program was completed in late March, that covered the entire Andewa Exploration Licence.

The survey was flown on a 100m line spacing and is being modelled and merged with the existing 3D-IP and geochemical data sets to provide enhanced drill hole vectoring towards possible mineralised zones.

Magnetite is known (from the drilling to date) to be variably associated with the gold/copper mineralisation at Andewa and the magnetic information, in conjunction with other information, should provide enhanced vectoring for drill holes towards possible gold/copper mineralised zones.

Various plans are attached including a Digital Elevation Model (DEM) showing the location of all drill holes to date, Reduced to the Pole (RTP) magnetics, Reduced to the Pole First Vertical Derivative magnetics (RTP – VD1,) a radiometrics ternary image, a close up of the RTP magnetics and chargeability and resistivity (conductivity) images showing drill holes locations to compare to the magnetic images.

The RTP image of the survey area shows two extensive anomalies and various smaller magnetic anomalies within the Andewa crater.

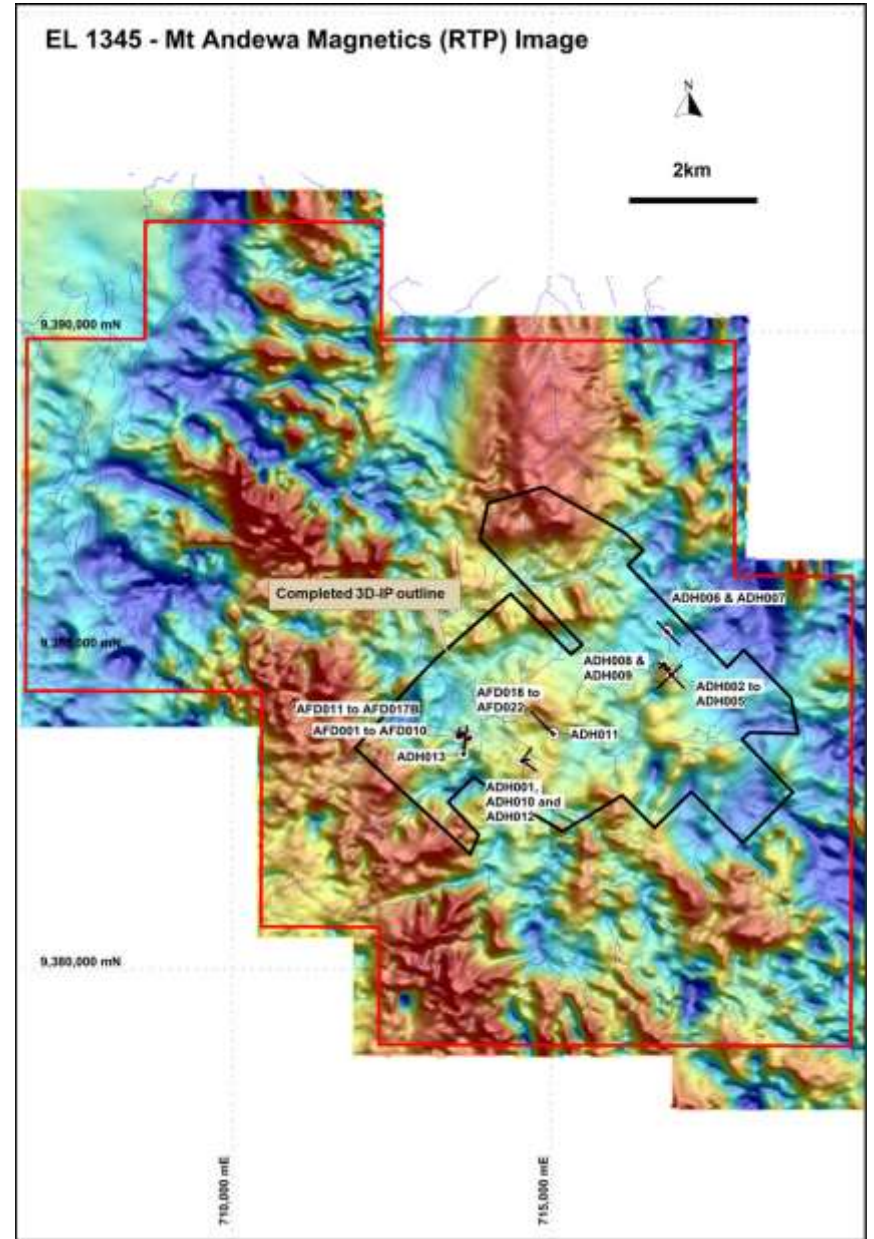
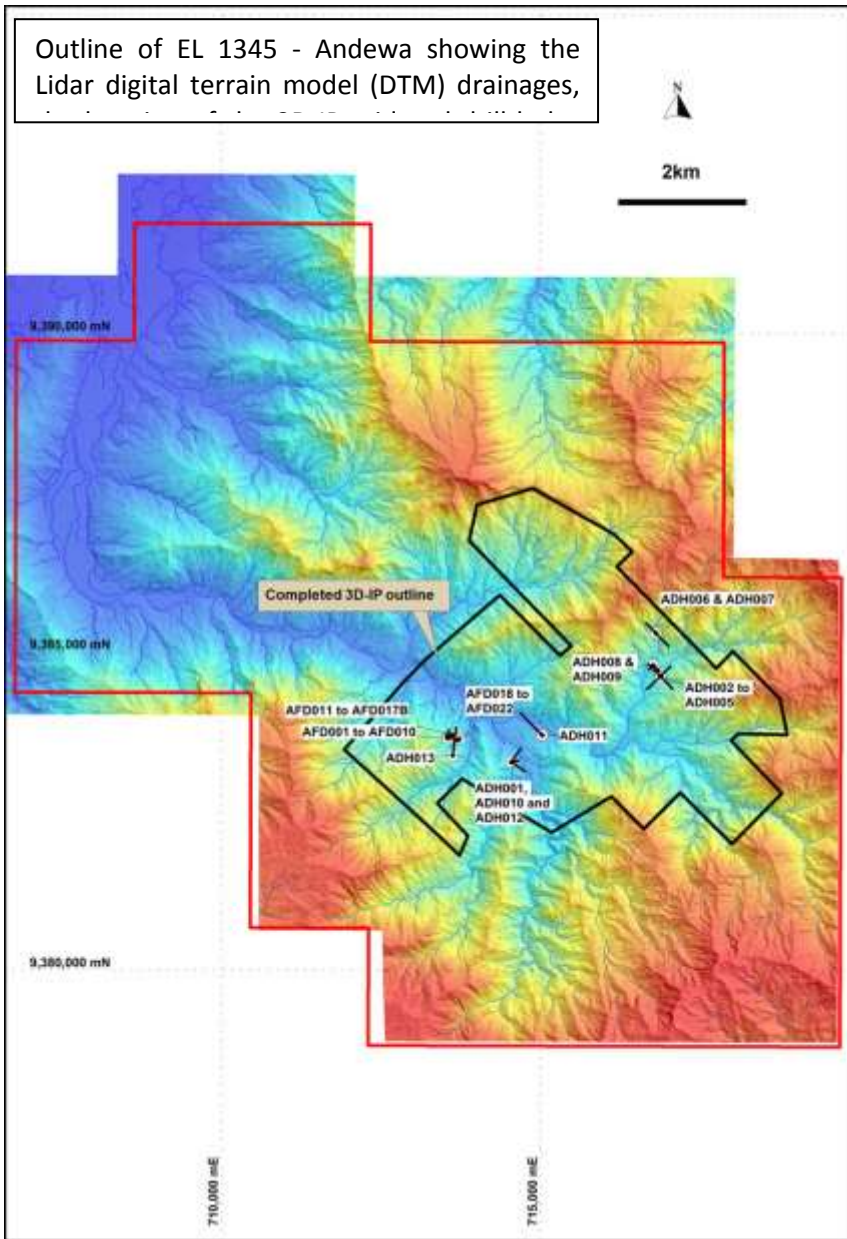
The large and cohesive magnetic anomaly located in the central north sector of the EL is also associated with gold anomalous drainage geochemistry and a circular topographic feature that could reflect an intrusive at depth. Frontier has not conducted any work over the bulk of this anomaly, however, the northern sector of the 3D-IP grid just covers its southern end.

There is no significant gold in soil anomaly at that location but it does show a conductivity anomaly associated with the magnetic anomaly itself and a chargeability anomaly is associated with the structure on its southern end. Conductivity anomalies assessed to date by drilling reflect intrusives at Andewa, so this is encouraging.

The large and slightly disjointed north-northeast trending anomaly located in the western sector of the survey possibly reflects a discrete volcanic episode or lithology.

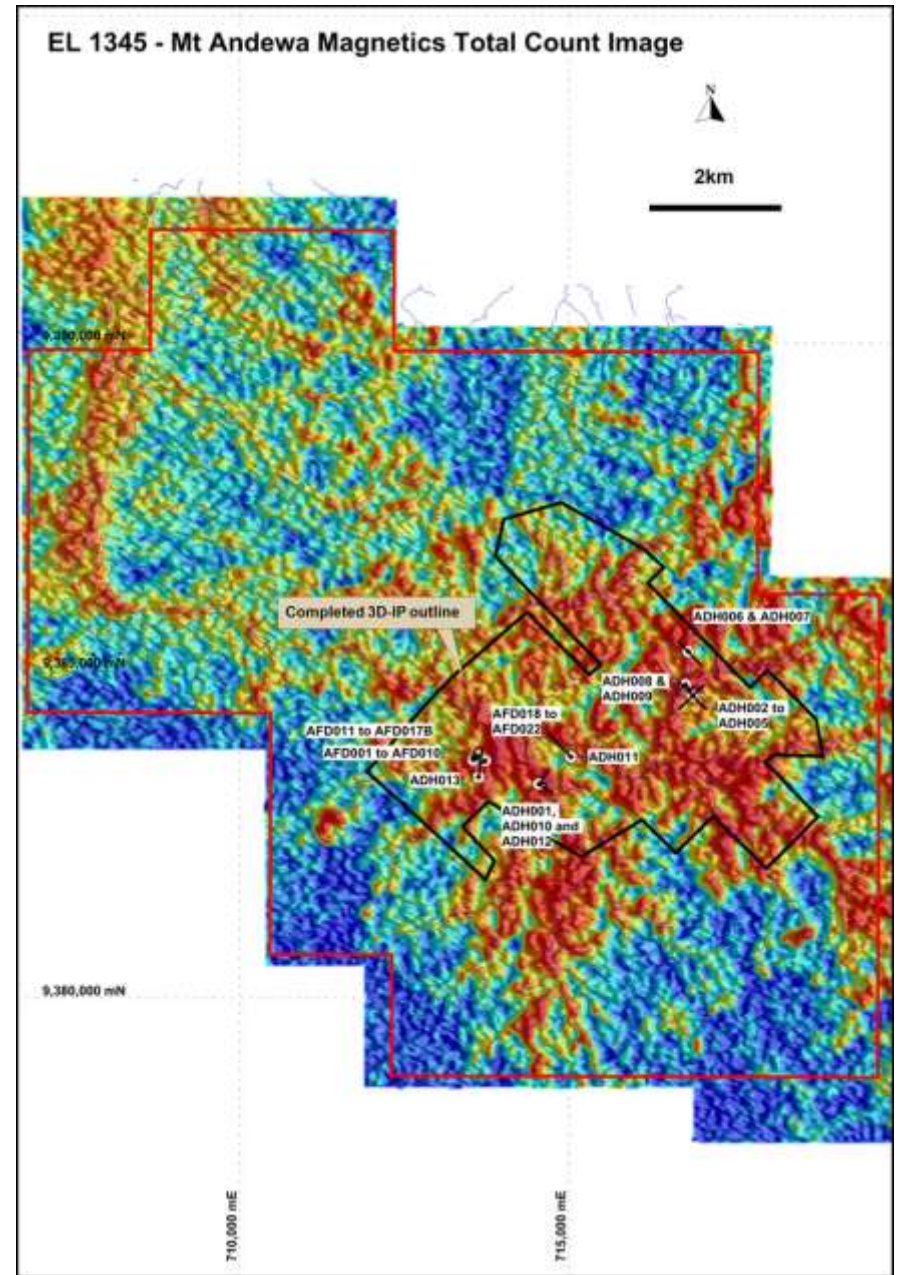
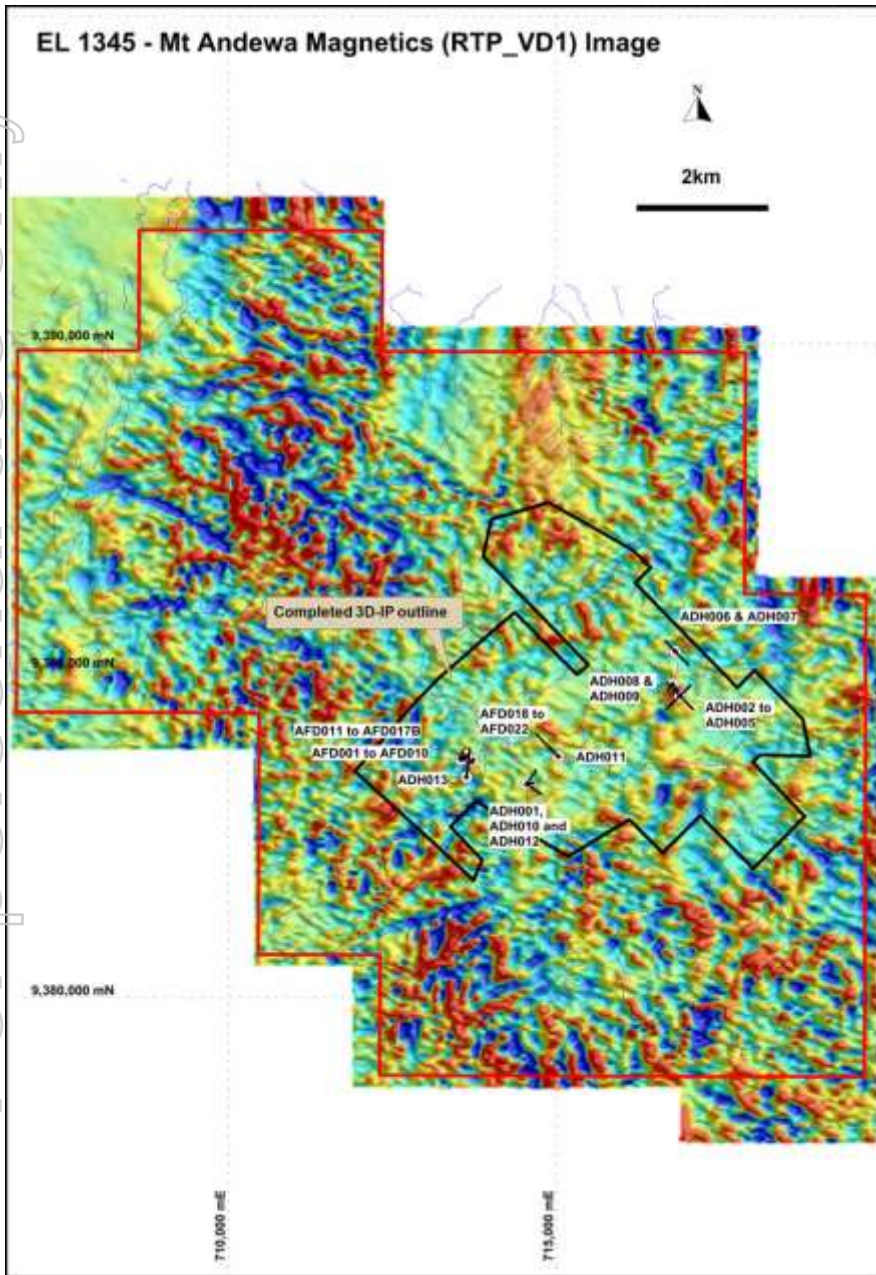
At this stage, it is not possible to comment on the significance of the major magnetic anomalies with respect to possible gold/copper mineralisation, however, it is readily apparent that there is a correlation between the more subdued magnetic anomalies and gold/copper mineralisation demonstrated in drill holes. This observation indicates that the other subdued magnetic anomalies may also be associated with gold/copper mineralisation and require evaluation.

### Review of Operations & Activities (Cont.)



For personal use only

Review of Operations & Activities (Cont.)

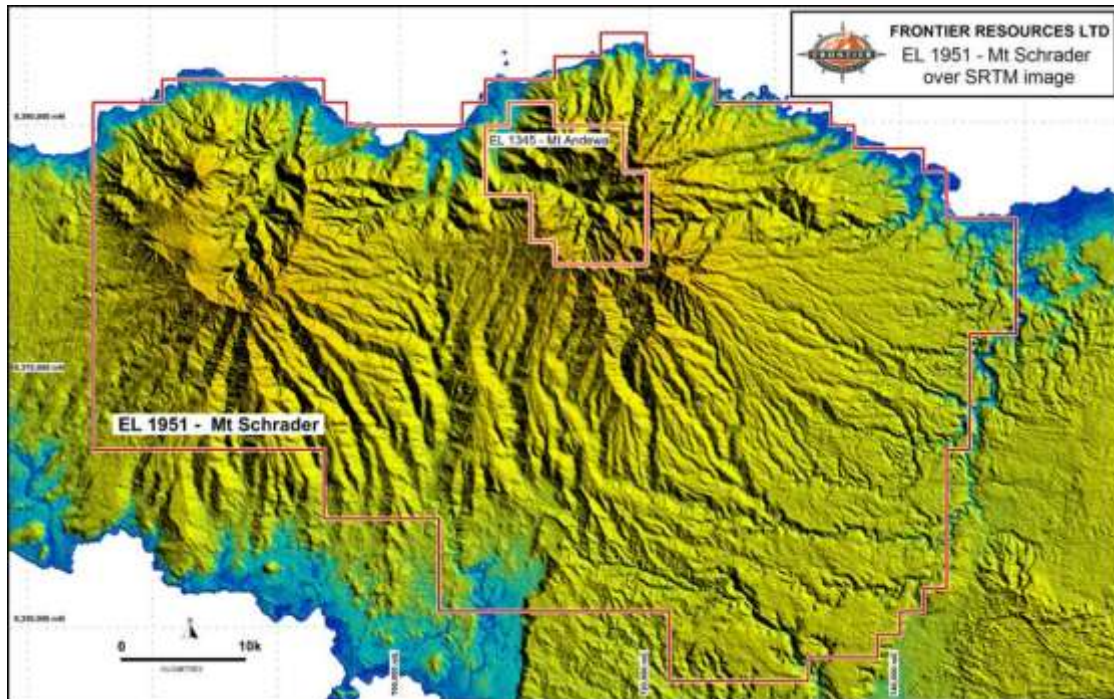


For personal use only

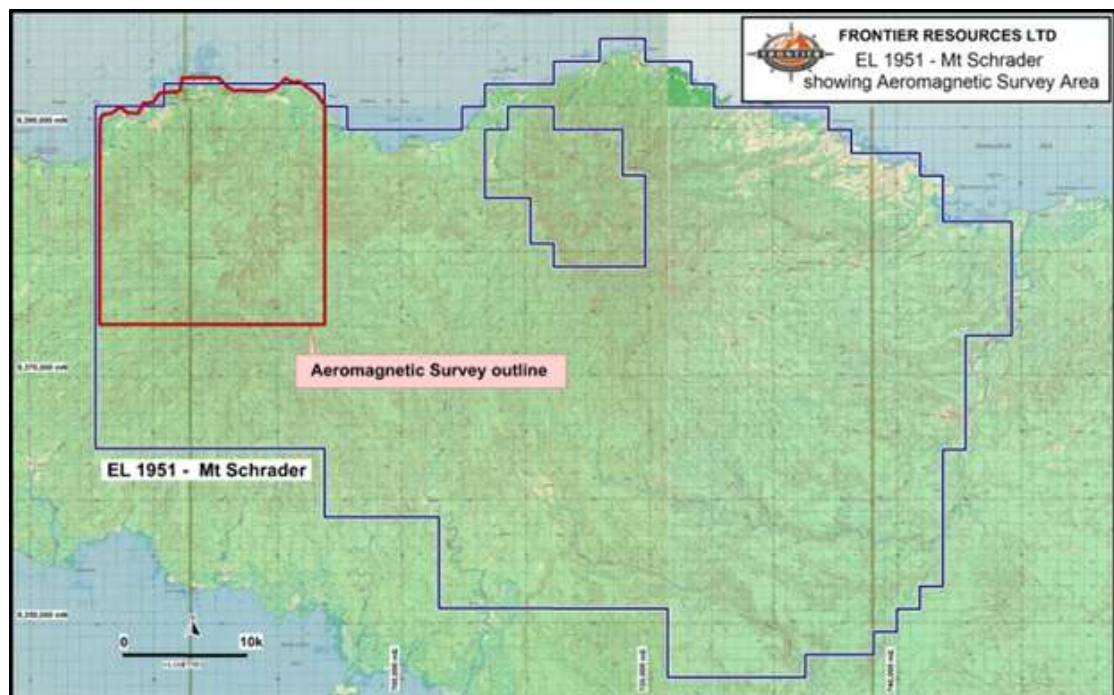
## Review of Operations & Activities (Cont.)

### EL 1951 - Mt Schrader Granted

Exploration License 1951 in West New Britain Province was granted on 12/3/2012, covering approx. 2,477 km<sup>2</sup>. The area is subject to the Newcrest Earn-In Joint Venture and it encloses the JV's prospective Mt Andewa exploration project (EL 1345). EL 1951 has received very limited historic exploration and it significantly enhances Frontier's exploration portfolio for precious and base metals in the district.



A 3,851 line kilometre aeromagnetic and radiometrics geophysical program covered most of the crater area of the Mt Schrader Exploration Licence and was completed in late July refer below figure. The survey was flown on a 100m line spacing and the geophysical data will be modelled to provide vectoring towards possible mineralised zones.



For personal use only

## Review of Operations & Activities (Cont.)

The Mt Schrader stratovolcano crater has several quasi-circular topographic features that have been partially explored. Alteration zones have been identified and gold mineralisation includes two stream sediment anomalies to 0.175 g/t gold, plus copper, arsenic and mercury (pathfinder elements) in hydrothermal breccia rock samples to 530 ppm Cu, 1020 ppm and 17,900 ppm, respectively. These are all favourable indicators for possible gold mineralisation in this type of 'high level' geological environment.

The Schrader EL also covers two major WNW trending structural zones (and a N-S zone) that could host gold and/or copper mineralisation. Andewa's Komsen gold Prospect is within a WNW trending mineralised structure. These structural zones are important for the localisation of mineralised intrusions further east in New Britain, such as the Kulu - Awit trend that hosts (SE to NW) the Nakru, Plesyumi, Simuku and Mt Penck deposits, plus other prospects belonging to competitors.

The Andewa and Mt Schrader craters are 150km and 180km west of the port of Kimbe, the capital of West New Britain Province. The areas are accessible by barge, boat, helicopter and locally logging tracks.

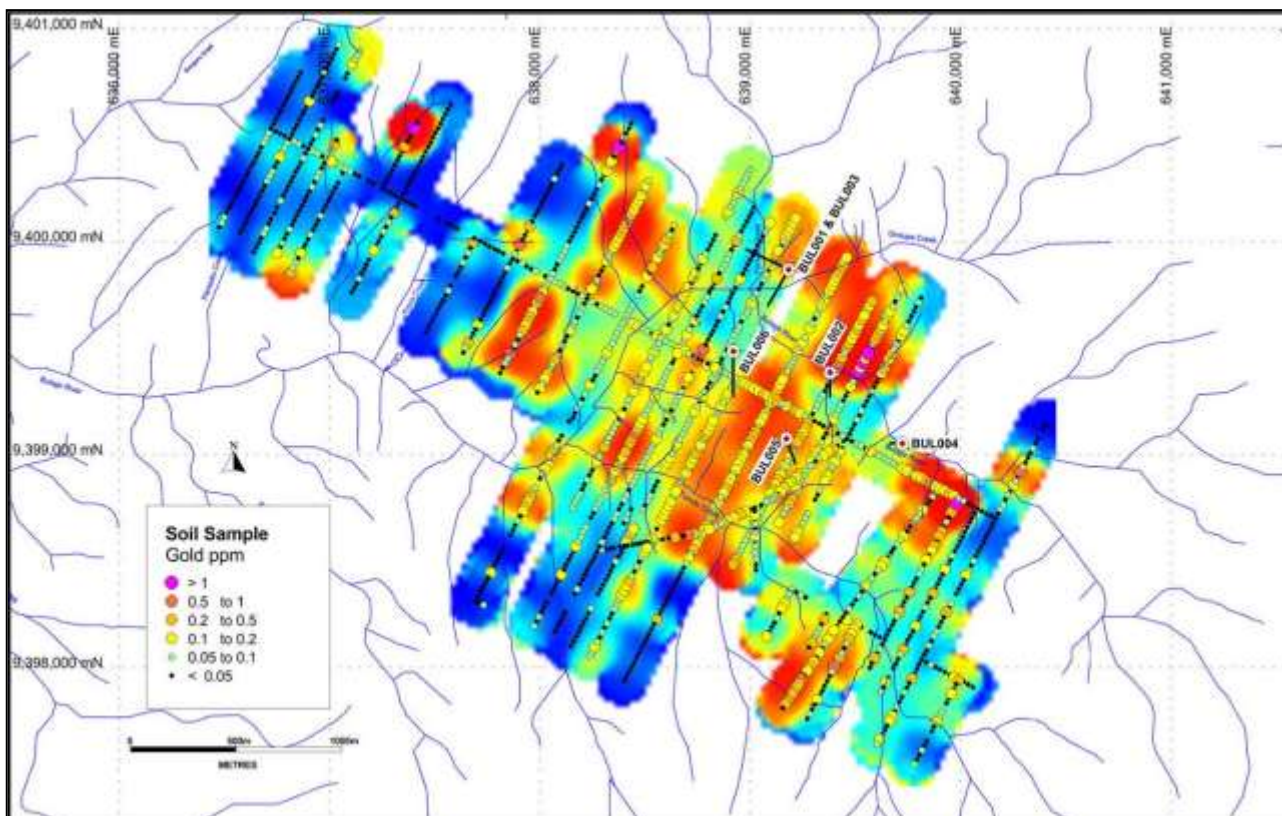
### OK TEDI MINING LTD JOINT VENTURES

In May 2010 Frontier and OTML established 2 Joint Ventures that relate to 3 ELs and 2 EL Applications in PNG (that have since been granted).

#### EL 1595 - Bulago

The prospects are located in a 4.5km x 6km well-defined gold, zinc and copper drainage anomaly covering a recessive intrusive in a sub-circular drainage basin, with anomalism continuing up to the peripheral limestones (demonstrating skarn potential). The Suguma Prospect has very high gold grades in structures and is located in the NW of the grid.

Nine holes have been completed by OTML at Bulago for 3,302.9m, with 2 of those (591.9m) completed at high grade gold Suguma Prospect.



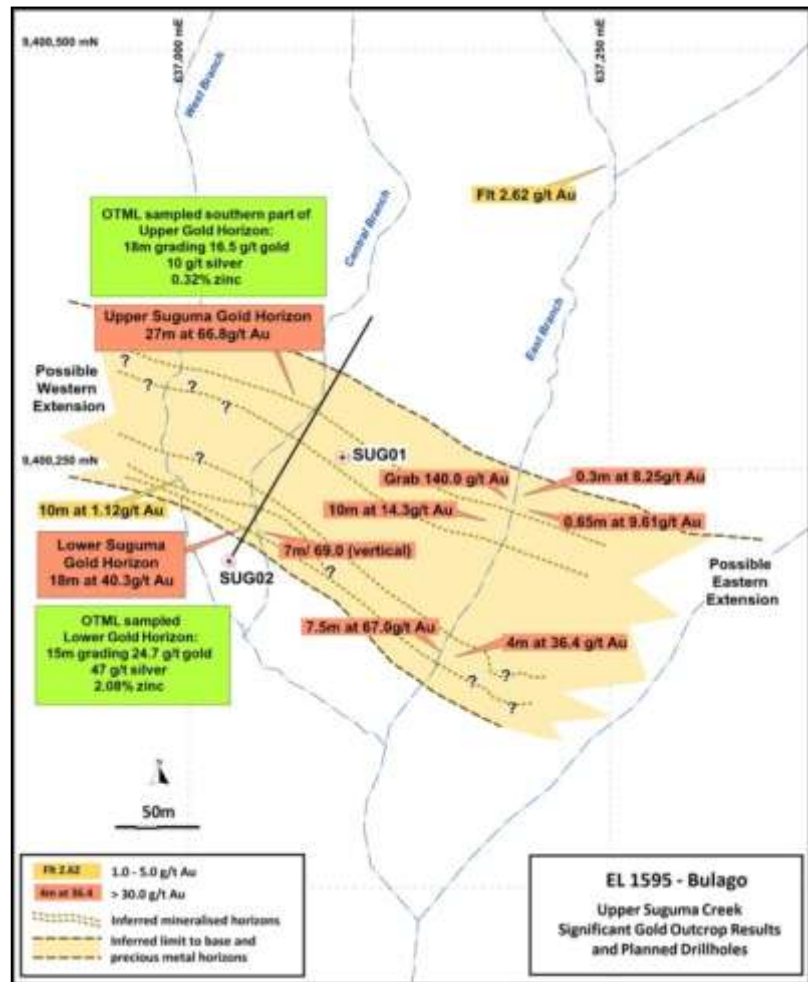
## Review of Operations & Activities (Cont.)

Hole BUL001 was drilled to its design depth of 440m to test an aeromagnetic anomaly for porphyry copper-gold mineralisation and it returned weighted average intercepts of :

The entire hole averaged 440.3m grading 0.08% copper + 0.10 g/t gold & included at 0.1% Cu cutoff:

- 124m grading 0.13 % copper + 0.06 g/t gold (from 119 to 243m) plus
- 76.1m grading 0.15% copper + 0.16 g/t gold (from 267 to 343.1m) plus
- 12.7m grading 0.11% copper + 0.10 g/t gold (from 371.8 to 384.5m) and
- 21m grading 0.42g/t gold + no significant copper (from 407 to 428m).

The geochemistry indicates two possible mineralisation events, a copper event with some gold and a gold only event. The copper mineralised sections are predominantly potassic / propylitic / silicic altered diorite that contains fine grained disseminated chalcopyrite in silicified veinlets and in micro-fractures from 112m to the end of hole.



The 0.2% copper cut-off grade failed to adequately define the mineralised zones in BUL001 and a 0.1% cut off was used; this identified the three discrete copper intercepts noted above. Table below lists drill collar information for Bulago (reference datum is AMG Zone 54, AGD 66, Easting / Northing are GPS pickup). Figure above shows Bulago hole locations on the gold in soil geochemistry contours.

Discrete gold only anomalism using a 0.1 g/t cut off grade, is present as:

- 9.5m grading 0.32g/t gold (from 29.5m)
- 9.7m grading 0.21g/t gold (from 359.5m)
- 8m grading 0.26g/t gold (from 380m).
- 21m grading 0.42g/t gold (from 407m).
- 53m grading 0.19g/t gold (from 275m) with 0.17% copper

EL 1595 - Bulago Drill Hole Location and Orientation Information						
HOLE ID	EOH DEPTH (m)	Azimuth (true)	Incl.	AMG North (m)	AMG Easting (m)	RL (m)
BUL001	440.3	295	-60	9399870	639180	1653.0
BUL002	331.1	180	-70	9399385	639379	1716.0
BUL003	389.6	210	-60	9399868	639182	1654.0
BUL004	115.0	270	-60	9399052	639723	1658.0
BUL005	363.1	160	-70	9399075	639171	1910.0
BUL006	422.4	180	-60	9399485	638919	1801.0
BUL007	649.5	0	-65	9399086	638540	?
SUG01	329.8	0	-90	9400257	637091	1684
SUG02	262.1	25	-50	9400195	637024	1647
<b>Total</b>	<b>3,302.9</b>	<b>m</b>				
AGD66 Zone 54						

## Review of Operations & Activities (Cont.)

The high-grade gold mineralised Lower and Upper Horizons at the Suguma Prospect, were channel chip outcrop sampled and subsequently drilled by one vertical and one angled diamond core hole to evaluate those targets (for 329.8m and 262.1m respectively).

OTML's weighted average gold and silver channel outcrop assays for the Suguma Lower Gold Horizon was 15m grading 24.7 g/t gold + 47 g/t silver + 2.08% zinc compared to Frontier's 18 metres grading 40.3 g/t gold + 32 g/t silver + 1.13% zinc. These weighted averages are comparable because Frontier's sample contained a higher grade of 3m of 142 g/t gold (the 'nugget' effect) and if this high grade is cut to the 'average' grade, then the intercepts are very similar in tenor for gold, silver and zinc.

Similarly, OTML sampled only the 'southern' part of the Upper Gold Horizon and hence it is a shorter intercept being 18m grading 16.5 g/t gold + 10 g/t silver + 0.32% zinc. The sampling appears to have commenced at the same start location as the Frontier channel sampling, which when re-calculated equates to 18m of 13.5 g/t gold + 9 g/t silver, which is very similar in tenor of both gold and silver. This would mean that the next interval to be sampled should have been the 9m of 173 g/t gold + 60 g/t silver (as sampled by Frontier) that is also open ended to the north and was evaluated by the angled hole (SUG02).

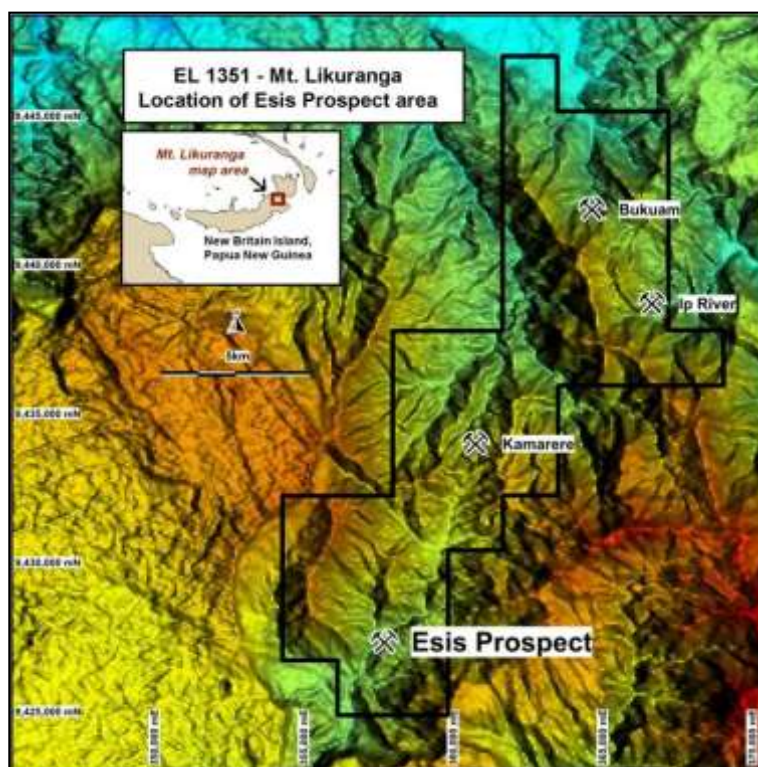
The OTML continuous chip outcrop samples were collected where possible by their exposure and orientation and do not necessarily represent true widths of mineralisation. Other samples south of the Lower Gold Zone and between it and the Upper Gold Zone returned values down to the analytical detection limits. The drilling has attempted to determine the geometry of the gold mineralised zones.

### EL 1351 - Likuruanga

EL 1351 - Likuruanga is prospective for porphyry copper, gold - silver -zinc skarn and /or epithermal gold deposits. The area contains the Esis porphyry occurrence and the Bukuam porphyry related copper, molybdenum, gold and zinc soil anomalies, which are situated about 14km opposite each other on the flanks of the Esis-Sai granitoid complex.

### Esis Project

Multiple zones of copper mineralisation have been shown at Esis to extend over a +1,100m strike length in drill holes (Frontier/OTML JV plus shallow historic drilling) and the mineralisation is open in all directions (along strike N and S, across the width from E to W and at depth).



Porphyry copper mineralisation was been demonstrated by Frontier /OTML over a +750m strike length between mineralised intercepts in drill holes NBE002 and 006 Figures follow.

Drill results include:

238m grading 0.37% copper (from 3m to 241m) in hole NBE001.

184m grading 0.30% copper (from 2m to 186m) in hole NBE002.

For personal use only



## Review of Operations & Activities (Cont.)

199m grading 0.28% copper( from 0m to 199m) in hole NBE003.

274.2m of 0.25% copper (from 4m to 278.2m), plus 18m of 0.30% copper from 691m to 709m in NBE004.

306.8m grading 0.28% copper (from 18m to 324.8m) in hole NBE005.

232.5m grading 0.27% copper (from 3.5m to 236.0m) in hole NBE006.

138.0m grading 0.23% copper (from 0m to 138m), plus 233.8m grading 0.20% copper (from 368.9m to 602.7m EOH) in hole NBE007.

Ten holes have now been completed for 6,155m, hole NBE011 was abandoned and drilling continues on holes 12 and 13 (re-drill of hole 11).

The copper mineralisation is open at depth (+700m vertically below surface) in multiple zones.

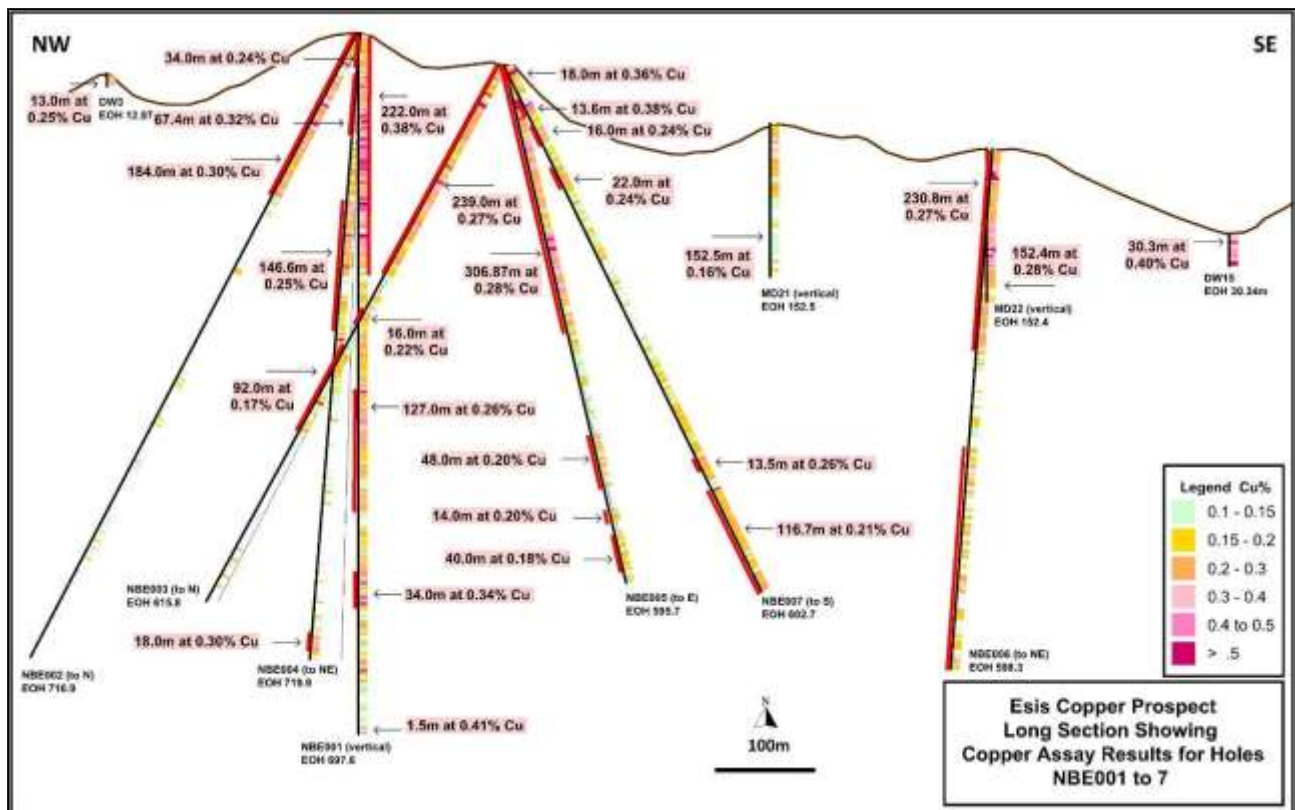
Hole NBE001 was terminated in 0.41% copper at 697.6m (drilled vertically).Hole NBE007 was terminated with 233.8m grading 0.20% copper to 602.7m, also showing mineralisation to the west of the long section line (60 degree inclination).

The mineralisation is open to the east.

Hole NBE004 was terminated in 0.38% copper at 719.9m (60 degree inclination).

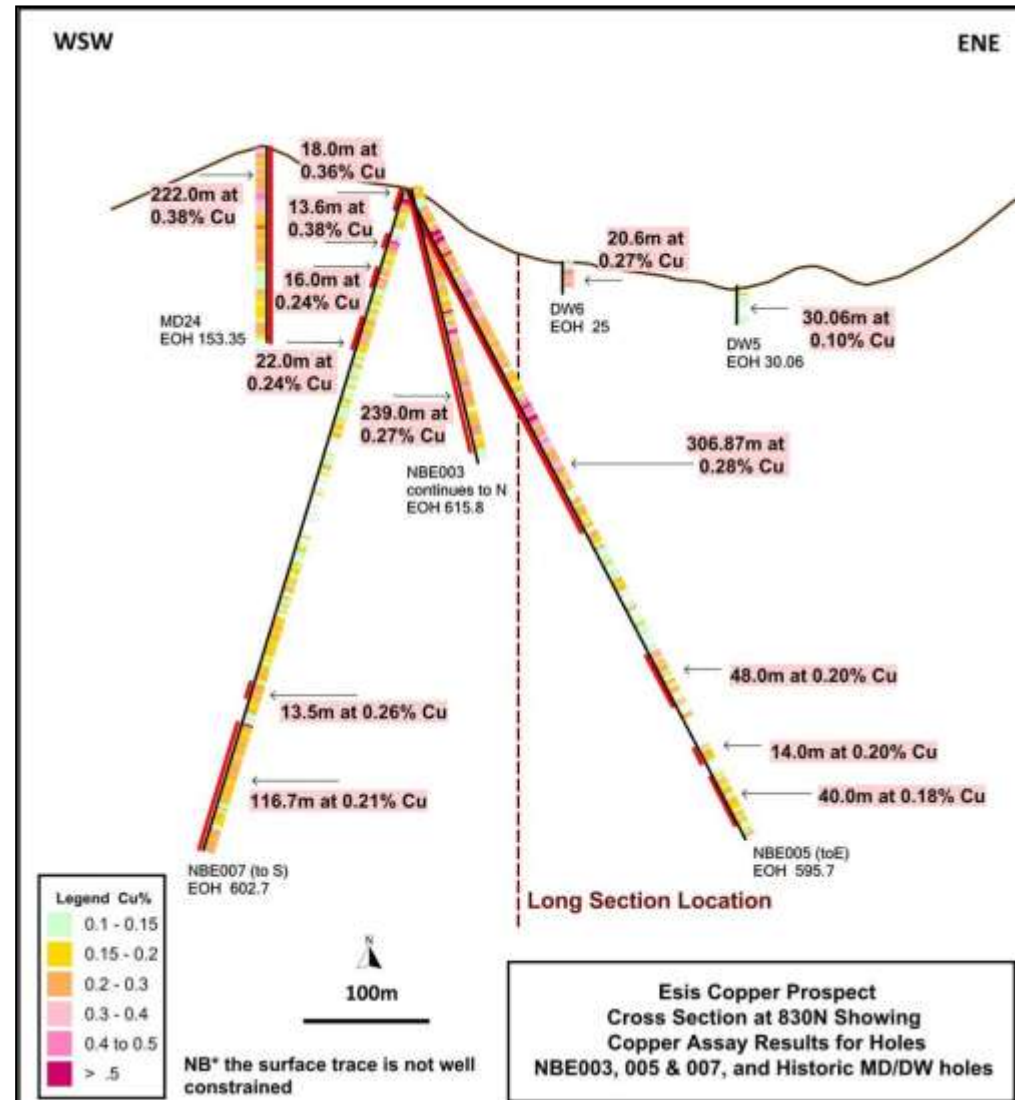
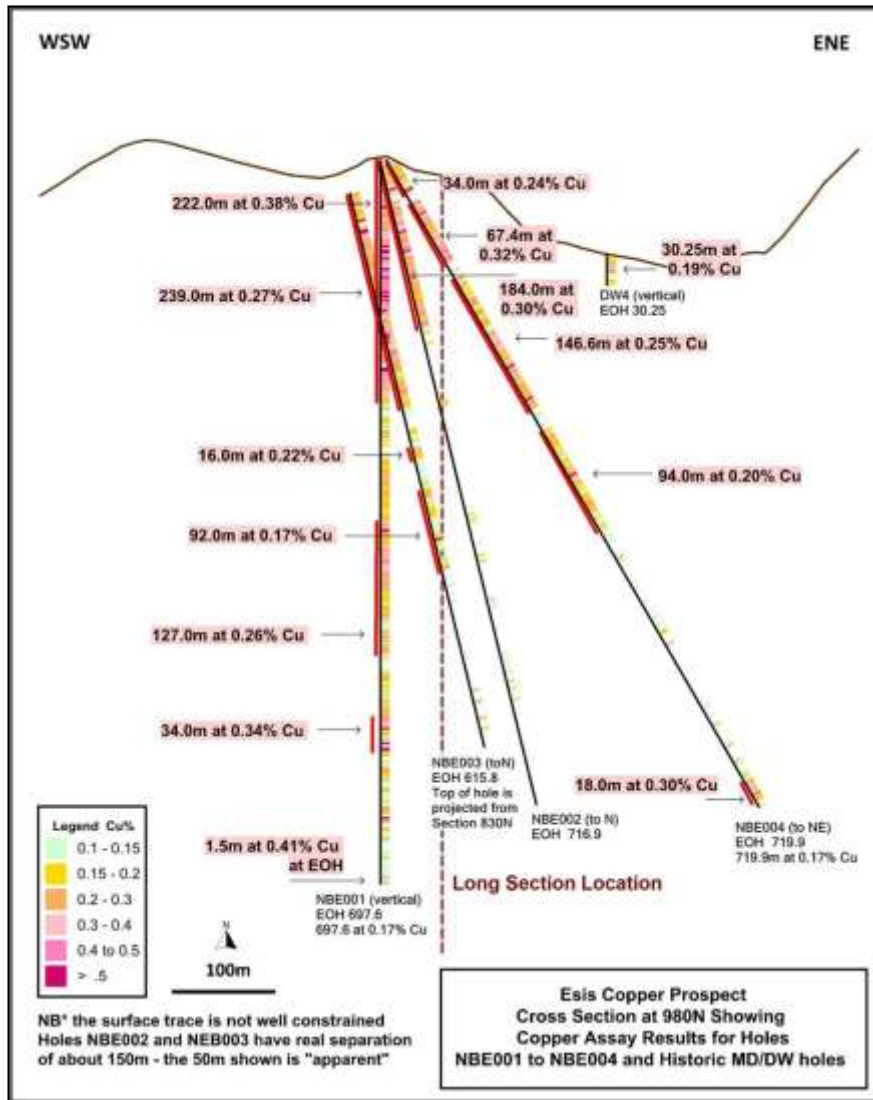
Hole NBE005 was terminated in 0.21% copper at 598.5m (60 degree inclination).

Hole NBE006 was terminated in 14.3m grading 0.23% copper at 598.3m (60 degree inclination) with elevated molybdenum (82 ppm compared to the hole average of 25 ppm) suggesting slightly different mineralisation . Refer to the Long Section + Cross Sections and Tables for information/ results and to visualise the orientation of the copper mineralisation. The location of the drill holes is shown on an oblique Google Earth image looking northerly (NNE).



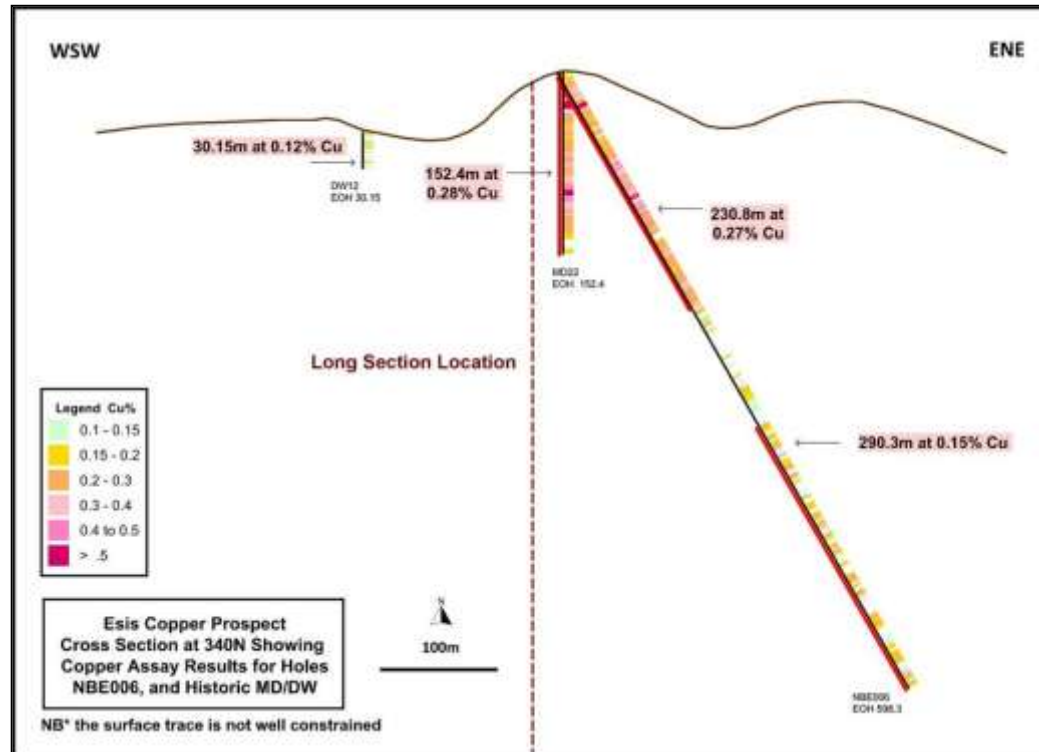
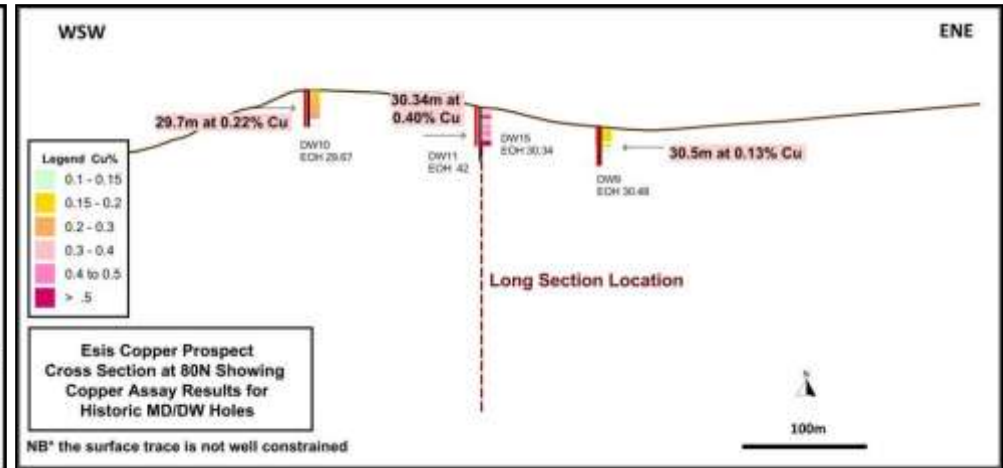
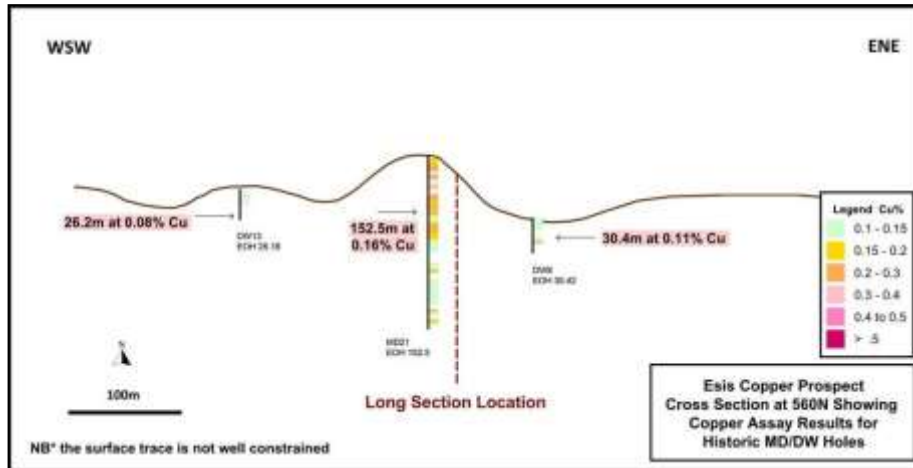
Review of Operations & Activities (Cont.)

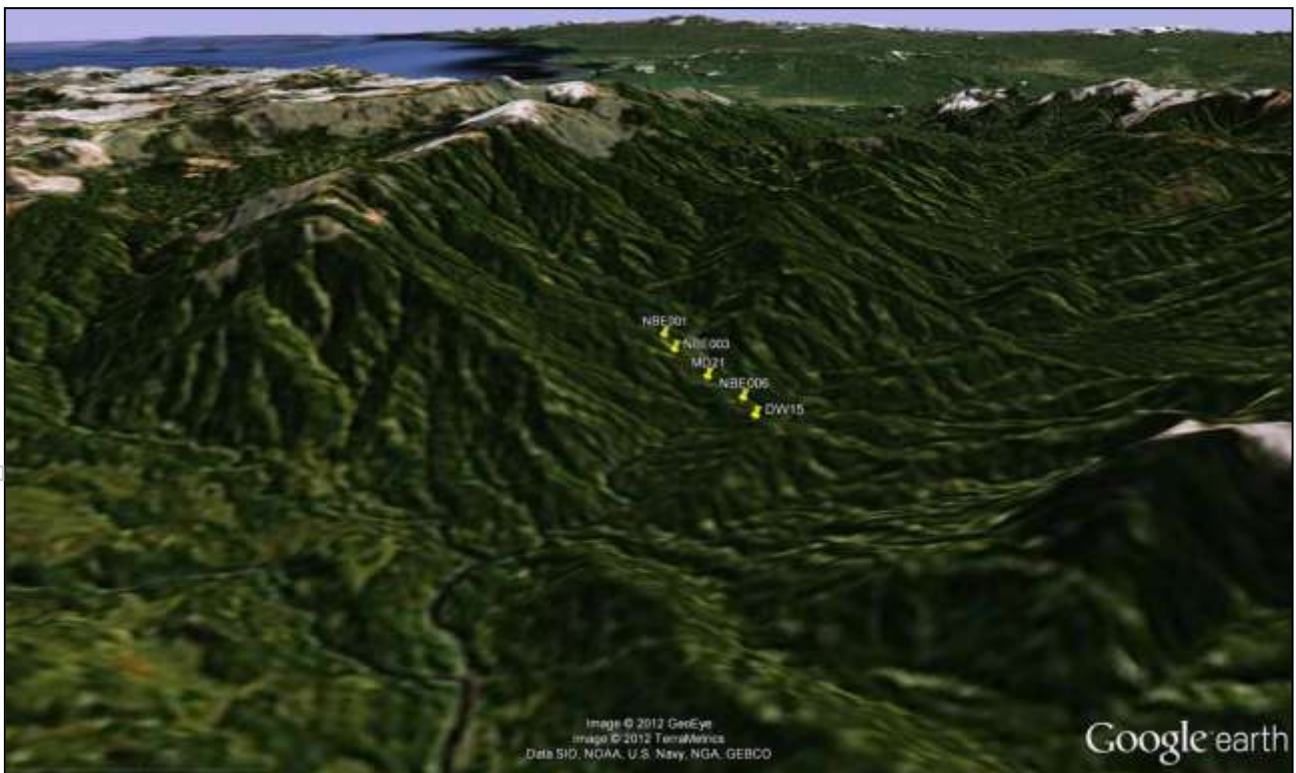
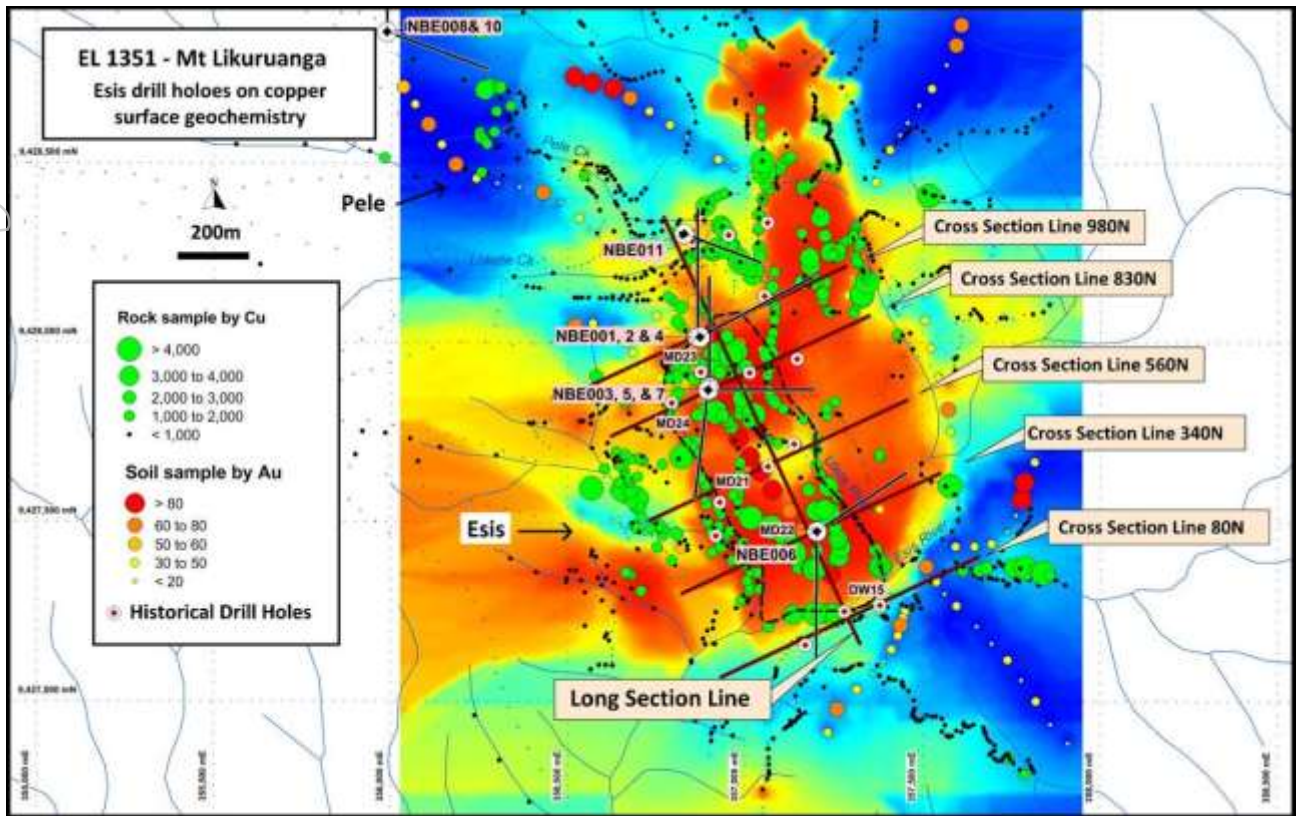
For personal use only



For personal use only

# Review of Operations & Activities (Cont.)





The long section in previous image shows that the mineralisation in the upper zone is relatively contiguous near surface between all the holes drilled to date. Figures above indicate various cross sections showing the downhole mineralisation and drill hole locations at Esis plotted on surface copper geochemistry, with

For personal use only

## Review of Operations & Activities (Cont.)

lines showing the location of the long and cross sections. A Google Earth image shows the location of the various drill holes on an oblique image looking northerly (NNE).

The intercepts of significance are defined herein by a 0.15% copper cut-off, with higher grade zones generally defined by a 0.3% copper cutoff. The results for each hole contain no particularly significant gold mineralisation and as such it is not reported. The molybdenum is reported so its variation can be noted in context of genetic porphyry copper models, not because it has any particular possible economic value at Esis.

The JV diamond drill holes in varying orientations have achieved a better understanding of the geology with respect to lithology, mineralisation and alteration and will lead to the initial production of a coherent 3D model.

The long section displaying copper in the drill holes demonstrates the consistency of mineralisation between holes and the open nature of the anomaly to the east, south and at depth.

There appears to be at least 3 zones of moderate grade copper mineralisation that are separated by lower grade copper intervals both horizontally and vertically (as seen in the long section and cross sections).

### Hole NBE 001:

NBE001 was designed as a vertical twin of MD23, drilled by BHP in 1974. MD23 reported an average of 0.39% copper from surface to its final depth at 152.6m.

Mineralisation in NBE001 occurs from the surface in highly fractured, and oxidised, clay altered diorite down to about 230m and into competent quartz diorite which continued to end of hole at 697.6m. It occurs as chalcopyrite disseminations in a stockwork of micro fractures and as disseminated chalcopyrite and minor molybdenum in association with silica alteration. The latter is hosted in steeply dipping quartz feldspar porphyry dykes.

An intercept of 228m grading 0.37% from 0m to 228m. The hole was terminated in 0.41% copper mineralisation. Potassic alteration, characterised by magnetite and biotite increased with depth.

### Hole NBE 002:

NBE002 was designed to extend geological knowledge to the north of NBE001 and it was continued to depth on the basis that NBE001 terminated in strong mineralisation at the depth limits of the drill rig.

Lithologies consists of fractured clay altered diorite from surface to approximately 189m, grading into a competent quartz-diorite cross cut by steeply dipping quartz veins (to 641.9m). A 20m late volcanic breccia dyke cross cuts the quartz veined diorite units and then continues to the end of hole.

Drill Hole NBE001 Weighted Assay Results					
	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	697.6	110.6	0.17	15
	0	66.1	66.1	0.27	17
Plus	66.1	228.0	161.9	0.41	57
Plus	228.0	350.0	122.0	0.18	18
Plus	350.0	477.0	127.0	0.26	11
Plus	477.0	537.0	60.0	0.18	7
Plus	537.0	571.0	34.0	0.34	3
Plus	571.0	697.6	126.6	0.16	14

Drill Hole NBE002 Weighted Assay Results					
	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	716.9	716.90	0.13	14
	2.0	186.0	184.0	0.30	19
Incl.	30.1	38.1	8.0	0.40	7
Plus	48.1	54.1	6.0	0.67	3
Plus	74.1	83.6	9.5	0.57	7
Plus	97.6	107.6	10.0	0.37	5



## Review of Operations & Activities (Cont.)

Hole NBE002 contains two discrete individual intercepts for a 184m intercept grading 0.30% copper (from 2m to 186m downhole). The hole was successful in defining a northern limit to mineralisation and identifying new bounding geological units and controls on mineralisation at depth.

Chalcopyrite is hosted in stock work and micro fractures as observed in NBE001. Biotite and magnetite increased with depth similar to NBE001.

### Hole NBE 003:

NBE003 was designed to cut across NBE001 (crossed at 307m down-hole depth in NBE001), and continued to be drilled to depth for geology and define the northerly extension of the lower mineralised zone of NBE001. It was drilled from the same pad as NBE005 and NBE007.

The geology is consistent down hole with NBE001 & 002 (with the exception of a zone of quartz porphyry in the top of the hole that may extend east).

Lithology consists of fractured clay altered diorite (considered a oxidised cap) from surface to approximately 199m passing through a zone of quartz porphyry (115m to 161m) and into a fine grained mafic diorite, ending short of the quartz diorite found at the end of holes NBE001 /002.

There are two mineralised zones, separated by 10m of internal dilution which together produce a weighted average copper mineralisation intercept at 0.27% copper from 0m to 239m down hole at 0.15% cutoff. Consistent with NBE001, chalcopyrite is hosted in stockwork and micro fractures. However unlike NBE001, no significant quartz-feldspar porphyry dykes were intercepted below 184m.

### Hole NBE 004:

NBE004 was designed to test the eastern extension of copper mineralisation intersected in NBE001 and NBE002. Lithologies down hole consist predominantly of variably altered diorite (within oxidised cap to 131.6m) alternating with quartz diorite at depth, which then continues to the end of hole.

Mineralisation is typically chalcopyrite occurring as disseminations in quartz stockwork as well as coating and infilling micro fractures. Discrete zones of mineralisation occur within the upper part, with two zones averaging at 111.5m grading 0.27% copper and 146.6m grading 0.25% copper occurring at 4m and 131.6m respectively.

	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	606.8	606.8	0.18	25
	0.0	239.0	239.0	0.27	35
Plus	239.0	283.0	44.0	0.11	18
Plus	283.0	299.0	16.0	0.22	46
Plus	299.0	329.0	30.0	0.11	37
Plus	329.0	421.0	92.0	0.17	15
Plus	421.0	553.0	132.0	0.07	12
Plus	553.0	599.0	46.0	0.12	23
Plus	599.0	606.8	7.8	0.05	15

	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	719.9	719.9	0.17	25
	0.0	4.0	4.0	0.02	21
Plus	4.0	38.0	34.0	0.24	9
Plus	38.0	48.1	10.1	0.09	17
Plus	48.1	115.5	67.4	0.32	53
Plus	115.5	131.6	16.1	0.06	70
Plus	131.6	278.2	146.6	0.25	63
Plus	278.2	301.0	22.8	0.09	32
Plus	301.0	395.0	94.0	0.20	23
Plus	395.0	453.0	58.0	0.12	2
Plus	453.0	503.0	50.0	0.07	1
Plus	503.0	561.0	58.0	0.10	2
Plus	561.0	669.0	108.0	0.07	2
Plus	669.0	719.9	50.9	0.19	5
Incl.	691.0	709.0	18.0	0.30	6



## Review of Operations & Activities (Cont.)

Copper mineralisation is open to the east and at depth with the hole terminated in 0.38% copper (at the limit of the rig's capacity).

Down hole, the geology is consistent with NBE001 & 2 with the exception of a zone of quartz porphyry zone in the top of the hole that is similar to NBE003. The hole comes into quartz diorite much earlier than found in NBE001 & 2, delineating variation in geology to the north-east.

### Hole NBE 005:

NBE005 was drilled to test the eastern extent of anomalism from a southern location on the same pad as NBE003 and NBE007.

Down hole, the geology is consistent with NBE001 & 2 being predominantly variably altered diorite. Several zones of mineralisation are present with the main one occurring from 18 – 324.8m averaging at 0.28% copper.

Three other intercepts occur below 306.8m, one being 48m grading 0.20 % copper from 424m down hole.

NBE005 confirmed that the copper anomalism remains open to the east and at depth with the hole producing a intercept of 0.23 % copper over 3.5m from 590m down hole to end of hole.

Although the quartz stockwork appears to be largely unmineralised, it is inferred that a number of phases of quartz veining may be present of which one may be mineralised. Mineralisation appears to be overprinted by phyllic alteration, which in turn, is overprinted by a late stage anhydrite-carbonate-clay-pyrite event.

Being mostly diorite, however, it failed to reach the quartz diorite or pass through the zone of quartz porphyry. The hole stopped early due to drilling conditions.

### Hole NBE 006:

This hole was designed to follow up on results from historic hole MD22 that was terminated in 0.27% copper at 152.4m depth vertically.

Hole NBE006 was a scissor drill hole from the historic MD22 pad targeted to investigate the possible extension of the mineralisation to the east, as inferred from historic surface geochemical anomalies coupled with observations made from recent results from drill holes NBE001 and NBE002.

Hole NBE006 is at the lowest RL point of the system in the project drilled to date and notably molybdenum content is increasing.

Drill Hole NBE005 Weighted Assay Results					
	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	593.5	593.5	0.21	23
	0.0	18.0	18.0	0.14	11
Plus	18.0	324.8	306.8	0.28	30
Incl.	36	50	14	0.49	5
Plus	324.8	424.0	99.2	0.12	11
Plus	424.0	472.0	48.0	0.20	23
Plus	472.0	510.0	38.0	0.09	11
Plus	510.0	524.0	14.0	0.20	20
Plus	524.0	540.0	16.0	0.09	28
Plus	540.0	580.0	40.0	0.18	16
Plus	580.0	590.0	10.0	0.12	19
Plus	590.0	593.5	3.5	0.23	4

Drill Hole NBE006 Weighted Assay Results					
	From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	598.3	598.3	0.19	25
	3.5	236.0	232.5	0.27	21
Incl.	16.0	38.0	22.0	0.35	19
and	86.0	150.0	64.0	0.34	21
Plus	236.0	308.0	72.0	0.07	15
Plus	308.0	528.0	220.0	0.14	25
incl.	356.0	396.0	40.0	0.19	24
Incl.	396.0	446.0	16.0	0.23	49
Plus	528.0	598.3	70.3	0.17	50
Incl.	581.0	592.0	11.0	0.24	117



## Review of Operations & Activities (Cont.)

The collar is located in the southeast and the consistent upper large copper intercepts (the first 200m+ in the holes) deliver a apparent continuous mineralisation length of 630m as by collar distance, and a length of ~760m at ~200m depth in the holes (as defined between NBE002 and NBE006). This is still open to the south and north, and perpendicularly to the East and West plus at depth.

Coring started from an oxidised, brecciated zone with dominant magnetite-pyrite- chalcopyrite in matrix that extends 50 metres from the surface. Minor barren andesitic to diorite dykes and sills cut through the extensive intrusive breccia zone locally. The dykes post-date mineralisation and locally destroy or degrade existing hydrothermal alteration and mineralisation.

The intrusive breccia zone consists of mineralised and unmineralised clasts of various composition and sizes. Quartz feldspar diorite, with associated porphyry clasts, is dominant with minor fine grained diorite and andesite. Mineralisation in the breccia is erratic and presumed to be associated with magnetite, as clasts and disseminations at lower levels are encouraging for continuing exploration.

Down hole, the geology is consistent with the other holes drilled at Esis. With the top of the hole being diorite passing into quartz porphyry into quartz diorite back into diorite, there are some minor un-mineralised crosscutting dykes present. The hole terminated 100m early due to drilling conditions. Copper mineralisation in the main intercept is in fractured clay altered diorite and intrusive breccias with varying amounts of magnetite, quartz, chalcopyrite and various alteration types.

Multiple mineralised zones are present; the upper part of the hole is defined by one zone, 232.5m grading 0.27% copper (from 3.5m). Below this main intercept there is a broad continuous zone of weaker mineralisation from 308m to EOH (averaging 0.15 % copper) and contains nine intercepts > 0.2 % copper.

### Hole NBE 007:

NBE007 was drilled on the same pad as NBE003 and NBE005 and was designed to test the historically identified quartz porphyry and encouraging surface grades to the south. Mineralisation occurs in multiple zones.

This is the first hole with a moderate variation from the upper 200m strong mineralised zone as reported in holes NBE001 to NBE006. The variation consists of 4 discrete upper intercepts in the top 200m (contained within a 0.19 % copper broad weaker anomaly from surface to 236m). Also, present is a broad zone from 436m (averaging 0.21% copper) to EOH, that contains multiple discrete intercepts. The hole terminated 100m early due to drilling conditions.

Drill Hole NBE007 Weighted Assay Results				
From (m)	To (m)	Intercept (m)	Copper (%)	Moly (ppm)
Entire Hole	0.0	602.7	0.17	11
	0	138	0.23	13
<b>Incl.</b>	<b>0.0</b>	<b>12.0</b>	<b>0.43</b>	<b>8</b>
Plus	12.0	40.4	0.17	16
<b>Plus</b>	<b>40.4</b>	<b>52.0</b>	<b>0.41</b>	<b>14</b>
Plus	52.0	116.0	0.18	15
<b>Plus</b>	<b>116.0</b>	<b>138.0</b>	<b>0.24</b>	<b>8</b>
	138.0	224.0	0.14	8
	224.0	320.0	0.10	4
	320.0	436.0	0.16	12
	<b>436.0</b>	<b>602.7</b>	<b>0.21</b>	<b>15</b>

The core is strongly weathered to 112m passing into fresh diorite with discrete zones of quartz porphyry and quartz diorite. Breccias – stock-work occurs in multiple instances and copper mineralization generally consists of chalcopyrite ± trace bornite from near surface; minor-trace molybdenite from 112m. Pyrrhotite is recorded as the dominant mineral from 555m. There are multiple small un-mineralised crosscutting dykes. Alteration is typically clay at surface passing to potassium feldspar with increasing biotite. Gypsum/anhydrite alteration is strong between 238 to 433m. From 524m strong quartz stock-working is pervasive.





## Review of Operations & Activities (Cont.)

### Hole NBE 008:

NBE008 was drilled to 602.6m to target known copper mineralisation in the Pele area.

### Hole NBE 009:

NBE009 was drilled on the same pad as NBE006.

### Hole NBE 010:

NBE010 was drilled to 307.0m on the same pad as NBE008, to target copper mineralisation in the Pele area.

### Hole NBE 011:

NBE011 was abandoned due to drilling issues at about 50m downhole.

### Hole NBE 012:

NBE012 was at 137m on 16/8/2012.

### Hole NBE 013:

NBE013 is a re-drill of NBE 011 and it was at 158m on 16/8/2012.

A suite of core samples were collected for petrographic studies to aid logging and interpretation.

Details of drillholes completed and currently being drilled at the Esis Drilling Program are summarised in tables below, with historic hole collar information (accuracy requires further verification). Note that some discrepancies may be noted between averages on the Long and Cross Sections relative to the table and text and this is dependent on the rationale for the clustering of results to different depths downhole.

NB: Reference datum is AMG Zone 56, AGD 66 – Easting's & Northing's are GPS pickup

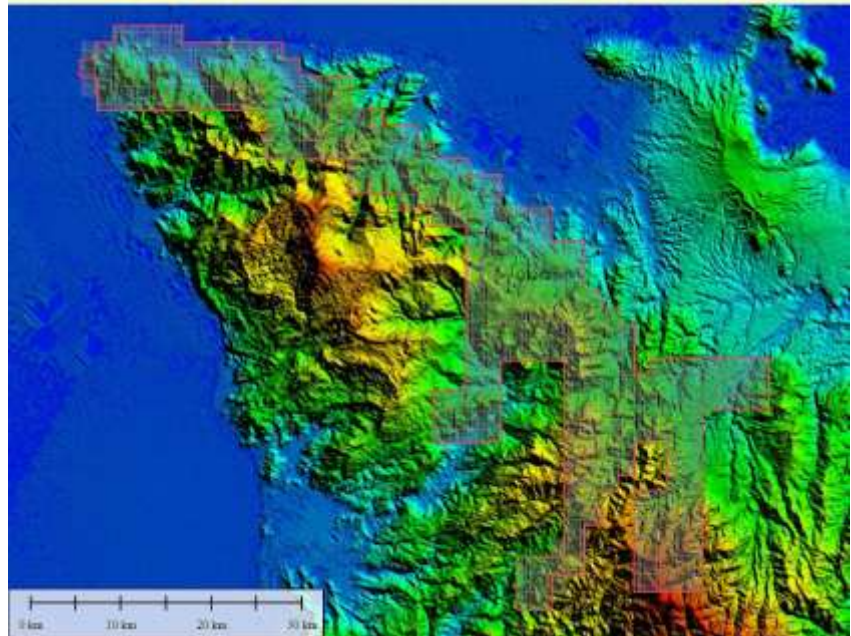
Hole Number	Depth (m)	Northing (m)	Easting (m)	EL 1351 - Esis Prospect JV Drill Hole Location and Orientation Information						
				HOLE ID	EOH DEPTH (m)	Azimuth (AMG)	Incl.	AMG North (m)	AMG Easting (m)	RL (m)
DW1	53.3	357061	9428336							
DW2	30.5	356951	9428300							
DW3	25.0	356848	9428283							
DW4	30.3	357052	9428131							
DW5	30.1	357145	9427955							
DW6	25.0	357011	9427916	NBE001	697.6		-90	9428015	356865	790
DW7	25.0	356874	9427918	NBE002	716.9	0	-60	9428016	356864	790
DW8	30.4	357136	9427718	NBE003	615.8	0	-60	9427876	356897	758
DW9	30.5	357379	9427269	NBE004	719.9	62	-60	9428016	356871	790
DW10	29.7	357169	9427159	NBE005	593.5	90	-60	9427869	356896	757
DW11	42.0	357279	9427252	NBE006	598.3	57	-60	9427476	357202	675
DW12	30.2	357049	9427415	NBE007	602.7	187	-60	9427868	356894	756
DW13	26.2	356927	9427555	NBE008	602.6	110	-60	9428866	355987	1117
DW14	30.0	356917	9427462	NBE009	700.2	180	-60	9427475	357201	675
DW15	30.4	357279	9427252	NBE010	307.0	0	-60	9428866	355987	1117
MD21	152.5	357063	9427656	NBE011	in progress	110	-55	9428304	356825	739
MD22	152.4	357204	9427483							
MD23	152.6	356868	9428022							
MD24	153.4	356791	9427832							
<b>Total</b>	<b>1079.3</b>	<b>m</b>		<b>Total</b>	<b>6,155</b>	<b>m</b>				

## Review of Operations & Activities (Cont.)

### EL 1592 - East New Britain

A very large aeromagnetic and radiometric geophysical survey was completed by OTML Ltd at the East New Britain Joint Venture, located on the Gazelle Peninsula of New Britain Island, in the NE of Papua New Guinea.

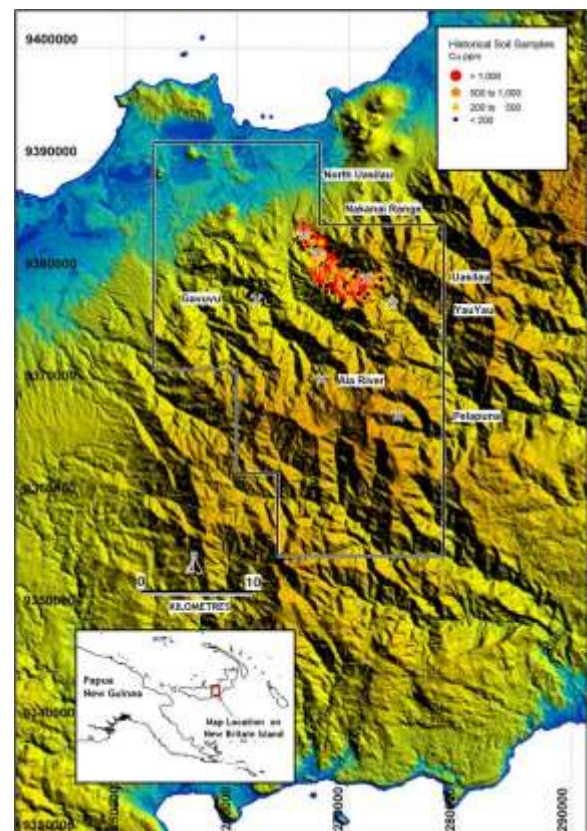
The geophysical survey covered the entire 1,003 km<sup>2</sup> area of Exploration License 1592 at a 50m sensor height on 200m traverse spacing, with 2,000m spaced tie lines, for 5,959 line kilometres total. Interpretation is being undertaken by specialist geophysical consultants in conjunction with OTML and should become available soon. 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 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.

### EL 1598 - Central New Britain

Data has been received from the aeromagnetic /radiometric survey and is being analysed for targets.



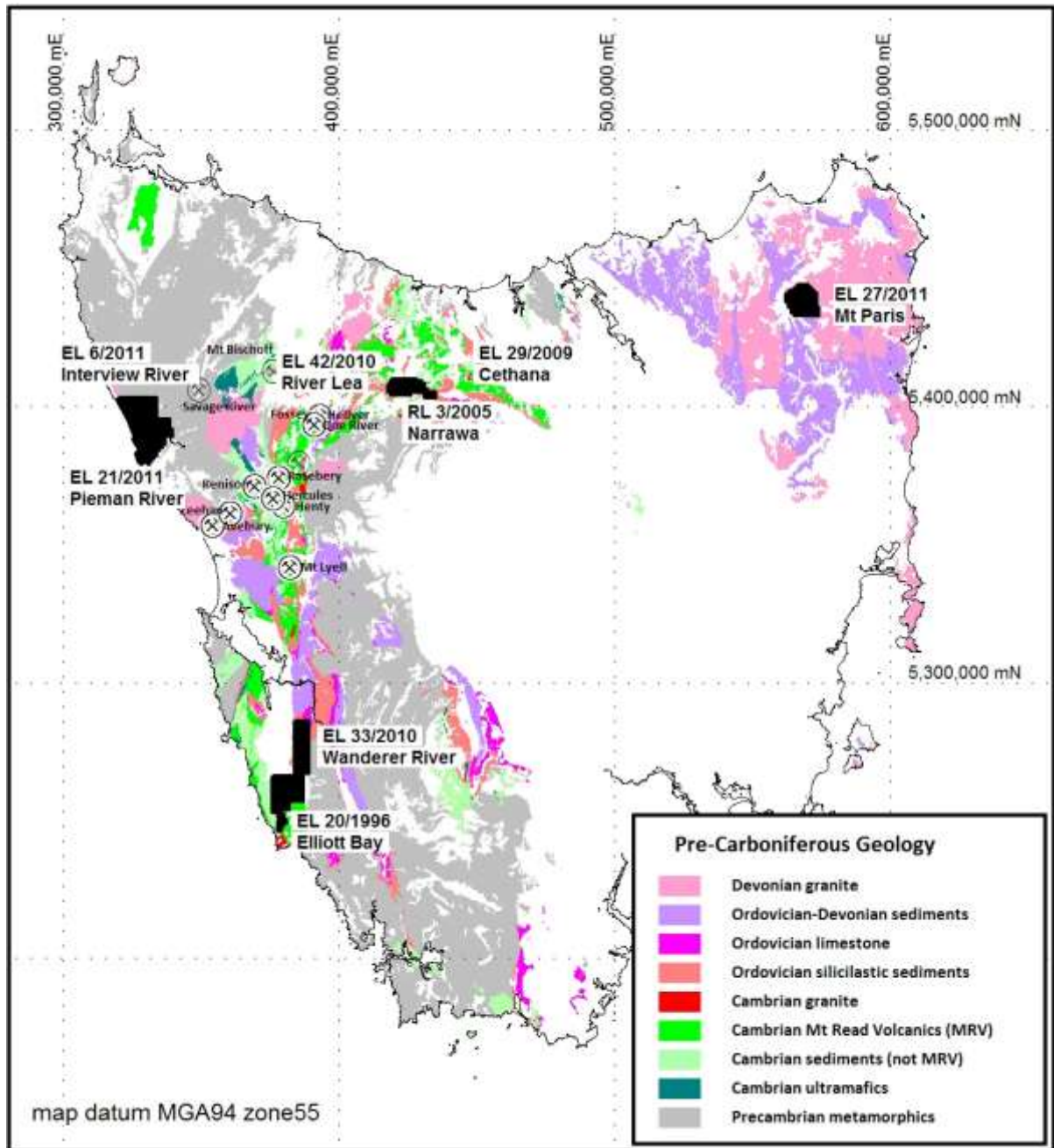
## Review of Operations & Activities (Cont.)

### TORQUE MINING LTD

The Tasmanian exploration and development assets will be de-merged from FNT (via an in-species distribution Frontier's shareholders) through 65.6% owned Torque Mining Ltd.

Torque raised \$1.05 million in seed capital with the intent of listing on the ASX in late 2012.

The location of Torque's Tasmanian properties generated geological plan.



Objectives are to:

Enable Frontier to become focussed on gold and copper mineral exploration for World Class deposits in Papua New Guinea with:

- A large and 'de-risked' PNG tenement portfolio that is funded predominantly through earn-in Joint Ventures totalling a possible ~\$80 million.



## Review of Operations & Activities (Cont.)

- A 100% owned Exploration Licence (Sudest), with excellent high grade gold potential.
- Very low ongoing exploration and corporate costs relative to total exploration exposure.
- Substantial possible share price leverage via exploration success on any of 8 diverse projects.

Enable Torque Mining Ltd to become a Tasmanian focussed mineral exploration and development company to:

- Undertake systematic and thorough exploration of the highly prospective Moina Project for large Intrusive Related Gold Deposits.
- Increase resources at Moina's modest Stormont + Narrawa precious and base metal skarn deposits targeting recently defined 3D-IP anomalies and advance the deposits to production.
- Leverage success from persistence, with the excellent exploration potential shown by the high-grade (40% Pb/Zn + high Ag) massive sulphide drill intersections at the SMRV Project.

Each company will be more able to cater to its respective strengths, investors and markets, with enhanced possibilities for share price appreciation via exploration and/or development success.

Frontier Resources will benefit through a modest vendor equity in Torque Mining and a 10% carried interest (to completion of bankable feasibility studies) in all tenements except the SMRV. And benefit Frontier's shareholders through an in-specie distribution of shares in Torque Mining.

\$1.05 million was raised in seed capital in June 2012, at \$0.05/share. A total of 20,940,000 shares were issued post year end and Torques total share capital is now 60,940,000. Frontier Resources Ltd own 40,000,000 shares and 30,000,000 shares will be distributed to FNT shareholders as an in-species distribution after receiving shareholder approval.

Managing Director - Bob McNeil subscribed for \$300,000, Chairman - Peter McNeil subscribed for \$100,000 and Torque and Frontier directors & employees subscribed for \$110,000.

### Strategy and Details

Torque Mining Ltd has seven Exploration Licenses and Frontier Resources Ltd has eight granted Exploration Licenses and one Retention License (combined in four projects) in Tasmania and 8 granted Exploration Licenses in Papua New Guinea. Five exploration licenses in PNG are being funded by JV partner Ok Tedi Mining Ltd and two exploration licenses will be funded by Newcrest Mining Ltd. Frontier will focus its exploration on the recently granted 100% owned Sudest license and other reconnaissance Exploration licenses in New Britain (when they are granted).

Frontier considers that an Initial Public Offering, with an in-specie distribution of shares to shareholders is the best course of action to realise the value of the Tasmanian projects.

The reasons for the "spin off" can be summarised as follows:

- Frontier has spent \$8.6 million in Tasmania since 2002. Between 1994 and 2002 Frontier's parent Macmin and its Joint Venture partners spent an additional \$1.2 million (estimated).
- Frontier's market capitalisation is not reflected in and does not benefit from the Tasmanian Projects even though the Moina Project is rated as a top priority project with high-grade gold and base metal resources in a diverse metallogenic province, and is a development ready project.
- The Tasmanian projects do "not fit" with Frontier's main focus of PNG or with Frontier's PNG exploration and J/V's with OK Tedi and Newcrest.



## Review of Operations & Activities (Cont.)

The Moina Project has many possible large, high-value drill ready targets. Initial testing of these targets requires an optimum budget of \$4 million to \$5 million over two years – primarily drilling. Frontier would need to raise funds to support such a program if the “spin off” did not occur .

Frontier considers a “spin off” would provide the best benefit for shareholders (rather than a joint venture with another company). Effectively we create the company to be the Joint Venture partner.

It is planned (subject to shareholder and regulatory approval) to distribute approximately 30 million shares in Torque Mining Ltd (approximately 1 Torque share for about every 10 Frontier shares held that creates a marketable parcel- the final distribution figure will be announced at a later date) to shareholders. Frontier would also retain 10 million Torque Mining Ltd shares, plus a 10% carried interest to bankable feasibility in all projects except the SMRV.

Frontier's Chairman/Managing Director, Peter McNeil (MSc.) will become the Non-executive Chairman of Torque Mining Ltd and Frontier Director Graham Fish will resign from its Board to join the Torque Board.

R.D (Bob) McNeil has been appointed Managing Director of Torque Mining and is managing the Initial Public Offering. Bob is a University of Tasmania geology graduate (MSc. and B.Sc. Hons.) with 53 years minerals exploration, mine development and corporate experience. He first explored in the SMRV project area in the Thirkell Hill Block in 1975 and has had various continuing associations to the present.

Grant MacDonald is Tasmanian Exploration Manager and supervises the Tasmanian exploration. Grant is also a University of Tasmania graduate B.Sc. (Hon), with more the 20 years of experience in Tasmanian exploration including with Beaconsfield Gold and Bass Resources

Torque’s strategy is to focus exploration and development primarily on the Moina Project, with lesser emphasis on the SMRV Project and the “grass roots” projects recently acquired by Frontier. In particular Torque’s program is as follows:

### **Moina Project Strategy:**

- Complete feasibility on existing resources – develop mine and cash flow.
- Extend existing resources and “look alike” systems to existing resources by drilling targets defined by already completed geochemistry and geophysical surveys.
- Drill test major geophysical targets for possible large gold and or tin/tungsten systems.

### **SMRV Project Strategy:**

- Drill test anomalies identified through a VTEM geophysical program.
- Drill down plunge from known drill intersections of high grade massive sulphides.
- Review gold potential (previous drill intersection of 3m of 17.5g/t).
- Seek J/V partner.

### **The Moina Project can be summarised as follows:**

- Torque controls almost all of a metallogenic district with gold/ bismuth/ tin/ tungsten/ molybdenum/ fluorite mineralisation in drill holes.
- The Indicated Mineral Resource at the Stormont and Narrawa prospects together total 313,600 tonnes at 2.49 g/t gold plus credits in bismuth, silver, lead and zinc. Contained metal is 25,000 ounces gold + 126,000 ounces silver + 256 tonnes bismuth + 2311 tonnes lead + 1953 tonnes zinc.



## Review of Operations & Activities (Cont.)

Individual project resources are as follows:

- Stormont** - Indicated Mineral Resource of 150,800 tonnes at 2.89 g/t gold + 0.17 % bismuth for 14,000 ounces gold + 256 tonnes of bismuth.
- Narrawa** - Indicated Mineral Resource 162,764 tonnes at 2.11g/t gold + 1.42% lead + 1.20% zinc + 202.5g/t silver for 11,043 ounces gold + 2,311 tonnes lead + 1,953 tonnes zinc + 107,288 ounces silver.
- Inferred Mineral Resource of 46,574 tonnes at 2.07g/t gold + 0.98% lead + 0.81% zinc + 16.0g/t silver for 3,100 ounces gold + 456 tonnes lead + 377 tonnes zinc + 23,961 ounces silver.

- Torque has recently upgraded the resources at Stormont from the Inferred to the Indicated category.
- Exceptional high near surface gold grades have been identified at Stormont including 7.3m at 23.5g/t, 17.6m at 10.80g/t, plus bismuth, lead, zinc and silver credits. Refer to previous ASX releases for details of all drill holes. The above grades are not representative of all holes.
- Significant known deposits in the district owned by others or mined out include Australia's and one of the world's largest undeveloped fluorite (plus gold and other metals) deposits, (Moina Fluorite Skarn), the Shepherd and Murphy Mine and Hugo Skarn.
- Geophysical (3D Induced Polarisation, Aeromagnetics and Airborne Electromagnetics) and geochemical surveys completed or reviewed by Frontier have defined many drill ready targets – both extensions of existing/known mineralisation and possible previously unknown mineralisation beneath basalt cover or at depth related to the Dolcoath Granite.
- The geological environment has potential for large and disseminated gold deposits and major tin and tungsten systems as well as additional medium sized deposits such as the resource above.

### The SMRV project can be summarised as follows:

- 45km strike length of Mt Read Volcanics, host to World Class deposits, such as Mt Lyell, Rosebery and Hellyer.
- Most exploration has to date been concentrated in one small area at Wart Hill with high grade silver, lead, zinc, gold, in drill hole such as 0.75m at 28.6% zinc, 14.6% lead, 1.04g/t gold; 7.1m at 11.18% zinc, 5.58% lead and 1.48g/t gold. See previous ASX releases for all drill hole results. The above results are not representative of all holes.
- High-grade surface outcrops such as 4m at 17.9% zinc + 10.2% lead + 132g/t silver + 0.6g/t gold and 3.0m at 21.9% zinc + 13.9% lead + 680g/t silver + 0.80g/t gold.
- Most of the 45km long volcanic belt is relatively unexplored, partly due to the remote nature of some of the area.
- A recent VTEM helicopter borne survey defined additional drill targets.
- Drilling will initially focus on possible down pitch extensions from the above high grade intersections and the new VTEM targets.

### Moina Project

#### 3D Induced Polarisation Survey

A 25 square kilometres Three Dimensional Induced Polarisation (3D-IP) Survey was successfully completed at the Moina Project in north central Tasmania in February 2012 and it produced chargeability and resistivity data extending from surface to approximately 500m depth.

The survey and was very successful, demonstrating that the known mineralisation at the Stormont and Narrawa Deposits occurs in higher conductivity zones. Thus by extrapolation there could also be other significant mineralisation beneath basalt cover or mineralisation that does not reach the present surface in the many other defined conductivity zones.

## Review of Operations & Activities (Cont.)

Several large chargeability anomalies were also demonstrated that could represent disseminated sulphides in the deeper sub-surface. Such disseminated sulphides may be associated with gold mineralisation, as at the historic Packetts Prospect, near Narrawa.

The data have demonstrated:

- ☛ “Look alike” anomalies/situations to the Stormont and Narrawa Deposits that have never been explored beneath basalt cover; and
- ☛ Major anomalies that could represent large Intrusive Related Gold (Disseminated Sulphide) systems.

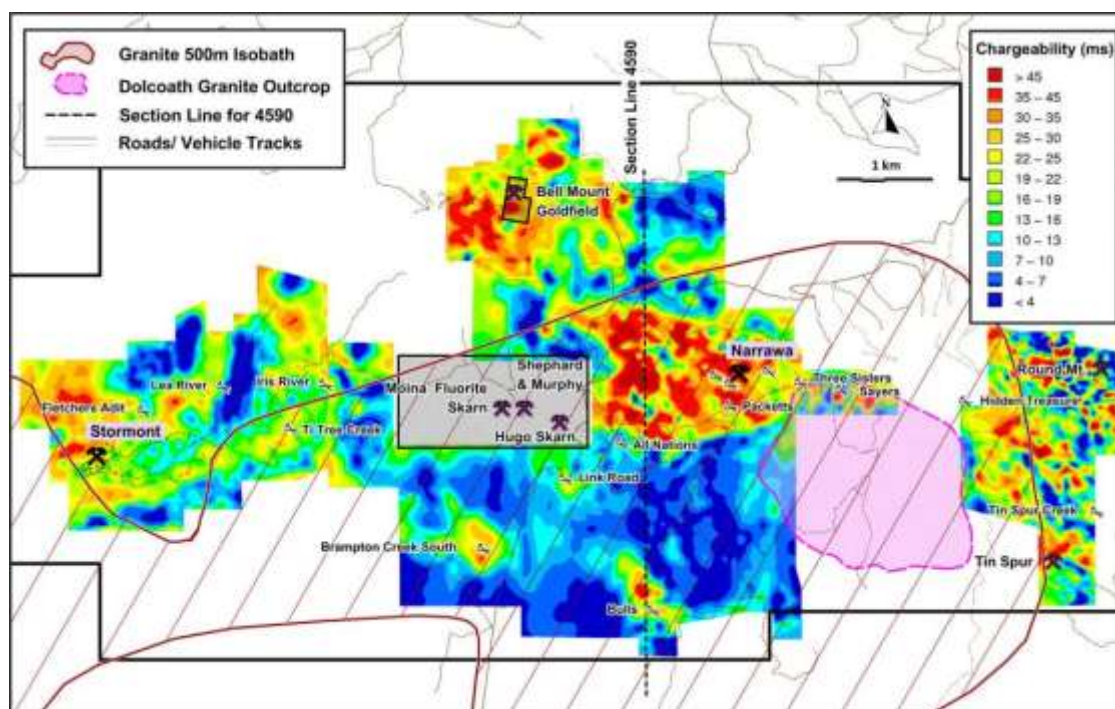
Possible extensions to the existing precious and base metal Indicated Resources at Stormont and Narrawa. The chargeability and resistivity (conductivity is the inverse of resistivity) data is computer processed to produce horizontal “slices” below surface every 50m and cross sections at either 100, 125 or 250m intervals.

Low resistivity (i.e. high conductivity) could reflect zones of more massive sulphides, high chargeability could reflect disseminated sulphides in a host rock (and more modest values could define smaller bodies of sulphides) and high resistivity could reflect silicification associated with quartz vein type deposits. Other geological features such as carbonaceous zones, structures and saline water may also cause anomalies.

This was the largest, single 3D-IP Survey ever conducted in Tasmania to our knowledge.

The IP Survey had multiple objectives as follows:

1. To explore for extensions to existing resources at Stormont and Narrawa.
2. To define the chargeability, resistivity and conductivity characteristics of Stormont and Narrawa and apply such characteristics to similar anomalies defined by the survey throughout the Moina Project. Similar results could thus reflect gold deposits similar to Narrawa and Stormont, particularly if also supported by anomalous geochemistry and/or similar magnetic anomalism.

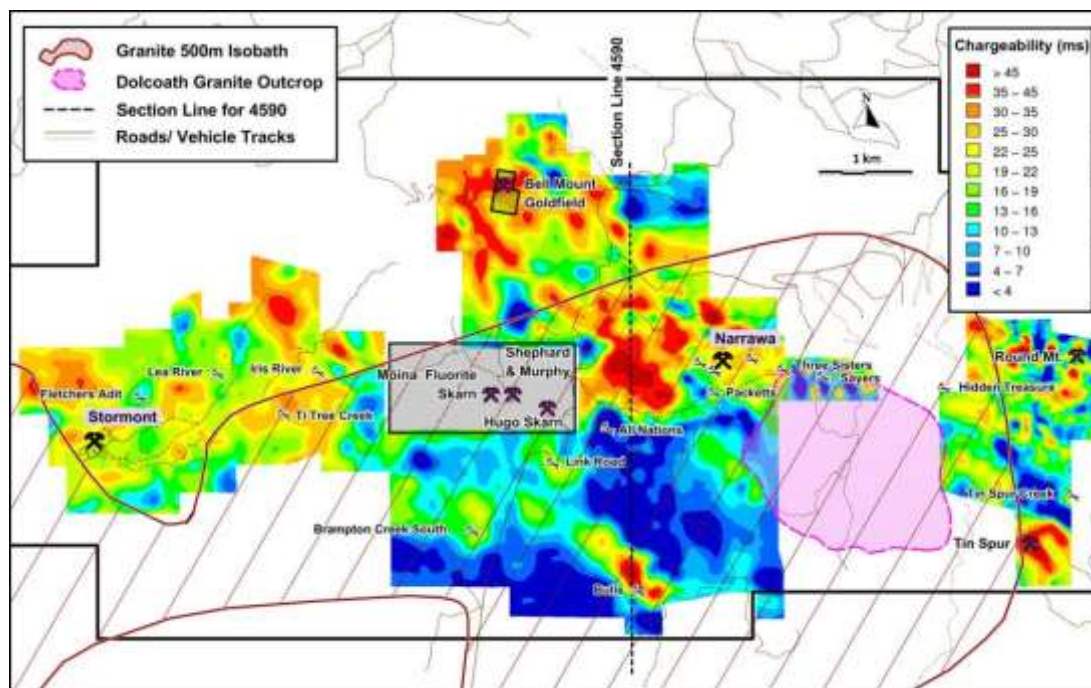


3. To explore for mineralised systems beneath the extensive basalt cover in the South of the Project area (which prevents geochemistry and prospecting to be effective exploration methods).

## Review of Operations & Activities (Cont.)

- To explore for large disseminated Intrusive Related Gold (IRG) deposits such as Fort Knox (Alaska), Pogo (Alaska) and Timbara (Australia) gold deposits in the greisenised upper surface of the Dolcoath Granite and immediately above the granite.

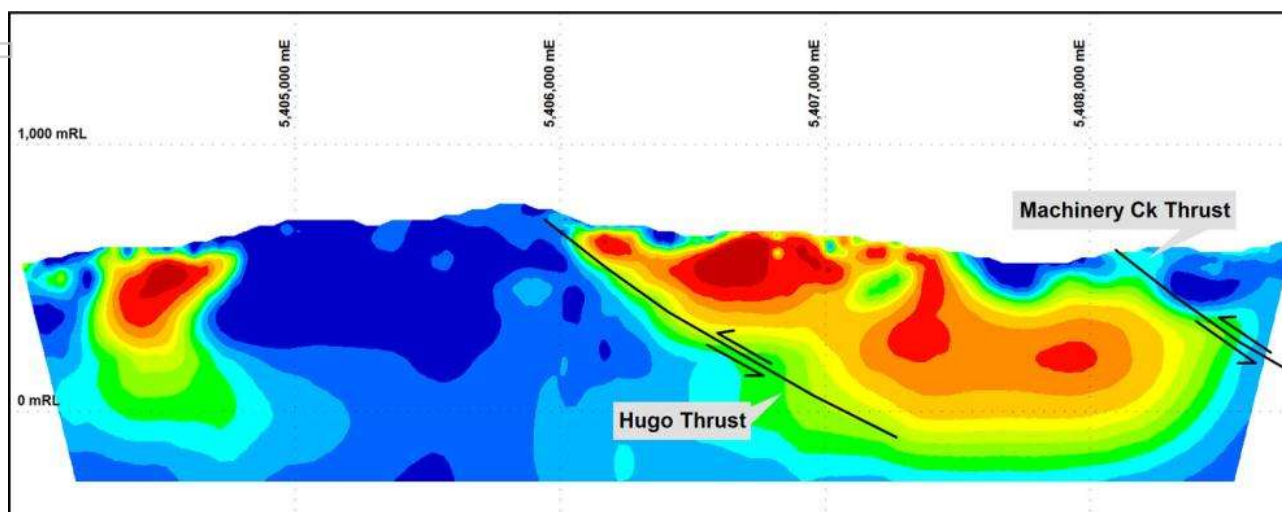
The IP surveyed 167.4 line kilometres – an area of approximately 25 sq kms. Line spacing varied depending on perceived prospectivity and objectives for each specific region of the grid from 100 to 250m.



The survey defined numerous chargeability conductivity and resistivity anomalies that will assist in defining structures that could represent significant mineralising fluid conduits.

The survey provided a very large amount of data, interpretation is continuing and will be ongoing – assisted and vetted by drill results as they become available. A number of examples have been selected that will provide drill targets for the initial testing of chargeability and/or conductivity anomalies.

The chargeability results defined a broad NW trending anomalous zone extending from the Round Mt area in the SE, beneath Lake Cethana, through the Narrawa deposit to the Bell Mt area. Figure on previous page shows the chargeability of the rocks at 50m below surface .

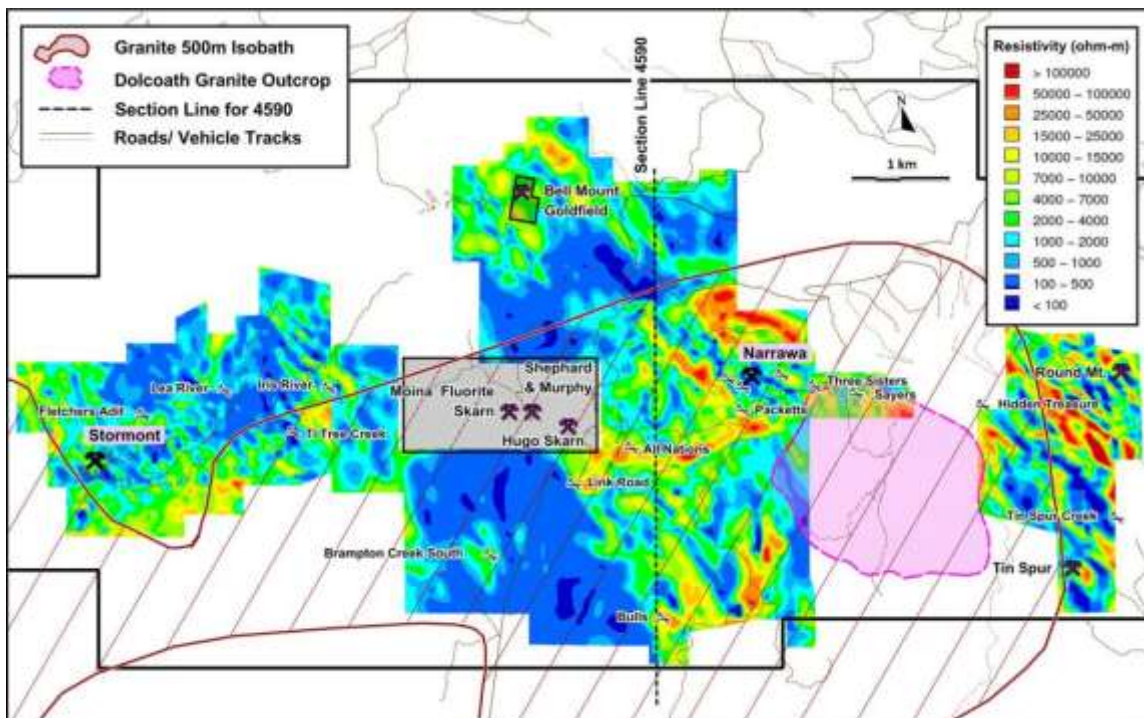
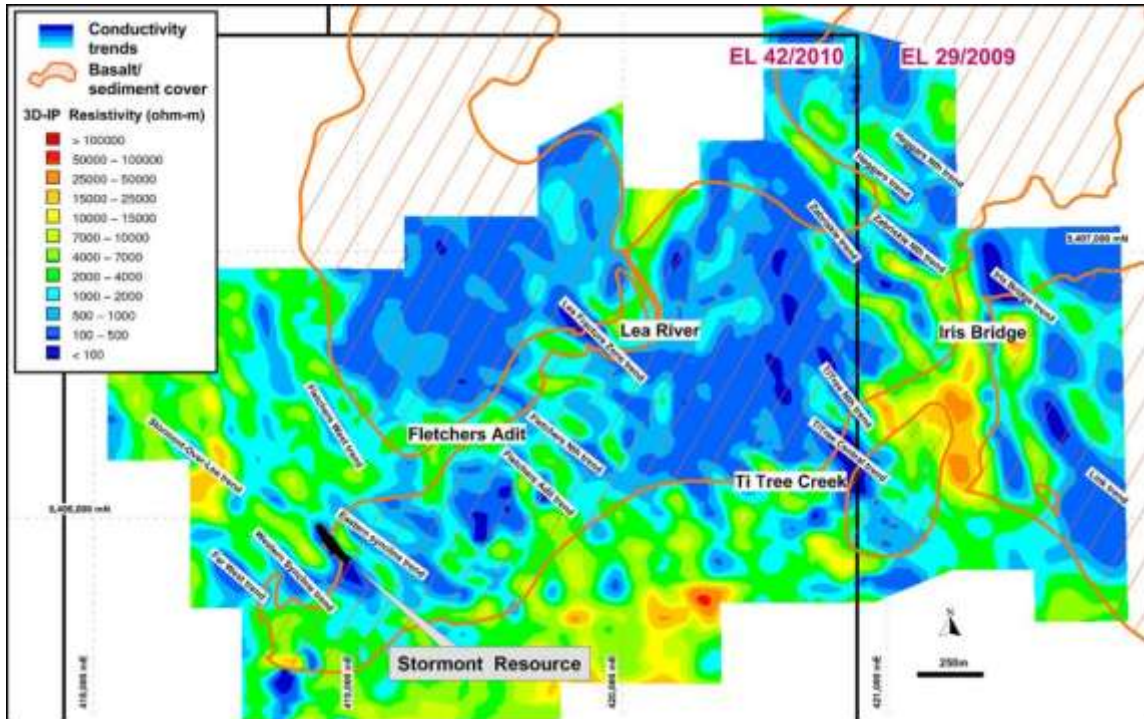




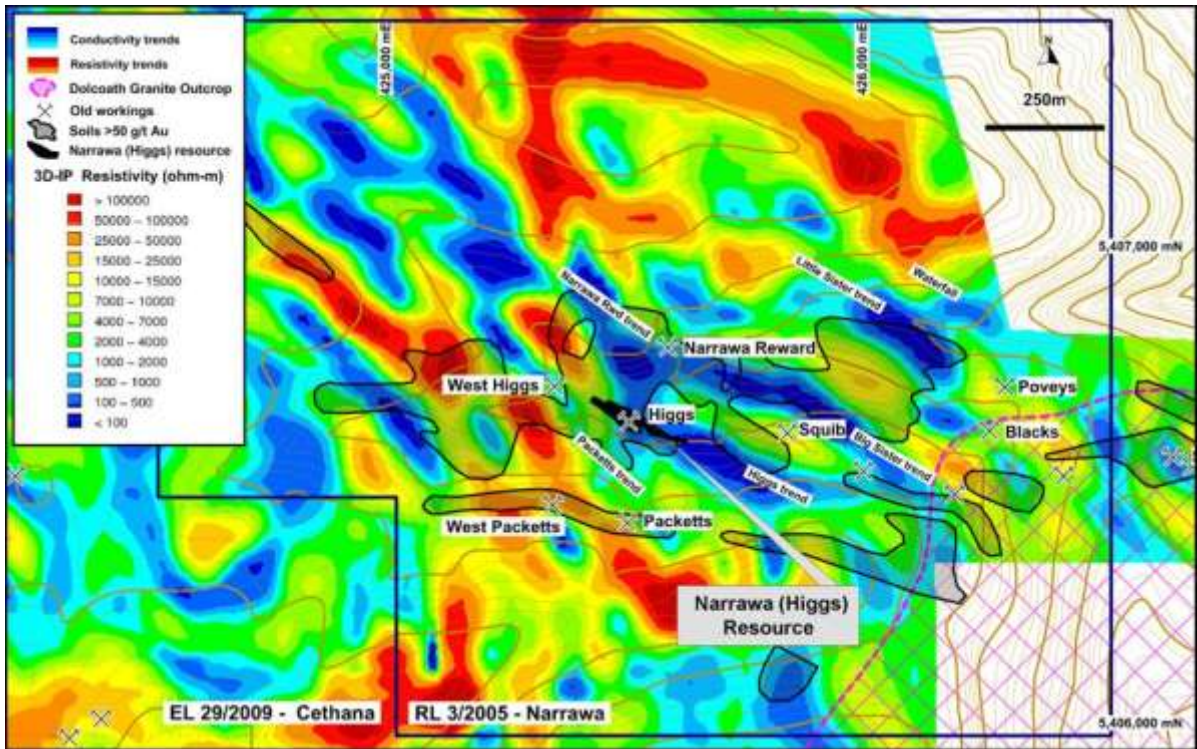
## Review of Operations & Activities (Cont.)

The numerous anomalies could be defining sulphides within Moina Sandstone that in turn could also host gold and/or tin mineralisation. Initially some of these shallower anomalies will be targeted for drill testing to determine the cause of the chargeability anomaly.

Figures below show the chargeability at 150m below surface and the SE anomalies here may reflect sulphide mineralisation within or above the granite surface. Some of these anomalies will also be targeted for deeper drill testing and a section along grid 4590E. Figure on previous page is a section along grid 4590E. Note the chargeability anomaly trends or dips to the north and possibly reflects the zone at or near the top of the granite. This is the zone that greisenisation of the granite would occur or large disseminated gold mineralisation could be expected to be located.

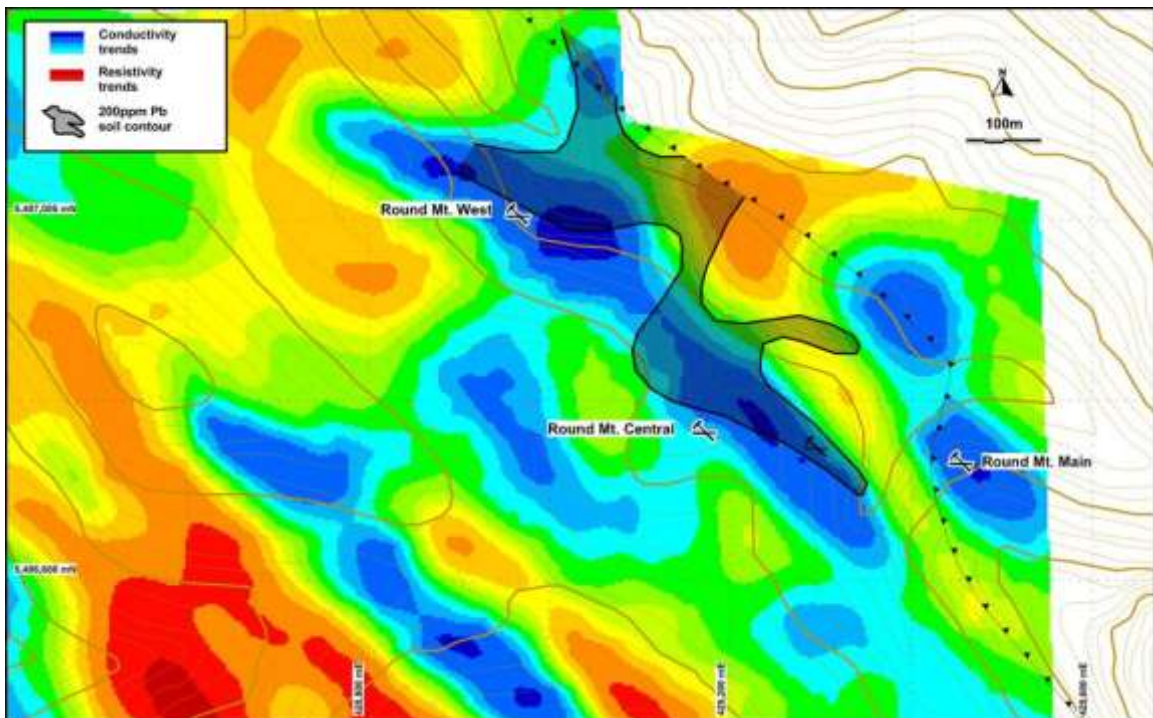


For personal use only



Resistivity/conductivity data defines Stormont mineralisation well one figure shows the regional conductivity (blue) at 50m below surface, and another figure shows the detailed conductivity (blue) in the Stormont area. Similar conductivity anomalies as indicated on Figures on previous page in the Stormont area will be drill tested. Many of these conductivity anomalies also have co-incident magnetic anomalies, indicating skarn mineralisation that further enhances these targets.

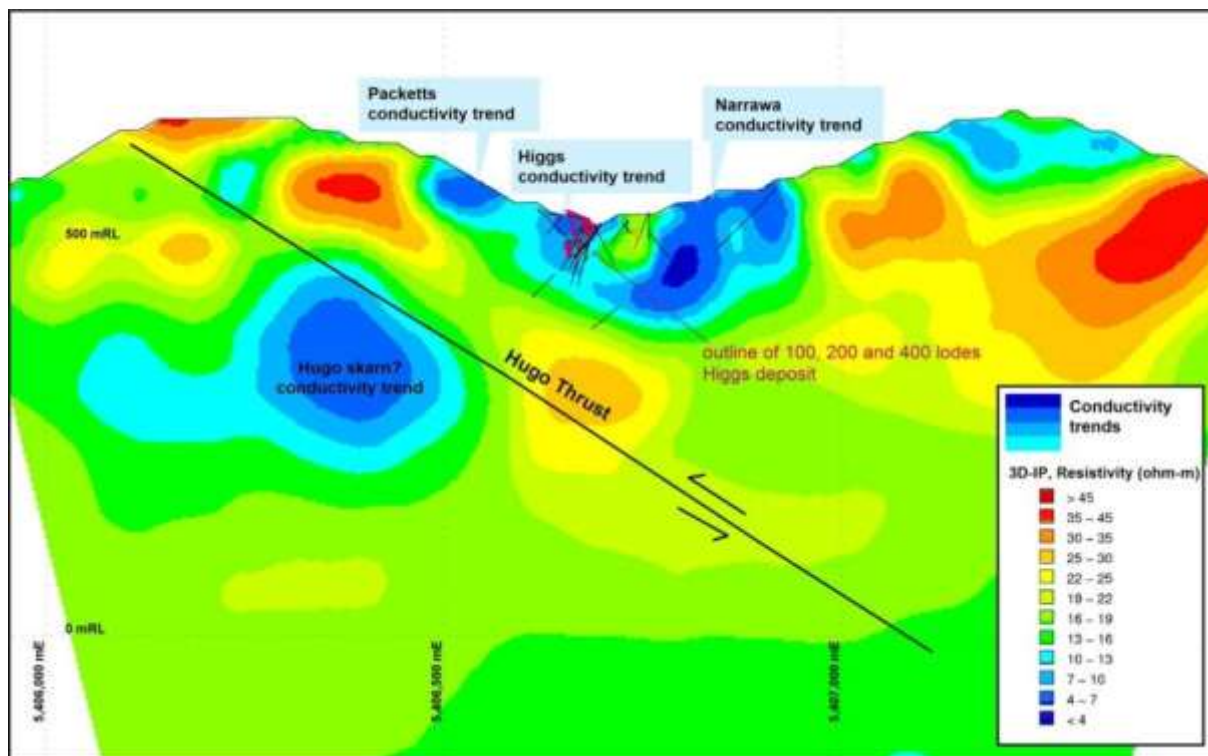
The Narrawa Project (Higgs, West Higgs, Narrawa Reward, NC4) conductivity anomalies, in association with gold in soil anomalies, have defined extensions to the mineralisation and adjacent new targets.



For personal use only

## Review of Operations & Activities (Cont.)

Figure on previous page shows the conductivity anomalies together with the present Narrawa resource outline (extrapolated to surface) and gold soil geochemistry. A cross section at Narrawa which shows the relationship of the conductivity anomaly to the adjacent mineralisation and an adjacent untested anomaly is shown in figure above.



The Narrawa system is considerably enhanced by these results. Both the Higgs mineralisation (present resource) and Narrawa Reward mineralisation are defined by conductivity anomalies.

At Round Mt the known mineralisation coincides with another conductivity anomaly. Similar adjacent anomalies will be ultimately drill tested. It is important to note that many 3D-IP anomalies are beneath basalt cover and if mineralisation does exist, it would not have been discovered by earlier surface exploration or prospecting. The conductivity anomalies (blue) beneath the basalt cover in the vicinity of Stormont are shown. There are numerous targets to drill test for additional resources.

The IP Survey generated a very large amount of data and maps that are still being evaluated. It is not possible in this report to include all maps and sections or to do other than present a summary of the results. The 3D-IP method used at Moina was an enhanced version of that used at the Andewa Prospect in PNG.

SJ Geophysics (2012) summarise the 3D IP method as follows:

*The time domain IP technique energises the ground by injecting square wave current pulses via a pair of current electrodes. During current injection, the apparent (bulk) resistivity of the ground is calculated from the measured primary voltage and the input current. Following current injection, a time decaying voltage is also measured at the receiver electrodes. This IP effect measures the amount of polarisable (or "chargeable") particles in the subsurface rock.*

*Under ideal circumstances, high chargeability corresponds to disseminated metallic sulfides. Unfortunately, IP responses are rarely uniquely interpretable as other rock materials are also chargeable, such as some graphitic rocks, clays and some metamorphic rocks (e.g. serpentine).*

*Therefore, it is prudent from a geological perspective to incorporate other data sets to assist in interpretation.*

*IP and resistivity measurements are generally considered repeatable to within about five percent. However, changing field conditions, such as variable water content or electrode contact, reduce the overall repeatability. These measurements are influenced to a large degree by the rock materials near the surface or, more precisely, near the measurement electrodes. In the past, interpretation of a traditional IP pseudosection was often uncertain because strong responses located near the surface could mask a weaker one at depth. We attempt to overcome this uncertainty by employing geophysical inversion to better interpret the data.*

*Three-dimensional IP surveys have been designed to take advantage of recent advances in 3D inversion techniques. Unlike conventional 2DIP, the electrode arrays are not restricted to an inline geometry. Ideally, a 3DIP survey would consist of a random assortment of current injections and receiver dipoles, also of randomised azimuths. Unfortunately, logistical considerations usually prohibit a completely randomised approach.*

*In the standard 3DIP configuration, a receiver array was established along one survey line while current lines are located on two adjacent lines lying on either side of the receiver line. Current injections are performed sequentially at fixed increments (25, 50, 100 or 200m) along the current lines. By injecting current at multiple locations along current lines adjacent to receiver arrays, data acquisition rates are significantly improved over conventional surveys. Meanwhile, geophysical data are collected along a receiver array which consists of dipoles usually laid out along even intervals dictated partly by the receiver cable.*

*The Volterra system provides much more flexibility because each DABStix receiver records a single dipole, thus eliminating the need for specialised receiver cables and a centralised receiver control station. Dipoles can be oriented in any direction, can be of varying lengths, and completely avoid inaccessible areas if necessary.*

*Although more randomised than conventional 3DIP, most Volterra surveys still follow some form of cut lines, alternating receiver dipoles and current injections and deviating where necessary for geophysical or logistical purposes. In addition, cross-line receiver dipoles are often used to increase near-surface resolution and allow for larger spacing between lines. The specifics of each survey are customised before the survey starts and sometimes during the survey by the field geophysicist.*

### **Stormont Gold – Bismuth Resource Upgraded**

The drilling program at the Stormont Deposit successfully upgraded the previous Inferred Resource (ASX Release 29/7/2009) to an Indicated Resource. A table below shows tonnes and grades of gold, bismuth and silver mineralisation estimated at various cut-off grades of gold.

The Indicated Resource contains similar tonnages, grades and total contained gold and bismuth to the previous Inferred Resource, that was defined with 16 drill holes compared to 44 drill holes. This is an encouraging result suggesting the mineralisation is relatively consistent in grade and distribution.

The nearby Narrawa Indicated Resource contains 162,750 tonnes grading 2.11g/t gold + 20.5g/t silver + 1.42% lead + 1.20% zinc for 11,000ozs gold + 107,000ozs silver + significant credits in lead and zinc. In addition, Narrawa has an Inferred Resource of 47,000 tonnes grading 2.07g/t gold, for an additional 3,100 ounces of gold.

A conceptual mining study has recently been completed by a consultant Mining Engineer for the Stormont and nearby Narrawa Deposit's combined resources containing 28,000 ounces of gold + significant base metal credits, to define a development path for these projects.

## Review of Operations & Activities (Cont.)

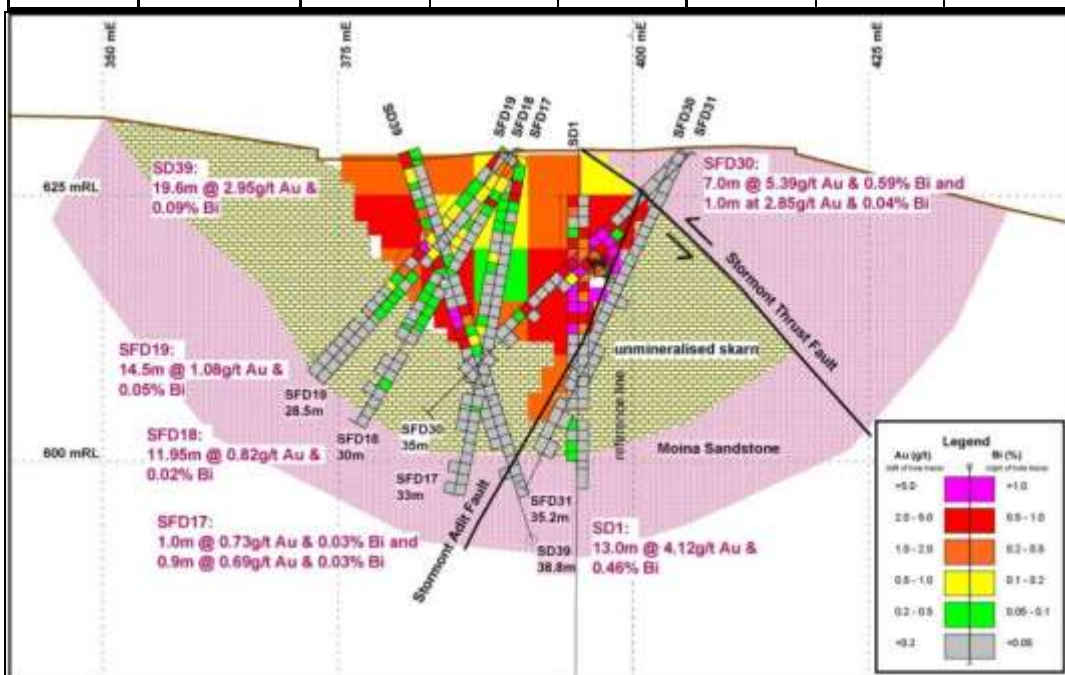
Drilling will continue at the Stormont and Narrawa Deposits to test and define adjacent and nearby gold/bismuth skarn mineralisation and to further define the total extent of the gold, bismuth, silver and base metals.

The Stormont Indicated Resource is well defined by cohesive aeromagnetic and 3D-IP conductivity anomalies. There are many similar aeromagnetic and conductivity anomalies in the vicinity of Stormont that appear to be 'look-a-likes'. Most of these are "hidden" beneath a thin veneer of post mineralisation basalt cover and have never been prospected or tested at all.

Stormont is a skarn style stratiform, replacement deposit located in the core and on the limbs of a shallowly plunging syncline (at its NE end). The deposit is located on or very near surface, is amenable to open pit mining, and ranges in stratiform thickness between 10 and 15m.

**Table 1: Stormont Indicated Resource Tonnes, Grades and Contained Metal at Various Cut-Off Grades**

Cut Off Grade Gold g/t	Tonnes	Grade			Contained Metal		
		Gold g/t	Silver g/t	Bismuth %	Gold ounces	Silver ounces	Bismuth Tonnes
0.5	150,800	2.89	3.82	0.17	14,013	18,523	256
1.0	118,500	3.47	4.06	0.19	13,222	15,470	229
1.5	84,500	4.38	4.48	0.23	11,901	12,172	197
2.0	65,600	5.15	4.74	0.26	10,863	9,998	171
2.5	55,300	5.69	5.00	0.28	10,118	8,891	154
3.0	47,400	6.17	5.21	0.30	9,404	7,941	140
3.5	39,900	6.72	5.39	0.32	8,621	6,915	126
4.0	35,700	7.07	5.48	0.31	8,116	6,291	112
4.5	30,100	7.59	5.53	0.33	7,346	5,352	98
5.0	23,200	8.45	5.71	0.34	6,304	4,260	80

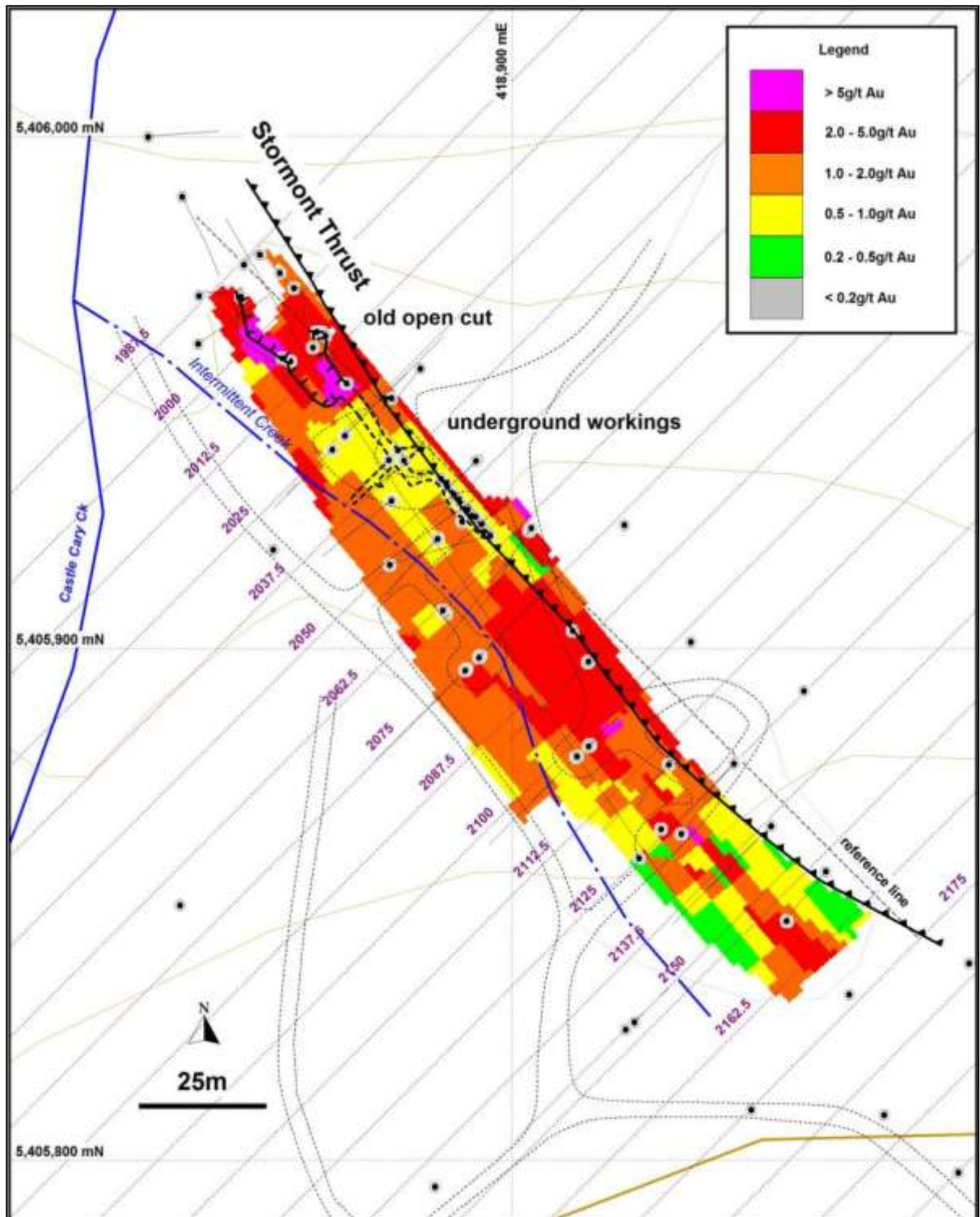


For personal use only

## Review of Operations & Activities (Cont.)

The resource estimation was completed by Frontier's Tasmanian Exploration Manager Grant McDonald, under the supervision of Peter McNeil, Chairman of Frontier. The Indicated Resource was estimated using Surpac estimation software, all available drill holes, various cut-off grades and a specific gravity for the mineralisation of 2.9.

Figure below shows the geology of the Stormont Deposit with drill hole locations and the outline of the resource boundary projected to surface. The frigate on the previous page is a cross section of the deposit and illustrates the on /near surface and easily mined location of the mineralisation.



For personal use only



Review of Operations & Activities (Cont.)

**Table 4. Drill hole collar and orination information**

Hole_ID	Easting (AGD66)	Northing (AGD66)	RL (masl)	Depth (m)	Azimuth (true)	Dip	Type
SD1	418,890.3	5,405,925.0	629.4	145.0	266.7	-90	diamond
SD3	418,929.3	5,405,864.8	638.5	75.1	240.7	-90	diamond
SD34	418,925.0	5,405,859.2	639.2	49.0	0	-90	diamond
SD36	418,911.9	5,405,903.6	633.6	58.0	0	-90	diamond
SD39	418,876.1	5,405,916.5	629.1	61.5	74	-70	diamond
SFD001	418,864.7	5,405,938.8	626.9	38.4	225	-65	diamond
SFD002	418,864.8	5,405,939.0	626.9	18.0	225	-45	diamond
SFD003	418,867.5	5,405,942.0	626.9	33.6	45	-60	diamond
SFD004	418,867.2	5,405,941.7	627.0	38.6	45	-45	diamond
SFD005	418,893.9	5,405,898.8	631.7	31.0	45	-45	diamond
SFD006	418,893.6	5,405,898.4	631.8	33.3	0	-90	diamond
SFD007	418,891.1	5,405,896.0	631.8	36.0	225	-45	diamond
SFD008	418,890.9	5,405,895.8	631.8	22.6	225	-65	diamond
SFD009	418,915.5	5,405,881.3	635.5	26.9	45	-45	diamond
SFD010	418,915.1	5,405,881.0	635.5	47.3	45	-90	diamond
SFD011	418,915.3	5,405,881.2	635.5	18.0	45	-65	diamond
SFD012	418,912.7	5,405,878.9	635.4	34.4	225	-45	diamond
SFD013	418,912.8	5,405,879.1	635.3	30.1	225	-65	diamond
SFD014	418,924.3	5,405,827.3	644.5	59.7	45	-45	diamond
SFD17	418,885.5	5,405,921.7	629.3	33.0	224	-80	diamond
SFD18	418,885.5	5,405,921.6	629.4	30.0	224	-60	diamond
SFD19	418,885.4	5,405,921.4	629.3	28.5	224	-50	diamond
SFD20	418,914.9	5,405,897.4	634.5	34.5	225	-50	diamond
SFD21	418,915.1	5,405,897.6	634.5	34.2	225	-65	diamond
SFD22	418,933.3	5,405,863.9	638.9	21.4	39	-60	diamond
SFD23	418,876.6	5,405,929.2	628.6	26.0	231	-90	diamond
SFD24	418,876.2	5,405,928.8	628.3	25.0	231	-45	diamond
SFD25	418,876.4	5,405,929.0	628.4	23.9	231	-60	diamond
SFD26	418,887.2	5,405,906.9	629.9	20.5	0	-90	diamond
SFD27	418,903.4	5,405,923.1	630.7	35.9	215	-60	diamond
SFD28	418,903.7	5,405,923.5	630.7	39.5	215	-45	diamond
SFD29	418,903.8	5,405,923.6	630.9	33.9	215	-75	diamond
SFD30	418,893.4	5,405,937.0	629.0	35.0	225	-45	diamond
SFD33	418,943.6	5,405,877.6	637.7	31.5	223	-45	diamond
SFD35	418,886.4	5,405,908.2	629.9	33.7	47	-55	diamond
SFD36	418,954.0	5,405,846.8	643.5	37.5	225	-90	diamond
SFD39	418,961.6	5,405,856.5	643.4	27.0	225	-60	diamond
SFD41	418,882.0	5,405,954.8	628.5	12.7	218	-45.5	diamond
SFD42	418,930.8	5,405,877.4	636.5	25.5	225	-90	diamond
SFD43	418,930.8	5,405,877.4	636.5	26.7	225	-45	diamond
SFD44	418,930.8	5,405,877.4	636.5	25.1	225	-65	diamond
SFD45	418,861.0	5,405,959.0	617.5	6.5	0	-90	diamond
SFD46	418,950.8	5,405,865.3	641.3	39.0	225	-46	diamond
SFD47	418,950.8	5,405,865.4	641.3	36.0	225	-62	diamond
FRSTC01	418,838.7	5,405,969.0	618.0	11.3	52.2	4.2	channel
FRSTC02	418,846.9	5,405,968.9	616.0	2.5	229	72	channel
FRSTC03A	418,856.6	5,405,956.3	616.5	2.2	253.6	44	channel
FRSTC03B	418,855.0	5,405,956.8	618.0	5.8	253.6	44	channel
FRSTC04	418,895.8	5,405,922.1	617.4	1.3	219.7	0.3	channel
FRSTC06	418,850.6	5,405,977.1	617.7	5.5	133.8	-25	channel
FRSTC07	418,854.5	5,405,973.5	616.6	15.2	148.9	1.4	channel
FRSTC08	418,857.2	5,405,970.6	617.9	3.5	91.8	5.2	channel
FRSTC09	418,863.4	5,405,961.3	618.6	11.0	170.4	-4	channel
FRSTC10	418,861.8	5,405,962.0	619.1	0.7	95.8	-25.7	channel
FRSTC11	418,862.7	5,405,961.9	618.6	2.5	58.5	-9.4	channel
GFSTC01	418,867.6	5,405,951.9	617.0	19.0	147.1	0	channel
GFSTC02	418,877.7	5,405,938.9	617.0	5.0	67.4	0	channel
GFSTC03	418,878.9	5,405,936.8	617.0	24.0	150.1	0.83	channel
GFSTC04	418,875.9	5,405,937.0	617.0	12.5	226.7	0.96	channel
GFSTC05	418,890.6	5,405,927.0	618.6	7.1	134.0	21.6	channel
GFSTC06	418,895.8	5,405,922.1	617.6	1.3	219.7	30	channel
GFSTC07	418,894.1	5,405,924.4	618.4	1.5	225	37.5	channel
GFSTC08	418,892.9	5,405,925.9	618.4	1.3	225	42.5	channel
GFSTC09	418,891.4	5,405,927.3	618.4	1.3	225	27.6	channel
GFSTC10	418,889.9	5,405,928.6	618.4	1.3	225	18.6	channel
GFSTC11	418,888.6	5,405,930.2	618.3	1.3	225	21.5	channel
GFSTC12	418,887.4	5,405,931.8	618.3	1.3	225	34.12	channel
GFSTC13	418,886.1	5,405,933.3	618.1	1.3	225	25.7	channel
GFSTC15	418,838.7	5,405,969.0	618.0	35.7	52.2	4.3	channel

**Table 2. Drill holes and assays used in the Indicated Resource estimation**

Hole ID	From (m)	To (m)	Length (m)	Gold (g/t)	Bismuth (%)	Silver (g/t)
SFD001	2.3	11.5	9.2	2.36	0.26	8.2
SFD002	4.0	10.0	6.0	2.88	0.64	17.8
SFD003	1.5	13.5	12.0	0.43	0.13	2.3
SFD004	1.7	13.0	11.3	3.38	0.31	6.2
incl.	8.0	11.0	3.0	11.30	0.31	6.0
SFD005	7.9	26.0	18.1	6.49	0.26	4.5
incl.	21.4	26.0	4.6	24.00	0.40	6.0
SFD006	1.8	19.3	17.5	1.46	0.08	2.5
SFD007	0.0	7.5	7.5	2.48	0.16	1.6
SFD008	0.0	9.0	9.0	1.88	0.08	1.3
SFD009	0.0	16.1	16.1	6.05	0.68	5.1
incl.	3.1	11.0	7.9	12.10	1.38	9.5
SFD010	0.0	24.5	24.5	0.45	0.01	1.1
SFD011	1.0	18.0	17.0	3.54	0.12	3.1
incl.	11.5	16.0	4.5	8.86	0.31	4.2
SFD012	4.8	16.1	11.3	0.09	0.00	0.2
SFD013	3.5	21.2	17.7	0.39	0.03	2.3
SFD014	27.7	32.0	4.3	0.21	0.02	2.2
SFD17	0.7	17.9	17.2	0.22	0.11	2.0
SFD18	1.1	18.0	17.0	0.44	0.13	2.6
SFD19	0.6	16.0	15.4	1.27	0.10	2.3
SFD20	0.5	28.0	27.5	4.83	0.06	2.7
incl.	4.5	18.0	13.5	8.34	0.11	4.6
and	22.4	28.0	5.7	2.76	0.04	1.1
SFD21	0.4	26.8	26.4	7.59	0.35	4.1
incl.	7.5	12.0	4.5	37.30	1.47	10.4
SFD22	6.7	15.0	8.3	5.14	0.09	0.1
incl.	12.5	15.0	2.5	13.40	0.11	0.0
SFD23	1.2	16.0	14.8	0.60	0.12	2.1
SFD24	1.5	13.5	12.0	5.58	0.19	5.5
incl.	10.5	13.5	3.0	11.50	0.60	12.5
SFD25	1.5	15.2	13.7	2.92	0.12	3.5
incl.	9.0	11.6	2.6	8.05	0.26	6.6
SFD26	0.3	18.0	17.7	0.43	0.01	0.9
SFD27	6.0	26.7	20.7	4.76	0.24	2.0
incl.	11.5	24.0	12.5	7.77	0.39	3.4
SFD28	5.8	30.0	24.2	0.74	0.32	3.7
SFD30	8.0	25.3	17.3	2.40	0.26	1.4
incl.	10.0	17.0	7.0	5.39	0.65	3.4
SFD33	10.0	26.8	16.8	8.02	0.50	5.2
incl.	14.0	18.0	4.0	18.60	1.00	9.5
and	23.1	25.3	2.2	25.80	1.73	14.0
SFD35	0.2	30.2	30.0	0.96	0.25	3.3
incl.	3.4	8.0	4.6	2.70	0.38	3.7
SFD36	13.5	25.5	12.0	0.60	0.08	0.8
SFD39	13.0	27.0	14.0	3.60	0.12	0.8
SFD41	9.1	12.7	3.6	0.18	0.00	0.8
SFD42	0.0	11.4	11.4	0.20	0.00	1.7
SFD43	0.5	20.3	19.8	1.04	0.13	2.1
SFD44	0.5	19.3	18.8	11.30	0.34	4.4
incl.	3.8	6.0	2.2	12.10	0.32	6.0
and	13.0	17.0	4.0	39.30	0.84	9.3
SFD45	0.6	4.0	3.5	1.42	0.13	2.7
SFD46	4.5	12.5	8.0	0.67	0.07	1.1
SFD46	22.5	29.4	6.9	0.05	0.04	0.6
SFD47	15.0	26.2	11.2	3.33	0.11	2.7
incl.	17.0	20.0	3.0	9.97	0.14	0.6
SD1	4.5	19.5	15.0	3.58	0.40	0.5
SD3	16.9	19	2.1	12.8	0.35	0.0
SD36	0.0	16.7	16.7	2.07	0.03	0.0
incl.	14.2	16.7	2.5	8.63	0.13	0.0
SD34	13.9	17.3	3.4	0.01	0.00	0.0
SD39	0.0	19.6	19.6	2.87	0.09	0.0
incl.	15.6	17.6	2.0	16.80	0.56	0.0

For personal use only

## Review of Operations & Activities (Cont.)

Drill hole intersections used in the resource estimation are shown in table below.

The Inferred Resource estimation utilised 16 diamond drill holes and 18 channel samples. The present Indicated Resource utilised 44 drill holes and 25 channel samples or 28 extra diamond core drill holes and 7 extra saw cut channel samples. Table 4 shows co-ordinates and collar/ orientation details of each hole.

Channel sample intersections used in the resource estimation and hole collar information are shown in tables included in report.

### SMRV Project

Exploration resumed on the Elliott Bay (Wart Hill – EL 20/96) and Wanderer River (EL 33/10) exploration licenses in SW Tasmania, with a regional helicopter borne Time Domain Electromagnetic Geophysical Survey (VTEM).

The VTEM survey covered 140 km<sup>2</sup> and is intended to locate major, non-outcropping, sulphide systems which are thought to occur in this relatively unexplored part of the highly prospective Mt Read Volcanics in Western Tasmania.

Frontier has already proven that massive sulphides, with similar geologic characteristics to the major Roseberry zinc / lead / silver / gold / copper mine, occur in this 45 km long part of the Mt Read Volcanics. The Company's drilling in 2011 intersected very high grade mineralisation in two separate lenses at Wart Hill:

The VTEM geophysical survey was undertaken for two equally important reasons. To provide subsurface drilling targets that could represent extensions to known high grade polymetallic mineralisation at the Wart Hill Deposit (see ASX Release 7/6/2011) and perhaps more importantly to locate non outcropping major accumulations of massive sulphides in the Wanderer River EL along strike to the north.

The VTEM survey is being carried out by Geotech Airborne Pty Ltd and photographs of the survey are attached.

The system being used is the Geotech Versatile Time-Domain Electromagnetic (VTEM) geophysical system, comprising the following main instrumentation:

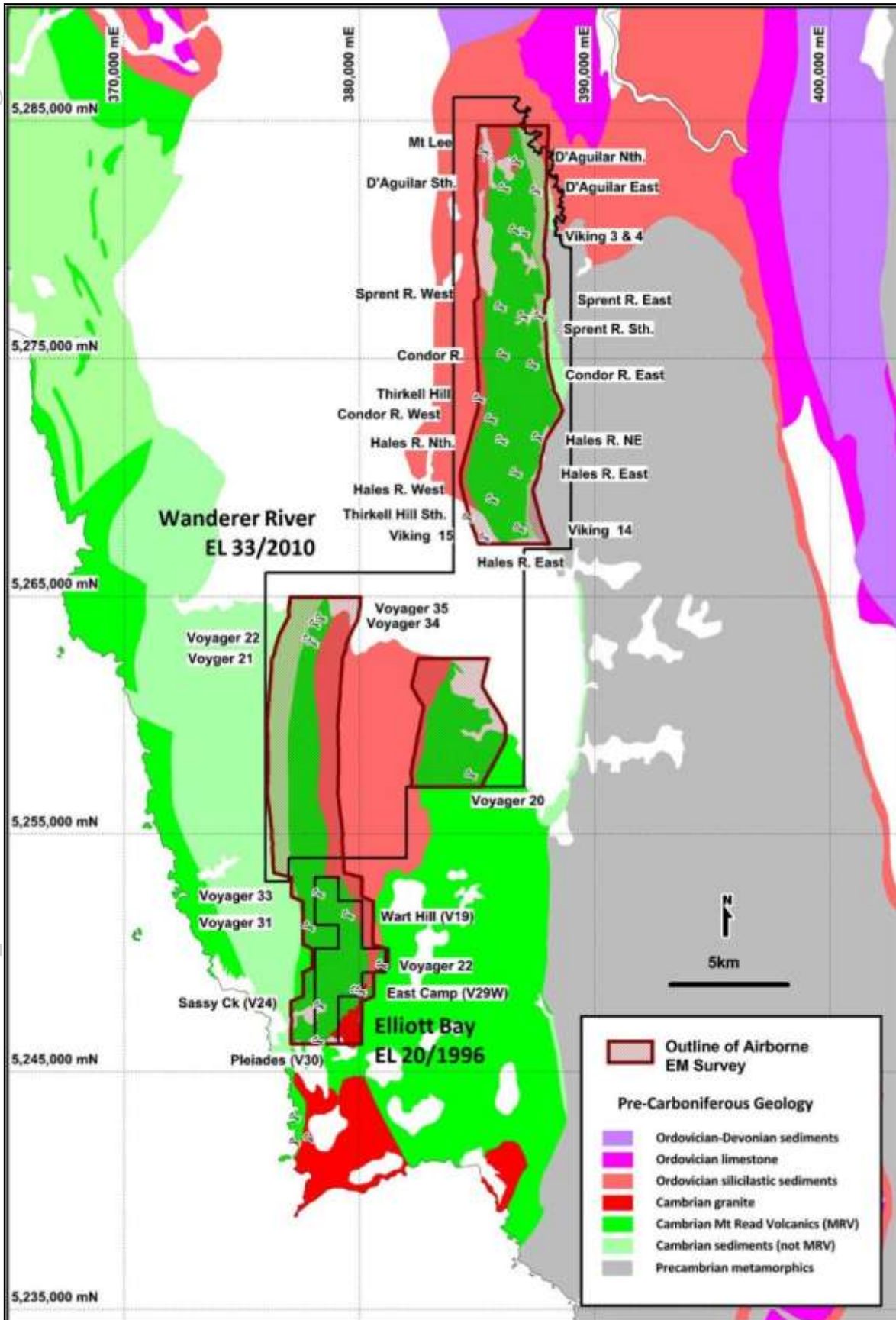
- The VTEM Time Domain EM system for locating conductive anomalies and mapping earth resistivities.
- A high-sensitivity proton precession magnetometer for mapping geologic structure and lithology.
- A proton precession magnetometer base station for diurnal correction.
- A Radar altimeter with an accuracy of approximately 1 meter. A GPS Navigation System providing an in-flight accuracy up to 3 meters

Hole ID	From (m)	To (m)	Length (m)	Gold (g/t)	Bismuth (%)	Silver (g/t)
FRSTC01	2.0	10.0	8.0	1.09	0.29	5.3
FRSTC02	0.0	2.5	2.5	2.20	0.33	5.6
FRSTC03A	0.0	2.2	2.2	2.95	0.34	7.8
FRSTC03B	0.0	5.8	5.8	4.21	0.16	4.9
FRSTC04	0.0	1.3	1.3	25.40	0.55	8.0
FRSTC06	2.0	5.0	3.0	1.55	0.22	3.3
FRSTC07	0.0	15.2	15.2	2.44	0.24	3.8
FRSTC08	0.0	3.5	3.5	1.49	0.04	2.3
FRSTC09	0.0	11.0	11.0	6.01	0.21	6.3
incl.	4.0	11.0	7.0	8.90	0.31	8.7
FRSTC10	0.0	0.7	0.7	5.65	0.04	2.0
FRSTC11	0.0	1.9	1.9	0.68	0.02	1.0
GFSTC01	0.0	19.0	19.0	10.00	0.77	4.2
incl.	0.0	10.0	10.0	15.50	0.59	4.8
GFSTC02	0.0	4.0	4.0	3.10	0.19	2.0
GFSTC03	0.0	24.0	24.0	10.10	0.52	6.5
GFSTC04	0.0	12.5	12.5	4.63	0.26	4.2
GFSTC05	0.0	7.0	7.0	46.90	1.10	11.7
GFSTC06	0.0	1.2	1.2	36.53	1.10	6.0
GFSTC07	0.0	1.2	1.2	36.47	0.53	5.0
GFSTC08	0.0	1.2	1.2	12.46	0.50	2.0
GFSTC09	0.0	1.2	1.2	6.29	0.24	3.0
GFSTC10	0.0	1.2	1.2	11.20	0.47	3.0
GFSTC11	0.0	1.2	1.2	8.48	0.25	7.0
GFSTC12	0.0	1.2	1.2	3.71	0.13	3.0
GFSTC13	0.0	1.2	1.2	3.44	0.07	2.0
GFSTC15	4.0	34.0	30.0	5.08	0.57	2.0



## Review of Operations & Activities (Cont.)

The total survey was approximately 955 line kilometres (line spacing's of 150m). Data processing and mapping has been undertaken.



For personal use only

## Review of Operations & Activities (Cont.)

Geotech Airborne describe the VTEM system as follows: *“The VTEM or Versatile Time Domain Electro Magnetic system is the most innovative and successful airborne electromagnetic system to be introduced in more than 30 years. The proprietary receiver design using the advantages of modern digital electronics and signal processing delivers exceptionally low-noise levels. Coupled with a high dipole moment transmitter, the result is unparalleled resolution and depth of investigation in precision electromagnetic measurements.*



*Key features include:*

- Spotting drill targets directly off of the airborne results*
- Superior Exploration Depth – Over 400 metres*
- Excellent resistivity discrimination and detection of weak anomalies*
- Low Base Frequency (25 or 30 Hz) for Penetration through conductive cover*
- High Spatial Resolution – 2 to 3 metres*
- Improved Interpretability due to Receiver-Transmitter symmetry*
- Virtually impervious to atmospheric activity.*

*The system was designed to be field configurable to best suit a large variety of different geophysical requirements from deep penetration to optimizing the discrimination within a narrow range of resistivity values.*

*The recent surveys flown with VTEM have produced superior results over the same test areas flown by competing airborne EM surveys. VTEM has flown the Reid-Mahaffy, Caber, Perseverance and Montcalm test ranges and the results have demonstrated that VTEM provides the Industry’s highest signal/noise ratio and conductor spatial resolution”.*

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 2012.

### 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

### PRINCIPAL ACTIVITIES

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

### RESULTS AND DIVIDENDS

The consolidated loss of the Group after tax amounted to \$8,646,056 (2011: \$4,349,224). There were no dividends paid or recommended during the financial year ended 30 June 2012.

The result of the Group was significantly affected by exploration expenditure of \$5,312,109 (2011: \$3,208,349) expensed in accordance with the Group's accounting policy regarding the capitalising or expensing 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 Group 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

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

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the events disclosed in note 21, there have been no other significant matters 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:



## DIRECTORS' REPORT

---

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 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.

For personal use only

## INFORMATION ON DIRECTORS

### Particulars of Directors' interest in shares and options of Frontier Resources Ltd

#### Director and Experience

Special Responsibilities	Ordinary Shares	Options
--------------------------	-----------------	---------

#### *Peter A. McNeil*

Chairman appointed 20th January 2010  
Managing Director for 11 years.

Member of Planning & Operations Committee	9,131,194	5,000,000 Unlisted
-------------------------------------------	-----------	--------------------

Age 51. B.Sc., M.Sc. He has 30 years exploration experience in Papua New Guinea, U.S.A., Canada and Australia, including programs at the Lihir gold deposit and in the Goldfields and Kimberley regions of Western Australia and Tasmania.

Peter has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in Western Australia. Peter also held former Directorships (within the last 3 years) in Coppermoly Ltd, Macmin Silver Ltd and New Guinea Gold Corp.

#### *Graham J. Fish*

Non-Executive Director for 5 years and independent Non-Executive Director for 7½ years. Age 73. 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.

Member of Planning & Operations Committee	741,457	2,500,000 Unlisted
Member of Audit Committee		

Graham has 37 years of management skills and 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. Graham has not held any other former Directorships within the last 3 years.

## INFORMATION ON DIRECTORS

### Particulars of Directors' interest in shares and options of Frontier Resources Ltd

#### Director and Experience

Special Responsibilities	Ordinary Shares	Options
--------------------------	-----------------	---------

#### **Warren J. Staude**

Non Executive Director for 10 years. Age 69. 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.

Chairman of Audit Committee	1,048,618	3,000,000 Unlisted
-----------------------------	-----------	--------------------

Warren 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.

Warren is currently a non-executive director of Central West Gold NL, Malachite Resources Limited, Eagle Eye Metals Limited, Excelsior Gold Limited and Aphrodite Gold Limited, all ASX-listed companies. In the last 3 years Warren was a non-executive director of Stonehenge Metals Limited.

#### **Hugh David Swain**

Non-Executive Director for 5 years. Age 75. Mr H David Swain, B.Eng (Mining) 1962, M.Eng. (Civil) 1972 - University of Sheffield, is a Mining/Civil Engineer with 48 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.

	650,000	2,000,000 Unlisted
--	---------	--------------------

David has worked as a consultant for 29 years and has completed projects in Australasia, West Africa, SE Asia and China.

David 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.

## 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.

**Julia Beckett** - Appointed Joint Company Secretary on 15 April 2011

Julia Beckett holds a Certificate in Governance Practice and Administration and is a Certificated Member of Chartered Secretaries Australia. Julia has extensive project management experience in both public institution and company administration, the past 4 years more specifically focusing on corporate governance and compliance. She has been involved in business acquisitions, mergers, initial public offerings, capital raisings as well as statutory and financial reporting.

## 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	-	-	3	3
W.J. Staude	4	4	-	-	-	-
H.D. Swain	4	4	-	-	-	-

## REMUNERATION REPORT (Audited)

The information in this remuneration 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

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

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

## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited)

The information in this remuneration 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*

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

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

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

Alignment to shareholders' interests:

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

#### *Relationship between remuneration and Group performance*

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

Given that the remuneration is commercially reasonable / appropriate / benchmarked, the link between remuneration, Group performance and shareholder wealth generation is tenuous, particularly in the exploration stage of a minerals company. Since listing the Group has recorded significant losses as it carries out exploration activities on its tenements, and no dividend has been paid. Share prices are subject to the influence of international metal prices and market sentiment toward the sector, and increases or decreases may occur quite independent of executive performance or remuneration. Share prices, largely unrelated to profit and loss, have fluctuated between 1 cent and 42 cents during the last five years, and at 30 June 2012 the price was 7 cents.

Bonuses are paid to employees upon agreement by the Board. During the year, the Managing Director Peter McNeil was paid a bonus of \$110,000, Non-Executive Director Graham Fish was paid a bonus of \$7,500, and the Joint Company Secretary Jay Stephenson was paid a bonus of \$11,000.

#### *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.



## REMUNERATION REPORT (continued)

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

### *Retirement allowances for Directors*

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

### *Executive pay*

The executive pay and reward framework has four components:

- base pay and benefits;
- short-term incentives;
- long-term incentives through Directors options (refer Note 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 executive's discretion.

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

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

### *Benefits*

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

### *Retirement benefits*

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

### *Short-term incentives*

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

### *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**

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:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
Jay Stephenson	Joint Company Secretary and Chief Financial Officer	Frontier Resources Ltd
Julia Beckett	Joint Company Secretary	Frontier Resources Ltd

# DIRECTORS' REPORT

## REMUNERATION REPORT (continued)

### (c) Details of remuneration

Details of the nature and amount of each element of the emoluments of each of the key management personnel of the Group for the year ended 30 June 2012 are set out in the following tables:

2012	Short-term employee benefits			Post-employment benefits		Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-Monetary benefits	Super-annuation	Retirement benefits	Options*	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Executive Director</i>							
P.A. McNeil	305,301	110,000	-	-	-	146,574	561,875
<i>Non-Executive Directors</i>							
G.J. Fish	41,666	7,500	-	4,425	-	52,604	106,195
W.J. Staude	30,833	-	-	2,775	-	52,604	86,212
H.D. Swain	37,241	-	-	-	-	52,604	89,845
<i>Other key management personnel</i>							
J. Beckett	-	-	-	-	-	1,011	1,011
J. Stephenson	99,000	11,000	-	-	-	5,353	115,353
<b>Total</b>	<b>514,041</b>	<b>128,500</b>	<b>-</b>	<b>7,200</b>	<b>-</b>	<b>310,750</b>	<b>960,491</b>

2011	Short-term employee benefits			Post-employment benefits		Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-Monetary benefits	Super-annuation	Retirement benefits	Options*	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Executive Director</i>							
P.A. McNeil	277,219	50,000	-	-	-	57,619	384,838
<i>Non-Executive Directors</i>							
G.J. Fish	31,750	-	-	2,858	-	28,809	63,417
W.J. Staude	30,000	-	-	2,700	-	28,809	61,509
H.D. Swain	32,700	-	-	-	-	28,809	61,509
<i>Other key management personnel</i>							
J. Beckett	-	-	-	-	-	-	-
P.S. McNeil	106,200	6,364	-	-	-	17,273	129,837
J. Stephenson	63,058	-	-	-	-	4,318	67,376
<b>Total</b>	<b>540,927</b>	<b>56,364</b>	<b>-</b>	<b>5,558</b>	<b>-</b>	<b>165,637</b>	<b>768,486</b>

\* Option value calculation using Black-Scholes Model.

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

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

	Fixed Remuneration		At risk - STI		At risk - LTI *	
	2012	2011	2012	2011	2012	2011
P.A. McNeil	54%	72%	20%	13%	26%	15%
G.J. Fish	43%	55%	7%	-	50%	45%
W.J. Staude	39%	53%	-	-	61%	47%
H.D. Swain	41%	53%	-	-	59%	47%
J. Stephenson	85%	94%	10%	-	5%	6%

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

## DIRECTORS' REPORT

### REMUNERATION REPORT (continued)

#### (d) Service agreements

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.

#### (e) Share-based Compensation

##### Options

Options are granted to key management personnel under the Frontier Resources Ltd Employee Option Plan and are subject to the terms of the Frontier Resources Ltd Employee Option Plan as outlined in Note 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	-	-	2010	-
Director	10 Dec 2009	31 Dec 2012	\$0.04	\$0.0289	Between 10 Dec 2010 and 31 Dec 2012	-	-	2011	-
Director	10 Dec 2009	31 Dec 2012	\$0.05	\$0.0294	Between 10 Dec 2010 and 31 Dec 2012	-	-	2011	-
Employee	19 Jan 2010	21 Jan 2014	\$0.03	\$0.0230	Between 21 Jan 2010 and 21 Jan 2014	-	-	2010	-
Director	24 Nov 2010	31 Dec 2012	\$0.09	\$0.0130	Between 24 Nov 2011 and 31 Dec 2012	40%	-	2012	-
Director	24 Nov 2010	31 Dec 2012	\$0.10	\$0.0111	Between 24 Nov 2011 and 31 Dec 2012	40%	-	2012	-
Employee	30 Dec 2010	30 Dec 2014	\$0.11	\$0.0621	Between 30 Dec 2010 and 30 Dec 2014	42%	-	2011	-
Director	21 Nov 2011	31 Oct 2014	\$0.19	\$0.0682	Between 21 Nov 2013 and 31 Oct 2014	61%	-	2012	-
Employee	7 Mar 2012	30 Dec 2014	\$0.11	\$0.0625	Between 7 Mar 2013 and 30 Dec 2014	32%	-	2013	-
Employee	7 Mar 2012	30 Dec 2014	\$0.165	\$0.0535	Between 7 Mar 2013 and 30 Dec 2014	32%	-	2013	-

## REMUNERATION REPORT (continued)

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	Total number of options granted	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
<i>Directors -</i>						
P.A. McNeil	10 Dec 2009	1,000,000	\$28,900	-	-	-
	10 Dec 2009	1,000,000	\$29,400	-	-	-
	24 Nov 2010	1,000,000	\$28,900	1,000,000	-	-
	24 Nov 2010	1,000,000	\$26,900	1,000,000	-	-
	21 Nov 2011	3,000,000	\$204,600	-	-	-
G.J. Fish	10 Dec 2009	500,000	\$14,450	-	-	-
	10 Dec 2009	500,000	\$14,700	-	-	-
	24 Nov 2010	500,000	\$14,450	500,000	-	-
	24 Nov 2010	500,000	\$13,450	500,000	-	-
	21 Nov 2011	1,000,000	\$68,200	-	-	-
W.J. Staude	10 Dec 2009	500,000	\$14,450	-	-	-
	10 Dec 2009	500,000	\$14,700	-	-	-
	24 Nov 2010	500,000	\$14,450	500,000	-	-
	24 Nov 2010	500,000	\$13,450	500,000	-	-
	21 Nov 2011	1,000,000	\$68,200	-	-	-
H.D. Swain	10 Dec 2009	500,000	\$14,450	-	-	-
	10 Dec 2009	500,000	\$14,700	-	-	-
	24 Nov 2010	500,000	\$14,450	500,000	-	-
	24 Nov 2010	500,000	\$13,450	500,000	-	-
	21 Nov 2011	1,000,000	\$68,200	-	-	-
<i>Other key management personnel -</i>						
J. Beckett	7 Mar 2012	60,000	\$3,210	-	-	-
J. Stephenson	30 Dec 2010	100,000	\$6,409	100,000	-	-
J. Stephenson	7 Mar 2012	60,000	\$3,210	-	-	-

Refer to Note 17 for option balances held by key management personnel as at 30 June 2012 and 30 June 2011.

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.

# DIRECTORS' REPORT



## REMUNERATION REPORT (continued)

### (f) Additional information

#### Share-based compensation: Options

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

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

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

Options exercised during the year provided as remuneration include:

Name	Date exercised	Number of shares issued on exercise	Exercise price per share	Value at exercise date per share
Directors -				
Peter McNeil	12 Sept 2011	1,000,000	4c	21c
Peter McNeil	12 Sept 2011	1,000,000	5c	21c

Shares issued on the exercise of options include:

Date options granted	Number of shares issued on exercise	Issue price per share
10 December 2009	1,000,000	4c
10 December 2009	1,000,000	5c

#### Voting and comments made at the company's 2011 Annual General Meeting

The Company received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**END OF AUDITED REMUNERATION REPORT**

## DIRECTORS' 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
10 December 2009	31 Dec 2012	\$0.04	500,000
10 December 2009	31 Dec 2012	\$0.05	1,000,000
19 October 2009	19 Oct 2013	\$0.04	200,000
24 November 2010	31 Dec 2012	\$0.09	2,500,000
24 November 2010	31 Dec 2012	\$0.10	2,500,000
30 December 2010	30 Dec 2014	\$0.11	4,500,000
7 March 2012	30 Dec 2014	\$0.11	2,320,000
7 March 2012	30 Dec 2014	\$0.165	2,220,000
24 November 2011	31 Oct 2014	\$0.19	6,000,000
			21,740,000

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

### SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the financial year ended 30 June 2012, there were 2,000,000 ordinary shares of Frontier Resources Ltd issued upon the exercise of options. 1,000,000 shares were issued at 4 cents, and 1,000,000 shares were issued at 5 cents. No amounts are unpaid on any of these 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 Audit (WA) Pty Ltd) 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

# DIRECTORS' REPORT



## 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 15.

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.

	2012 \$	2011 \$
<b>Assurance services</b>		
<b>Audit Services</b>		
BDO Audit (WA) Pty Ltd	38,659	39,950
Sinton Spence Chartered Accountants (PNG)	-	14,813
<b>Total remuneration for audit and assurance services</b>	<u>38,659</u>	<u>54,763</u>
<b>Taxation and Accounting Services</b>		
BDO Tax (WA) Pty Ltd	3,636	10,100
Sinton Spence Chartered Accountants (PNG)	18,089	-
<b>Total remuneration for taxation services</b>	<u>21,725</u>	<u>10,100</u>

## 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

28 September 2012

28 September 2012

The Directors  
Frontier Resources Limited  
Level 4, 66 Kings Park Road  
West Perth, WA, 6005

Dear Sirs,

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

As lead auditor of Frontier Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the 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.



**CHRIS BURTON**  
Director

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

For personal use only



The Board of Directors of Frontier Resources Limited (“the Company”) is committed to maintaining high standards of Corporate Governance. This statement outlines the main Corporate Governance practices that were 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.

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the independent exercise of their judgement.

**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 will establish 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.

## PRINCIPAL 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

**Recommendation 3.1:** *Establish a code of conduct to guide the Directors, the Chief Executive 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 legal obligations and the reasonable expectations of shareholders;*

3.1.2 *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company is committed to its Directors and employees maintaining high standards of integrity, and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies. Each staff member is issued with the Company's Policies and Procedures manual at the beginning of their employment with the Company.

**Recommendation 3.2:** *Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

The Company has a diversity policy included in its Corporate Governance Policy.



**Recommendation 3.3:** *Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

**Recommendation 3.4:** *Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

Currently there are seven women employees and consultants in the whole organization, none of whom are Key Management Personnel.

**Recommendation 3.5:** *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 will be 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 authorities 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 to 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.

For personal use only

## FINANCIAL REPORT - 30 JUNE 2012

---

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

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

Frontier Resources Ltd  
120 Tranquil Place  
STONEVILLE WA 6081

Its registered office is:

Frontier Resources Ltd  
Level 4, 66 Kings Park Road  
WEST PERTH WA 6005

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 28 September 2012. 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](http://www.frontierresources.com.au).

For queries in relation to our reporting please call +61 8 9295 0388 or email [info@frontierresources.com.au](mailto:info@frontierresources.com.au).

FRONTIER RESOURCES LTD  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2012



	Note	2012 \$	2011 \$
<b>Revenue from Continuing Operations</b>			
Revenue	4	227,329	73,319
Other income	4	36,825	7,704
		<u>264,154</u>	<u>81,023</u>
Exploration expenditure	5	(5,312,109)	(3,208,349)
Administration and insurance expenses		(219,774)	(140,613)
Corporate compliance and shareholder relations		(109,757)	(161,348)
Gross employee benefit expense		(366,766)	(196,226)
Share based payments expense	5	(1,752,839)	(356,582)
Depreciation	5	(860,466)	(165,249)
Loss on disposal of plant and equipment	5	-	(69,454)
Consultancy		(143,175)	(74,018)
Rent		(101,106)	(37,185)
Other expenses		(44,218)	(21,223)
<b>Loss before income tax</b>		<u>(8,646,056)</u>	<u>(4,349,224)</u>
Income tax expense	6	-	-
<b>Loss for the year attributable to ordinary equity holders of Frontier Resources Ltd</b>		<u>(8,646,056)</u>	<u>(4,349,224)</u>
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve		368,976	(22,597)
<b>Other comprehensive income for the year</b>		<u>368,976</u>	<u>(22,597)</u>
<b>Total comprehensive loss for the year</b>		<u>(8,277,080)</u>	<u>(4,371,821)</u>
<b>Total comprehensive loss attributable to ordinary equity holders of Frontier Resources Ltd</b>		<u>(8,277,080)</u>	<u>(4,371,821)</u>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss) per share	20	(2.9)	(1.8)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



FRONTIER RESOURCES LTD  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012



	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	2,862,050	8,287,285
Trade and other receivables	8	124,826	711,323
<b>Total Current Assets</b>		<b>2,986,876</b>	<b>8,998,608</b>
<b>Non-Current Assets</b>			
Trade and other receivables	8	222,632	104,537
Plant and equipment	9	2,977,882	1,164,880
Exploration and evaluation expenditure	10	2,176,872	2,176,872
<b>Total Non-Current Assets</b>		<b>5,377,386</b>	<b>3,446,289</b>
<b>Total Assets</b>		<b>8,364,262</b>	<b>12,444,897</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	837,409	209,838
Other liabilities	12	976,315	-
<b>Total Current Liabilities</b>		<b>1,813,724</b>	<b>209,838</b>
<b>Total Liabilities</b>		<b>1,813,724</b>	<b>209,838</b>
<b>Net Assets</b>		<b>6,550,538</b>	<b>12,235,059</b>
<b>EQUITY</b>			
Contributed equity	13	31,338,457	30,498,737
Reserves	14	2,912,447	790,632
Accumulated losses	14	(27,700,366)	(19,054,310)
<b>Total Equity</b>		<b>6,550,538</b>	<b>12,235,059</b>

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

For personal use only

FRONTIER RESOURCES LTD  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012



	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	18,452,527	(14,705,086)	894,880	(438,233)	4,204,088
Loss attributable to members of parent entity	-	(4,349,224)	-	-	(4,349,224)
Other comprehensive income	-	-	-	(22,597)	(22,597)
<b>Total comprehensive loss for the year</b>	-	(4,349,224)	-	(22,597)	(4,371,821)
<b>Transaction with owners, directly in equity</b>					
Share based payments expense	-	-	356,582	-	356,582
Shares issued during the year, net of costs	12,046,210	-	-	-	12,046,210
<b>Balance at 30 June 2011</b>	<b>30,498,737</b>	<b>(19,054,310)</b>	<b>1,251,462</b>	<b>(460,830)</b>	<b>12,235,059</b>
<b>Balance at 1 July 2011</b>	30,498,737	(19,054,310)	1,251,462	(460,830)	12,235,059
Loss attributable to ordinary equity holders of Frontier Resources Ltd	-	(8,646,056)	-	-	(8,646,056)
Other comprehensive income	-	-	-	368,976	368,976
<b>Total comprehensive loss for the year</b>	-	(8,646,056)	-	368,976	(8,277,080)
<b>Transaction with owners, in their capacity as owners</b>					
Share based payments expense	-	-	1,752,839	-	1,752,839
Shares issued during the year, net of costs	839,720	-	-	-	839,720
<b>Balance at 30 June 2012</b>	<b>31,338,457</b>	<b>(27,700,366)</b>	<b>3,004,301</b>	<b>(91,854)</b>	<b>6,550,538</b>

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

FRONTIER RESOURCES LTD  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012



	Note	2012 \$	2011 \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers		52,228	44,777
Payments to suppliers and employees		(985,114)	(625,363)
Interest received		185,300	30,174
Joint Venture contributions for tenements		2,836,400	-
Payments to exploration expenditure		(7,524,653)	(2,934,311)
<b>Net cash outflow from operating activities</b>	<b>23</b>	<b>(5,435,839)</b>	<b>(3,484,723)</b>
<b>Cash Flows From Investing Activities</b>			
Payments for security deposits		(116,325)	(19,899)
Purchases of plant and equipment		(1,826,002)	(1,428,713)
Proceeds from sale of plant and equipment		141,959	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,800,368)</b>	<b>(1,448,612)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from the issue of shares		839,720	12,046,210
Application funds received for shares to be issued in subsidiary		976,315	-
<b>Net cash inflow from financing activities</b>		<b>1,816,035</b>	<b>12,046,210</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,420,172)</b>	<b>7,112,875</b>
Cash at 1 July		8,287,285	1,197,008
Effect of exchange rates on cash holdings in foreign currencies		(5,063)	(22,598)
<b>Cash at 30 June</b>	<b>7</b>	<b>2,862,050</b>	<b>8,287,285</b>

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

For personal use only



## 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

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

### 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 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.

*(ii) Joint ventures*

The Group has entered into a joint venture agreement during the year. The exploration expenditure on the tenements which are paid by the joint venture partner are netted off against the contribution received. There are no joint venture assets recognised by the Group, while any funding by the joint venture partner which is received in advance of the exploration expenditure incurred is shown as a liability on the consolidated statement of financial position.

**(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.

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

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

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

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

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

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



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognized at fair value and subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

**Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are initially recognized at fair value and 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 after tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

*(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.





**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(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 result 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.

**(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;
- Income and expenses are translated at average exchange rates for the period; and
- Share capital and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

**(o) Segment Reporting**

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

**(p) Comparative Figures**

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



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) New Accounting Standards for Application in Future Periods (cont.)**

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 (issued December 2009 and amended December 2010)**

Applicable for annual reporting periods commencing on or after 1 January 2015.

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.

AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.

**AASB 10: Consolidated Financial Statements (issued August 2011)**

Applicable for annual reporting periods commencing on or after 1 January 2013.

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice).
- Exposure, or rights, to variable returns from investee.
- Ability to use power over investee to affect the entity's returns from investee.
- Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership in an entity.

**AASB 11: Joint Arrangements (issued August 2011)**

Applicable for annual reporting periods commencing on or after 1 January 2013.

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

**AASB 12: Disclosure of Interests in Other Entities (issued August 2011)**

Applicable for annual reporting periods commencing on or after 1 January 2013.

Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) New Accounting Standards for Application in Future Periods (cont.)**

**AASB 13: Fair Value Measurement (issued September 2011)**

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements.

Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements

Extensive additional disclosures are required for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.

When this standard is first adopted for the year ended 30 June 2014, additional disclosures will be required about fair values.

**AASB 119: Employee Benefits (issued September 2011)**

Applicable for annual reporting periods commencing on or after 1 January 2013.

Employee benefits expected to be settled (as opposed to due to be settled under current standards) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.

When this standard is first adopted for the year ended 30 June 2014, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits where they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

**AASB 2010-8: Amendments to AASB 112 - Deferred Tax: Recovery of Underlying Assets**

Applicable for annual reporting periods commencing on or after 1 January 2012.

For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

As the Group does not have any investment property measured using the fair value model, there will be no impact on the financial statements when these amendments are first adopted.

**AASB 2011-4: Amendments to AASB 124 to Remove Individual Key Management Personnel Disclosure Requirements (issued July 2011)**

Applicable for annual reporting periods commencing on or after 1 July 2013.

These amendments remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001.

When this standard is first adopted for the year ended 30 June 2014, the Group will show reduced disclosures under the Key Management Personnel note to the financial statements.

**AASB 2011-9: Amendments to AASB 101 Presentation of Items of Other Comprehensive Income (issued Sept. 2011)**

Applicable for annual reporting periods commencing on or after 1 July 2012.

- One statement of comprehensive income to be referred to as 'statement of profit or loss and other comprehensive income'.
- Two statements to be referred to as 'statement of profit or loss' and 'statement of other comprehensive income'.
- OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss, and those that cannot.



## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) New Accounting Standards for Application in Future Periods (cont.)

When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognized for transactions and balances for 30 June 2013 and comparatives.

#### • Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued November 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Clarifies that costs of removing minewaste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity are realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalized as a non-current, stripping activity asset if certain recognition criteria are met.

As the Group does not operate a surface mine, there will be no impact on the financial statements when this interpretation is first adopted.

#### • AASB 2012-5: Annual Improvements to Australian Accounting Standards 2009-2011 Cycle (issued June 2012)

Applicable for annual reporting periods commencing on or after 1 January 2013.

These include non-urgent but necessary changes to IFRSs (IAS 1, IAS 16 and IAS 32).

When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.

#### • IFRS: Mandatory Effective Date of IFRS 9 and Transition Disclosures (issued December 2011)

Applicable for annual reporting periods commencing on or after 1 January 2015.

Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.

As comparatives are no longer required to be restated, there will be no impact on amounts recognized in financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

## NOTE 2 FINANCIAL RISK MANAGEMENT

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

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

### (a) Market risk

#### (i) Foreign exchange risk

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

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



**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

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

	2012 AUD	2012 Kina	2011 AUD	2011 Kina
<b>Foreign currency assets and liabilities</b>				
Cash and cash equivalents	6,412	12,677	-	-
Trade and other receivables	77,429	153,076	36,607	85,602
Intercompany loans payable	(14,318,108)	(28,306,900)	(8,821,148)	(20,627,372)
Trade and other payables	(69,918)	(138,228)	(106,407)	(248,821)

(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:

2012	Floating Interest Rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>			
Cash and cash equivalents	2,862,050	-	2,862,050
Trade and other receivables	-	124,826	124,826
	<u>2,862,050</u>	<u>124,826</u>	<u>2,986,876</u>
Weighted average interest rate	5.2%		
<b>Financial liabilities</b>			
Trade and other payables	-	837,409	837,409
	<u>-</u>	<u>837,409</u>	<u>837,409</u>
<b>Net financial assets</b>	<u>2,862,050</u>	<u>(712,583)</u>	<u>2,149,467</u>
2011	Floating Interest Rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>			
Cash and cash equivalents	8,287,285	-	8,287,285
Trade and other receivables	-	673,820	673,820
	<u>8,287,285</u>	<u>673,820</u>	<u>8,961,105</u>
Weighted average interest rate	3.0%		
<b>Financial liabilities</b>			
Trade and other payables	-	209,838	209,838
	<u>-</u>	<u>209,838</u>	<u>209,838</u>
<b>Net financial assets</b>	<u>8,287,285</u>	<u>463,982</u>	<u>8,751,267</u>

For personal use only



**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

*Sensitivity analysis*

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

	2012 \$	2011 \$
Net financial assets subject to variable interest rates	2,862,050	8,287,285
Increase in profits resulting from a 1% pa increase in variable interest rates	28,620	82,873
Decrease in profits resulting from a 1% pa decrease in variable interest rates	(28,620)	(82,873)

*Net Fair Value*

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

**(b) Credit risk**

Credit risk exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables including 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, other than holding all its cash with Westpac Bank. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position, which has not changed materially from the prior year.

Receivables include \$4,967 loaned to Quintessential Resources Limited, a related Company under AASB 124 para 9(b)(vi).

Receivables also include \$222,632 in bonds, primarily mines department deposits.

*Credit risk exposures*

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

The maximum exposure to credit risk is as follows:

	2012 \$	2011 \$
Current Assets:		
Cash and cash equivalents	2,862,050	8,287,285
Trade and other receivables	124,826	711,323
Non-Current Assets:		
Trade and other receivables	222,632	104,537
	3,209,508	9,103,145

**(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.



**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

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

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

	2012	2011
	\$	\$
Cash and cash equivalents	2,862,050	8,287,285
Trade and other receivables	124,826	711,323
Trade and other payables	<u>(784,965)</u>	<u>(209,838)</u>
	2,201,911	8,788,770

Included in current payables is the amount of \$623,856 joint venture funding received in advance. Joint Venture funds are received each quarter for spending during the next three months.

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

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

**NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**(a) Impairment of assets**

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

The Board has reviewed its statement of financial position at 30 June 2012 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 JORC inferred resource has been established 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.

For personal use only

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2012



NOTE 4 REVENUE	2012 \$	2011 \$
<b>From continuing operations</b>		
Administration fee income	37,847	-
Drilling contract income	-	13,910
Other sundry income	4,182	29,235
<b>Other revenue</b>		
Interest - unrelated parties	185,300	30,174
<b>Total Revenue</b>	<u>227,329</u>	<u>73,319</u>

<b>Other Income</b>		
Gain on disposal of plant and equipment	36,825	7,704
<b>Total Other Income</b>	<u>36,825</u>	<u>7,704</u>

NOTE 5 EXPENSES AND SIGNIFICANT ITEMS	2012 \$	2011 \$
Depreciation of Plant & equipment	860,466	165,249
Superannuation expense	89,482	33,733
<b>Significant Items</b>		
Exploration and evaluation expenditure	5,312,109	3,208,349
Loss on disposal of plant and equipment	-	69,454
Share-based payments expense	1,752,839	356,582

NOTE 6 INCOME TAX	2012 \$	2011 \$
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)</b>		
Profit (loss) from continuing operations before income tax expense	(8,646,056)	(4,349,224)
Tax at Australian tax rate of 30% (2011: 30%) and Papua New Guinea tax rate of 30% (2011: 30%)	(2,593,817)	(1,304,767)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non - deductible	187,157	4,676
Share based payments expense	525,852	106,974
Previously unrecognised tax losses now recognised to reduce CTE	(62,843)	-
Deferred tax asset not brought to account	1,943,651	1,193,117
<b>Income tax expense</b>	<u>-</u>	<u>-</u>

<b>(b) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	15,541,186	23,017,807
Potential tax benefit @ 30%	4,622,356	6,905,342





**NOTE 6 INCOME TAX (continued)**

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	2012 \$	2011 \$
Amounts recognised in profit or loss:		
Exploration and evaluation costs	371,021	2,176,872
Sundry	(125,756)	(65,280)
	<u>245,265</u>	<u>2,111,592</u>
Potential tax benefit @ 30%	73,580	633,478
Set-off deferred tax assets associated with carried forward losses not recognised	(73,580)	(633,478)
Net deferred tax liability	<u>-</u>	<u>-</u>

**NOTE 7 CASH AND CASH EQUIVALENTS**

	2012 \$	2011 \$
Cash at bank and on hand	2,862,050	8,287,285
Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank	1,888,070	48,010
Bank deposits at call	965,924	1,832,818
Term deposits at bank	-	6,400,000
Cash on hand	8,056	6,457
Cash and cash equivalents	<u>2,862,050</u>	<u>8,287,285</u>

Cash at bank earns an effective rate of 5.2% (2011: 3.0%).

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

**NOTE 8 TRADE AND OTHER RECEIVABLES**

	2012 \$	2011 \$
<b>CURRENT</b>		
Other receivables	124,826	711,323
<b>NON-CURRENT</b>		
Deposits - tenements and premises (a)	<u>222,632</u>	<u>104,537</u>

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

No receivables were past due but not impaired.



NOTE 9 PLANT AND EQUIPMENT	2012 \$	2011 \$
<b>Plant and equipment</b>		
Plant and equipment at cost	1,870,680	1,431,320
Drill Rigs and Barges at Cost	2,516,728	262,178
Less accumulated depreciation	(1,409,526)	(528,618)
Carrying amount at the end of the financial year	<u>2,977,882</u>	<u>1,164,880</u>

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

Carrying amount at the beginning of the financial year	1,164,880	493,651
Additions	2,503,331	878,446
Disposals	(105,134)	(71,853)
Depreciation expense	(860,466)	(165,249)
Foreign currency exchange differences	275,271	29,885
Carrying amount at the end of the financial year	<u>2,977,882</u>	<u>1,164,880</u>

NOTE 10 EXPLORATION AND EVALUATION	2012 \$	2011 \$
<b>NON-CURRENT</b>		
Carrying amount at the beginning of the financial year	2,176,872	2,176,872
Exploration expenditure capitalised	-	-
Exploration expenditure written off	-	-
Exploration expenditure capitalised	<u>2,176,872</u>	<u>2,176,872</u>

NOTE 11 TRADE AND OTHER PAYABLES	2012 \$	2011 \$
<b>CURRENT</b>		
Trade and sundry creditors (a)	91,438	168,281
Accrued expenses	38,813	20,000
Joint Venture funding in advance (b)	623,856	-
Provision for annual leave (c)	52,444	-
Other employee benefit and related on-cost liabilities (c)	30,858	21,557
	<u>837,409</u>	<u>209,838</u>

- (a) All creditors are non-interest bearing and are normally settled on 30 day terms.
- (b) Joint Venture funding is received in advance for each quarter, based on budgeted expenditure proposed.
- (c) Employee benefit and related on-costs liabilities include payroll deductions and superannuation payable, and are non-interest bearing.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2012



NOTE 12	OTHER LIABILITIES	2012	2011
		\$	\$
NOTE 12	OTHER LIABILITIES	2012	2011
		\$	\$

CURRENT

Application funds received for shares to be issued in subsidiary	976,315	-
------------------------------------------------------------------	---------	---

\$976,315 was received from investors prior to 30 June 2012 for share application funds in relation to seed capital in Torque Mining Limited. At 30 June 2012, Torque Mining Limited was a 100% owned subsidiary – refer to note 16.

On 5 July 2012, Torque Mining Limited issued 20,940,000 shares at \$0.05 each

Although \$976,000 of these funds were received prior to year end, the shares were not issued until after year end, so this amount has been classified as an Other Liability at 30 June 2012.

NOTE 13	CONTRIBUTED EQUITY	2012	2011	2012	2011
		Shares	Shares	\$	\$
(a) Paid Up Capital					
Ordinary shares - fully paid of no par value		303,546,682	294,520,253	31,338,457	30,498,737

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.

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

Date	Details	Notes	Number of Shares	Issue Price \$	\$
30 Jun 2010	Opening Balance		205,154,014		18,452,527
	Options Exercised		39,381,224	0.045	1,772,155
	Options Exercised		950,000	0.03	28,500
	Options Exercised		4,250,000	0.04	170,000
	Options Exercised		1,250,000	0.05	62,500
6 May 2011	Share Purchase Plan		34,839,362	0.23	8,013,055
21 Jun 2011	Share Placement		8,695,653	0.23	2,000,000
30 Jun 2011	Closing Balance		294,520,253		30,498,737
	Options Exercised		1,000,000	0.04	40,000
	Options Exercised		1,000,000	0.05	50,000
	Share Placement		7,026,429	0.1067	749,720
30 Jun 2012	Closing Balance		303,546,682		31,338,457



**NOTE 13 CONTRIBUTED EQUITY (continued)**

(c) Options	No. of Options	
	2012	2011
The number of unissued ordinary shares relating to options not exercised at year end:		
- Non-transferable options exercisable on or before 31 December 2012 at 4 cents	500,000	1,500,000
- Non-transferable options exercisable on or before 31 December 2012 at 5 cents	1,000,000	2,000,000
- Non-transferable options exercisable on or before 19 October 2013 at 4 cents	200,000	200,000
- Non-transferable options exercisable on or before 31 December 2012 at 9 cents	2,500,000	2,500,000
- Non-transferable options exercisable on or before 31 December 2012 at 10 cents	2,500,000	2,500,000
- Non-transferable options exercisable on or before 21 January 2014 at 3 cents	4,500,000	4,500,000
- Non-transferable options exercisable on or before 31 October 2014 at 19 cents	6,000,000	-
- Non-transferable options exercisable on or before 30 December 2014 at 11 cents	2,320,000	-
- Non-transferable options exercisable on or before 30 December 2014 at 16.5 cents	2,220,000	-
	<b>21,740,000</b>	<b>13,200,000</b>

**(d) Option Issues**

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

Date	Details	Number of Options	Exercise Price	Expiry Date
24 Nov 2011	Non-transferable Directors' Options	6,000,000	\$0.19	31 Oct 2012
5 July 2011	Non-transferable Employees' Options	6,900,000	\$0.22	30 Jun 2015
5 July 2011	Non-transferable Employees' Options	3,300,000	\$0.25	30 Jun 2015
7 Mar 2012	Non-transferable Employees' Options	2,320,000	\$0.11	30 Dec 2014
7 Mar 2012	Non-transferable Employees' Options	2,220,000	\$0.165	30 Dec 2014

**(e) Option Exercise**

During the financial year 2,000,000 options were exercised. Refer to Note 17.

**(f) Option Expiry**

During the financial year no options expired.

**(g) Option Cancellation and Lapse**

During the financial year the options issued on 5 July 2011 were cancelled and replaced with the options issued on 7 March 2012.

**(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.



**NOTE 13 CONTRIBUTED EQUITY (continued)**

The working capital position of the Group at 30 June 2012 and 30 June 2011 are as follows:

	2012 \$	2011 \$
Cash and cash equivalents	1,885,735	8,287,285
Trade and other receivables	124,826	711,323
Trade and other payables	(784,965)	(209,838)
Working capital position	<u>1,225,596</u>	<u>8,788,770</u>

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

Refer to note 2 for Financial Risk Management.

**NOTE 14 RESERVES AND ACCUMULATED LOSSES**

	2012 \$	2011 \$
<b>(a) Reserves</b>		
Share based payment reserve	3,004,301	1,251,462
Foreign currency translation reserve	(91,854)	(460,830)
	<u>2,912,447</u>	<u>790,632</u>
<b>Movements</b>		
<i>Share based payment reserve</i>		
Balance 1 July	1,251,462	894,880
Option expense	1,752,839	356,582
Balance 30 June	<u>3,004,301</u>	<u>1,251,462</u>
<b>Movements</b>		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(460,830)	(438,233)
Currency translation differences arising during the year	368,976	(22,597)
Balance 30 June	<u>(91,854)</u>	<u>(460,830)</u>
<b>(b) Accumulated losses</b>		
Movements in accumulated losses were as follows:		
Balance 1 July	(19,054,310)	(14,705,086)
Net loss for the year	(8,646,056)	(4,349,224)
Balance 30 June	<u>(27,700,366)</u>	<u>(19,054,310)</u>

**(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 currency translation reserve*

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

For personal use only



**NOTE 15 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:	2012 \$	2011 \$
Not later than 1 year	1,255,877	1,125,908
Later than 1 year but not later than 5 years	470,166	904,238
Any greater than 5 years	-	-
	1,726,043	2,030,146

**NOTE 16 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, Frontier Copper (PNG) Ltd and Torque Mining Ltd. Ownership interests in these subsidiaries are set out in Note 24.

Torque Mining Pty Ltd is incorporated in, and operates in, Australia.

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.

Quintessential Resources Limited ("Quintessential") is related to the Company under AASB 124 para9(b)(vi). The Company and Quintessential have entered into an exploration services agreement whereby Quintessential and the Company provide services to each other due to the logistical issues operating in Papua New Guinea. If either Company provides services to or pays for goods for the other Company, the service provider may charge a 10% management fee. At 30 June 2012, \$7,775 was payable by Quintessential to Frontier.

**NOTE 17 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 2012.

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

	2012 \$	2011 \$
Short term employee benefits	642,541	597,291
Post employment benefits	7,200	5,558
Share based payments	310,750	165,637
	960,491	768,486



NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(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:

2012 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
<i>Directors -</i>						
Peter McNeil	4,000,000	3,000,000	(2,000,000)	-	5,000,000	2,000,000
Graham Fish	1,500,000	1,000,000	-	-	2,500,000	1,500,000
Warren Staude	2,000,000	1,000,000	-	-	3,000,000	2,000,000
David Swain	1,000,000	1,000,000	-	-	2,000,000	1,000,000
<i>Other key management personnel -</i>						
Julia Becket	-	60,000	-	-	60,000	-
Jay Stephenson	100,000	60,000	-	-	160,000	100,000
<b>Total</b>	<b>8,600,000</b>	<b>6,120,000</b>	<b>(2,000,000)</b>	<b>-</b>	<b>12,720,000</b>	<b>6,600,000</b>

2011 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
<i>Directors -</i>						
Peter McNeil	3,404,764	2,000,000	(1,404,764)	-	4,000,000	-
Graham Fish	2,142,856	1,000,000	(1,642,856)	-	1,500,000	500,000
Warren Staude	1,811,112	1,000,000	(811,112)	-	2,000,000	1,000,000
David Swain	1,000,000	1,000,000	(1,000,000)	-	1,000,000	-
<i>Other key management personnel -</i>						
Julia Becket	-	-	-	-	-	-
Paige McNeil	981,112	400,000	(981,112)	-	400,000	400,000
Jay Stephenson	-	100,000	-	-	100,000	100,000
<b>Total</b>	<b>9,339,844</b>	<b>5,500,000</b>	<b>(5,839,844)</b>	<b>-</b>	<b>9,000,000</b>	<b>2,000,000</b>

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



**NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

(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.

2012	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
<b>Directors -</b>				
Peter McNeil	9,284,794	2,000,000	(2,153,600)	9,131,194
Graham Fish	741,457	-	-	741,457
Warren Staude	1,048,618	-	-	1,048,618
David Swain	750,000	-	(100,000)	650,000
<b>Other key management personnel -</b>				
Julia Beckett	-	-	-	-
Jay Stephenson	450,000	-	(100,000)	350,000
<b>Total</b>	<b>12,274,869</b>	<b>2,000,000</b>	<b>(2,353,600)</b>	<b>11,921,269</b>

2011	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
<b>Directors -</b>				
Peter McNeil	10,512,251	1,404,764	(2,632,221)	9,284,794
Graham Fish	391,457	1,642,856	(1,292,856)	741,457
Warren Staude	124,000	811,112	113,506	1,048,618
David Swain	-	1,000,000	(250,000)	750,000
<b>Other key management personnel -</b>				
Julia Beckett	-	-	-	-
Paige McNeil	2,104,201	981,112	322,493	3,407,806
Jay Stephenson	400,000	-	50,000	450,000
<b>Total</b>	<b>13,531,909</b>	<b>5,839,844</b>	<b>(3,689,078)</b>	<b>15,682,675</b>

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

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

(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 (2011: Nil).





**NOTE 17 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

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

*Directors of Frontier Resources Ltd*

A Director, Peter McNeil has a consulting arrangement in place for the provision of geological and management services to the consolidated group through Exploration and Management Consultants Pty Ltd.

A Director, Peter McNeil, is a party 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.

The only amount owed to Directors, key management personnel and their related parties as at 30 June 2012 was \$8,250 owed to Wolfstar Corporate Management Pty Ltd.

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

	2012 \$	2011 \$
<b>Amounts recognised as expense</b>		
Consulting fees:		
Administration*	204,855	175,622
Exploration*	415,301	328,969
Outstanding balances at year end	8,250	3,156

\*includes the provision of office and motor vehicle.

For personal use only



## NOTE 18 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 option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying. This would not result in any benefits being conferred on option holders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.
- If an option holder under this Plan ceases to be substantially involved with the Company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

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



**NOTE 18 SHARE-BASED PAYMENTS (continued)**

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number
<b>2012</b>							
19 Oct 2009	19 Oct 2013	\$0.04	200,000	-	-	-	200,000
25 Nov 2009	31 Dec 2012	\$0.04	1,500,000	-	(1,000,000)	-	500,000
25 Nov 2009	31 Dec 2012	\$0.05	2,000,000	-	(1,000,000)	-	1,000,000
24 Nov 2010	31 Dec 2012	\$0.09	2,500,000	-	-	-	2,500,000
24 Nov 2010	31 Dec 2012	\$0.10	2,500,000	-	-	-	2,500,000
30 Dec 2010	30 Dec 2014	\$0.11	4,500,000	-	-	-	4,500,000
5 Jul 2011	30 Jun 2015	\$0.22	-	6,900,000	-	(6,900,000)	-
5 Jul 2011	30 Jun 2015	\$0.25	-	3,300,000	-	(3,300,000)	-
21 Nov 2011	31 Oct 2014	\$0.19	-	6,000,000	-	-	6,000,000
7 Mar 2012	30 Dec 2014	\$0.11	-	2,320,000	-	-	2,320,000
7 Mar 2012	30 Dec 2014	\$0.165	-	2,220,000	-	-	2,220,000
			<b>13,200,000</b>	<b>20,740,000</b>	<b>(2,000,000)</b>	<b>(10,200,000)</b>	<b>21,740,000</b>

Weighted average remaining contracted life of options (Years) 1.85 Years  
 Weighted average exercise price \$0.129

**2011**

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	1,825,000	-	(1,625,000)	-	200,000
25 Nov 2009	31 Dec 2012	\$0.04	3,250,000	-	(2,500,000)	-	750,000
25 Nov 2009	31 Dec 2012	\$0.05	3,250,000	-	(500,000)	-	2,750,000
19 Jan 2010	21 Jan 2014	\$0.03	950,000	-	(950,000)	-	-
24 Nov 2010	31 Dec 2012	\$0.09	-	2,500,000	-	-	2,500,000
24 Nov 2010	31 Dec 2012	\$0.10	-	2,500,000	-	-	2,500,000
30 Dec 2010	30 Dec 2014	\$0.11	-	4,500,000	-	-	4,500,000
			<b>13,025,000</b>	<b>9,500,000</b>	<b>(5,575,000)</b>	<b>(3,750,000)</b>	<b>13,200,000</b>

Weighted average remaining contracted life of options 0.87 Years  
 Weighted average exercise price \$0.050

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

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



**NOTE 18 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 then applying. This would not result in any benefits being conferred on option holders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

The options can be issued to a Director 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:

	2012	2011
	\$	\$
Options issued under employee option plan	1,752,839	356,582

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

Type of Options:	Directors	Employees	Employees	Employees	Employees
Number of options issued	6,000,000	6,900,000	3,300,000	2,320,000	2,220,000
Exercise price	19c	22c	25c	11c	16.5c
Share price at date granted	13c	19c	19c	10.5c	10.5c
Risk free rate	3.22%	4.60%	4.60%	3.54%	3.54%
Volatility factor	95%	85%	85%	97%	97%
Valuation	6.82c	5.58c	4.81c	6.248c	5.347c



**NOTE 19 OPERATING SEGMENTS**

**Identification of reportable segments**

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of gold, silver and base metals projects. Inter-segment transactions are priced at cost to the Consolidated Group.

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

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

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

**For the Year to 30 June 2012**

	Australian Exploration \$	Papua New Guinea Exploration \$	Treasury \$	Total \$
<b>Segment Revenue</b>	60,134	18,720	185,300	264,154
<b>Segment Results</b>	(2,380,716)	(3,713,004)	185,300	(5,908,420)
Amounts not included in segment results but reviewed by Board:				
- Corporate charges				(984,797)
- Share-based payment expenses				(1,752,839)
<b>Loss before Income Tax</b>				<u>(8,646,056)</u>
<b>As at 30 June 2012</b>				
<b>Segment Assets</b>	2,989,964	2,512,248	2,862,050	8,364,262
Segment asset increases for the period:				
- capital expenditure	206,810	2,296,521	-	2,503,331
<b>Segment Liabilities</b>	767,491	69,918	976,315	1,813,724

**For the Year to 30 June 2011**

	Australian Exploration \$	Papua New Guinea Exploration \$	Treasury \$	Total \$
<b>Segment Revenue</b>	22,930	27,919	30,174	81,023
<b>Segment Results</b>	(1,200,294)	(2,191,907)	30,174	(3,362,027)
Amounts not included in segment results but reviewed by Board:				
- Corporate charges				(630,614)
- Share-based payment expenses				(356,582)
<b>Loss before Income Tax</b>				<u>(4,349,224)</u>
<b>As at 30 June 2011</b>				
<b>Segment Assets</b>	3,632,532	525,080	8,287,285	12,444,897
Segment asset increases for the period:				
- capital expenditure	434,543	443,903	-	878,446
<b>Segment Liabilities</b>	125,708	84,130	-	209,838

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2012



**NOTE 20 EARNINGS/(LOSS) PER SHARE (“EPS”)**

	2012 \$	2011 \$
The (loss) used in calculating basic earnings/(loss) per share is the loss attributable to members of Frontier Resources Ltd.	(8,646,056)	(4,349,224)
Weighted average number of shares used in the calculation of the basic EPS.	298,285,243	235,887,401
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.	21,740,000	13,200,000
Basic and diluted (loss) per share	(2.9c)	(1.8c)

**NOTE 21 EVENTS OCCURRING AFTER THE BALANCE DATE**

On 5 July 2012 Torque Mining Limited issued 20,940,000 shares to other parties, raising \$1,047,000 in seed capital. 40,000,000 shares were also issued to Frontier Resources Ltd in settlement of the amount owing for the transfer of all its Tasmanian mining tenements to Torque Mining Limited.

On 6 September 2012 the Company cancelled 6,000,000 Director Options. There were no replacement options issued in this regard.

**NOTE 22 REMUNERATION OF AUDITORS**

	2012 \$	2011 \$
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.		
<b>Assurance services</b>		
<b>Audit Services</b>		
BDO Audit (WA) Pty Ltd	38,659	39,950
Sinton Spence (PNG)	-	14,813
<b>Total remuneration for audit services</b>	38,659	54,763
<b>Non-Assurance services</b>		
<b>Taxation and Accounting Services</b>		
BDO Tax (WA) Pty Ltd	3,636	10,100
Sinton Spence Chartered Accountants (PNG)	18,089	-
<b>Total remuneration for taxation services</b>	21,725	10,100



**NOTE 23 RECONCILIATION OF LOSS AFTER  
 INCOME TAX TO NET CASH INFLOW  
 FROM OPERATING ACTIVITIES**

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

	2012 \$	2011 \$
Operating loss after income tax	(8,646,056)	(4,349,224)
Adjustment for non cash items:		
- (Gain)/Loss on disposal of fixed assets	(36,825)	61,750
- Depreciation expense	860,466	165,249
- Non-cash employee benefits expense - share-based payments	1,752,839	356,582
- Net exchange differences	-	(30,113)
Change in operating assets and liabilities:		
- Trade and other payables and provisions	627,571	168,013
- Trade and other receivables	6,166	143,020
<b>Net cash outflow from operating activities</b>	<b>(5,435,839)</b>	<b>(3,484,723)</b>

For personal use only



**NOTE 24 PARENT ENTITY DISCLOSURES**

	2012	2011
	\$	\$
<b>(a) Financial Position of Frontier Resources Limited</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,879,323	8,309,562
Trade and other receivables	2,449,759	682,414
<b>TOTAL CURRENT ASSETS</b>	<b>4,329,082</b>	<b>8,991,976</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	2,654,177	96,840
Other financial assets	10,622	10,622
Plant and equipment	543,063	676,407
Exploration and evaluation expenditure	-	2,176,872
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,207,862</b>	<b>2,960,741</b>
<b>TOTAL ASSETS</b>	<b>7,536,944</b>	<b>11,952,717</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	767,491	125,708
<b>TOTAL CURRENT LIABILITIES</b>	<b>767,491</b>	<b>125,708</b>
<b>TOTAL LIABILITIES</b>	<b>767,491</b>	<b>125,708</b>
<b>NET ASSETS</b>	<b>6,769,453</b>	<b>11,827,009</b>
<b>EQUITY</b>		
Contributed equity	31,338,457	30,498,737
Options reserve	3,004,301	1,251,462
Accumulated losses	(27,573,305)	(19,923,190)
<b>TOTAL EQUITY</b>	<b>6,769,453</b>	<b>11,827,009</b>
<b>(b) Financial Performance of Frontier Resources Limited</b>		
Loss for the year	(7,650,114)	(4,404,506)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(7,650,114)</b>	<b>(4,404,506)</b>





**NOTE 24 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 2012 (2011: none).

**(d) Contingent liabilities of Frontier Resources Limited**

There are no contingent liabilities as at 30 June 2012 (2011: none).

**(e) Commitments Frontier Resources Limited**

Exploration Expenditure Commitments	2012 \$	2011 \$
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	-	776,667
Longer than 1 year and not longer than 5 years	-	690,417
Longer than 5 years	-	-
<b>Total</b>	<b>-</b>	<b>1,467,084</b>

**NOTE 25 SUBSIDIARIES**

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2012 %	2011 %
Frontier Gold (PNG) Ltd	Papua New Guinea	Ordinary	100	100
Frontier Copper (PNG) Ltd	Papua New Guinea	Ordinary	100	100
Frontrunner Exploration PNG Ltd	Papua New Guinea	Ordinary	100	-
Torque Mining Ltd	Australia	Ordinary	100	-

**NOTE 26 NON-CASH FINANCING AND INVESTING ACTIVITIES**

There were no such activities during the year (2011: nil).

**NOTE 27 CONTINGENT LIABILITIES**

The Group had no contingent liabilities at 30 June 2012.

**NOTE 28 DIVIDENDS**

There were no dividends paid or recommended during the financial year ended 30 June 2012.



## 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 and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2012 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 6 to 12 within the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2012, 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:

A handwritten signature in black ink, appearing to read "P.A. McNeil", is written over a faint, larger signature.

P.A. McNeil  
Managing Director

28 September 2012

## 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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 opinion.

### 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*, which has been given to the directors of Frontier Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

For personal use only

### Basis for Qualified Opinion

As at 30 June 2012 property, plant and equipment to the value of \$2,008,696.67 as disclosed in Note 9 in relation to the Group's drill rigs were held in a remote location in Papua New Guinea. Access to the location of these assets is limited. As a result of this we have been unable to obtain sufficient assurance over the physical existence and condition of these assets. Accordingly, we are unable to and do not express any assurance in respect of the existence and the recoverability of these items of property, plant and equipment for the year ended 30 June 2012. Consequently we were unable to determine whether any adjustments to property, plant and equipment in the consolidated statement of financial position or expenses in the statement of comprehensive income were necessary.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion 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 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards 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 2012. 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.

### Opinion

In our opinion, the Remuneration Report of Frontier Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO



**CHRIS BURTON**  
Director

Perth, Western Australia  
Dated this 28<sup>th</sup> day of September 2012.

# SCHEDULE OF TENEMENTS



## FRONTIER RESOURCES LIMITED TENEMENTS

TENEMENT SCHEDULE			
Tenement Name & Number		Status	Ownership
<b>PAPUA NEW GUINEA</b>			
Andewa	EL 1345	Granted Exploration Licence	100% Frontier
Likuruanga	EL 1351	Granted Exploration Licence	Frontier 100% OTML earning right to 80.1% participating interest by spending US\$12M within 6 years
Bulago	EL 1595	Granted Exploration Licence	Frontier 100% OTML earning 58% participating interest by spending US\$12M within 6 years
Leonard Schultz	EL 1597	Granted Exploration Licence	Frontier 100% OTML earning 58% participating interest by spending US\$12M within 6 years
East New Britain	EL1592	Granted Exploration Licence	Frontier 100% OTML earning right to 80.1% participating interest by spending US\$12M within 6 years
Central New Britain	EL 1598	Granted Exploration Licence	Frontier 100% OTML earning right to 80.1% participating interest by spending US\$12M within 6 years
Sudest	ELA 1594	Exploration Licence Application	100% Frontier
Mt Schrader	ELA 1951	Exploration Licence Application	100% Frontier
Whiteman Range	ELA 2047	Exploration Licence Application	100% Frontier
Kaka River	ELA 2057	Exploration Licence Application	100% Frontier
Mt Nakanai	ELA 2058	Exploration Licence Application	100% Frontier
<b>TASMANIA</b>			
Rocky River	ELA 22/2011	Exploration Licence Application	100% Frontier
Tonganah	ELA 3/2011	Exploration Licence Application	100% Frontier

## TORQUE MINING LIMITED TENEMENTS

<b>TASMANIA</b>			
Cethana	EL 29/2009	Granted Exploration Licence	10% Frontier 90% Torque
River Lea	EL 42/2010	Granted Exploration Licence	10% Frontier 90% Torque
Elliott Bay	EL 20/1996	Granted Exploration Licence	10% Frontier 80% Torque 10% Exploration & Management Consultants Pty Ltd
Wanderer River	EL 33/2010	Granted Exploration Licence	10% Frontier 80% Torque 10% Exploration & Management Consultants Pty Ltd
Interview River	EL 6/2011	Exploration Licence Application	10% Frontier 90% Torque
Narrawa Creek	RL 3/2005	Retention Licence	10% Frontier 90% Torque
Mt Paris	ELA 27/2011	Exploration Licence Application	10% Frontier 90% Torque
Pieman River	ELA 21/2011	Exploration Licence Application	10% Frontier 90% Torque

## 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 2012

- | Size of Holding  | Number of Shareholders |
|------------------|------------------------|
| 1 - 1,000        | 1,048                  |
| 1,001 - 5,000    | 551                    |
| 5,001 - 10,000   | 422                    |
| 10,001 - 100,000 | 1,328                  |
| 100,001 and over | 454                    |
|                  | <b>3,803</b>           |
- b) Number of holders of less than marketable parcels **1,700**
- c) Percentage holding of 20 largest holders **33.94%**
- d) There is 1 substantial shareholder listed in the Company's register as at 28 September 2012.
- e) Twenty largest shareholders as at 28 September 2012:

	Shareholder Name	Quantity	% of Total Holding
1.	OK Tedi Mining Limited	23,928,525	7.88
2.	JP Morgan Nominees Australia Limited	11,496,854	3.79
3.	ABN Amro Clearing Sydney Nominees Pty Ltd	9,526,908	3.14
4.	HSBC Custody Nominees (Australia) Limited	8,074,986	2.66
5.	Newcrest International Pty Limited	7,026,429	2.31
6.	A J Payne Holdings Pty Ltd	6,000,000	1.98
7.	Exploration & Management Consultants Pty Ltd	4,912,738	1.62
8.	Dr Richard Arthur Green & Dr Rosemary Elizabeth Anne Green	4,400,000	1.45
9.	Steve MacDonald Pty Ltd	4,040,000	1.33
10.	Ms Paige McNeil	3,037,806	1.00
11.	Mr Peter Andrew McNeil	2,559,260	0.84
12.	Mr Robert Cameron Galbraith	2,388,606	0.79
13.	Mr Graeme Douglas	2,350,000	0.77
14.	Mr Aleksei Robert McNeil	2,153,600	0.71
15.	Citicorp Nominees Pty Limited	2,058,532	0.68
16.	Mr Philip James Whitmont	2,000,000	0.66
17.	Mr Rohan William Halfpenny & Mrs Phitsamai Thongla Halfpenny	1,945,579	0.64
18.	Kelanco Pty Ltd	1,876,000	0.62
19.	Mr Simon Robert Evans & Mrs Kathryn Margaret Evans	1,640,217	0.54
20.	Mr Jonathan James Surbeck	1,621,224	0.53
	<b>TOTAL</b>	<b>103,089,742</b>	<b>33.94</b>

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.