



Formerly TasGold Ltd
ABN 96 095 684 389

ADDRESS
PO Box 7996
Gold Coast Mail Centre
Qld 9726 Australia

PHONE
+61 (07) 5592 2274
FAX
+61 (07) 5592 2275

EMAIL
info@frontierresources.com.au
WEBSITE
www.frontierresources.com.au

25th September 2006

Company Announcements Office
Australian Stock Exchange

Dear Sir,

RE: ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2006

We enclose the Annual Report for the year ended 30 June 2006.

The Annual General Meeting of Shareholders will be held at the Hall of the Anglican Church of the Holy Spirit, 73 Salerno Street, Isle of Capri, Queensland on Tuesday 28 November at 1.00pm.

Yours faithfully
FRONTIER RESOURCES LTD

G.M. Edwards
Company Secretary

Encl.



Annual Report 2006



www.frontierresources.com.au

ASX - FNT

SCHEDULE OF TENEMENTS

EL/ELA No.	Tenement	Ownership
South Pacific Minerals (PNG) Ltd		100% owned PNG subsidiary
EL 1348	Mt Bini (540km ²)	100% Frontier Resources
EL 1345	Mt Andewa (492km ²)	100% Frontier Resources
EL 1351	Likuruanga (356km ²)	100% Frontier Resources
ELA 1346*	Sudest (469km ²)	100% Frontier Resources
ELA 1347*	Basilaki (345km ²)	100% Frontier Resources
ELA 1356*	East New Britian (2,055km ²)	100% Frontier Resources
ELA 1360*	Central New Britian (746km ²)	100% Frontier Resources

TasGold PNG Ltd		100% owned PNG subsidiary
ELA 1343*	Jimi Valley (828km ²)	100% Frontier Resources
ELA 1344*	Bulago River (369km ²)	100% Frontier Resources
ELA 1349*	Awari (103km ²)	100% Frontier Resources
ELA 1350*	Leonard Schultz (1,200km ²)	100% Frontier Resources

**ELA's are subject to normal PNG Mining Act granting procedures for applications*

Frontier Resources Ltd Tasmanian EL's		
EL 21/1999	Wanderer River (44km ²)	90% Frontier Resources/10% McNeil Associates/EMC
EL 20/1996	Elliott Bay (11km ²)	90% Frontier Resources/10% McNeil Associates/EMC
ELA 23/2006 [#]	Lone Star (37km ²)	100% Frontier Resources
EL 2/1992	Lisle (12km ²)	100% Frontier Resources
RL 3/2005	Narrawa Creek (3km ²)	100% Frontier Resources
RL 4/2005	River Lea (4km ²)	100% Frontier Resources
EL 19/2006	Innes Peak (65km ²)	100% Frontier Resources
ELA 20/2006 [#]	Lewis (72km ²)	100% Frontier Resources

[#]ELA's are subject to normal Mineral Resources Tasmania granting procedures for applications

FRONTIER RESOURCES LTD

ABN 96 095 684 389

CONTENTS

Letter from the Managing Director	2-4
Highlights 2006.....	5
The Managing Director's Review of Operations & Activities	6-15
Directors' Report	16-26
Auditors' Independence Declaration	27
Corporate Governance Statement	28-32
Financial Report	33
<i>Income Statements</i>	34
<i>Balance Sheets</i>	35
<i>Statement of Changes in Equity</i>	36
<i>Cash Flow Statements</i>	37
<i>Notes to the Financial Statements</i>	38-62
<i>Directors' Declaration</i>	63
<i>Independent Audit Report to the Members of Frontier Resources Ltd</i>	64-65
Mineral Resources Statement.....	66
Shareholder Information.....	67

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN Bob D. McNeil MANAGING DIRECTOR Peter A. McNeil NON-EXECUTIVE DIRECTORS Graham J. Fish Warren J. Staude COMPANY SECRETARY Garry M. Edwards	HEAD OFFICE & REGISTERED OFFICE Level 1, 94 Bundall Road Bundall, Qld 4217 POSTAL ADDRESS: PO Box 7996 Gold Coast Mail Centre Qld 9726 Australia Telephone: (07) 5592 2274 Facsimile: (07) 5592 2275 Email: info@frontierresources.com.au Website: www.frontierresources.com.au	SHARE REGISTRY Link Market Services Limited Level 12 Hong Kong Bank Building 300 Queen Street Brisbane Qld 4000 AUDITORS PricewaterhouseCoopers Waterfront Place 1 Eagle Street Brisbane Qld 4000
---	--	---

LETTER FROM THE MANAGING DIRECTOR

Dear Fellow Shareholder,

Frontier Resources Ltd (formerly called TasGold Ltd) is an active Australian, Frankfurt, Berlin, and Munich Stock Exchange listed junior mineral exploration company focussed on advanced copper and gold projects in Papua New Guinea (PNG) and Tasmania.

Your company has the requirements for exploration success in 2007 being: quality projects, people, capital, equipment and a hunger for it. We have:



1. high-quality, mostly 100% owned, advanced exploration projects in stable democratic, mining friendly jurisdictions;
2. adequate working capital to achieve the immediate goals;
3. Directors, management and staff with substantial experience in PNG;
4. Company owned drill rigs, plus heavy earthmoving and support equipment; and
5. the attitude and approach.

The high-point for Frontier in 2005/2006 was the return of all our joint venture (JV) projects in PNG for \$12 plus transfer costs. This was a major coup for us, because the partner had spent about A\$2 million on the properties. Frontier also obtained all the drilling, heavy earthmoving and geological equipment purchased during the life of the JV for no cost.

The 100% ownership allows us to concentrate fully on the flagship Kodu Porphyry copper/gold molybdenum Deposit, located 55 kilometres north-northeast of the capital of Port Moresby. The Kodu Deposit contains approximately 507,000 tonnes of copper equivalent, within 108 million tonnes grading 0.33% copper + 0.42g/t gold + 60 ppm molybdenum. The re-estimation of the Inferred Resources was released to the ASX on August 11, 2006. The total in ground metal value contained in this deposit is approximately A\$5 billion (September 9, 2006), but it is possible that all of this deposit may not be extractable.

To provide a benchmark for the evaluation of copper projects in PNG, Austgold Mine Consulting Pty Ltd undertook a desktop study based on a 120 million tonne hypothetical deposit that graded 0.36% copper + 0.47g/t gold. The full results of the study were released to the ASX on June 7, 2006 and showed a theoretical Internal Rate of Return (IRR) of 55%, with a Net Present Value of (NPV) US\$516 million and cash flow of US\$1,301 million based on a copper price of US\$2.80/lb and gold price of US\$640/oz **(NB: this study is based on a hypothetical deposit and other economic parameters and investment decisions should not be based on this information)**. Note that the copper price is now (September 9, 2006) about 30% higher and the gold price is now about 5% lower than used in that evaluation.

Frontier has organised an extensive drilling campaign that will commence in mid October to attempt to convert the Kodu resource from the lowest confidence category of Inferred to the mid level of Indicated and to increase the total contained resources. The Board of Directors believe that this is the best and quickest way to produce substantial Frontier share price appreciation. Subsequent to the drill out (assuming the resource is upgraded), the Company intends to undertake a Pre-Feasibility Study to determine the best way to proceed to development of the deposit and mining.

In addition, Frontier intend to fast track evaluation of our Andewa epithermal gold prospect to determine if we can define an economic gold resource that can be put into production in the 'near term'. We expect that as we continue to evaluate and advance Kodu, it will provide our ultimate growth and share price appreciation, but expect that Andewa may be able to generate significant cashflow to move us forward in the 'near term'.

LETTER FROM THE MANAGING DIRECTOR

The Company owns and operates its own heavy equipment and drill rigs as a means of having immediate access to them when we require and also for the substantial cost savings this provides on direct exploration costs. It means we can drill more metres for the same total cost, thus increasing our 'discovery potential'. Frontier staff are responsible for maintenance and this means we get a significantly higher equipment availability and improves the cost effectiveness of our entire operation because of less "downtime".

PNG has been an independent democratic country for more than 30 years and they value their democracy and freedom highly. The country has recently modified parts of their fiscal regime to markedly improve their investment climate. PNG has a long history of World Class resource developments and was the 'birthplace' of Placer Dome in the early 1930s. Interestingly at that time, and for several subsequent years, PNG moved more air cargo in Junkers aircraft to Placer's alluvial dredging project than was moved in the entire rest of the world combined.

PNG is very attractive for exploration and mining because of many factors, but initially because it is highly prospective for major mineral deposits. This is because the country is located on the so called Pacific Rim of Fire, which is a zone broadly surrounding the Pacific Ocean corresponding to plate tectonic boundaries, where mineral deposits are formed by the associated intrusive and volcanic activity. PNG is 'elephant' (enormous deposit) country and the best way to find elephants is to go to where they are known to occur. The country is home to deposits such as Lihir (approx. 45 million ounces of gold), Porgera (approx. 25 million ounces of gold), Panguna (5Mt copper + 16Moz gold), OK Tedi (3Mt copper + 10Moz gold), Frieda River (5Mt copper + 9Moz gold) and Grasberg (12Mt copper + 52Moz gold - on the island of New Guinea but in Indonesia).

The PNG Government has been improving its fiscal regime in recent years, to now be listed in the top quarter of 'surveyed' countries in the world for hypothetical copper mines (by J. Otto of the Colorado School of Mines in USA). They have not been making the investment regime worse, by adding ad-hoc taxes and levies the way many other countries are currently moving, but have instead been making it better. PNG's politicians and citizens recognise that mining contributes enormously to GDP and regional development the way no other industry except petroleum can/does and they have no desire to stifle any mine developments.

I personally believe the sovereign risk factor in PNG is less than that in Australia. PNG has never, to my knowledge, ultimately refused any major aspect of mine development, whereas Australia has done so many times, often for 'political' reasons. The landowners at the Kodu Deposit are well known to me, we have regular meetings and are on very cordial terms; they are all 100% behind our exploration effort. The landowners are very pragmatic about mineral resource development (as are most in PNG), as it is known to be the only way to get substantial economic development in their areas. Infrastructure for many people in PNG is almost non-existent and the Kodu landowners currently have to walk several hours if they need medical treatment.

Frontier understands 'community obligations' and have contributed first aid supplies plus educational materials as assistance to local communities and have committed to building a small aid post as a service to the Kodu area landowners.

General infrastructure in the area of the Kodu Deposit is non-existent, however, the project is located only about 20km from the Hubert Murray Highway and mains electrical power. There is abundant water for any development and no known environmental issues. Frontier have now pushed a 'tracked vehicle' track about three quarters of the way towards the Deposit and when completed later this year it will be used as our main access and support route. This will also help dramatically reduce air mobilisation costs.

LETTER FROM THE MANAGING DIRECTOR

The Bukuam Prospect in New Britain, PNG (EL 1351) is divulging its secrets, with a substantial gold and copper in soil anomaly partly defined by recent Frontier exploration. The prospect is located in a 5.5km long x 1km wide copper in stream sediment anomaly, adjacent to the eastern margin of the Esis-Sai intrusive granitoid complex. These anomalies (+ jarosite alteration) are all located to the north and east of previous trenches containing high surface gold values in silicate-sulphide skarns. A follow-up program has been initiated to better define the anomalies prior to trenching and possible drilling in 2007.

The Company's Directors are all geologists with advanced degrees and have about 155 years combined post graduate experience. The Non-Executive Chairman, Bob McNeil, is an exploration geologist with over 45 years experience who established and ran Exxon Minerals PNG's exploration division. I feel that Frontier have an excellent Board with the depth of experience required to enable the Company to perform to the best of its ability, in terms of potential for exploration success and returning significant value to shareholders.

I am an Exploration Geologist with a Masters degree in Geochemistry and 24 years professional experience. I have worked in Papua New Guinea since 1985, including on the 45 million ounce Lihir Gold Deposit and lived in the country for five and a half years. The Logistics/Drilling Manager (Trevor Grigson) and I have worked together for much of the past 14 years, with much of that in PNG. Linus Kameko is Frontier's PNG Supervisory Geologist and we have worked together for much of the last 21 years. We have a great crew of Australian and PNG National geologists, drillers, field assistants and support staff that I am proud to be associated with.

Frontier Resources Ltd is, in my opinion, an excellent resource investment, because the Company is substantially undervalued relative to the premium exploration assets that we own 100%. This is perhaps because the Australian markets have a negative perception of Papua New Guinea, relative to even very unstable and dangerous places. I definitely do not agree with, or share this perception.

I anticipate that Frontier will be capable of financing any gold project and could move projects such as Andewa to development. In addition, it is possible we could develop the capability to put a very large deposit such as Kodu into production and raise the capital required to do this. It is also possible that we may seek a JV partner on Kodu with significant large copper mine operating experience and substantial cash reserves to fund the Feasibility Studies and manage the development and mining. What would occur is dependent on what the Board perceives will produce the best return for shareholders. Apart from the two possible development projects we are assessing, we are currently actively seeking JV partners for our other projects so the partners can bear the fiscal risk and we can share the rewards for a substantially reduced or perhaps for no cost.

The vision for Frontier is to be a copper-gold focussed mining company in the shortest possible timeframe. The goal is to be operating a low cost gold mine in the 'near term' at Andewa to provide cash flow for continued exploration and to have moved the Kodu Deposit toward development and base and precious metal production. Optimistically, we will also have discovered additional potentially economic copper-gold resources at the Elo, Esis, Uasilau and Tamala occurrences that will be progressed toward production decisions.

Thank you for your historic support and I wish you a successful and prosperous 2007.



P.A. McNeil, M.Sc.
Managing Director

HIGHLIGHTS 2006

- ❖ A 100% interest was obtained in the Kodu porphyry copper-gold-molybdenum Deposit in PNG for effectively no cost (a 15% free carried interest to completion of bankable feasibility study was previously held).
- ❖ The Company changed its name from TasGold Ltd to Frontier Resources Ltd.
- ❖ Frontier changed its exploration focus to copper and gold in PNG, specifically to the Kodu Project's rapid resource delineation and subsequent advancement toward possible production.
- ❖ A desktop study by Austgold Mine Consulting Pty Ltd of a hypothetical and modest 120 million tonne porphyry copper deposit grading 0.36% copper + 0.47g/t gold, in a relatively accessible location in PNG, suggests such a project could be very financially attractive. **(NB: this study is based on a hypothetical deposit and other economic parameters and investment decisions should not be based on this information).**
- ❖ The Kodu Deposit Inferred Resource was re-estimated and upgraded to contain 507,000 tonnes of copper equivalent in 108 million tonnes grading 0.33% copper + 0.42g/t gold + 60ppm molybdenum (ASX release of August 11, 2006). The total in ground metal value contained in this deposit is approximately A\$5 billion (September 9, 2006), but it is possible that all of this may not be extractable.
- ❖ Geological evaluation has shown the mineralisation at Kodu to be open at depth, along strike and around the annulus of the intrusion and is considered to have good potential to increase resources and to convert resources to reserves.
- ❖ Resource definition/expansion drilling is planned to commence mid October at Kodu, plus initial evaluation, exploration and then drilling of the 2km long Andewa epithermal, gold mineralised vein system early in 2007. Grid based soil sampling has recently been completed at the north-east Kodu Prospect, located about 1.5km to the north east and along structural trend of Kodu. The Elo porphyry copper/gold/molybdenum Prospect will be gridded (commencing in late September) for ground magnetic and geochemical survey, to define magnetic signal geophysical and copper/gold/molybdenum geochemical anomalies, such as those that host significant mineralisation at Kodu.
- ❖ The Bukuam Prospect in EL 1351 in New Britain, PNG is located in a 5.5km long x 1km wide copper in stream sediment anomaly adjacent to a major granitoid complex. Recent soil sampling defined major copper and gold anomalies (with local jarosite alteration) to the north and east of historic trenches containing high surface gold values in silicate-sulphide skarns. The area's significant exploration potential is now being further assessed with detailed follow-up work.
- ❖ Fifteen core holes were completed for 741.1m at the Narrawa Prospect in north central Tasmania. The mineralisation at the Higgs Deposit was extended and a sub-parallel zone of mineralisation was drilled. Significant results were returned including: Hole NC 029 with 6.25m (from 42.75m depth downhole) grading 3.23g/t gold + 46ppm silver +3.41% lead + 2.29% zinc, NC035 with 2m (from surface) grading 14.98g/t gold and NC036 with 31.9m (from 2.1m depth) grading 1.20g/t gold. The resource is now being re-estimated.
- ❖ A 38 line km 3D-IP (induced polarisation) survey was completed over the Wart Hill and Aldebaran Prospects in SW Tasmania in late 2005, providing 3 data sets and a large amount of information to assist drill hole targeting and understanding of the system. Two holes were drilled at Wart Hill for 762m and 5 holes for 715.8m were drilled at Aldebaran. Relatively short diamond core holes were used at Aldebaran to test a variety of geophysical/geochemical anomalies. Strong VHMS related alteration was intersected indicating relative proximity to a mineralised fluid source and providing strong encouragement and targeting vectors for future drilling.
- ❖ Commercial drilling was successfully undertaken in Tasmania, 3 drilling rigs were sold and 2 more are under construction for the Company's use in PNG.
- ❖ Frontier Resources Ltd listed on the Frankfurt and Munich Stock Exchanges.
- ❖ Directors, management and staff are very optimistic about the Company's future.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Frontier has positioned itself to become a major explorer in mineral rich PNG, with a 100% interest in a portfolio of quality copper and gold Exploration Licences (EL) and Applications (ELA), covering approximately 7,500km². It also holds a 100% or a 90% interest in approximately 250km² of Exploration and Retention Licences (plus applications) of base and precious metal properties in Tasmania. Many of these properties have high-grade gold in rock, trenches and drill holes.

The licences and applications offer excellent mineral deposit potential, with primary targets being major copper/gold/molybdenum, gold/silver and polymetallic (zinc/lead/silver) deposits. The projects all have high-grade exploration results and are in the same or similar geological terranes as existing World Class and/or major mines.

The Company finalised the acquisition of a 100% interest in the substantial Kodu Deposit in PNG, which will be evaluated for possible early development and copper/gold/molybdenum production. The Kodu Deposit is open at depth, along strike and around the annulus of the intrusion and is considered to have good potential to increase resources and convert resources to reserves.

A Desktop Economic Study by Austgold Mine Consulting Pty Ltd of a hypothetical 120 million tonne deposit in a reasonably accessible location in PNG, suggests such a project could be very financially attractive. **(NB: this study is based on a hypothetical deposit and other economic parameters and investment decisions should not be based on this information).**

The strategy forward for Frontier is to concentrate exploration on the most advanced projects in PNG and progress them rapidly and cost effectively to the development phase, including:

- Confirm and extend the limits of the known Kodu Deposit Inferred Resource, with approximately 10,000m of total drilling planned to commence mid October 2006.
- Subsequently initiate a pre-feasibility study at Kodu to assess requirements/possible paths forward if the resource is upgraded.
- Undertake a ground magnetic and geochemical survey at the large Elo porphyry copper/gold/molybdenum Prospect, then drill test it and perhaps other porphyry prospects near Kodu (included in above meterage total).
- Concurrently fast track evaluation of the 2km long, gold mineralised Komsen epithermal vein system in New Britain, with a view to defining on and near surface, potentially economic gold resources for possible 'near term' development.
- Seek JV partners to assist in the exploration and development of the other properties.

Resource definition/expansion drilling and pre-feasibility studies will commence at the Kodu copper/gold/molybdenum Deposit, plus initial evaluation, exploration and drilling of the other projects.

Drilling is the only activity that ultimately defines a mineral deposit and returns significant value to shareholders; this is why we have developed a drilling and drill manufacturing capacity to complement our exploration activities.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

PROJECT HIGHLIGHTS

PAPUA NEW GUINEA PROPERTIES

Note: Mt Bini (EL 1348), Andewa (EL1345) and Likuruanga (EL 1351) are granted Exploration Licences and the other areas in PNG are Exploration Licence Applications. The results described below for Likuruanga the PNG ELAs relate to historic exploration.

For additional information and plans on all the properties please review the Company's releases to the Australian Stock Exchange.

KODU DEPOSIT AND MT BINI

Frontier hold all of the recently defined Mt Bini porphyry copper/gold/molybdenum district in PNG (540 km²), with 5 known, but mostly unexplored, mineralised porphyry occurrences. The Flagship Kodu porphyry copper/gold/molybdenum Deposit has an Inferred Resource with 507,000 tonnes copper equivalent in 108 Mt of rock grading 0.33% copper + 0.42g/t gold + 60ppm molybdenum and is located 55km north-east of Port Moresby.

There is excellent scope to significantly increase the Inferred Resource at Kodu.

- The mineralisation is open:
 - at depth;
 - around the annulus of the composite intrusion (magnetic signal anomalies and only 1 of 4 has been drill tested);
 - along strike to the south-west and possibly fault offset in the north; and
 - to the east contained within the host wallrock.
- Only 16 drill holes have been completed to date for 5,530m, with 11 holes being terminated in mineralisation, with results such as hole BND003 - 184m of 1.00g/t gold + 0.31% copper (42 to 226m downhole) and hole BND004 - 401m of 0.56g/t gold + 0.51% copper (entire hole). Trenches include 110m of 1.25g/t gold + 0.1% copper.

The associated gold in soil anomaly is open ended to the south-west and north-east (>2,500m long and about 700m wide), with 3 cohesive known higher grade zones; 1 of these is undrilled and is 600 x 200m in size, centred 500m north-north-east of the existing holes and could represent a fault displaced section of the mineralised porphyry deposit.

A Desktop Study assumed a hypothetical porphyry copper/gold body of mineralisation containing 120Mt grading 0.36% copper + 0.47g/t gold and the Study showed a robust development possibility at metal prices noted below.

The Study showed that for 120 million tonnes, at a production rate of 39,000t of copper and 127,000 oz gold/year for 10 years, capital cost of US\$235,000,000, an assumed copper price of \$US2.80/lb and a gold price of US\$640/oz:

- IRR is 55%.
- Cumulative cash flow to shareholders is US\$1,300,000,000.
- NPV is US\$515,700,000.

If 200Mt of mineralisation are assumed and a copper price of US\$2.80/lb and gold price of US \$640/oz are used:

- IRR is 53.3%.
- Cumulative cash flow to shareholders is US\$2,597,300,000.
- NPV is US\$1,015,000,000.

NB: Shareholders/investors are cautioned that the above Desktop Study is theoretical and based on assumed mineralisation, capital and operating costs.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Some advantages of any potential mining operation at the Kodu Deposit could be:

- the on/near surface nature of the copper/gold deposit;
- the possibility of a starter pit in the southern higher-grade near surface gold zone for more rapid capital payback;
- moderate possible stripping ratio;
- logistically simple and 'cheaper' location for development, being only approximately 55km north-east of Port Moresby;
- no known environmental issues;
- there are four additional copper/gold molybdenum mineralised porphyries known in the Kodu district that provide additional potential; and
- PNG's competitive tax regime that is in the top quartile for copper deposits.

High grade gold mineralised epithermal veins, such as trench outcrop to 20.3g/t gold and drill hole to 2m of 15g/t gold, have been traced for significant surface distances and require drill evaluation. These provide an attractive complementary target to the porphyry copper/gold.

The EL covers 540km² of drainage gold anomalies in 10 zones that have only had varying but generally limited follow-up completed. Logistics for exploration and development are very good relatively, being located 55km north-east of the National capital of Port Moresby and 20 linear km from blacktop road access, with a track to site about three-quarters complete.

ANDEWA

The Andewa gold Project has a 2km long, extensively hand trenched, moderate grade, multiple epithermal vein system. Immediate drilling targets are present and include moderate grade vein and bulk mineable targets. It is Frontier's intent to fast track evaluation of the Andewa Prospects with the view to define potentially economic resources for possible near term development.

This extinct stratovolcano/caldera is 9km wide, eroded and breached to the north-west. The multi-phase, calc-alkaline rocks are contained within a 7km x 2.5km north-west trending structural zone with widespread and substantial hydrothermal alteration. There are five known high stratigraphic level, undrilled prospects requiring substantial evaluation and many additional areas of interest.

Gold/arsenic anomalous soil geochemistry is reported to cover an embayed triangular shaped area of about 18km². Assays include trenches to 3m of 14.26g/t gold, 15.6m of 5.12g/t gold, 5m of 8.61g/t + 5.9m of 3.86g/t gold + 5.1m of 3.27g/t gold, 9m of 6.80g/t gold and 9m of 6.06g/t gold. In addition, outcrop rocks assay to 58.4g/t gold, often with high silver +/-lead/zinc.

The project area is well located for possible project development near the northern coast of West New Britain Province and covers 492km², including Mt Schrader to the west, both in a similar general tectonic setting to the Lihir Deposit.

MT LIKURUANGA

The Esis porphyry copper deposit is situated on a north-north-west trending ridgeline, on the western flanks of the 20km long x 6km wide Esis-Sai granitoid complex. Mineralisation is in quartz-diorite and magnetite breccias and a resource was never estimated. The exploration target is 150 to 300M tonnes grading 0.4 to 0.6% copper or better, from surface, based on extensive historic trenching, creek channel sampling, 4 diamond drill holes and 15 shallow 'Winkie' drill holes.

BHP geologists estimated the mineralised zone in soil and rock sampling to be more than 1,300m long and approximately 700m wide, with weighted copper of 0.18%. A body 1,000m long and 100 to 150m wide was also noted grading approx. 0.4% copper from the 15 shallow Winkie drill holes (average depth of 25m) and hand trenches. The holes were averaged over their entire length and included 21.6m of 0.50% copper and 30.3m of 0.41% copper, at opposite ends of the ridge, leaving the

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

mineralised zone open to the north and south. One of the best results from the costeans was 90m of 0.40% copper with 20ppm molybdenum within a magnetite breccia.

Four diamond holes (152.5m each) were drilled to test the supergene mineralisation, with best results of 152.6m grading 0.39% copper + 24ppm molybdenum and 152.4m of 0.28% copper + 12ppm molybdenum, with highest grades of 1.62% copper and 124ppm molybdenum.

A priority exploration target is an untested gold zone in soil at the Pele Prospect, located 750m north of the northern end of Esis. A zone of jarosite alteration nearly joins Esis to Pele and is 650m long and up to 150m wide, with coincident copper in soil and rock anomalism indicative of possible sub-surface copper mineralisation. Little or no work has been done at Esis for about 32 years, except for Frontier's recent trench and creek channel sampling.

The Bukuam Prospect is located in a 5.5km long x 1km wide copper in stream sediment anomaly located adjacent to the eastern margin of the Esis-Sai intrusive granitoid complex. The prospect contains significant exploration potential that is now being assessed. Recent soil sampling by Frontier has defined major gold and copper anomalies (+ jarosite alteration) to the north and east of trenches containing high surface gold values in silicate-sulphide skarns and a follow-up exploration program is now underway.

Limited historic trenching returned 205m of 1.9g/t gold (incl. 55m of 5.8g/t gold, incl. 5m of 13.1g/t gold), 10m of 5.1g/t gold and 70m of 1.7g/t gold in different zones. In addition, grab and float samples in a separate silver anomalous area, assay to 6.55g/t gold + 230g/t silver and remain to be evaluated.

Only 3 holes were drilled with results such as 6m of 2.2g/t gold + 9.5g/t silver + 1.2% zinc, 2m of 3.5g/t gold + 9.5g/t silver and 10m of 1.7g/t gold + 2.7g/t silver + 4.8% zinc (the 205m interval remains untested by drilling). According to the 'Rio Tinto' geologists who drilled it, "the gold grade in the skarn could increase towards the shear zone with a possible bonanza at the contact". The EL covers approximately 356km².

CENTRAL NEW BRITAIN

The Exploration Licence Application (ELA) (subject of a letter of intent with Teck Cominco for an option) contains the Uasilau/Yau Yau porphyry copper molybdenum Prospect, which is an elongate 7,500 x 2,500m zone of anomalous copper in region with variable ash cover and gold anomalism. There is a large associated area of advanced argillic alteration possibly representing unevaluated epithermal gold mineralisation potential. Gold analyses are relatively limited, but where they exist, significant anomalous areas in soils and rock chips warrant follow up, in addition to the porphyry copper potential.

Located about 14km south of Uasilau, the Pelepuna Prospect is a zinc +/- gold skarn and undrilled porphyry. Neither Uasilau nor Pelepuna have had any exploration conducted for about 20 years.

SUDEST

The 469km² ELA covers the first known hard rock gold mine in PNG and is located in the 'mineralised corridor' hosting the now closed, but highly successful >4Moz Misima Deposit/Mine. The application contains a 25km long zone of anomalous gold geochemistry in drainages, has had very limited follow-up ever undertaken and never been drilled at all. Logistics for possible development are good.

Less than 10% of the gold in stream geochemistry strike length has even been cursorily evaluated by soil geochemistry or trenching, yet contains results to 151.2g/t gold in outcrop, 2m of 104.5g/t gold in trench, 260.0g/t gold in float rock, 2,540 ppb gold in BLEG, 1.49g/t gold in stream sediment and 387.0g/t gold in pan-concentrate. Variably altered intrusive suites (similar to mineralised porphyry systems) and high-grade epithermal and mesothermal veins offer attractive targets.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

BASILAKI

The Tunawada Prospect was defined by assays to 0.12g/t gold in silt, 1.1g/t gold in pan-concentrates and 180 ppb in BLEG. Detailed follow-up investigation included geological mapping, soil sampling (to 1.25g/t gold), whacker 'bedrock sampling' (to 21.0g/t gold), rock chip (to 28.1g/t gold in outcrop) and channel sampling (to 1.75m of 17.8g/t gold plus 0.9% copper).

A 1km² soil anomaly with gold values exceeding 0.05g/t gold and copper values of better than 200 ppm copper has been outlined at Tunawada. A Whacker 'drill' bedrock sampling program (25m spacings 100m on lines) defined anomalies covering up to 500 x 300m averaging >0.2g/t gold and up to 500 x 100m averaging >1.0g/t gold. The prospect has had very limited trenching (results not available), has never been drilled and is contained within a 345km² ELA.

EAST NEW BRITAIN

The ELA covers about 2,055km² and limited bulldozer trenching at Doilene Prospect included 10.9m of 26.9g/t gold (incl. 40cm of 136.4g/t gold and 1.0m of 147.8g/t gold), 2m of 16.9g/t gold, 4m of 9.84g/t gold, 3.5m of 5.14g/t gold and 3m of 4.65g/t gold. These trench anomalies have never been drilled. Visible gold and anomalous pan concentrate gold values are noted associated with an altered intrusive dyke and previous soil sampling was relatively limited. Scout drill testing is warranted.

A toxic element anomaly at Mali was defined over an 80km² area associated with the Sikut caldera. The LK1 Breccia Prospect returned outcrop sampling up to 2.5m of 9.6g/t gold with grab samples to 17.8g/t gold. The Palang Hill Prospect is a 500m by 100m brecciated and veined zone with trenches to 12m of 2.64g/t gold in the central part of the prospect and 15m of 2.13g/t gold in the northern section of the area. A 2.5m channel returned 9.66g/t gold + 0.20% copper + 12g/t silver. Alluvial platinoids (Pt, Pd) and gold occur in two adjacent tributaries [pan concentrates to 29.44g/t gold, 22.7g/t Pt and 0.45g/t Pd] and there has been no follow-up in the 3km² target area.

AWARI

Miocene intrusive related porphyry copper-gold systems (101km² ELA) at Awari are thought to be prospective for intrusive related [Porgera type (25Moz)] high-grade gold and bulk mineable deposits.

Five prospects were defined by using pan concentrates to 3,408 micrograms gold and BLEGs to 113 ppb gold, but only one has been followed up. Soils assayed up to 569g/t gold, rocks to 7,100g/t gold, channel chips to 7.75m of 15.7g/t gold and from limited drilling, intercepts to 7.8m of 15.7g/t gold. The project has excellent untested exploration potential requiring evaluation.

LEONARD SCHULTZ

This 1,186km² ELA is located on the northern edge of the central cordillera of PNG, straddling the Leonard Schultz Thrust Zone, proximal to the Frieda River porphyry copper and epithermal Prospects (>9Moz gold + 3Mt copper - not a Frontier property) and covers a diverse suite of copper +/- gold rich intrusives, ultramafics and metamorphics.

The undrilled Kru Prospect is defined by gold in soils (to 51.1 g/t gold) over about 2,500 x up to 500m. Limited trenching includes results up to 5m of 12.33g/t gold, 20m of 3.52g/t gold, 15m of 3.70g/t gold and 20m of 2.4g/t gold. The Wasi Prospect has apparently never been tested for gold and management considers that it also has untested porphyry copper potential.

Lateritic nickel was documented in 2 auger holes located about 2km apart. Only 6 auger holes were drilled in the region in total and included 10.3m of 1.28% nickel and 9.6m of 1.30% nickel + 0.13% cobalt.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

BULAGO

The Bulago ELA is about 365km² and contains very high gold grades associated with intrusives in narrow to moderate width structures. There is a large and cohesive gold and arsenic in soil anomaly within a large gold in drainage anomaly. Five holes were drilled historically for 800m, but did not intersect any high-grade gold.

Rock samples include: 197g/t gold + 363g/t silver, 142g/t gold + 108g/t silver, 73g/t gold, 108g/t gold, 145g/t gold. Outcrop samples include: 15m of 57.4g/t gold, 6m of 72.2g/t gold, 0.85m of 754g/t gold, 2m of 188g/t gold (re-assay of 220g/t gold), 1.4m of 55g/t gold +34g/t silver.

JIMI VALLEY

The ELA has more than 18 named prospects. At Mul Mul, surface geochemical anomalies were never closed off and are 850m and 200m long respectively. Trenching revealed 16m of 0.8g/t gold + 70g/t silver + 2.5% copper + 2.2% lead + 6.4% zinc and 8m of 0.9g/t gold + 126g/t silver + 3.7% copper + 6.3% zinc.

A soil sample near another trench with 6% copper + 16% zinc + 7g/t silver ran 2.3g/t gold. Three holes were drilled. In addition, base and precious metals in a 100m wide clay-silica altered zone, controlled by a splay fault off the Kol Fault. Gossan assayed 4.5g/t gold with nearby gold in soil values of 0.19g/t gold. Three drill holes with no significant results.

Channel sampling of 5m of 13.2g/t gold at Kolum-Togo Prospect with float samples to 2.9% copper. Several 2 to 5m zones at Weitah Ridge assayed up to 7.3g/t gold. Channel sampling resulted in 17m of 1.2g/t gold. Mineralised brecciated rock with a clay matrix occurs in fault zones with rock chips assay to 0.5% zinc, 0.1% copper and 2-3oz silver/tonne at Kanska. The prospect has not been tested for gold. Shear hosted pyrite veins assayed up to 3m of 2.7g/t gold, and 20m of 2.4g/t gold at Lower Rioron.

TASMANIAN PROPERTIES

SMRV

The target at the Wart Hill Prospect in the SMRV in south-west Tasmania is a major volcanic hosted massive sulphide deposit such as the Rosebery Deposit/Mine, which is located approx. 125km to the north in the same Mount Read Volcanic sequence. Rosebery (owned by Zinifex) contains >32 million tonnes at 14.6% zinc, 4.5% lead, 146g/t silver and 2.3g/t gold.

Frontier's first hole at Wart Hill returned 3.9m of 20% combined base metals and highly significant precious metal credits (123g/t silver, 0.6g/t gold, 12.6% zinc and 7.2% lead). Trenches included 3m of 680g/t silver + 0.84g/t gold + 13.9% lead + 21.9% zinc + 0.2% copper.

In 2005/2006, a 38 line km 3D-IP (induced polarisation) survey was completed over the Wart Hill and Aldebaran Prospects in late 2005, providing 3 data sets and a large amount of information to assist drill hole targeting and understanding of the system.

Two holes were drilled at Wart Hill for 762m and 5 holes for 715.8m were drilled at the Aldebaran Prospect. Aldebaran is located about 1,700m east of Wart Hill in a zone of extensive zinc and lead soil anomalies in a major alteration zone, perhaps peripheral to a mineralised system. The area has prospective geology, alteration and geochemistry associated with an intrusive related, major aeromagnetic structure. Relatively short diamond core holes were used at Aldebaran to test a variety of geophysical /geochemical anomalies.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Strong VHMS related alteration was intersected indicating relative proximity to a mineralised fluid source and provides strong encouragement and targeting vectors for future drilling.

A combination of mapping and drilling has delineated extensive chlorite alteration with significant sulphide within footwall units, as well as widespread pervasive sericite, basemetal-bearing pervasive silicification and carbonate alteration. Further encouragement comes from the tenor of the footwall chlorite alteration at Aldebaran, which is commonly stronger than that at the nearby Wart Hill Prospect.

Mineralised intercepts at Aldebaran were generally low tenor, with a few returning several percent basemetals (combined) over 1 to 2m. Drill hole ALD002 returned a wide interval of low tenor lead mineralisation. No significant gold analyses were returned (maximum of 0.03g/t). Significant assays are reported in the table below. No significant massive sulphide or sulphide mineralised intervals were noted in ALD004 or ALD005 and these holes are expected to have low tenor assay results and have not been sampled.

Wart Hill and Aldebaran Prospect Drill Collar, Orientation and significant assay information is tabulated below. Note that hole ALD003 was completed, then later re-entered and deepened.

Hole ID	Easting (m, AGD66)	Northing (m, AGD66)	Azimuth (degrees)	Dip (degrees)	Depth (m)	Prospect	EL
WWD003	379209	5250877	90	-60	294	West Wart	20/1996
WD016	379125	5251520	91.5	-85	468	Wart Hill	20/1996
ALD001	381107	5252217	90	-50	184.3	Aldebaran	21/1999
ALD002	381069	5251653	90	-45	125.7	Aldebaran	21/1999
ALD003	381364	5251621	105	-60	195.8	Aldebaran	21/1999
ALD004	381220	5251817	100	-45	120	Aldebaran	21/1999
ALD005	381178	5252402	90	-55	90	Aldebaran	21/1999

Hole ID	Interval (m)	From (m)	Lead %	Zinc %	Silver g/t
ALD001	18	68	0.05	0.19	1.5
incl.	0.5	68	0.51	2.47	11
ALD002	15	110	0.11	0.06	1
incl.	4	112	0.28	0.05	1.5
ALD003	11	72	0.35	0.11	3.6
incl.	0.4	72.3	2.34	0.3	13
incl.	0.25	76.35	4.09	2.74	26

Interpretation of the IP survey results in conjunction with the mapped geology has provided significant insights into processes forming VHMS related mineralisation. A key feature of the mineralisation in the Wart Hill/Aldebaran area is the interplay between mineralisation and alteration processes in relation to the active volcanic setting. The periodic influx of significant volumes of mass flow turbidite forming crystal-rich volcanic facies has apparently swamped the VHMS forming system at various stages, resulting in re-migration and focusing of hydrothermal fluids at progressively higher stratigraphic levels. Such processes are reflected in the chargeability data, with anomalous zones (plumes) interpreted to extend between the original footwall, relatively feldspar-rich volcanoclastics, upward through the crystal-rich mass flows. Further, resistive zones have been correlated with pervasive silica+/-basemetal zones, interpreted to originate via sub seafloor replacement (e.g. ALD002).

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Two main horizons with potential to bear exhalative VHMS were identified. The deepest horizon lies at the top of the relatively feldspar-rich volcanics with CVC (Mount Read Volcanics - Central Volcanic Complex) affinities. The top of this unit likely represents a disconformity surface, coincident with a period of relative quiescence, during which time seafloor VHMS formation is likely. The occurrence of extrusive basalt, shale and significant sericite, silica and carbonate alteration within the crystal-rich volcanoclastics in ALD005 is indicative of one of the VHMS-exhalative horizons, located mid-level within the volcanics and spatially associated with porphyry. This horizon is closely analogous to that hosting the base and precious metal mineralisation at the nearby Wart Hill Prospect.

Additional prospects that require further evaluation include:

- Sassy Creek with 3m of 17.5g/t gold in drill core in a large low resistivity zone with gold anomalous soils, a shallow chargeability zone and clusters of lead/zinc anomalies, overlying the lower part of a silicified agglomeratic unit.
- Copper Creek with 7.6m in drill of 56g/t silver + 1.24% lead + 0.9% zinc in a major structure. Up to 180g/t silver, 1.0g/t gold, 1.25% and 4.1% lead in 1m trench samples, strong resistivity (probable silicification) over approx. 100m width, broad chargeability anomaly, gold in PC, trenches include 8m of 96g/t silver, 0.35g/t gold, 1.1% lead and 0.32 % zinc, a Questem EM anomaly, peak auger assays of 0.53g/t gold, 650 silver, 5.4% lead, 5.21% zinc and 0.26% copper.

Several complex overlapping chargeability anomalies associated with broad resistivity lows occur at Pleiades, with up to 1.2g/t gold in soil, with 0.50g/t gold quartz stockwork vein outcrop approx. 20m south and galena/sphalerite in 20cm quartz vein in a pit to 2.3g/t gold, 108g/t silver, 2.8% lead, 7.8% zinc and 0.17% copper.

The SMRV Project has good mineralisation potential and offers 'company maker' sized targets warranting substantial exploration and drilling.

GOWRIE PARK

The Retention Licences are located in easily/moderately accessible north central Tasmania and cover two existing bodies of gold mineralisation that previously had Inferred Resources estimated.

Targets are gold and base metal mineralisation within part of the Dolcoath Granite aureole and surrounding rocks. Results in drill holes such as: 9m of 135g/t silver + 1.49g/t gold + 9.74% lead + 5.90% zinc, plus 1.5m of 25.5g/t gold, plus 4m of 10.5g/t gold plus 25.4m of 4.33g/t gold (including 1.3m of 23.1g/t gold and 1m of 14.21g/t gold) show additional exploration is strongly warranted.

Frontier relinquished EL29/2003 in favour of acquiring Retention Licences covering the ground including and adjacent to the polymetallic Higgs Gold Deposit (RL3/2005; 3km²) and Stormont Deposit (RL4/2005; 4km²). Frontier Resources Limited is currently looking for a Joint Venture Partner to continue exploration and development on these retention licences. The identified resources could potentially be mined and then toll treated locally (Intec-Hellyer or Rosebery). A number of small scale open pit or underground operations may be feasible if the continued targeting of lodes is successful.

Exploration in 2005/2006 focused upon resource definition to the south-east of the Higgs Deposit. One drillhole was deepened (NC27) and 15 new diamond drill holes (NC28-NC42) were completed for a total of 741.1m.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

The strike length of the Higgs Lode was extended 50m to the south-east (NC27 to 34), and a small sub-parallel satellite orebody named the "666 Lode" was discovered across the creek some 100m north east through trenching and diamond drilling (NC35 to 41; see Table 1 and 2). Both the Higgs and 666 Lode are open in terms of resource potential, which remains to be tested by further drilling.

Significant potential exists to delineate additional substantial resources in the surrounding area. An encouraging 0.5m grading 2.21g/t Au (from 25m in NC42) was returned from an interval of massive pyrrhotite-chalcopyrite mineralisation, located 400m south-east of the Higgs Gold Mine. The hole was terminated before target depth in intense silicification and veining with overprinting skarn alteration, due to mechanical problems and timeframes related to mobilization to Frontier's SMRV project. An inferred synclinal fold hinge, which was the original intended target, is expected to be intersected when the drill hole is extended when a new program resumes.

Other untested potential includes:-

- Untested anomalous gold in soils upslope from the Higgs workings to 2.97g/t Au.
- West Higgs where channel sampling returned values to 58.67g/t Au.
- Packetts and West Packetts line of workings.
- South eastern VLFEM anomaly highlighted by an untested 0.97g/t Au in soil.

The tables below show 2005/6 drill collars (NC27 was re-entered, drilling a further 37.8m from 46m) and significant assay intersections respectively.

Table 1

Hole ID	Easting	Northing	Azimuth	Dip	Depth
NC27	425514	5406619	35	-45	83.8
NC28	425514	5406619	55	-45	82.5
NC29	425514	5406618.9	35	-55	79.5
NC30	425514	5406618.7	35	-70	97.5
NC31	425538	5406615	35	-45	28
NC32	425538	5406615	35	-55	54
NC33	425573	5406633	215	-45	32.9
NC34	425573	5406633	215	-70	57.1
NC35	425453.3	5406742.5	35	-90	15
NC36	425496	5406731	142	-50	38.8
NC37	425495.9	5406731.2	142	-85	18
NC38	425512	5406757.5	215	-65	51.1
NC39	425512.3	5406757.5	0	-90	35
NC40	425434	5406755	0	-90	32.6
NC41	425556	5406731	215	-59	25.6
NC42	425918.5	5406776	31	-51	55.5

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Table 2

Hole ID	Interval	From	Au ppm	Ag ppm	Cu %	Pb %	Zn %
NC28	4.7	34	1.00	49	0.06	1.96	3.98
including	2.7	36	1.53	72	0.08	3.21	5.93
including	1.2	36	2.28	132	0.13	7.40	10.88
NC28	3.2	43	0.85	26	0.28	1.93	1.04
including	1.7	43	1.23	37	0.31	2.69	1.24
NC29	6.25	42.75	3.23	46	0.19	3.41	2.29
including	2.5	46.5	5.86	49	0.18	3.56	2.26
NC29	4.6	52	1.27	18	0.02	0.79	0.65
including	1	55.6	0.50	71	0.09	3.58	2.82
NC32	6.5	32.5	0.07	32	0.06	2.37	1.98
NC34	0.9	7.4	0.00	9	0.04	0.44	1.22
NC34	3.1	12.3	0.86	10	0.16	0.25	0.32
including	0.6	13.3	3.20	8	0.34	0.05	0.02
NC34	2	17.7	1.27	11	0.20	0.18	0.17
NC35	2	0	14.98	4	0.04	0.05	0.03
NC36	31.9	2.1	1.20				
including	5.9	2.1	1.33	9	0.05	0.36	0.49
including	2	3	2.45	9	0.06	0.51	0.87
including	7	14	2.13	2	0.05	0.03	0.17
including	4.5	29.5	3.16				
NC42	0.5	25.5	2.21				

An interval of 42m of 9.56g/t gold in trench and 36.5g/t gold at the end of development work in a short adit show more work is warranted.

LISLE / LONE STAR

Hole PVD 001 drilled at the Panama Prospect returned 0.5m of 19.1g/t gold and 0.8m of 22.4 g/t gold and PVD 002 returned 1m of 9g/t gold in suspected en-echelon north-north-east/north-east trending, high-angle gold bearing quartz reefs in hornfelsed metasediments. There is good ore shoot potential down plunge at the intersection with a separate northerly trending quartz reef. There is also good potential along strike and down dip en-echelon gold prospectivity, with adit rock samples such as 71.1, 21.25, 20.75, 49.5 and 12.0g/t gold.

At Potoroo Prospect there is extensive gold, silver, arsenic, copper, lead, bismuth quartz veining and stockworks in a pervasively altered, major north-north-east trending structural zone in granodiorite. There are also coincident and cohesive gold + arsenic soil anomalies (to 0.38g/t gold and 450ppm arsenic) and a local aeromagnetic high. Consistent mineralisation recorded in limited trenching and drilling (excluding 64m of 0.55g/t gold in trench and 106m of 0.24g/t gold - entire hole was mineralised). Plus other prospect areas (Enterprise) with high grade drill results to 4m of 12.8g/t gold.

For additional information and plans on the Company's properties, please review the announcements to the Australian Stock Exchange.

Management believe Frontier's properties could yield major orebodies with ongoing exploration, however, shareholders are cautioned that exploration is uncertain, high risk and success is not guaranteed.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Frontier Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2006.

DIRECTORS

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

R.D. McNeil
P.A. McNeil
G.J. Fish
W.J. Staude

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The consolidated entity loss from operating activities after tax for the financial year is \$2,844,203 (2005: Profit \$122,903). There is no dividend paid or recommended.

The result of the consolidated entity was significantly affected by a loss on sale of 3,000,000 Tribune Resources Corporation (formerly known as South Pacific Minerals Corp.) shares of \$1,043,670 and exploration expenditure of \$1,515,568 (2005: \$551,471) expensed in accordance with the Company's accounting policy regarding the capitalisation of exploration expenditure as outlined in note 1 to the Financial Statements.

REVIEW OF OPERATIONS

During the financial year;

- (i) The Company funded ongoing exploration and evaluation work on its exploration areas in Tasmania and Papua New Guinea.
- (ii) The Company reacquired a Papua New Guinea subsidiary (South Pacific Minerals (PNG) Ltd) for \$12 from Tribune Resources Corporation (formerly known as South Pacific Minerals Corp.) (refer note 20).
- (iii) The Company sold 3,000,000 shares in Tribune Resources Corporation (formerly known as South Pacific Minerals Corp.) for \$216,555.
- (iv) The Company raised \$1,202,853 before costs, from the issue of shares and options as detailed in note 17 to the Financial Statements.

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 consolidated entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the matters disclosed in note 26 of the financial report there were no significant events occurring after the balance date.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years are:-

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

The Directors are pleased with exploration results during the financial year, however, they are conscious that additional funding through equity, joint ventures or borrowings will be required to pursue the potential of existing projects in the future.

ENVIRONMENTAL REGULATIONS

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

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

INFORMATION ON DIRECTORS

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

Director and Experience

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

Robert D. McNeil

Chairman for 5 years.

4,477,083 1,181,000
Listed

Age 67, B.Sc., M.Sc. He has 45 years industry experience in Australia, Papua New Guinea, U.S.A., Indonesia, Thailand and other countries. He was formerly General Manager of Esso Papua New Guinea Inc. where he was based in Lae, Papua New Guinea for 5½ years. Before this assignment he resided in the U.S.A. for 5 years and prior to that worked for several major and minor companies mainly in Australia. He has been associated with the discovery of several orebodies, specifically the Juno and Warrego orebodies at Tennant Creek by Peko in the 1960's. He is Executive Chairman of Macmin Silver Ltd, and Chairman, CEO and President of New Guinea Gold Corporation, a Yukon company listed on the TSX Venture Exchange (Canada), and non-executive Chairman and Director of Golden Tiger NL. He has not held any former Directorships within the last 3 years.

400,000
Unlisted

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

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

Director and Experience

Peter A. McNeil

Managing Director for 5 years.

Age 45. B.Sc., M.Sc. He has 24 years exploration experience in Papua New Guinea, U.S.A. and Australia, including programs at the Lihir gold deposit and in the Kimberley and Goldfields regions of Western Australia and Tasmania. He has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in the NE Goldfields of Western Australia. Peter McNeil is also a Director of Macmin Silver Ltd (ASX) and New Guinea Gold Corporation (TSX-Venture). He also held former Directorships within the last 3 years in Vangold Resources Ltd and South Pacific Minerals Corp. (both TSX-Venture).

Special Responsibilities	Ordinary Shares	Options
Member of Planning & Operations Committee	7,604,869	1,304,578 Listed 400,000 Unlisted

Graham J. Fish

Independent Non-Executive Director for 3½ years. Age 67. He graduated B.Sc. (Geology, Chemistry) in 1958, Dip. Ed. in 1961 and M.Ed. in 1980 from the University of Tasmania. He worked as a teacher of Geology and Chemistry in Tasmanian Education Department Colleges before promotion into administrative roles from 1973.

He has 32 years of management skills and has extensive experience in administration and education development in Tasmania. He has a background in geology and has chaired committees on both national and State school curriculum and assessment boards.

He has delivered papers and written science and education reports for UNESCO in Bangkok in 1983, and in Korea in 1988, for the South Pacific in Fiji in 1995, for International Conferences in Sydney in 1993 and New Zealand in 1994. He has not held any former Directorships within the last 3 years.

Member of Planning & Operations Committee	20,829	16,829 Listed 400,000 Unlisted
Member of Audit Committee		

DIRECTORS' REPORT

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 3½ years. Age 63. He is a graduate of the University of Sydney (B.Sc., Geology), Macquarie University (M.Sc., Mineral Economics) and holds a Graduate Diploma from the Securities Institute of Australia.

Member of Audit Committee	50,000	50,000 Listed 400,000 Unlisted
---------------------------------	--------	---

Mr Staude has 42 years professional experience in mining, exploration and resource finance industries. He has worked in Government, as a private consultant, and on the academic staff of Macquarie University. He has worked for the AMP Society's resource investment division, then in the stockbroking industry, before joining GIO Australia Asset Management. He is currently a non-executive director of Malachite Resources N.L. and Central West Gold N.L. He also held former Directorships within the last 3 years in Mount Conqueror Minerals NL and Jupiter Mines Ltd. Mr Staude currently sits on the Joint Ore Reserves Committee (JORC) and the Valmin Committee and brings your Company a wealth of experience in the Australian financial markets.

COMPANY SECRETARY - QUALIFICATIONS & EXPERIENCE

Garry M. Edwards

Company Secretary for 5 years.

Garry Edwards holds a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors and the National Institute of Accountants.

Prior to joining Frontier Resources, Mr Edwards spent 15 years working in Papua New Guinea, the last 11 for KPMG and antecedent firms. From 1987 to 1995 he managed KPMG's Arawa and Rabaul offices. Mr Edwards is also Company Secretary for Macmin Silver Ltd (ASX).

DIRECTORS' REPORT

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	
	Attended	Held	Attended	Held	Attended	Held
R.D. McNeil	5	5	*	*	*	*
P.A. McNeil	4	5	*	*	1	1
G.J. Fish	5	5	2	2	1	1
W.J. Staude	5	5	2	2	*	*

* not a member of the relevant committee

REMUNERATION REPORT

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

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that director and executive reward satisfies the following key criteria for good reward governance practices:

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

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

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution

Relationship between remuneration and Company performance

During the past year and since listing on 9 April 2003 the Company (and the consolidated entity) have generated losses because it is still involved in minerals exploration, not in production.

In the past year the market price of the Company's ordinary shares has increased from 8.5 cents to 10 cents (an increase of 18%).

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Ordinary shares in the Company first traded on 9 April 2003 at 17 cents after listing on the ASX. In the period since listing to 30 June 2006 the market price of the shares has decreased by 7 cents or 41%. There have been no dividends or return of capital during that period.

Given that the remuneration is commercially reasonable / appropriate / benchmarked, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration stage of a minerals company. 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.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the 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 March 2005. Directors' fees are inclusive of committee fees.

Non-Executive Directors' fees are determined within Non-Executive Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at \$100,000 per annum for Non-Executive Directors.

Retirement allowances for Directors

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

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through Directors options (refer note 22), and
- other remuneration such as superannuation

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

Base pay

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

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

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

Benefits

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

Retirement benefits

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

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Frontier Resources Ltd Employee Option Plan

Information on the Frontier Resources Ltd Employee Option Plan is set out on page 56. Directors may not participate in the Employee Option Plan.

(b) Details of remuneration (audited)

Details of the nature and amount of each element of the emoluments of each of the key management personnel of the Company and the consolidated entity for the year ended 30 June 2006 are set out in the following tables:

2006	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options* \$	Total \$
<i>Directors</i>							
R.D. McNeil	15,000	-	-	1,350	-	-	16,350
P.A. McNeil	**150,304	-	-	-	-	-	150,304
G.J. Fish	30,000	-	-	2,700	-	-	32,700
W.J. Staude	15,000	-	-	1,350	-	-	16,350
<i>Other key management personnel</i>							
R. Reid	87,000	-	-	7,830	-	17,360	112,190
Total	297,304	-	-	13,230	-	17,360	327,894

2005	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options* \$	Total \$
<i>Directors</i>							
R.D. McNeil	15,000	-	-	1,350	-	28,000	44,350
P.A. McNeil	**155,295	-	-	-	-	28,000	183,295
G.J. Fish	41,347	-	-	3,721	-	28,000	73,068
W.J. Staude	15,000	-	-	1,350	-	28,000	44,350
<i>Other key management personnel</i>							
R. Reid	83,333	-	-	7,500	-	-	90,833
Total	309,975	-	-	13,921	-	112,000	435,896

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

*Option value calculation using Black-Scholes Model

** Including provision of office and secretarial support

(c) *Service agreements (audited)*

There are no service agreements in place for Directors.

The current specified executive, Exploration Manager, R. Reid, has a contract of service with the following conditions:

- term - unspecified
- annual salary of \$87,000 p.a. initially with no specified review period
- occasional personal use of company vehicle subject to approval by Managing Director.

(d) *Share-based Compensation (audited)*

Options

Options are granted to key management personnel (other than directors) 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 23 to the Financial Statements.

Options are granted under the Plan for no consideration. Options are granted for a period not exceeding five years.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Type of Options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
Employee	28 Sep 2004	31 Dec 2007	\$0.20	\$0.08	Between 29 Sep 2004 and 31 Dec 2007
Employee	16 Mar 2006	01 Dec 2008	\$0.10	\$0.0434	Between 16 Mar 2006 and 01 Dec 2008

Options granted under the Plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Frontier Resources Ltd and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Frontier Resources Ltd. Further information on the options is set out in note 23 to the Financial Statements.

Name	Number of Options granted during the year		Number of options vested during the year	
	2006	2005	2006	2005
Other key management personnel of the Group				
R. Reid	400,000	400,000	400,000	400,000

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)

The model inputs for options granted during the year ended 30 June 2006 included:

- (a) options are granted for no consideration
- (b) exercise price: \$0.10 (2005 - \$0.20)
- (c) grant date: 16 March 2006 (2005: 28 September 2004)
- (d) expiry date: 1 December 2008 (2005: 31 December 2007)
- (e) share price at grant date: \$0.077 (2005: \$0.13)
- (f) expected price volatility of the Company's shares: 94% (2005 85%)
- (g) expected dividend yield: 0% (2005 0%)
- (h) risk-free interest rate: 5.4% (2005 4.87%)

Shares provided on exercise of remuneration options

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Frontier Resources Ltd and other key management personnel of the Group.

Employee incentive option plan

None of the Directors of Frontier Resources Ltd are eligible to participate in the Company's employee incentive option plan.

(e) Additional information - unaudited

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
R. Reid	15.5%	17,630	-	-	17,630

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

LOANS TO DIRECTORS AND EXECUTIVES

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

SHARE OPTIONS GRANTED TO DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

Options over unissued ordinary shares of Frontier Resources Ltd granted during or since the end of the financial year to any of the Directors or the two most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

Other Executives of Frontier Resources Ltd

R. Reid, *Exploration Manager*

Options Granted

400,000

DIRECTORS' REPORT

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option
Listed:			
29 Jan 2002 - 19 Aug 2004	30 Nov 2007	\$0.20	38,968,516
Unlisted:			
03 Dec 2003	31 Dec 2007	\$0.20	1,600,000
16 Mar 2006	01 Dec 2008	\$0.10	2,415,000
			42,983,516

No optionholder 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

The following ordinary shares of Frontier Resources Ltd were issued during the year ended 30 June 2006 on the exercise of options. 575,000 further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
25 Nov 2005	\$0.20	20,000

INSURANCE OF OFFICERS

Since the end of the previous financial year the consolidated entity 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.

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 Entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) 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;
- None of the services undermine the general principles relating to the auditor independence as set out in Professional Statement F1, 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.

DIRECTORS' REPORT

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

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.

Assurance services

1. Audit Services

PricewaterhouseCoopers Australian firm:

Total remuneration for audit services

CONSOLIDATED

2006

\$

2005

\$

20,840

17,680

20,840

17,680

2. Other Assurance Services

PricewaterhouseCoopers Australian firm:

Total remuneration for other assurance services

Total remuneration for assurance services

2,000

8,500

2,000

8,500

22,840

26,180

Taxation Services

PricewaterhouseCoopers Australian firm:

Total remuneration for taxation services

5,100

2,000

5,100

2,000

ROUNDING OF AMOUNTS

Amounts in the financial report have been rounded to the nearest dollar.

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



R.D. McNeil

Chairman

Bundall, Queensland

21 September 2006

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Frontier Resources Ltd for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Stephen R. Snook
Partner
PricewaterhouseCoopers

Brisbane
21 September 2006

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2006

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

Board of Directors and its Committees

The Board is responsible to shareholders for the overall Corporate Governance of the consolidated entity including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is responsible for ensuring the maintenance of corporate governance policies and procedures in accordance with current best practices having regard to the size and activities of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

Management is charged with the day to day operation and administration of the Company in accordance with the objectives and policies set down by the Board. The Managing Director is accountable to the Board for the performance of the management team.

The Board's role and the Group's corporate governance practices are being reviewed and improved as required.

Composition of the Board

The Directors of the Company in office at the date of this statement and details of skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the Constitution, a copy of which is available at www.frontierresources.com.au.

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

The terms and conditions of the appointment and retirement of Non-Executive Directors are set out in a letter of appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense. However, prior approval of the Chairman is required.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Directors or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial reports.

The members of the Audit Committee during the year were Messrs W.J. Staude (Chairman) G.J. Fish and G.M. Edwards. Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' report.

The auditor and the Chairman are invited to Audit Committee meetings at the discretion of the Committee.

The responsibilities of the Audit Committee include:

- reviewing reports prepared by the external auditors and other consultants to ensure that, should 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 and 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.

Remuneration Committee

Since the Company listed in April 2003 the Company has not had a Remuneration Committee and it is not intended at this stage to establish one unless there is a significant increase in the number of executives.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Ethical and Responsible Decision-making

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

Dealings in Company Securities by Directors and Employees

The Company's share trading policy for Directors and employees is as follows:

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

'Inside information' is information that:

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

In addition to the above, Directors must not acquire or sell, directly or indirectly any securities (shares or options) in the Company except within the period of 1 month after the release of any of the quarterly, half-yearly and yearly reports and any announcements to the ASX which may or are likely to effect the value of the company's assets in a material way, or, 1 month after the holding of the Annual General Meeting. The Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

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

Disclosure of Information

Continuous Disclosure to ASX

The continuous disclosure 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 practicable 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.

The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.

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 Stock 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.

All announcements and reports submitted to ASX are posted on the Company's website www.frontierresources.com.au.

Role of Auditor

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk Management Policy

Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

CORPORATE GOVERNANCE STATEMENT

The Company does not have a formal Risk Management Policy but arrangements have been put in place by the Board to monitor risk management including monthly reporting to the Board in respect of operations and the financial position of the Group.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. An annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Remuneration Arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report and information on the Remuneration Committee is contained in a separate heading within this Corporate Governance Statement and in the Directors' Report.

Interests of Other Stakeholders

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

Environment

The consolidated entity aims to ensure that the highest standard of environmental care is achieved and has a written Environmental Policy which is distributed to all employees.

CORPORATE GOVERNANCE STATEMENT

ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Recommendations for all or part of the year, as outlined in the Corporate Governance Statement, with the following exceptions:

Composition of the Board

Council Principle 2: Structure the Board to add value

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

The Board considers that a majority of the Board is not independent in accordance with Recommendation 2.1, however the Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must and do absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional Independent Non-Executive Directors.

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

The Company's Chairman, Mr R.D. McNeil, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of Independent Director. However the Board believes that the Chairman is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

Council Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors.

Integrity of Financial Reporting

Council Principle 4: Safeguard integrity in financial reporting.

Council Recommendation 4.3: 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 three members.

The Audit Committee does not consist of only Non-Executive Directors. The Board considers the mix of two Independent Non-Executive Directors and the Company Secretary appropriate for the Company given the current size of the Board and role of the Committee.

Remuneration

Council Principle 9: Remunerate fairly and responsibly

Council Recommendation 9.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.

The Non-Executive Directors should not receive options or bonus payments.

Non-Executive Directors were issued options on the same terms and conditions as Executive Directors as approved by shareholders in general meeting.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to non-executives is an appropriate method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$15,000 - \$30,000 p.a.) and provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.

CONTENTS

	<u>Page No.</u>
Income Statements	34
Balance Sheets	35
Statements of Changes in Equity	36
Cash Flow Statements	37
Notes to the Financial Statements	38-62
Directors' Declaration	63
Independent Review Report to the Members of Frontier Resources Ltd	64-65

This financial report covers both Frontier Resources Ltd as an individual entity and the consolidated entity consisting of Frontier Resources Ltd and its subsidiaries.

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

Frontier Resources Ltd
Level 1
94 Bundall Road
Bundall Qld 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the Managing Director's letter to shareholders, Highlights 2006 and Review of Operations & Activities on pages 2-15 and in the Directors' report on pages 16 - 26, which are not part of the financial report.

The financial report was authorised for issue by the Directors on 21 September 2006. The Company has the power to amend and reissue the financial report.

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

For queries in relation to our reporting please call +61 7 5592 2274 or e-mail info@frontierresources.com.au.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue from continuing operations	4	83,573	35,930	83,573	35,930
Other income	5	377,894	1,179,238	50,378	1,179,238
Exploration expenditure	13	(1,515,568)	(551,471)	(1,497,217)	(512,788)
Net loss on sale of available for sale financial asset		(1,043,670)	-	(1,043,670)	-
Administration and insurance expenses		(259,278)	(251,306)	(259,278)	(251,306)
Employee benefit expense		(166,483)	(133,773)	(166,483)	(133,773)
Depreciation		(84,241)	(57,962)	(84,241)	(57,962)
Repairs and maintenance		(48,831)	-	(48,830)	-
Consultancy		(26,589)	(22,656)	(21,770)	(22,656)
Promotional expenses		(17,865)	(9,195)	(17,865)	(9,195)
Other expenses from ordinary activities		(143,145)	(65,902)	(143,047)	(65,902)
Provision for non recovery of loan		-	-	(23,269)	(38,683)
Loss before income tax		(2,844,203)	122,903	(3,171,719)	122,903
Income tax expense	6	-	-	-	-
Net loss attributable to members of Frontier Resources Ltd		(2,844,203)	122,903	(3,171,719)	122,903
		Cents	Cents		
Basic earnings/(loss) per share	25	(4.4)	0.2		
Diluted earnings/(loss) per share	25	(4.4)	0.2		

The above income statements should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 30 JUNE 2006

	Notes	CONSOLIDATED 2006 \$	2005 \$	PARENT ENTITY 2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	7	300,195	299,339	300,152	299,337
Trade and other receivables	8	233,945	674,557	230,934	674,557
TOTAL CURRENT ASSETS		534,140	973,896	531,086	973,894
NON-CURRENT ASSETS					
Trade and other receivables	9	84,474	76,280	102,617	76,280
Other financial assets	11	-	1,260,225	10,622	1,260,227
Property, plant and equipment	12	682,491	588,152	309,712	588,152
Mineral exploration and evaluation expenditure	13	1,582,976	1,420,301	1,528,351	1,420,301
TOTAL NON-CURRENT ASSETS		2,349,941	3,344,958	1,951,302	3,344,960
TOTAL ASSETS		2,884,081	4,318,854	2,482,388	4,318,854
CURRENT LIABILITIES					
Trade and other payables	15	302,489	173,552	228,312	173,552
TOTAL LIABILITIES		302,489	173,552	228,312	173,552
NET ASSETS		2,581,592	4,145,302	2,254,076	4,145,302
EQUITY					
Contributed equity	17	7,139,214	5,993,871	7,139,214	5,993,871
Reserves	18	135,150	-	135,150	-
Accumulated losses	18	(4,692,772)	(1,848,569)	(5,020,288)	(1,848,569)
TOTAL EQUITY		2,581,592	4,145,302	2,254,076	4,145,302

The above balance sheets should be read in conjunction with the accompanying notes.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
AS AT 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Total equity at the beginning of the year		4,145,302	1,239,082	4,145,302	1,239,082
Changes in the fair value of available for sale financial assets		(1,043,670)	-	(1,043,670)	-
Transfer to income statement		1,043,670	-	1,043,670	-
Net income recognised directly in equity		-	-	-	-
(Loss)/Profit for the year		(2,844,203)	122,903	(3,171,719)	122,903
Total recognised income and expense for the year		(2,844,203)	122,903	(3,171,719)	122,903
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	17	1,145,343	2,783,317	1,145,343	2,783,317
Employee share options	18	135,150	-	135,150	-
Dividends provided for or paid		-	-	-	-
Total equity at the end of the year		2,581,592	4,145,302	2,254,076	4,145,302

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Interest received		21,103	35,930	21,103	35,930
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(148,143)	(1,338,463)	(143,225)	(1,338,465)
Goods and Services Tax refunded		203,389	257,046	203,389	257,046
Net Cash (Outflow) from Operating Activities	28	76,349	(1,045,487)	81,267	(1,045,489)
Cash Flows From Investing Activities					
Exploration and evaluation activities	28	(1,624,320)	(1,388,096)	(1,605,969)	(1,349,414)
Security deposits recovered / (paid)		-	(15,500)	-	(15,500)
Purchase of property, plant and equipment		(67,616)	(432,929)	(67,616)	(432,929)
Purchase of additional shares in subsidiary		-	-	(41)	-
Proceeds from sale of property, plant and equipment		254,545	22,348	254,545	22,348
Proceeds from sale of available for sale financial assets		216,555	-	216,555	-
Funding activities of subsidiaries		-	-	(23,269)	(38,682)
Net Cash (Outflow) From Investing Activities		(1,220,836)	(1,814,177)	(1,225,795)	(1,814,177)
Cash Flows From Financing Activities					
Net cash proceeds from the issue of shares		1,145,343	2,783,317	1,145,343	2,783,317
Net Cash Inflow From Financing Activities		1,145,343	2,783,317	1,145,343	2,783,317
Net Increase (Decrease) in Cash and Cash Equivalents		856	(76,347)	815	(76,349)
Cash and Cash Equivalents at the beginning of the financial year		299,339	375,686	299,337	375,686
Cash and Cash Equivalents at the End of Year	7	300,195	299,339	300,152	299,337
Non-cash financing and investing activities	30				

The above cash flow statements should be read in conjunction with the accompanying notes.

INDEX

Page No.

NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	38
NOTE 2	FINANCIAL RISK MANAGEMENT	46
NOTE 3	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	47
NOTE 4	REVENUE	47
NOTE 5	OTHER INCOME	47
NOTE 6	INCOME TAX (CONTINUED).....	48
NOTE 7	CURRENT ASSETS - CASH AND CASH EQUIVALENTS	48
NOTE 8	CURRENT ASSETS - TRADE AND OTHER RECEIVABLES.....	48
NOTE 9	NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES	48
NOTE 10	NON CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS.....	48
NOTE 11	NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS.....	48
NOTE 12	NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT	49
NOTE 13	NON-CURRENT ASSETS - MINERAL EXPLORATION AND EVALUATION.....	49
NOTE 14	INTERESTS IN JOINT VENTURES	49
NOTE 15	CURRENT LIABILITIES - TRADE AND OTHER PAYABLES.....	49
NOTE 16	CURRENT LIABILITIES - OTHER CREDITORS.....	50
NOTE 17	CONTRIBUTED EQUITY	50
NOTE 18	RESERVES AND ACCUMULATED LOSSES.....	51
NOTE 19	COMMITMENTS.....	52
NOTE 20	RELATED PARTY TRANSACTIONS	52
NOTE 21	BUSINESS COMBINATION	53
NOTE 22	KEY MANAGEMENT PERSONNEL DISCLOSURES	53
NOTE 23	SHARE-BASED PAYMENTS.....	56
NOTE 24	SEGMENT INFORMATION	59
NOTE 25	EARNINGS PER SHARE ("EPS")	60
NOTE 26	EVENTS OCCURRING AFTER THE BALANCE SHEET DATE.....	60
NOTE 27	REMUNERATION OF AUDITORS	60
NOTE 28	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES.....	61
NOTE 29	SUBSIDIARIES.....	61
NOTE 30	NON-CASH FINANCING AND INVESTING ACTIVITIES	61
NOTE 31	EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS.....	62

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 separate financial statements for Frontier Resources Ltd as an individual entity and the consolidated entity consisting of Frontier Resources Ltd and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Frontier Resources Ltd comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect to certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Frontier Resources Ltd financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Frontier Resources Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Frontier Resources Ltd 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 28.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, certain classes of property, and plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

(b) 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 2006 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 entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

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.

(ii) Joint ventures

Joint venture operations

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Frontier Resources Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) 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) Revenue from drilling fees

Revenue from drilling fees is recognised at the end of each month during the term of the drilling contract. The drilling contract is a short-term contract to be finalised by the end of September 2006.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method, see note 1(k). 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.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Frontier Resources Ltd and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement 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 balance sheet.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 8 and 9).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the group establishes fair value by using a variety of valuation techniques. Where the fair value of a financial asset cannot be reliably measured, it will be measured at cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Property, plant and equipment

All property, 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 income statement during the financial period in which they are incurred.

Items of property, 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 balance sheet 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 (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(r) 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 23.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

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 independently 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 balance sheet 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.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

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.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(u) 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 assessed 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 entity.

Costs arising from exploration and evaluation activities are carried forward where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

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

(v) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 *Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

(iii) AASB 7 *Financial Instruments: Disclosures* and AASB 2005 10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005 10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(iv) AASB 2006 1 *Amendments to Australian Accounting Standards* [AASB 121]

AASB 2006-1 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Frontier Resources Limited does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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 balance sheet.

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.

NOTE 2 FINANCIAL RISK MANAGEMENT

Risk management has focused on limiting liabilities to a level which could be extinguished by sale of assets if necessary.

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

Risk management is carried out by the board as a whole and no formal risk management policy has been formulated.

(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 currently has no material foreign exchange risk, however such risk may arise in future when mine product may be sold internationally.

(ii) Price risk

The Group is not currently exposed to equity securities or commodity price risk.

(iii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the lack of material revenue, the Group aims at maintaining flexibility in funding by maintaining adequate reserves of liquidity.

(d) Cash flow and fair value 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. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical judgements in applying the entity's accounting policies

No judgements made in applying the entity's accounting policies are considered critical to the extent that they would be likely to cause a material adjustment within the next financial year.

NOTE 4 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
From continuing operations				
Drilling contract income	62,470	-	62,470	-
Other revenue				
Interest	21,103	35,930	21,103	35,930
Total Revenue	83,573	35,930	83,573	35,930

NOTE 5 OTHER INCOME

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net gain on disposal of property, plant and equipment	50,378	1,106	50,378	1,106
Net gain on sale of available for sale financial assets	-	1,178,132	-	1,178,132
Discount on acquisition of other financial asset	327,516	-	-	-
Total Other Income	377,894	1,179,238	50,378	1,179,238

NOTE 6 INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)				
Loss from continuing operations before income tax expense	(2,844,203)	122,903	(3,171,719)	122,903
Tax at Australian tax rate of 30% (2005 - 30%)	(853,260)	36,871	(951,516)	36,871
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments expense	40,545	-	40,545	-
Discount on acquisition of subsidiary	98,255	-	-	-
Unrecognised potential tax benefit / (tax benefit used)	714,460	(36,871)	910,971	(36,871)
Income tax expense	-	-	-	-
Unused tax losses for which no deferred tax asset has been recognised	4,230,102	1,848,569	4,885,139	1,848,569
Potential tax benefit @ 30%	1,269,031	554,571	1,465,542	554,571

This benefit for tax losses will only be obtained if:

- The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 6 INCOME TAX (continued)

- (c) No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTE 7	CURRENT ASSETS - CASH AND CASH EQUIVALENTS	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash at bank and on hand		300,195	587	300,152	585
Deposits on call		-	190,530	-	190,530
Share of joint venture cash		-	108,222	-	108,222
Balances per statement of cash flows		300,195	299,339	300,152	299,337

(a) Cash at bank

The cash at bank earns floating interest at 5% - 5.65% (2005 - Nil).

(b) Deposits at call

There are no deposits in 2006, in 2005 deposits earned interest at 4.8%.

NOTE 8	CURRENT ASSETS - TRADE AND OTHER RECEIVABLES	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Trade receivables		68,717	-	68,717	-
Other receivables		83,264	652,082	80,254	652,082
Prepayments		81,963	22,475	81,963	22,475
		233,945	674,557	230,934	674,557

NOTE 9	NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Deposits - tenements and premises		84,474	76,280	76,280	76,280
Loans to subsidiaries		-	-	108,842	59,236
Less provision for non-recovery		-	-	(82,505)	(59,236)
		84,474	76,280	102,617	76,280

NOTE 10	NON CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
At beginning of year		-	-	-	-
Adjustment on adoption of ASSB 132 and AASB 139		1,260,225	-	1,260,225	-
Revaluation loss transfer to equity		(1,043,670)	-	(1,043,670)	-
Disposals (sale and redemption)		(216,555)	-	(216,555)	-
At end of year		-	-	-	-

NOTE 11	NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS	CONSOLIDATED		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Shares in subsidiaries (note 29)		-	-	10,622	2
Other listed securities		-	-	-	-
Equity securities		-	1,260,225	-	1,260,225
		-	1,260,225	10,622	1,260,227

These financial assets are carried at cost.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 12 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Plant and Equipment				
Plant and equipment at cost	949,560	769,215	576,781	769,215
Less accumulated depreciation	(267,069)	(181,063)	(267,069)	(181,063)
	682,491	588,152	309,712	588,152

Reconciliation

Reconciliation of the carrying amount of property, 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	588,152	278,357	588,152	278,357
Acquisition of subsidiary	372,779	-	-	-
Additions	67,616	432,929	67,616	432,929
Disposals	(204,167)	(21,242)	(204,167)	(21,242)
Depreciation expense	(84,241)	(57,962)	(84,241)	(57,962)
Depreciation capitalised to exploration and evaluation expenditure	(57,648)	(43,930)	(57,648)	(43,930)
Carrying amount at the end of the financial year	682,491	588,152	309,712	588,152

NOTE 13 NON-CURRENT ASSETS - MINERAL EXPLORATION AND EVALUATION

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance at the beginning of the financial year	1,420,301	620,020	1,420,301	537,927
Expenditure capitalised*	200,634	195,977	200,634	195,977
Expenditure during the year	1,422,984	1,237,868	1,404,633	1,199,185
Amounts written off during the year	(1,515,568)	(551,471)	(1,497,217)	(512,788)
Acquisition/(Disposal) of subsidiary	54,625	(82,093)	-	-
Balance at the end of the financial year	1,582,976	1,420,301	1,528,351	1,420,301

*Capitalised expenditure is in relation to equipment used for exploration and evaluation. It includes depreciation of \$57,648, insurance of \$4,368, and repairs and maintenance of \$138,618 (2005: depreciation of \$43,930, insurance of \$3,287, and repairs and maintenance of \$148,760).

NOTE 14 INTERESTS IN JOINT VENTURES

During the year the Company withdrew from the joint venture agreement with Malachite Resources NL and BHP Billiton Minerals Pty Ltd. This joint venture was for the exploration of EL 42/2002, Mt Ramsay tenement in Tasmania.

The Company's expenditure on the joint venture of \$159,453 during the year has been expensed as exploration and evaluation expenditure written off. Joint venture expenditure of \$114,617 was expensed as exploration and evaluation expenditure in 2005.

NOTE 15 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Trade creditors	265,508	121,917	191,331	121,917
Other creditors (note 15)	36,981	51,635	36,981	51,635
	302,489	173,552	228,312	173,552

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 16 CURRENT LIABILITIES - OTHER CREDITORS

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Employee benefit and related on-costs liabilities				
Included in other creditors - current (note 15)	36,981	51,635	36,981	51,635
Aggregate employee benefit and related on-costs liabilities	36,981	51,635	36,981	51,635

	2006	2005	2006	2005
	Number	Number	Number	Number
Employee numbers				
Average number of employees during the financial year	18	17	18	17

NOTE 17 CONTRIBUTED EQUITY

	PARENT ENTITY		PARENT ENTITY	
	2005	2006	2005	2006
	Shares	Shares	\$	\$
(a) Paid Up Capital				
Ordinary shares - fully paid of no par value	71,170,055	58,226,293	7,139,214	5,993,871

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	Number of Shares	Issue Price \$	\$
01 Jul 2004	Opening balance	38,151,451		3,210,554
26 Jul 2004	Exercise of listed options	11,000	0.20	2,200
19 Aug 2004	Issued pursuant to a Rights Issue	8,810,442	0.16	1,409,671
19 Aug 2004	Placements	525,000	0.16	84,000
19 Aug 2004	Issued in lieu of Share Registry Fees *	262,500	0.16	42,000
24 Feb 2005	Issued pursuant to Share Purchase Plan	9,300,900	0.125	1,162,612
24 Feb 2005	Exercise of listed options	10,000	0.20	2,000
24 Feb 2005	Placements	1,155,000	0.125	144,375
	Less transaction costs arising on issues			(63,541)
30 Jun 2005	Balance	58,226,293		5,993,871
25 Nov 2005	Exercise of listed options	20,000	0.20	4,000
13 Dec 2005	Rights Issue	12,209,477	0.09	1,098,853
15 May 2006	Placement	714,285	0.14	100,000
	Less transaction costs arising on issues			(57,510)
30 Jun 2006	Sub-total	12,943,762		1,145,343
30 Jun 2006	Balance	71,170,055		7,139,214

* Issues other than for cash

(c) Options

	No. of Options	
	2006	2005
The number of unissued ordinary shares relating to options not exercised at year end:		
- Options exercisable on or before 30 November 2007 at 20 cents	38,968,516	26,064,754
- Non-transferable Options exercisable on or before 31 December 2007 at 20 cents	1,600,000	3,480,000
- Non-transferable Options exercisable on or before 01 December 2008 at 10 cents	3,115,000	-
	43,683,516	29,544,754

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 17 CONTRIBUTED EQUITY (continued)

(d) Option Issues

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

Date	Details	Number of Options	Exercise Price	Expiry Date
13 Dec 2005	Pursuant to Rights Issue dated 04 Oct 2005	12,209,477	20 cents	30 Nov 2007
14 Mar 2006	Non-transferable options issued under the terms of the Employee Option Plan	3,115,000	10 cents	01 Dec 2008
15 May 2006	Placement	714,825	20 cents	30 Nov 2007

(e) Option Exercise

During the financial year a total of 20,000 options were exercised.

(f) Option Expiry

No options expired during the financial year.

(g) Option Cancellation

1,880,000 non transferable options to acquire shares in the Company under the terms of the TasGold Employee Option Plan were cancelled.

NOTE 18 RESERVES AND ACCUMULATED LOSSES	CONSOLIDATED		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Reserves				
Share-based payments reserve	135,150	-	135,150	-
Movements				
<i>Share-based payments reserve</i>				
Balance 1 July	-	-	-	-
Option expense	135,150	-	135,150	-
Balance 30 June	135,150	-	135,150	-
(b) Accumulated losses				
Movements in retained profits were as follows:				
Balance 1 July	(1,848,569)	(1,971,472)	(1,848,569)	(1,971,472)
Net profit/(loss) for the year	(2,844,203)	122,903	(3,171,719)	122,903
Balance 30 June	(4,692,772)	(1,848,569)	(5,020,288)	(1,848,569)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 19 COMMITMENTS

Exploration Expenditure Commitments	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
In order to maintain rights of tenure to exploration tenements the Company and the consolidated entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.				
Outstanding obligations are not provided for in the accounts and are payable:				
Not later than 1 year	1,020,000	454,200	748,000	454,200
Later than 1 year but not later than 2 years	443,000	300,000	220,000	300,000
	<u>1,463,000</u>	<u>754,200</u>	<u>968,000</u>	<u>754,200</u>
Administration Agreement Commitments				
Administration agreement fees are payable as follows:				
Not later than 1 year	-	75,000	-	75,000

NOTE 20 RELATED PARTY TRANSACTIONS

Directors and specified executives

Disclosures relating to Directors and specified executives are set out in note 22.

Wholly-owned group

The wholly-owned group and the consolidated entity consist of Frontier Resources Ltd and its wholly-owned subsidiaries, TasGold PNG Limited and South Pacific Minerals (PNG) Ltd (formerly Island Arc Mining Ltd). Ownership interests in these subsidiaries are set out in note 29.

TasGold PNG Limited and South Pacific Minerals (PNG) Ltd are incorporated in, and operate in, Papua New Guinea.

Transactions between Frontier Resources Ltd and other entities in the wholly-owned group during the year ended 30 June 2006 consisted of loans advanced to TasGold PNG Ltd and South Pacific Minerals (PNG) Ltd (re-acquired 30 June 2006).

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced to Frontier Resources Ltd and South Pacific Minerals (PNG) Ltd and no interest has been charged.

Controlling entities

The ultimate parent entity in the wholly-owned group and the consolidated entity is Frontier Resources Ltd, a public, listed company, incorporated and resident in Australia and having its registered address and principal place of business at Level 1, 94 Bundall Rd, Bundall, Queensland.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) subsidiaries - note 29.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 21 BUSINESS COMBINATION

(a) Summary of acquisition

On 30 June 2006 the parent entity acquired 100% of the issued share capital of South Pacific Minerals (PNG) Ltd from Tribune Resources Corporation (formerly known as South Pacific Minerals Corp.) In a separate transaction the Group's securities in Tribune Resources Corporation were sold to the CEO of Tribune Resources Corporation which resulted in a loss on sale.

The acquired business did not contribute any revenues or net profit to the Group for the period to 30 June 2006.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$
Purchase consideration (refer to (b) below):	
Cash payable	12
Direct costs relating to the acquisition	10,567
Total purchase consideration	<u>10,579</u>
Fair value of net identifiable assets acquired (refer to (c) below)	338,095
Discount on Acquisition (refer to (c) below)	<u>327,516</u>

(b) Purchase consideration

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration payable	12	-	12	-
Less: Balances acquired				
Cash	-	-	-	-
	-	-	-	-
Outflow of cash (paid 12 July 2006)	12	-	12	-

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	\$	\$
Other receivables	11,205	11,205
Plant and equipment	459,282	372,779
Mineral exploration and evaluation expenditure	1,593,908	54,625
Other payables	(100,514)	(100,514)
Net identifiable assets acquired	<u>1,963,881</u>	<u>338,095</u>

There were no acquisitions in the year ended 30 June 2005.

(Deferred tax assets have been recognised to the extent of deferred tax liabilities. No further deferred tax assets have been recognised with respect to carried forward tax losses due to uncertainty of realisation.)

NOTE 22 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of Frontier Resources Ltd during the financial year:

Chairman - Non-Executive

R.D. McNeil

Executive Director

P.A. McNeil, *Managing Director*

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Non-Executive Directors

G.J. Fish
W.J. Staude

(b) Other key management personnel

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

Name	Position	Employer
R. Reid	Exploration Manager	Frontier Resources Ltd

All of the above persons were also key management personnel during the year ended 30 June 2005.

(c) Key management personnel compensation	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short-term employee benefits	297,304	309,975	297,304	309,975
Post-employment benefits	13,230	13,921	13,230	13,921
Share-based payments	17,360	112,000	17,360	112,000
	<u>327,894</u>	<u>435,896</u>	<u>327,894</u>	<u>435,896</u>

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (e) of the remuneration report on pages 20 to 24.

(d) Equity Instrument disclosures relating to key management personnel

(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 section (d) of the remuneration report on pages 23 to 24.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Frontier Resources Ltd and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

2006	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
Name						
<i>Directors of Frontier Resources Ltd</i>						
R.D. McNeil	1,851,000	-	-	586,000	2,437,000	2,437,000
P.A. McNeil	1,677,000	-	-	670,578	2,347,578	2,347,578
G.J. Fish	416,829	-	-	-	416,829	416,829
W.J. Staude	450,000	-	-	-	450,000	450,000
<i>Specified executives of the consolidated entity</i>						
R. Reid	400,000	400,000	-	(400,000)	400,000	400,000

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2005 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 of Frontier Resources Ltd</i>						
R.D. McNeil	1,438,000	-	-	413,000	1,851,000	1,851,000
P.A. McNeil	1,120,500	-	-	556,500	1,677,000	1,677,000
G.J. Fish	410,000	-	-	6,829	416,829	416,829
W.J. Staude	450,000	-	-	-	450,000	450,000
<i>Specified executives of the consolidated entity</i>						
R. Reid	-	400,000	-	-	400,000	400,000

(iii) *Share holdings*

The numbers of shares in the Company held during the financial year by each Director of Frontier Resources Ltd and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

2006 Name	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
<i>Directors of Frontier Resources Ltd</i>				
R.D. McNeil	4,858,520	-	536,000	5,394,520
P.A. McNeil	7,909,819	-	579,228	8,489,047
G.J. Fish	20,829	-	20,829	20,829
W.J. Staude	50,000	-	50,000	50,000
<i>Specified executives of the consolidated entity</i>				
R. Reid	-	-	-	-

2005 Name	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
<i>Directors of Frontier Resources Ltd</i>				
R.D. McNeil	4,145,520	-	713,000	4,858,520
P.A. McNeil	7,725,014	-	184,805	7,909,819
G.J. Fish	10,000	-	10,829	20,829
W.J. Staude	50,000	-	-	50,000
<i>Specified executives of the consolidated entity</i>				
R. Reid	-	-	-	-

(e) *Loans to Directors and executives*

No loans were made to Directors of Frontier Resources Ltd or the specified executive of the consolidated entity, including their personally-related entities (2005: Nil).

(f) *Other transactions with Directors and specified executives*

Directors of Frontier Resources Ltd

A Director, P.A. McNeil, has a Consulting Contract in place for the provision of geological and management services to the consolidated entity.

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

	2006 \$	2005 \$
Amounts recognised as expense		
Consulting fees:		
Administration	15,568	14,152
Exploration	108,649	97,931
Exploration Expenditure (JV)	48,535	13,050
Amounts Capitalised		
Consulting fees:		
Exploration	26,087	43,212
Exploration Expenditure (JV)	44,251	63,389

Specified executives of the consolidated entity

No other transactions occurred between the Company and specified executives except for the reimbursement at cost of expenditure incurred on behalf of the Company.

NOTE 23 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.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 23 SHARE-BASED PAYMENTS (continued)

- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying and which will not result in any benefits being conferred on optionholders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.
- If an optionholder under this Plan ceases to be substantially involved with the Company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
Consolidated and parent entity - 2006							
07 Nov 2003	31 Dec 2007	\$0.20	1,070,000	-	-	(1,070,000)	-
03 Dec 2003	31 Dec 2007	\$0.20	1,600,000	-	-	-	1,600,000
05 Feb 2004	31 Dec 2007	\$0.20	128,500	-	-	(128,500)	-
28 Sep 2004	31 Dec 2007	\$0.20	681,500	-	-	(681,500)	-
16 Mar 2006	01 Dec 2008	\$0.10	-	3,115,000	-	-	3,115,000
			3,480,000	3,115,000	-	(1,880,000)	4,715,000
Weighted average exercise price			\$0.20	\$0.10	-	\$0.20	\$0.134

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

Consolidated and parent entity - 2005

07 Nov 2003	31 Dec 2007	\$0.20	1,610,000	-	-	(540,000)	1,070,000
03 Dec 2003	31 Dec 2007	\$0.20	2,000,000	-	-	(400,000)	1,600,000
05 Feb 2004	31 Dec 2007	\$0.20	367,000	-	-	(238,500)	128,500
28 Sep 2004	31 Dec 2007	\$0.20	-	851,500	-	(170,000)	681,500
Total			3,977,000	851,500	-	(1,348,500)	3,480,000
Weighted average exercise price			\$0.20	\$0.20	-	\$0.20	\$0.20

There were no employee options exercised during the financial years ended 30 June 2005 and 30 June 2006.

Fair values at grant date are independently 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.

The model inputs for options granted during the year ended 30 June 2006 included:

- options are granted for no consideration
- exercise price: \$0.10 (2005 - \$0.20)
- grant date: 16 March 2006 (2005: 28 September 2004)
- expiry date: 1 December 2008 (2005: 31 December 2007)
- share price at grant date: \$0.077 (2005: \$0.13)

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 23 SHARE-BASED PAYMENTS (continued)

- (n) expected price volatility of the Company's shares: 94% (2005 85%)
- (o) expected dividend yield: 0% (2005 0%)
- (p) risk-free interest rate: 5.4% (2005 4.87%)

(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 from 1 January 2005 and prior to 5.00pm eastern standard time, 31 December 2007 ("expiry date"). Options may only be exercised in multiples of 50,000. Any options not exercised by the expiry date shall lapse.

The exercise price of each option will be 20 cents.

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 optionholder 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 Stock 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 optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

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

The options can be issued to a Director or his nominee.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 23 SHARE-BASED PAYMENTS (continued)

Set out below are summaries of options granted to Directors.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
Consolidated and parent entity - 2006							
31 Dec 2003	31 Dec 2007	\$0.20	1,600,000	-	-	-	1,600,000
			1,600,000	-	-	-	1,600,000

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

Consolidated and parent entity - 2005

31 Dec 2003	31 Dec 2007	\$0.20	2,000,000	-	-	(400,000)	1,600,000
Total			2,000,000	-	-	(400,000)	1,600,000

There were no directors' options exercised during the financial years ended 30 June 2005 and 30 June 2006.

(c) Expenses arising from share-based payment transactions

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

	Consolidated 2006 \$	2005 \$	Parent Entity 2006 \$	2005 \$
Options issued under employee option plan	135,150	-	135,150	-

NOTE 24 SEGMENT INFORMATION

Primary reporting - geographical based on the location of assets

		Geographical Segments		
		Papua New Guinea \$	Australia \$	Consolidated \$
Revenue from continuing operations	2006	-	83,573	83,573
	2005	-	35,930	35,930
Other income	2006	-	377,894	377,894
	2005	-	1,179,238	1,179,238
Segment results	2006	(23,269)	(2,820,934)	(2,844,203)
	2005	(38,683)	161,586	122,903
Segment assets	2006	438,652	2,445,429	2,884,081
	2005	-	4,318,854	4,318,854
Segment liabilities	2006	100,514	201,975	302,489
	2005	-	173,552	173,552
Segment depreciation	2006	-	141,888	141,888
	2005	-	101,892	101,892
Segment write down of exploration assets	2006	18,351	1,497,217	1,515,568
	2005	38,683	512,788	551,471

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 25 EARNINGS PER SHARE ("EPS")

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Basic and diluted earnings/(loss) per share (cents per share).	(4.4)	0.2		
The profit/(loss) used in calculating basic earnings per share is the loss attributable to members of Frontier Resources Ltd	(2,844,203)	122,903		
Weighted average number of shares used in the calculation of the basic EPS.	64,984,877	50,057,709		
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.	43,683,516	29,544,754		

NOTE 26 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 20 July 2006 and 11 August 2006 the Company issued 575,000 shares at 10 cents each pursuant to the exercise of employee options.

On 10 August 2006 the drill rig acquired as part of re-acquisition of the subsidiary, South Pacific Minerals (PNG) Ltd, was sold for \$220,000 compared to the fair value at acquisition of \$225,000.

On 13 September 2006 the Company issued 9,198,380 shares in a private placement raising \$1,103,806 before costs. The funds will be used to fund exploration on Papua New Guinea projects and provide working capital.

NOTE 27 REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2006	2005
	\$	\$
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.		
Assurance services		
1. Audit Services		
PricewaterhouseCoopers Australian firm:	20,840	17,680
Total remuneration for audit services	20,840	17,680
2. Other Assurance Services		
PricewaterhouseCoopers Australian firm:	2,000	8,500
Total remuneration for other assurance services	2,000	8,500
Total remuneration for assurance services	22,840	26,180
Taxation Services		
PricewaterhouseCoopers Australian firm:	5,100	2,000
Total remuneration for taxation services	5,100	2,000

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

**NOTE 28 RECONCILIATION OF PROFIT AFTER
INCOME TAX TO NET CASH INFLOW
FROM OPERATING ACTIVITIES**

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Reconciliation of operating loss after income tax to the net cash flow from operations:				
Operating profit / (loss) after income tax	(2,844,203)	122,903	(3,171,719)	122,903
Adjustment for non cash items:				
- Exploration and evaluation costs written off (relates to investing activities)	1,515,568	551,471	1,497,217	512,788
- Loss on disposal of available-for-sale financial assets	1,043,670	-	1,043,670	-
- Gain on disposal of fixed assets	(50,378)	-	(50,378)	-
- Depreciation and amortisation expense	141,888	101,892	141,888	101,892
- Non-cash employee benefits expense - share-based payments	135,150	-	135,150	-
- Provision for non-recovery of loan	-	-	23,269	38,682
- Gain on disposal of subsidiary and vehicle	-	(1,179,238)	-	(1,179,238)
- Discount on acquisition of subsidiary	(327,516)	-	-	-
Change in operating assets and liabilities:				
- Accounts payable and provisions	52,484	11,480	52,484	11,480
- Accounts receivable and prepayments	409,686	(653,995)	409,686	(653,994)
Net cash inflow / (outflow) from operating activities	76,349	(1,045,487)	81,267	(1,045,487)
(b) Reconciliation of the exploration and evaluation expenditure:				
Movement in Balance Sheet for the year	(162,675)	(800,281)	(108,050)	(882,374)
- Exploration and evaluation	(1,515,568)	(551,471)	(1,497,217)	(512,788)
Adjustment for Non Cash Items:				
- Acquisition/(disposal) of subsidiary - exploration amount	57,636	(82,093)	-	-
Change in assets and liabilities:				
- Accounts receivable and provisions	(2,597)	2,996	414	2,995
- Accounts payable and provisions	(1,116)	42,753	(1,116)	42,753
Net exploration and evaluation expenditure cashflow	(1,624,320)	(1,388,096)	(1,605,969)	(1,349,414)

NOTE 29 SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2006	2005
			%	%
TasGold PNG Limited	Papua New Guinea	Ordinary	100	100
South Pacific Minerals (PNG) Ltd (formerly Island Arc Mining Ltd)	Papua New Guinea	Ordinary	100	-

NOTE 30 NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no such activities during the year (2005: On 19 August 2004 262,500 ordinary shares were issued in lieu of Share Registry Fees of \$42,000).

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

NOTE 31 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(i) Reconciliation of total equity reported under AGAAP to that under AIFRS

	30 June 2005	1 July 2004
Total equity under AGAAP	4,145,302	1,239,082
Retained earnings	-	-
Reserves	-	-
Total equity under AIFRS	4,145,302	1,239,082

(2) Adjustments to balance sheet classifications

At 1 July 2005

Type	AGAAP	Effect of Transition	AIFRS
	\$	\$	\$
Investment at costs	1,260,225	(1,260,225)	-
Available-for-sale financial assets	-	1,260,225	1,260,225
Total	1,260,225	-	1,260,225

(3) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

	Consolidated Year ended 30 June 2005 \$
Profit after tax under AGAAP	122,903
Profit after tax under AIFRS	122,903

(4) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 34 to 62 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 20 to 24 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



R.D. McNeil
Chairman

Bundall, Queensland
21 September 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FRONTIER RESOURCES LTD

Audit Opinion

In our opinion,

1. the financial report of Frontier Resources Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Frontier Resources Ltd and the Frontier Resources Ltd Group (defined below) as at 30 June 2006, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

2. the audited remuneration disclosures that are contained on pages 20 to 24 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Frontier Resources Ltd (the company) and the Frontier Resources Ltd Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 20 to 24 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FRONTIER RESOURCES LTD

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

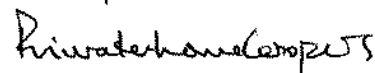
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Stephen R. Snook
Partner

Brisbane
22 September 2006

MINERAL RESOURCES STATEMENT

The total Inferred Resource for the Kodu porphyry copper/gold/molybdenum Deposit was increased during the year from 85 million tonnes grading 0.4% copper + 0.6g/t gold to 108 million tonnes grading 0.33% copper + 0.42g/t gold + 60ppm molybdenum. The current resource equates to 357,000 tonnes of copper + 45.4 tonnes of gold + 6,480 tonnes of molybdenite, for 507,000 tonnes of copper equivalent (July 2006).

This upgraded Inferred Resource is considered 'technically' superior to the previous estimate as additional drilling data has been incorporated, modern computer based estimation techniques have been used and some more conservative parameters applied.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter McNeil, who is a Member of the Australian Institute of Geoscientists.

Peter McNeil is employed by Exploration & Management Consultants Pty Ltd and consults to Frontier Resources Ltd in the capacity of Managing Director.

Peter McNeil has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter McNeil consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SHAREHOLDER INFORMATION

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

STATEMENT OF QUOTED SECURITIES AS AT 18 SEPTEMBER 2006

a)	Distribution of Shareholders		
	Size of Holding	Number of Shareholders	Number of Optionholders
	1 - 1,000	993	97
	1,001 - 5,000	641	171
	5,001 - 10,000	288	170
	10,001 - 100,000	616	315
	100,001 and over	98	68
		2,636	821
b)	Number of holders of less than marketable parcels	1,557	489
c)	Percentage holding of 20 largest holders	47.97	44.60
d)	Substantial shareholders in the Company are set out below:		
	Ordinary Shares	Number Held	Percentage
	Peter Andrew McNeil	7,604,869	9.4%
	Robert Donald McNeil	4,477,083	5.5%
e)	Twenty largest shareholders/optionholders (as at 18 September 2006)		

Shareholder			Optionholder (expiry date 30 November 2007)		
Name	Quantity	% of Total Holding	Name	Quantity	% of Total Holding
ANZ Nominees Ltd <Cash Income A/C>	15,780,780	19.50	Macmin Silver Ltd	3,104,167	7.97
Exploration & Management Consultants Pty Ltd <Malalo Super Fund A/C>	4,381,473	5.41	ANZ Nominees Ltd <Cash Income A/C>	2,046,500	5.25
McNeil Associates Pty Ltd <McNeil Super Fund A/C>	4,258,461	5.26	Mr Robert Cameron Galbraith	1,403,333	3.60
Macmin Silver Ltd	3,364,824	4.16	McNeil Associates Pty Ltd <McNeil Super Fund A/C>	1,161,000	2.98
Paige Simone McNeil	1,684,265	2.08	Simon Robert & Kathryn Margaret Evans <Kamiyacho Super Fund A/C>	1,139,262	2.92
Peter Andrew McNeil	1,270,139	1.57	Paige Simone McNeil	1,017,639	2.61
Exploration & Management Consultants Pty Ltd	1,245,618	1.54	Cadotiz Pty Limited <Nareshkumar Patel Account>	945,734	2.43
Mrs Rosemary Joy McNeil	889,966	1.10	Mr Colin Glanville Young	935,500	2.40
Nefco Nominees Pty Ltd	600,000	.74	Westtin Pty Ltd	800,000	2.05
Toltec Holdings Pty Ltd	600,000	.74	Pathold No 77 Pty Ltd <Midvale A/C>	680,063	1.75
James David Thorn & Suporn Limmanee	540,214	.67	Mrs Rosemary Joy McNeil	556,000	1.43
Fogbell Nominees Pty Ltd	531,215	.66	James David Thorn & Suporn Limmanee	535,714	1.37
Pathold No 77 Pty Ltd <Midvale A/C>	514,810	.64	Ms Maureen Rita Morrow	500,000	1.28
Westpac Custodian Nominees Limited	506,584	.63	Mr Wilhelm Kuhlmann	441,000	1.13
Eikofin BVBA	500,000	.62	Mr Peter Fabian Hellings	400,000	1.03
Robert C Galbraith	493,886	.61	Dr Herman Lange	353,139	.91
Mr Stuart Winston Bell	416,666	.51	National Nominees Limited	351,692	.90
Celtic Capital Pty Ltd <The Celtic Capital A/C>	416,666	.51	Mr Anthony John Vetter	350,000	.90
Libertine Investments Pty Ltd	416,666	.51	Westpac Custodian Nominees	339,598	.87
Mr Neven Nikola Botica <Botica Family No 1 Account>	413,334	.51	Exploration & Management Consultants Pty Ltd <Malalo Super Fund A/C>	320,300	.82
TOTAL	38,825,567	47.97	TOTAL	17,380,641	44.60

f) Voting Rights

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

STATEMENT OF UNQUOTED SECURITIES (OPTIONS) AS AT 18 SEPTEMBER 2006

There are on issue the following unquoted securities:-

	Quantity
Non transferable options expiring 31 December 2007 exercisable at 20 cents	1,600,000
Non transferable options expiring 01 December 2008 exercisable at 10 cents	2,415,000



ABN 96 095 684 389

Contact
PO Box 7996
Gold Coast Mail Centre
Bundall QLD 9726
Australia
p+61 7 5592 2274
f +61 7 5592 2275
e info@frontierresources.com.au



www.frontierresources.com.au

ASX - FNT