

FRONTIER RESOURCES LTD

A.B.N. 96 095 684 389

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2007

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Frontier Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

A.B.N. 96 095 684 389

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Frontier Resources Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

DIRECTORS

The following persons were directors of Frontier Resources Ltd during the whole of the half-year and up to the date of this report:

Robert D. McNeil
Peter A. McNeil
Graham J. Fish
Warren J. Staude
Ces lewago
David Swain

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$1,883,073 (2006: \$1,050,140). There is no dividend paid or recommended.

The result for the half-year was significantly affected by expenditure of \$1,128,772 (2006: \$561,519) in respect of exploration expenditure in accordance with company policy as outlined in Note 1.

REVIEW OF OPERATIONS

During the half-year;

- (i) The consolidated entity funded ongoing exploration and evaluation work on its exploration areas in Papua New Guinea and Tasmania.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* immediately follows this report.

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



Peter A. McNeil
Managing Director

Stoneville, Western Australia
14 March 2008

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES

A.B.N. 96 095 684 389



BDO Kendalls

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ABN 70 202 702 402

13 March 2008

The Directors
Frontier Resources Limited
Level 1
94 Bundall Road
BUNDALL QLD 4217

Dear Directors

DECLARATION OF INDEPENDENCE TO THE DIRECTORS OF FRONTIER RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

BDO Kendalls (QLD)

A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

C J Skelton
Partner



BDO Kendalls

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

Scope

We have reviewed the accompanying half-year financial report of Frontier Resources Limited and Controlled Entities (the Group), which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes to the half-year financial statements and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year interim financial report so that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Frontier Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FRONTIER RESOURCES LIMITED (CONTINUED)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* given to the directors on 13 March 2008 would be in the same terms if it had been given at the same time this review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Frontier Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Emphasis of Matters Regarding Explorations and Evaluation Assets and Going Concern

Without qualifying our conclusion, we draw attention to the following matters.

Material Uncertainty Regarding Explorations and Evaluation Assets

As a result of the matters disclosed in note 1 there is uncertainty whether the Group will be successful in its renewal application for EL 1348. If not successful an impairment adjustment will be necessary against the carrying value of that area of interest.

Material Uncertainty Regarding Continuation as a Going Concern

As set out in Note 1, the financial report has been prepared on a going concern basis. The ability of the consolidated entity to maintain continuity of normal business activities, and to pay its debts as and when they fall due is dependent upon the continued ability of the consolidated entity to raise capital, and or successfully explore and subsequently exploit the consolidated entity's tenements.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

BDO Kendalls (QLD)

BDO Kendalls

A handwritten signature in black ink, appearing to read 'C J Skelton'.

C J Skelton

Partner

Brisbane

Dated: 13 March 2008

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 12 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 consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Frontier Resources Ltd will be able to pay its debts as and when they become due and payable.

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



Peter A. McNeil
Managing Director

Stoneville, Western Australia
14 March 2008

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	Half-year	
		2007	2006
		\$	\$
Revenue from continuing operations		80,490	99,665
Other income		38,336	10,053
		118,826	109,718
Exploration expenditure written off		(1,128,772)	(561,519)
Employee benefit expense		(534,463)	(235,218)
Administration and insurance		(195,444)	(98,602)
Corporate compliance and shareholder relations			(48,186)
Depreciation		(122,108)	(78,120)
Office rental, communications and consumables			(28,887)
Repairs and maintenance		(37,262)	(26,945)
Company equipment use charged to exploration and development		89,537	28,345
Other expenses from ordinary activities		(73,387)	(110,726)
Loss before income tax		(1,883,073)	(1,050,140)
Income tax expense		-	-
Loss for the half year		(1,883,073)	(1,050,140)
Earnings per share for profit attributable to the ordinary equity holders of the company		Cents	Cents
Basic and diluted loss per share		(1.41)	(1.35)

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	31-Dec-07 \$	30-Jun-07 \$
CURRENT ASSETS			
Cash and cash equivalents		1,640,473	4,153,726
Inventory/work in progress		441,083	483,242
Trade and other receivables		81,389	189,250
TOTAL CURRENT ASSETS		<u>2,162,945</u>	<u>4,826,218</u>
NON-CURRENT ASSETS			
Trade and other receivables		84,260	83,943
Property plant and equipment		811,105	810,713
Mineral exploration and development expenditure		4,087,807	3,088,506
TOTAL NON-CURRENT ASSETS		<u>4,983,172</u>	<u>3,983,162</u>
TOTAL ASSETS		<u>7,146,117</u>	<u>8,809,380</u>
CURRENT LIABILITIES			
Trade and other payables		284,813	594,096
TOTAL CURRENT LIABILITIES		<u>284,813</u>	<u>594,096</u>
NON-CURRENT LIABILITIES			
Provisions		9,430	9,157
TOTAL NON-CURRENT LIABILITIES		<u>9,430</u>	<u>9,157</u>
TOTAL LIABILITIES		<u>294,243</u>	<u>603,253</u>
NET ASSETS		<u>6,851,874</u>	<u>8,206,127</u>
EQUITY			
Contributed equity		14,735,132	14,584,590
Reserves		348,778	(29,501)
Accumulated losses		(8,232,036)	(6,348,962)
TOTAL EQUITY		<u>6,851,874</u>	<u>8,206,127</u>

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2007

	Half-year	
	2007	2006
	\$	\$
Total equity at the beginning of the half-year	8,206,127	2,581,592
Transaction costs arising on share issue	(3,600)	(118,778)
Foreign currency translations	(77,952)	-
Net income/(expense) recognised directly in equity	(81,552)	(118,778)
Profit/(loss) for the half-year	(1,883,073)	(1,050,140)
Total recognised income and expense for the half-year	(1,964,625)	(1,168,918)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs (note 3)	154,142	2,043,282
Additions to share based payments reserve	476,278	123,538
Transfers from share based payments reserve (note 3)	(20,048)	-
	610,372	2,166,820
Total equity at the end of the half-year	6,851,874	3,579,494

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	Half-year	
		2007	2006
		\$	\$
Cash Flows from Operating Activities			
Cash receipts in the course of operations		392,375	156,247
Interest received		80,490	12,135
Payments received on behalf of joint venture partners		-	-
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(626,201)	(670,167)
Goods and Services Tax refunded		121,665	87,792
Net cash flow inflow (outflow) from operating activities	5(a)	(31,671)	(413,993)
Cash Flows From Investing Activities			
Exploration and evaluation activities	5(b)	(2,242,999)	(916,078)
Security deposits recovered / (paid)		(317)	-
Payments for property, plant and equipment		(397,898)	(79,026)
Proceeds from sale of property, plant and equipment		9,090	241,329
Net cash (outflow) inflow from investing activities		(2,632,124)	(753,775)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of share issue costs)		150,542	1,903,547
Proceeds from subscription money held pending issue of shares		-	9,000
Net cash inflow (outflow) from financing activities		150,542	1,912,547
Net increase in cash and cash equivalents		(2,513,253)	744,779
Cash and cash equivalents at the beginning of the half-year		4,153,726	300,195
Cash and cash equivalents at end of the half-year		1,640,473	1,044,974

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Frontier Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of Preparation and Going Concern Basis

The Financial Statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business. The ability of the economic entity to continue to adopt the going concern assumption is dependent upon a number of matters including the successful raising of capital to meet funding requirements and explorations of the economic entity's tenements.

In addition, the ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest. As previously announced, the company is awaiting the renewal of EL 1348 in relation to the Kodu deposit from the PNG Minister for Mining. The Minister advised the Company on 19 February 2008 that no decision regarding the renewal had been made at that time. No subsequent discussions with the Minister have occurred. Ministers from both Australia and PNG will discuss the issue further when they meet for a ministerial forum in Madang in April 2008. The carrying value of the Group's interest in the area of interest at 31 December 2007 was \$2,400,936. If the Minister does not renew EL 1348, the Group will be required to write off the asset. No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the renewal of EL 1348 be unsuccessful.

2. SEGMENT INFORMATION

Primary reporting format – geographical segments.

		GEOGRAPHICAL SEGMENTS		
	Half Year	Australia \$	Papua New Guinea \$	Consolidated \$
Segment revenue	2007	118,826	-	118,826
	2006	109,718	-	109,718
Segment results	2007	(892,339)	(990,674)	(1,883,073)
	2006	(584,575)	(465,565)	(1,050,140)

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
31 DECEMBER 2007

3. EQUITY SECURITIES ISSUED

Issues of ordinary shares during the half-year	2007	2006	2007	2006
	Shares	Shares	\$	\$
Private placement issues	-	16,323,553		1,958,827
Exercise of employee options	385,000	575,000	41,300	57,500
Exercise of listed options	463,972	10,000	92,794	2,000
Transfer from share-based payments reserve	-	-	20,048	24,955
	848,972	16,908,553	154,142	2,043,282

Issues and exercise or cancellation of options during the half-year	2007	2006
	Options	Options
Issue of employee options	3,570,000	1,630,000
Issue of directors options	3,200,000	-
Exercise of employee options	(385,000)	(575,000)
Exercise of listed options	(463,972)	(10,000)
Expiry of listed options	(82,628,848)	-
Cancellation of employee options	(1,600,000)	(375,000)
	(78,307,820)	670,000

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 4 January 2008 the company issued 90,000 fully paid shares at \$0.10 cents per share pursuant to the exercise of employee options.

On 4 January 2008 the company issued 8,379 fully paid shares at \$0.20 cents per share pursuant to the exercise of listed options.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

5. CASH FLOW STATEMENT

	CONSOLIDATED	
	31-Dec-07	31-Dec-06
	\$	\$
(a) Reconciliation of the operating loss after income tax to the net cash flow from operations		
Operating loss after income tax	(1,883,073)	(1,050,140)
Adjustment for non cash items:-		
- Exploration and development costs written off (relates to investing activities)	1,128,772	561,519
- Loss/(Gain) on disposal of fixed assets	3,177	(10,053)
- Loss/(Gain) on disposal of WIP assets	(41,519)	-
- Depreciation and amortisation expense	120,997	78,120
- Non-cash employee benefit expense – share-based payments	476,278	148,493
- Net exchange differences	(79,001)	-
Change in operating assets and liabilities:-		
- Accounts payable and provisions	32,118	230,746
- Amounts receivable	28,945	(429,972)
- Asset WIP	83,678	-
- Prepayments	97,957	57,294
Net cash inflow / (outflow) from operating activities	(31,671)	(413,993)
(b) Reconciliation of the exploration and evaluation expenditure:-		
Movement in Balance Sheet for the half year		
- Exploration and evaluation	999,301	624,716
Adjustment for Non Cash Items:-		
- Exploration costs written off	1,128,772	561,519
Change in assets and liabilities:-		
- Accounts receivable and provisions	19,041	-
- Accounts payable and provisions	95,885	(270,157)
Net exploration and evaluation expenditure cashflow	2,242,999	916,078

6. EXPLORATION COMMITMENTS

Exploration Expenditure Commitments

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	747,000	964,000
Later than 1 year but not later than 2 years	40,000	647,000
	787,000	1,611,000
Administration Agreement Commitments		
Administration agreement fees are payable as follows:		
Not later than 1 year	73,500	268,000