



FRONTIER RESOURCES LTD

2009

ANNUAL REPORT



ASX: FNT, FNT0 www.frontierresources.com.au

FRONTIER RESOURCES LTD

ABN 96 095 684 389

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CORPORATE DIRECTORY

Non-Executive Chairman Robert D. McNeil Managing Director Peter A. McNeil Executive Director Graham J. Fish Non-Executive Director Warren J. Staude Non-Executive Director Hugh David Swain Non-Executive Director Ces Iewago <i>Resigned: 27 October 2008</i> Company Secretaries Jay Stephenson Paige McNeil	Principal Office 120 Tranquil Place Stoneville WA 6081 Australia Telephone: (08) 9295 0388 Facsimile: (08) 9295 3480 Registered Office Unit 6, 34 York Street North Perth WA 6006 Australia Postal Address: PO Box 35 North Perth WA 6906 Australia Telephone: (08) 6468 0388 Facsimile: (08) 9228 0704 Email: info@frontierresources.com.au Website: www.frontierresources.com.au	Share Registry Registries Limited Level 2 28 Margaret Street Sydney NSW 2000 Auditors BDO Kendalls Audit and Assurance (WA) Pty Ltd 128 Hay Street Subiaco WA 6008
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LETTER FROM THE MANAGING DIRECTOR

Dear Fellow Shareholder

Frontier Resources Ltd's main asset (the 276 million tonne Kodu porphyry copper-gold-molybdenum Deposit) was expropriated by the Papua New Guinea (PNG) Government in mid 2008 effectively because of its proximity to the Kokoda Track and pressure from the Australian Government. Frontier has not been compensated for this unjustifiable expropriation, which decision was subsequently endorsed by the PNG courts. The Global Financial Crisis then struck financial markets and both these events severely damaged Frontier Resources' market capitalisation through no fault of the Company.

In response, Frontier has concentrated on future development of the northern Tasmanian gold and base metal resources, while continuing to explore the highly mineralised Pacific 'Rim of Fire' in Papua New Guinea (PNG) for "Company Maker" World Class copper and gold Deposits.

Towards this goal, resource infill drilling was completed in September 2008 at the Narrawa gold-silver-lead-zinc Deposit and resource estimation drilling was completed at the Stormont gold-bismuth Deposit in late October 2008. High metallurgical recoveries were demonstrated for both deposits and a Conceptual Mining Study (CMS) followed, positively evaluating the case for developing both 100% owned deposits.

Frontier warranted an increase in its market capitalisation due to the successful resource definition drilling, resource estimates and upgrades for the Narrawa and Stormont Deposits, plus the positive CMS and bonus good tungsten drill intersections, but that was lost in the ensuing stock market mêlée.

Frontier's ongoing strategy, subject to funding consists of:

- Advancing the Narrawa and Stormont Deposits in Tasmania toward development;
 - o Initiating obtaining a Mining Lease(s) from Mineral Resources Tasmania;
 - o Continuing feasibility studies on the deposits including resource expansion and infill drilling to allow upgrading of the resources and estimation of a reserve;
 - o Evaluating development scenarios for the deposits including Frontier mining and treating the mineralisation, toll milling and other options;
 - o Assessing the proximal high-grade tungsten mineralisation potential at Narrawa by drilling, to determine if it can contribute to the Narrawa gold-lead-zinc-silver mining operation;
 - o Assessing alternate metallurgical treatment options that could be more effective and/or capable of also extracting the associated bismuth at Stormont and tungsten at Narrawa.
- Drill testing and defining resources at the Esis porphyry copper deposit on the island of New Britain in PNG. The targets are a World Class primary copper deposit and/or a more easily developed, near surface and higher average grade, secondary (supergene) copper deposit;
- Initiating surface exploration and undertake extensive hand trenching on the multiple very high-grade gold targets at Bulago in PNG to define the mineralised horizons and future drilling targets; and
- Advancing the remaining tenements held by Frontier in PNG and Tasmania with cost effective exploration and/or by joint ventures or outright sales (the Jimi EL in PNG was sold for \$300,000 and the Company was granted an additional Exploration License in PNG that is highly prospective for gold).

Please see the 'Operations Review' for project descriptions and discussion of exploration results returned during the year.

I invite shareholders to call me on +61 (0) 8 9295 0388 for additional information relating to the Company and its projects and visit our website at www.frontierresources.com.au.

Thank you for your continued support under poor circumstances and I wish you a successful 2009/2010.

Sincerely,



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

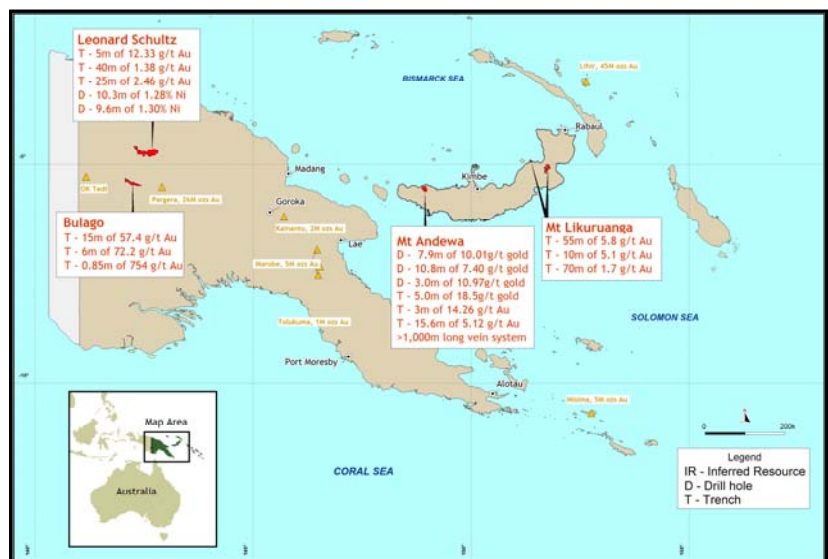
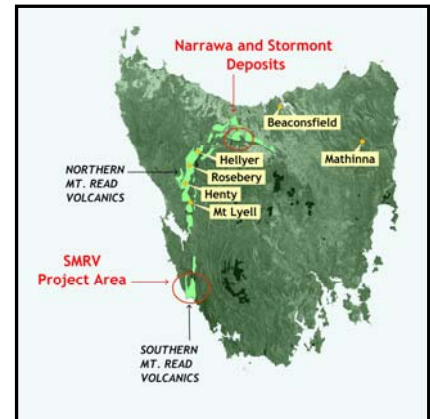
THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Frontier holds a carefully selected and diverse portfolio of high potential projects, comprising 2 Retention Licences (7km² - 100% interest) and 1 Exploration Licence (11km² - 90% interest) in Tasmania (Figure 1), plus 4 Exploration Licences (1,139 km² - 100% interest) in PNG (Figure 2).

The portfolio offers excellent mineral deposit potential, with primary targets being World Class gold-silver epithermal, gold- base metal skarns, copper-gold-molybdenum porphyry and polymetallic VHMS (zinc-lead-silver-gold) deposits. The projects all have high-grade exploration results in rock, trenches and/or drill hole and are in the same or similar geological terranes as existing World Class and/or major mines.

Excellent and good metallurgical recoveries have been obtained for both the Narrawa and Stormont mineralisation by flotation and normal Carbon in Pulp (CIP) processing, respectively. The resource estimations were incorporated into a Conceptual Mining Study (CMS) that evaluated the potential for both deposits to be placed into development.

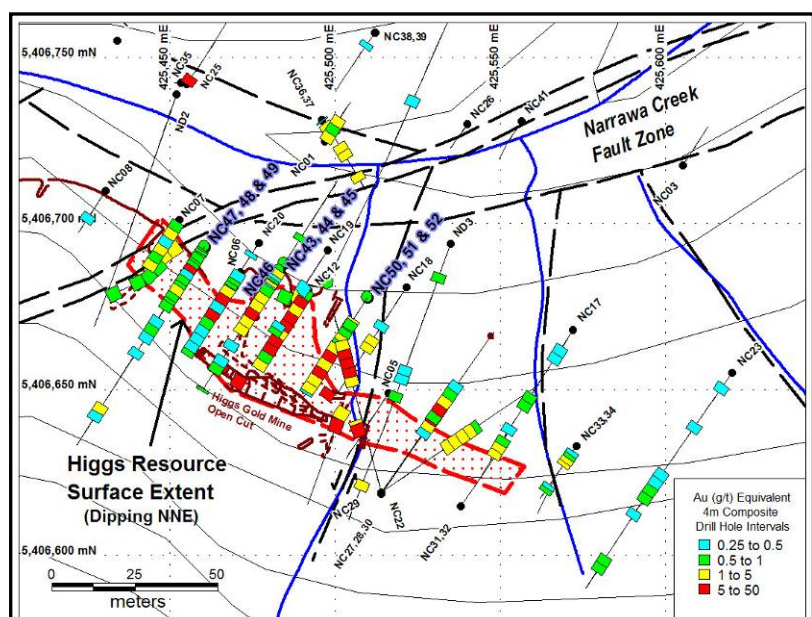
The CMS shows that the Narrawa and Stormont Deposits can be economically mined and concentrated or CIP processed at site, with toll smelting of the Narrawa concentrate at the Risdon refinery. However, the project has a short mine life and would be substantially more robust with a larger resource. Increasing the total resources will be a priority with the next drilling program.



Narrawa Deposit

The precious and base metal resource for the Narrawa Deposit was upgraded to Indicated and Inferred, containing 23,550 ounces of gold equivalent grading 3.5 g/t gold equivalent (0.5g/t gold cut-off grade). The resource consists of 14,125 ounces of gold, plus 131,300 ounces of silver, 2,765 tonnes of lead and 2,335 tonnes of zinc. The mineralisation is contained within 209,330 tonnes of rock grading 2.10 g/t gold, 19.5 g/t silver, 1.32% lead and 1.12% zinc.

An Indicated Resource was estimated for the first time and it consists of 162,755 tonnes grading 3.61 g/t gold equivalent (2.11 g/t gold, 20.5 g/t silver, 1.42% lead and 1.2% zinc).



THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

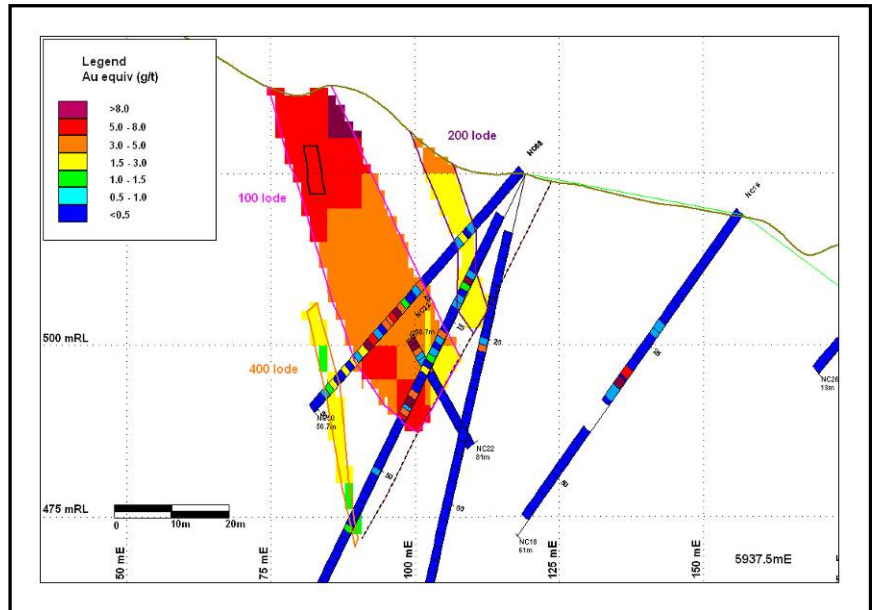
Narrawa is a steeply dipping, on/near surface, stratabound/stratiform skarn deposit hosted within 4 lodes which are near surface and can be mined by open pit mining methods. The Indicated and Inferred Resource is up to 220m long, 20m wide and 60m deep.

Figure 3: Plan of the Narrawa Deposit drill hole traces showing downhole gold equivalent assays and Figure 4: Section 5937.5mE

Good scope exists to continue to increase the Narrawa Resource along strike in both directions, within the fault offset dip component and in other relatively untested sectors of the project area.

Mineralisation potential exists along strike to the southeast, with additional drillholes yielding 3.7m of 1.11 g/t gold (NC016) and 1.35m of 0.19g/t gold + 42 g/t silver+ 2.0% lead + 1.46% zinc + 0.25% copper (also NC016) and 2.2m of 0.12g/t gold + 15 g/t silver+ 0.79% lead + 3.26% zinc + 0.25% copper associated with a UTEM anomaly (NC017).

In addition, across strike from Narrawa in the 666 lode there are mineralised holes returning 1.5m of 25.2 g/t gold (NC025), 2m of 14.98 g/t gold (NC035), 7m of 2.13 g/t gold and 4.5m of 3.26 g/t gold (NC036), that are not included in the resource estimation.

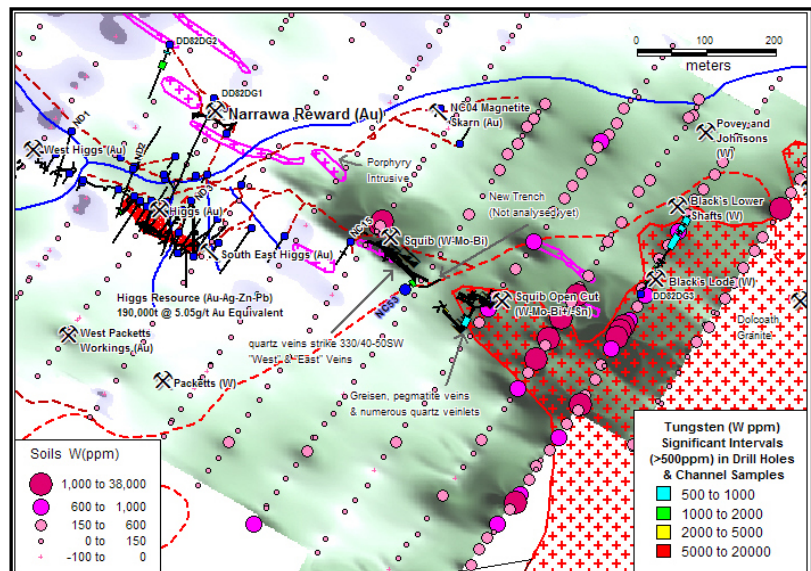


Narrawa Tungsten Prospect (RL 4/2005)

The tungsten potential of Narrawa was evaluated by a targeted drill hole (NC53) and by undertaking selected drill hole re-analysis (NC 48).

NC48 returned 1m grading 1.98% tungsten, within 16m grading 0.178% tungsten, from 29.6m downhole.

This is a higher tenor of mineralisation than that demonstrated in hole NC53, being 0.65m grading 1.04% WO₃, within 10.5m grading 0.228% WO₃ (which was only proximal to the target zone due to drilling into the old adit - i.e. the best mineralisation was mined out!).



These results have documented structurally controlled higher grade tungsten located within significant widths of lower grade, but potentially bulk mineable tungsten mineralisation. Holes NC 48 and NC53 are located more than 400m apart across strike but on the same general tungsten anomalous trend, indicating significant strike potential and multiple mineralised lodes.

Soil assays and historic drilling have demonstrated a large area of tungsten anomalous and the +800m known strike length between holes containing tungsten anomalous remains untested (see Figure 5).

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Six historic holes drilled for gold also returned potentially economic grades of tungsten, peaking at 0.5m of 1.26% tungsten (WO_3) with 0.12% molybdenum. Five channel samples also returned anomalous tungsten with up to 1.5m grading 0.70% tungsten (WO_3) and also 3m grading 1.17 g/t gold + 0.1% tungsten (WO_3). The historic Squib Mine produced 34.5 tonnes of tungsten. Dump samples have analysed up to 5% tungsten (WO_3) and a sample from a lode in a drive returned 3.19% tungsten (WO_3).

Note that calculations for FerroTungsten herein assume all concentrate is FeW, equating to 76.7% tungsten, whereas commercial concentrate typically contains 70 to 75% tungstic oxide (WO_3) or 55 to 63% tungsten.

Stormont Deposit

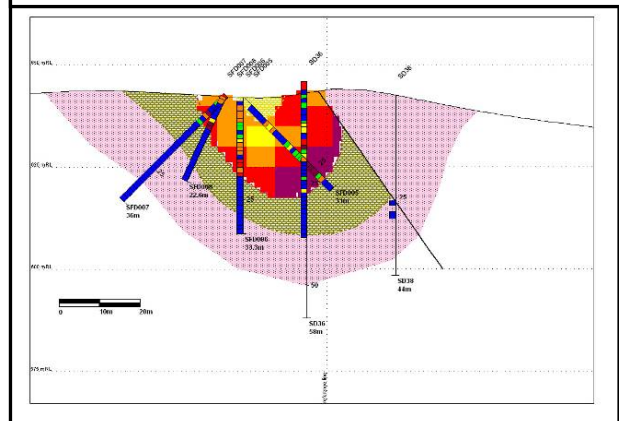
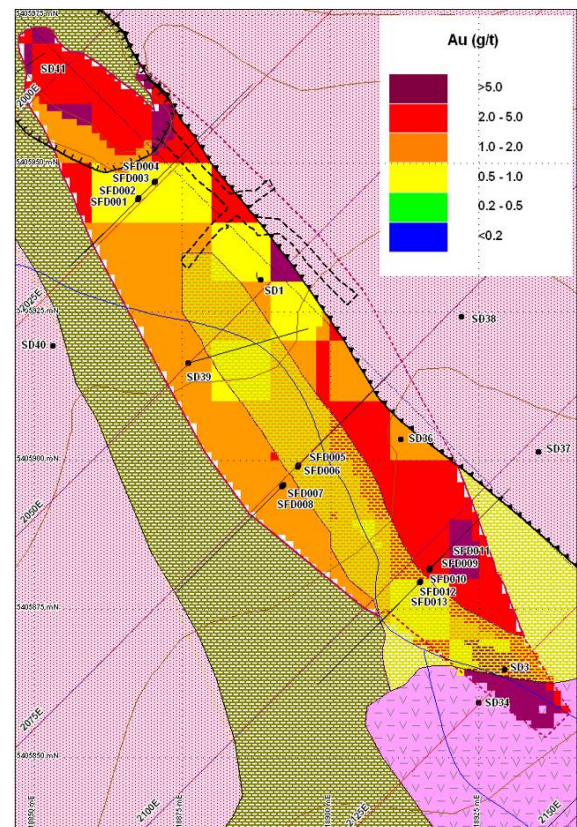
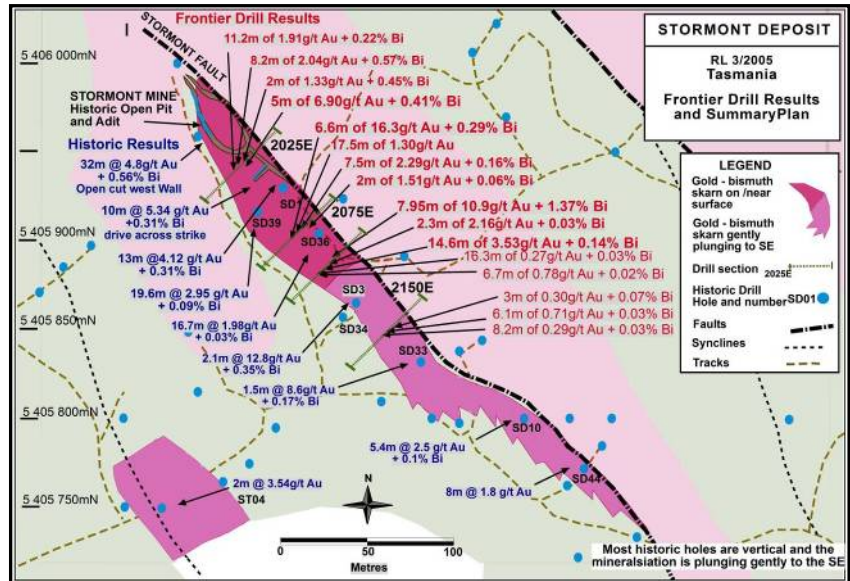
The maiden Inferred Resource for the 'high grade' zone at Stormont contains 13,430 ounces gold, 27.7 tonnes bismuth and 10,340 ounces silver, within 91,400 tonnes of mineralised rock grading 4.57g/t gold, 0.30% bismuth and 3.52g/t silver (1.5g/t gold cut-off grade).

Stormont is a skarn-style stratiform deposit located in the core and on the limbs of a shallowly southeasterly plunging syncline at its northwestern end. The deposit is located on or very near surface and ranges in stratigraphic thickness between 10m and 15m.

A consistently mineralised resource is modelled in the 150m long, NW part of the central syncline, referred to as the high grade zone. There is good scope to increase the resource with additional drilling in the SE of the central syncline, the untested western sector of the western syncline and proximal to the eastern thrust.

Significant high grade gold+/-bismuth intersections have been demonstrated over the entire 300m known length of the central syncline, with drillholes SD8, SD10, SD33 and SD44, returning up to 4m of 12.7 g/t gold, that is not included in the resource estimation.

Figure 6 shows Stormont drill holes locations and weighted average assay results, figure 7 shows geology and the high grade resource and figure 8 shows section 2075E looking to 325 degrees AMG.



THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Bulago

The Bulago EL is located in PNG between the World Class OK-Tedi porphyry copper-gold and the Porgera epithermal/intrusive related gold Deposits. Targets are very high-grade epithermal and skarn gold, bulk mineable intrusive related gold and porphyry copper-gold-molybdenum deposits.

The Suguma Prospect has very high gold grades in 1 to 7m wide structures in both the intrusives and the contact aureole sediments. It is located on the NW side of a large (1km x 1km) copper and disjointed gold in soil anomaly, within a large (4.5km x 6km) (see figure 10), well-defined sub-circular, gold, zinc and copper drainage anomaly. The drainage anomaly covers the recessive intrusive in a circular drainage basin, with anomalism continuing up to the peripheral limestones, demonstrating the skarn potential.

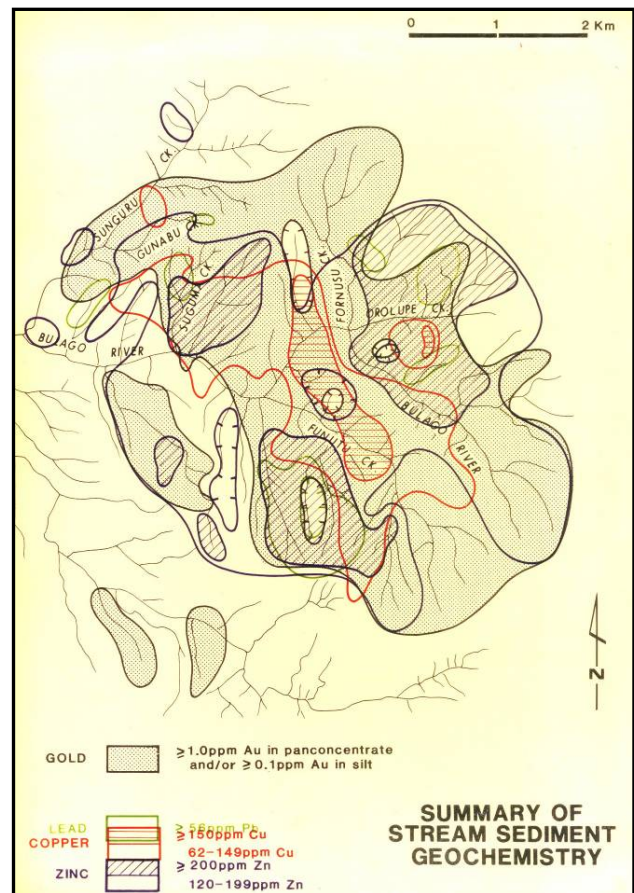
The Suguma Prospect outcrop channel samples of sulphidic breccia and intrusive (true widths are unknown) include:

- 15m of 57.4 g/t gold;
- 6m of 72.2 g/t gold;
- 0.85m of 754 g/t gold;
- 2m of 188 g/t gold; and
- 1.1m of 55 g/t gold.

Four km to the SE of Suguma is the Funutu Prospect, where very high grade precious and base metal intrusive and breccia rock samples were collected from outcrop, which have never been mapped, soil sampled, trenched or drilled. Results include:

- 197 g/t gold + 363 g/t silver + 0.55% copper + 5.72% zinc + 5.5% lead;
- 108 g/t gold + 200 g/t silver + 0.38% copper + 4.8% zinc + 2.63% lead; and
- 43 g/t gold + 120 g/t silver + 0.49% copper + 1.7 % zinc + 0.86% lead.

Two km to the SE of Suguma, a boulder of skarn assayed 145 g/t gold + 11g/t silver + 0.78% copper + 8.6% zinc + 0.34% lead. The skarn potential of the Bulago region has never been evaluated and further investigation is strongly warranted.



Esis

The objective is to drill test and define resources at the Esis porphyry copper Deposit on the island of New Britain in PNG. The targets are a possible World Class primary copper deposit and/or a more easily developed, near surface and higher average grade secondary (supergene) copper deposit. The strongly copper mineralised zone is more than 1,400m long before going under volcanic rocks to the north and is generally about 400m wide (but is up to 1,000m wide).

Fifteen very shallow 'Winkie' reconnaissance holes and four deeper diamond core holes were drilled into primary mineralisation about 35 years ago. Six had a weighted copper average for their entire length greater than 0.2% and were terminated in copper mineralisation. The best holes included DW7 with 21.6m grading 0.50% copper and DW15 with 30.3m grading 0.41% copper. These holes cover 1,000m of strike extent with the mineralized zone open to the north and south.

The best results from the 4 hole diamond drilling program was from MD23, with 27m of supergene grading 0.71% copper (from 33m depth), plus 66m of primary grading 0.42% copper (from 86.6m to end of hole), with the last 7.6m of the hole grading 0.49% copper.

Esis is a breccia related porphyry copper deposit and these systems often have extensive vertical mineralisation and high associated tonnages (Figure 9).

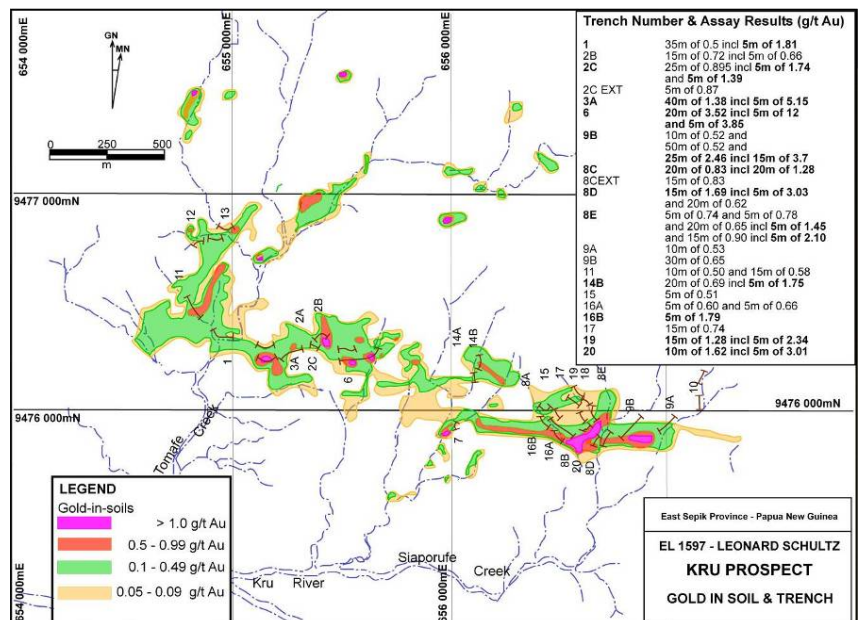
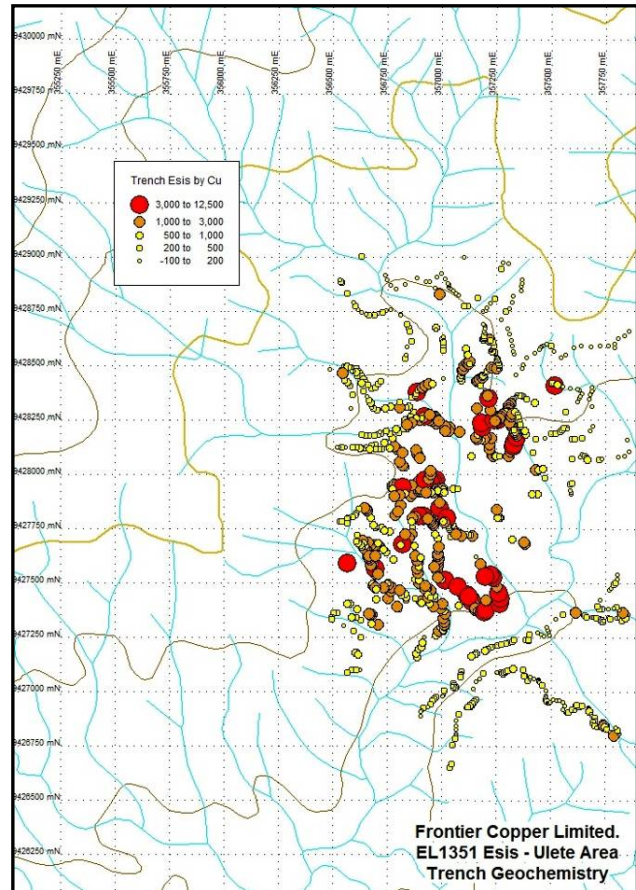
Leonard Schultz

EL 1597 in the Highlands of Papua New Guinea was granted to the Company, finalising Frontier's geographic and commodity focus on gold exploration in the district. Targets include high-grade & bulk mineable gold, porphyry copper-gold & lateritic nickel.

Historic exploration results include:

- Hand trenching for gold at the Kru Prospect, with assays to 5m of 12.33 g/t gold, 5m of 7.00 g/t gold, 15m of 3.70 g/t gold, 15m of 1.69 g/t gold, 20m of 2.4 g/t gold, 40 metres at 1.38 g/t gold and 5 metres at 3.86 g/t gold. No exploration has been completed in more than 10 years.
- Soil samples to 51.1 g/t gold, quartz rock float samples to 17.6 g/t gold and outcrop/float samples with up to 2.75 oz/t silver and to 1.4% copper.
- The Wasi porphyry copper system covers an area of 3.5 km by 1.5 km, with local higher grades (to 0.92% copper in limited drilling) and peripheral mesothermal base metal sulphide-gold veins. Previous work completed at Wasi suggested that the distribution of alteration points to higher copper grades remaining unexposed at shallow depths. Gold appears to occur in close association with copper mineralisation and strongly warrants evaluation. There has been no effective exploration completed in 37 years.
- Auger drilling for lateritic nickel at the Sitipa Prospect, to 10.3m of 1.28% nickel and 9.6m of 1.30% nickel + 0.13% cobalt (holes located approximately 2km apart, with only 6 drilled in the area).

Figure 11 shows the Kru Prospect with contours of gold in soil samples and trenches, plus trench locations and weighted assays.



THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

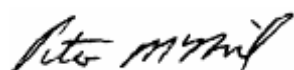
Corporate

A non-renounceable Entitlements Issue was completed in January 2009 on a 1 for 3 ratio, offering shares at 3.5 cents, with one free option accompanying every New Share allotted. The total number of shares allotted was 3,048,496 raising \$106,698 before costs.

A Rights Issue will be completed late September 2009, on the same terms as that completed earlier in 2009, consisting of one New Share at 3.5 cents for every Share held on the Record Date (with one free attaching New Option for every New Share purchased). The free attaching New Options are exercisable at 4.5 cents on or before 3 December 2010.

Sincerely,

FRONTIER RESOURCES LTD



P.A. McNeil, M.Sc.

MANAGING DIRECTOR

COMPETENT PERSON'S STATEMENT

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

Notes:

- ❖ The gold equivalent formula used to calculate the gold equivalent values is as follows: gold Equivalent (g/t) = gold g/t + (lead% x 0.46269) + (zinc% x 0.4644) + (silver g/t x 0.01386)
- ❖ This formula is based on metal prices obtained on 7th April 2009, these being US\$884/oz gold, US\$0.5965/lb lead, US\$0.5987/lb zinc and US\$12.26/oz silver.
- ❖ Skarn gold-silver-basemetal deposits such as the Narrawa Deposit typically recover contained gold, silver and basemetals if in sufficient quantities (subject to metallurgical characteristics and prevailing metal prices).
- ❖ The ASX requires metallurgical recovery be specified for each metal and they are: 96.7% for gold, 98.5% for zinc, 95.6% for lead and 92.4% for silver.
- ❖ It is the Company's opinion that each of the elements included in the Narrawa metal equivalent calculations have a reasonable potential to be recovered if the project proceeds to mining.

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 2009.

DIRECTORS

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

R.D. McNeil
P.A. McNeil
G.J. Fish
W.J. Staude
H.D. Swain
C.E. Iewago – *Resigned 27 October 2008*

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 \$1,327,376 (2008: Loss \$5,591,040). There is no dividend paid or recommended.

The result of the consolidated entity was significantly affected by exploration expenditure of \$1,274,813 (2008: \$4,372,448) 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; and
- (ii) Further information on the Operations of the Company can be found in the Managing Director's Review of Operations and Activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company's non-renounceable Entitlement Issue on a 1 for 3 ratio offering shares at 3.5 cents raised \$106,698. The Company allotted 3,048,496 shares and issued 3,048,496 free options.

In addition 58,490 shares were issued as a result of the May 2008 Share Purchase Plan, raising \$4,966.

In the opinion of the Directors there were no other 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

The Company completed a rights issue of 1 new share at a price of 3.5 cents per share for every 1 share held with 1 free-attaching option for every 1 new share subscribed for. The Company received applications for 19,463,096 shares and 19,463,096 free options to raise a total of \$681,208.

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.
- Continuing to provide contract drill services to other Companies in Papua New Guinea.

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.

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

INFORMATION ON DIRECTORS

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

Director and Experience

Special Responsibilities	Ordinary Shares	Options
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Robert D. McNeil

Non-Executive Chairman for 8 years.

6,237,893	800,000 Unlisted
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Age 71, B.Sc., M.Sc. He has 48 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.

1,525,514 Listed

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
Peter A. McNeil			
Managing Director for 8 years.	Member of Planning & Operations Committee	9,002,025	800,000 Unlisted
Age 48. B.Sc., M.Sc. He has 27 years exploration experience in Papua New Guinea, U.S.A. and Australia, including programs at the Lihir gold deposit and in the Goldfields and Kimberley regions of Western Australia and Tasmania. He has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in Western Australia. Peter McNeil is also a non-executive Director of Macmin Silver Ltd (ASX) and New Guinea Gold Corporation (TSX-Venture). He also held former Directorships within the last 3 years in Macmin Silver Ltd.			626,988 Listed
Graham J. Fish			
Executive Director for 2 years and Independent Non-Executive Director for 5½ years. Age 70. He graduated B.Sc. (Geology, Chemistry) in 1958, Dip. Ed. in 1961 and M.Ed. in 1980 from the University of Tasmania. He worked as a teacher of Geology and Chemistry in Tasmanian Education Department Colleges before promotion into administrative roles from 1973.	Member of Planning & Operations Committee	391,457	800,000 Unlisted
He has 35 years of management skills and has extensive experience in administration and education development in Tasmania. He has a background in geology and has chaired committees on both national and state school curriculum and assessment boards.	Member of Audit Committee		342,856 Listed
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.			

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
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Warren J. Staude

Non-Executive Director for 6½ years. Age 67. 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.

Chairman of Audit Committee	61,112	800,000 Unlisted
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Mr Staude has 45 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., Eagle Eye Metals Ltd, Stonehenge Metals Ltd, Atom Energy Ltd and Central West Gold N.L.

Mr Staude currently sits on the Joint Ore Reserves Committee (JORC) and brings your Company a wealth of experience in the Australian financial markets.

Hugh David Swain – Appointed 6 February 2008

Non-Executive Director. Age 72. Mr H David Swain, B.Eng (Mining) 1962, M.Eng. (Civil) 1972 – University of Sheffield, is a Mining/Civil Engineer with 45 years professional experience, who has held senior management positions both operating and technical including Mine Superintendent and Chief Mining Engineer at Bougainville Copper, General Manager of Rossarden Tin Mines and Executive Manager with Goldsworthy Iron. He has worked as a consultant for 26 years and has completed projects in Australasia, West Africa, SE Asia and China. He is a Fellow of the AIMM and has presented and published several papers on ore reserve estimation and other aspects of mining engineering.

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DIRECTORS' REPORT

COMPANY SECRETARY - QUALIFICATIONS & EXPERIENCE

Jay Stephenson – Appointed Company Secretary on 2 February 2008

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

Paige McNeil – Appointed Joint Company Secretary on 5 March 2009

Paige McNeil holds a Graduate Diploma in Corporate Governance, is an Associate of the Institute of Chartered Secretaries and Administrators and a Graduate of the Australian Institute of Company Directors. Ms McNeil has been involved in the mineral exploration industry for 10 years including the past 7 years as Administration Manager for various Australian and Canadian listed and unlisted companies including Frontier Resources Limited from its inception. She has 9 years corporate administration and human resource experience in Papua New Guinea. Paige is currently an Executive Director of Exploration & Management Consultants Pty Ltd and a non-executive director of Kanon Resources Ltd.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit Committee Meetings		Planning & Operations Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R.D. McNeil	5	4	-	-	-	-
P.A. McNeil	5	5	-	-	1	1
G.J. Fish	5	5	2	2	1	1
W.J. Staude	5	5	2	2	-	-
H.D. Swain	5	4	-	-	-	-
C.E. Iewago	1	1	-	-	-	-
- Resigned 27/10/08						

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

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

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

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

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

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

Alignment to shareholders' interests:

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

Relationship between remuneration and 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 mineral exploration, not in production.

Given that the remuneration is commercially reasonable / appropriate / benchmarked, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration stage of a minerals company. Since listing the company has recorded significant losses as it carries out exploration activities on its tenements, and no dividend has been paid. Share prices are subject to the influence of international metal prices and market sentiment toward the sector, and increases or decreases may occur quite independent of executive performance or remuneration. Share prices, largely unrelated to profit and loss, have fluctuated between 1 cent and 26 cents during the last five years, and at 30 June 2009 the price was 2 cents.

Non-Executive Directors

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

Directors' fees

The current base remuneration was last reviewed with effect from August 2008. Directors' fees are inclusive of committee fees.

Non-Executive Directors' fees are determined within the Non-Executive Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands at \$150,000 per annum for Non-Executive Directors as approved at the Companies Annual General Meeting on 13 November 2008.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

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 21); 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.

Frontier Resources Ltd Employee Option Plan

Information on the Frontier Resources Ltd Employee Option Plan is set out in Note 21. Directors may not participate in the Employee Option Plan. The Frontier Option Plan does not remove the at risk aspect of options granted under the plan. The plan does not include any limitation of risk for option holders.

Performance Conditions

There are no performance conditions on remuneration other than options granted to Directors and those issued under the Employee Option Plan are not vested until the employee or Director have been with the Company for 12 months. Refer to section (d) of Remuneration Report for further details of share based payments.

(b) Other key management personnel

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

Name	Position	Employer
R. Reid	Exploration Manager	Frontier Resources Ltd
T. Grigson	Logistics & Drilling Manager	Frontier Resources Ltd
J. Jeal	PNG Logistics Supervisor	Frontier Resources Ltd
P. S. McNeil	Joint Company Secretary and Administration Manager	Frontier Resources Ltd
J. Stephenson	Joint Company Secretary and Chief Financial Officer	Frontier Resources Ltd

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

All of the above persons except Paige McNeil were also key management personnel during the year ended 30 June 2008.

(c) Details of remuneration (audited)

Details of the nature and amount of each element of the emoluments of each of the key management personnel of the Company and the consolidated entity for the year ended 30 June 2009 are set out in the following tables, details of job titles of other key management personnel can be found in section (c) of this Remuneration Report.

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

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

2008	Short-term employee benefits			Post-employment benefits		Share-based payment		
	Cash salary and fees	Cash Bonus	Non-Monetary benefits	Super-annuation	Retirement benefits	Options*	Total	Remuneration that is Performance Based #
Name	\$	\$	\$	\$	\$	\$	\$	%
<i>Directors</i>								
R.D. McNeil	36,250	-	-	5,400	-	58,720	100,370	58.5
P.A. McNeil	242,060	-	-	-	-	58,720	300,780	19.5
G.J. Fish	50,742	-	-	6,702	-	58,720	116,163	50.5
W.J. Staude	22,083	-	-	3,225	-	58,720	84,028	69.8
H.D. Swain	10,000	-	-	900	-	-	10,900	
C.E. Iewago	-	-	-	-	-	-		-
<i>Other key management personnel</i>								
R. Reid^	123,457	-	-	30,730	-	21,930	176,117	12.5
T. Grigson^	130,545	-	-	32,034	-	18,275	180,854	10.1
J. Jeal^	97,398	-	-	28,209	-	7,710	132,917	5.8
Total	712,535	-	-	107,200	-	282,395	1,102,129	25.6

^ These executives are the 4 highest paid executives of the group.

* Option value calculation using Black-Scholes Model.

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

In 2008, It is noted that P.A. McNeil's listed remuneration is for 266 days worked (relative to a normal standard salary of about 225 days per annum). This represents about ¼ extra time worked over a normal salaried role. P.A. McNeil's consulting rate is based on a daily charge rate equivalent to a salary of \$178,500 plus all statutory oncosts.

(d) Service agreements (audited)

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

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

(e) *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 21 to the Financial Statements.

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

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	16 Mar 2006	01 Dec 2008	\$0.10	\$0.0434	Between 16 Mar 2006 and 01 Dec 2008
Employee	20 Oct 2006	20 Oct 2011	\$0.14	\$0.0911	Between 20 Oct 2006 and 20 Oct 2011
Employee	19 Oct 2007	19 Oct 2010	\$0.16	\$0.0731	Between 19 Oct 2008 and 19 Oct 2010
Director	23 Nov 2007	30 Nov 2010	\$0.20	\$0.0734	Between 20 Nov 2008 and 30 Nov 2010
Employee	11 Dec 2007	11 Dec 2010	\$0.15	\$0.0466	Between 1 Dec 2008 and 11 Dec 2010

All options are 100% vested.

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

All options were provided at no cost to the recipients.

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 21(b) to the Financial Statements.

There were no options granted under the Employee Option Plan during the financial year.

Refer to note 20 for Option balances by Key management personnel as at 30 June 2009 and 30 June 2008.

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.

Employee incentive option plan

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

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

(f) Equity Instruments issued on exercise of remuneration options

There were no equity instruments issued on exercise of remuneration options during the financial year.

(g) Additional information - (audited)

Share-based compensation: Options

There were no Options issued as share based compensation during the financial year.

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

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

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

END OF REMUNERATION REPORT

LOANS TO DIRECTORS AND EXECUTIVES

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

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option
20 Oct 2006	20 Oct 2011	\$0.14	180,000
19 Oct 2007	19 Oct 2010	\$0.16	270,000
23 Nov 2007	30 Nov 2010	\$0.20	3,200,000
11 Dec 2007	11 Dec 2010	\$0.15	100,000
			3,750,000

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

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Frontier Resources Ltd issued during or since the end of the financial year ended 30 June 2009 on the exercise of options. No amounts are unpaid on any of the shares.

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. The Company has not otherwise, during or since the end of the year, except at the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT

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 (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

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

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

DIRECTORS' REPORT

NON-AUDIT SERVICES (continued)

CONSOLIDATED

2009

2008

\$

\$

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

BDO Kendalls Audit & Assurance (WA) Pty Ltd

17,691

-

BDO Kendalls Group Holdings (QLD) Pty Ltd

29,000

36,400

Sinton Spence Chartered Accountants PNG

11,361

11,367

Total remuneration for audit services

58,052

47,767

2. Other Assurance Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd – attendance at AGM

240

-

Total remuneration for other assurance services

240

-

Total remuneration for assurance services

58,292

47,767

Taxation Services and Accounting Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd

-

858

Total remuneration for taxation services

-

858

PROCEEDINGS ON BEHALF OF COMPANY

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

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



P.A. McNeil

Managing Director

30 September 2009



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
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aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

30th September 2009

The Directors
Frontier Resources Limited
Unit 6
34 York Street
North Perth WA 6066

Dear Sirs

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

As lead auditor of Frontier Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Peter Toll
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

CORPORATE GOVERNANCE STATEMENT

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

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

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

Its functions and responsibilities include:

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

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

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

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

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

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The positions of Chairman and Managing Director are held by separate persons.

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

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

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

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

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

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING.

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

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

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

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

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

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

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

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

'Inside information' is information that:

- is not generally available; and

CORPORATE GOVERNANCE STATEMENT

- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

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

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

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

In addition to the above, Directors must not acquire or sell, directly or indirectly any securities (shares or options) in the Company except later than an hour after and within the period of 1 month after the release of any of the quarterly, half-yearly and yearly reports and any announcements to the ASX which may or are likely to effect the value of the company's assets in a material way, or, 1 month after the holding of the Annual General Meeting.

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

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

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

The trading policy is reviewed annually.

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

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Refer to Recommendation 4.1

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

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

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

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

Refer to Recommendation 4.1

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

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

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

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

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

Refer to Recommendation 8.1 in relation to the remuneration committee.

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

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This financial report covers both Frontier Resources Ltd as an individual entity and the consolidated entity consisting of Frontier Resources Ltd and its subsidiaries. The financial report is presented in the Australian currency.

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Managing Director's letter to shareholders and Review of Operations & Activities on pages 2 to 7 and in the Directors' report on pages 8 to 20, which are not part of the financial report.

The financial report was authorised for issue by the Directors on 30 September 2009. The Company has the power to amend and reissue the financial report.

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

For queries in relation to our reporting please call +61 8 9295 0388
or email info@frontierresources.com.au.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	4	948,698	364,129	856,091	362,552
Other income	4	60,922	41,519	6,255	41,519
Cost of sales		(199,074)	-	(187,060)	-
Exploration expenditure	5	(1,274,813)	(4,372,448)	(707,381)	(437,229)
Administration and insurance expenses		(234,343)	(403,803)	(222,083)	(360,856)
Gross employee benefit expense		(126,209)	(867,370)	(151,605)	(788,552)
Employee benefits expense capitalised to exploration		-	187,182	-	83,230
Depreciation	5	(220,381)	(271,071)	(156,001)	(183,386)
Loss on Disposal of Property, Plant and Equipment	5	(128,090)	(3,183)	(107,218)	(3,183)
Consultancy		(67,607)	(154,510)	(67,607)	(119,074)
Promotional expenses		-	(20,723)	-	(19,524)
Rent		(65,438)	(37,260)	(36,023)	(34,108)
Other expenses		(21,041)	(53,502)	(21,332)	(43,345)
Impairment of loans and receivables	5	-	-	(421,990)	(4,498,537)
Loss before income tax		(1,327,376)	(5,591,040)	(1,215,954)	(6,000,493)
Income tax expense	6	-	-	-	-
Net Loss attributable to members of the company		(1,327,376)	(5,591,040)	(1,215,954)	(6,000,493)
		Cents	Cents		
Basic and diluted (loss) per share	23	(0.9)	(4.2)		

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 2009

	Notes	CONSOLIDATED 2009 \$	2008 \$	PARENT ENTITY 2009 \$	2008 \$
ASSETS					
Current Assets					
Cash and cash equivalents	7	185,585	585,102	179,501	537,893
Inventory/work in progress	8	-	51,655	-	51,655
Trade and other receivables	9	24,617	253,937	12,440	251,953
Total Current Assets		210,202	890,694	191,941	841,501
Non-Current Assets					
Trade and other receivables	10	85,273	84,005	76,940	76,940
Other financial assets	11	-	-	10,622	10,621
Property, plant and equipment	12	552,781	1,302,950	407,927	1,043,194
Mineral exploration and evaluation expenditure	13	2,176,872	2,176,872	2,176,872	2,176,872
Total Non-Current Assets		2,814,926	3,563,827	2,672,361	3,307,628
Total Assets		3,025,128	4,454,521	2,864,302	4,149,129
LIABILITIES					
Current Liabilities					
Trade and other payables	14	116,592	321,245	107,177	250,151
Total Current Liabilities		116,592	321,245	107,177	250,151
Non-Current Liabilities					
Provisions	15	-	41,670	-	37,563
Total Non-Current Liabilities		-	41,670	-	37,563
Total Liabilities		116,592	362,915	107,177	287,714
Net Assets		2,908,536	4,091,606	2,757,125	3,861,415
EQUITY					
Contributed equity	16	15,861,872	15,750,208	15,861,872	15,750,208
Reserves	17	314,042	281,400	712,353	712,353
Accumulated losses	17	(13,267,378)	(11,940,002)	(13,817,100)	(12,601,146)
Total Equity		2,908,536	4,091,606	2,757,125	3,861,415

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Entity		\$	\$	\$	\$	\$
	Note	Share Capital Ordinary	Accumulated Losses	Options Reserve	Foreign Exchange Reserve	Total
Balance at 30 June 2007		14,584,590	(6,348,962)	236,119	(265,620)	8,206,127
Shares issued during the year		1,169,218	-	-	-	1,169,218
Transaction costs		(3,600)	-	-	-	(3,600)
Options Issued during the year		-	-	476,234	-	476,234
Foreign currency translation		-	-	-	(165,333)	(165,333)
Correction of error	30		231,599			231,599
Net income (expense) recognised directly in equity		-	(5,822,639)	-	-	(5,822,639)
Balance at 30 June 2008		15,750,208	(11,940,002)	712,353	(430,953)	4,091,606
Shares issued during the year		111,664	-	-	-	111,664
Net income (expense) recognised directly in equity		-	(1,327,376)	-	-	(1,327,376)
Foreign currency translation		-	-	-	32,642	32,642
Balance at 30 June 2009		15,861,872	(13,267,378)	712,353	(398,311)	2,908,536

Parent Entity		\$	\$	\$	\$
	Note	Share Capital Ordinary	Accumulated Losses	Options Reserve	Total
Balance at 30 June 2007		14,584,590	(6,600,653)	236,119	8,220,056
Shares issued during the year		1,169,218			1,169,218
Transaction costs		(3,600)			(3,600)
Options Issued during the year		-	-	476,234	476,234
Correction of error	30		231,599		231,599
Net income (expense) recognised directly in equity		-	(6,232,092)	-	(6,232,092)
Balance at 30 June 2008		15,750,208	(12,601,146)	712,353	3,861,415
Shares issued during the year		111,664	-	-	111,664
Net income (expense) recognised directly in equity		-	(1,215,954)	-	(1,215,954)
Balance at 30 June 2009		15,861,872	(13,817,100)	712,353	2,757,125

The above statements 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 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		1,262,565	14,655	1,180,150	14,655
Interest received		10,751	116,298	10,751	116,298
Payments to suppliers and employees not included as part of exploration and evaluation activities		(1,007,032)	(3,843,556)	(916,227)	(1,192,260)
Net Cash (Outflow) from Operating Activities	26	266,284	(3,717,603)	274,674	(1,061,307)
Cash Flows From Investing Activities					
Exploration and evaluation activities		(1,274,813)	(612,054)	(707,381)	(612,054)
Purchase of property, plant and equipment		(116,631)	(442,709)	(116,631)	(397,153)
Proceeds from sale of property, plant and equipment		613,979	31,972	501,272	31,972
Funding activities of subsidiaries		-	-	(421,990)	(2,638,965)
Net Cash Inflow/(Outflow) From Investing Activities		(777,465)	(1,022,791)	(744,730)	(3,616,200)
Cash Flows From Financing Activities					
Net cash proceeds from the issue of shares		111,664	1,165,619	111,664	1,165,619
Net Cash Inflow From Financing Activities		111,664	1,165,619	111,664	1,165,619
Net Increase (Decrease) in Cash and Cash Equivalents		(399,517)	(3,569,775)	(358,392)	(3,511,888)
Cash and Cash Equivalents at the beginning of the financial year		585,102	4,153,726	537,893	4,049,781
Effects of exchange rate changes on cash and cash equivalents		-	1,150	-	-
Cash and Cash Equivalents at the End of Year	7	185,585	585,102	179,501	537,893
Non-cash financing and investing activities	28				

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

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FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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 Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Going Concern

Refer to details in Note 3(d).

(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 2009 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.

(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.

(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.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Interest income

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

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 & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 non-financial 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.

(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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised. 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 as part of other expenses.

Evidence of impairment may include indications that the customer is experiencing significant financial difficulty, where debt collection procedures have been commenced, there is a fair probability that the customer will be put into administration or liquidation, or where balances are outstanding for more than 7 days.

Receivables are determined to be uncollectible only when there is no expectation of recovering any additional cash. This may occur when a final distribution has been made from administrators/liquidators, or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw material and consumables inventories is based on the average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost includes variable costs and where applicable direct fixed costs of production including an appropriate share of overheads based on normal operating capacity.

(l) Financial Instruments

Financial Instruments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition they are measured as follows:

Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Fair value estimation

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

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.

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.

**FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Trade and other payables are classified as financial liabilities. Financial liabilities are measured at amortised cost using the effective interest method.

(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) 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.

(q) 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.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 21.

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

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each 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.

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.

(r) 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.

(s) 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.

(t) Exploration and evaluation expenditure

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

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(u) 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.

(v) New accounting standards and interpretations

The following Australian Accounting Standards and interpretations have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial report of the parent or the economic entity.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral		
	AASB 102	Inventories		
	AASB 107	Cash Flow Statements		
	AASB 119	Employee Benefits		
	AASB 127	Consolidated and Separate Financial Statements		
	AASB 134	Interim Financial Reporting		
	AASB 136	Impairment of Assets		
	AASB 1023	General Insurance Contracts		
	AASB 1038	Life Insurance Contracts		

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AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 2	Share based payments			
	AASB 3	Business combinations			
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 127	Investment in subsidiary			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 2009-2		Financial instrument disclosures	As this is a disclosure standard only, there will be no impact on the amounts recognised in the final statements. However, various additions disclosures will be required about fair values of financial instruments and the entities liquidity Risk. No comparative disclosures are required in the first year that these amendments are applied.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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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 foreign exchange risk, 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 manufacture of equipment.

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

(a) Market risk

(i) Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the PNG kina. Since the economic entity has not yet commenced mining operations or to sell products the exposure is limited to the movement in loan accounts between the Parent and the Subsidiaries located in Papua New Guinea. As such, this is not considered a material exposure and no sensitivity analysis has been prepared.

(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

Credit exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables including inter company loans. The objective of the economic entity is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the balance sheet.

The economic entity has no concentrations of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The objective of the economic entity is to maintain sufficient liquidity to meet commitments under normal and stressed conditions.

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. Exposure to interest rates is limited to the cash and cash equivalents balances. The Group's income and operating cash flows are not expected to be materially exposed to future changes in market interest rates, and no sensitivity analysis has been prepared.

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

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2009	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non- interest bearing	2009 total
	\$	\$	\$	\$	\$
Financial assets					
Cash Assets	185,585	-	-	-	185,585
Receivables	-	-	-	24,617	24,617
	185,585	-	-	24,617	210,202
Weighted average Interest rate	3.3%				
Financial Liabilities					
Payables	-	-	-	116,591	116,591
	-	-	-	116,591	116,591
Weighted average interest rate					
Net financial assets	185,585	-	-	(91,974)	93,611

2008	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non- interest bearing	2008 total
	\$	\$	\$	\$	\$
Financial assets					
Cash Assets	585,102	-	-	-	585,102
Receivables	-	-	-	22,338	22,338
	585,102	-	-	22,338	607,440
Weighted average Interest rate	4.9%				
Financial Liabilities					
Payables	-	-	-	321,245	321,245
	-	-	-	321,245	321,245
Weighted average interest rate					
Net financial assets	585,102	-	-	(298,907)	286,195

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature.

Cash is held with Westpac Banking Corporation which has a Standard and Poors credit rating of AA.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of Assets

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. The Board has reviewed its balance sheet at 30 June 2009 and determined that no impairment is required for this financial year.

(b) Deferred exploration and evaluation expenditure

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

(c) Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, using the assumptions detailed in Note 21.

(d) Going Concern

The financial statements have been prepared on the going concern basis. As at 30 June 2009 the Group had net assets of \$2,908,537 and continues to incur some expenditure on its exploration tenements drawing on its cash balances. At 30 June 2009, the Group had approximately \$185,585 in cash and cash equivalents. Without raising additional funds there is significant uncertainty whether the Group will continue as a going concern and therefore whether the Group will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. The Company completed a Rights Issue in September 2009 and raised \$681,208. The directors remain confident that the company will be successful in additional fund raising activities and have accordingly prepared the financial report on a going concern basis.

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.

Accordingly, 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 exploitation of tenements not be successful or the company not continue as a going concern.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 4	REVENUE	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
From continuing operations					
	Drilling contract income	796,470	231,599	784,456	231,599
	Other sundry income	139,438	16,232	58,845	14,655
Other revenue					
	Interest – unrelated parties	12,790	116,298	12,790	116,298
	Total Revenue	948,698	364,129	856,091	362,552
Other Income					
	Gain on disposal of property, plant and equipment	60,922	41,519	6,255	41,519
	Total Other Income	60,922	41,519	6,255	41,519
NOTE 5 EXPENSES AND SIGNIFICANT ITEMS					
Depreciation					
	Plant & equipment	220,381	271,071	156,001	183,386
Defined Contribution					
	Superannuation expense	69,294	89,573	53,369	67,806
Significant Items					
	Exploration and evaluation expenditure	1,274,813	1,920,776	707,381	437,229
	Impairment of exploration and evaluation asset	-	2,451,672	-	-
	Impairment of receivables from controlled entities	-	-	421,990	4,498,537
	Loss on disposal of property, plant and equipment	128,090	3,183	107,218	3,183
NOTE 6 INCOME TAX					
(a) Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)					
	Profit (loss) from continuing operations before income tax expense	(1,327,376)	(5,591,039)	(1,215,954)	(6,000,494)
	Tax at Australian tax rate of 30% (2008: 30%) and Papua New Guinea tax rate of 30% (2008: 30%)	(398,213)	(1,677,312)	(364,786)	(1,800,148)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
	Other non - deductible	69,480	-	69,480	-
	Share based payments expense	-	142,871	-	142,871
	Deferred tax asset not brought to account	328,733	1,534,441	295,306	1,657,277
	Income tax expense	-	-	-	-
(b) Tax losses					
	Unused tax losses for which no deferred tax asset has been recognised	18,639,109	14,806,501	10,300,882	9,566,463
	Potential tax benefit @ 30%	5,591,733	4,441,950	3,090,265	2,869,939

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 INCOME TAX (continued)

This benefit for tax losses will only be obtained if:

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

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
(c) Deferred tax liabilities/(assets) not recognised				
Amounts recognised in profit or loss				
Exploration and evaluation costs	2,176,872	2,176,872	2,176,872	2,176,872
Provisions	(9,091)	-	(5,782,845)	-
Sundry	(36,077)	1,411	(36,077)	(190,233)
	2,131,704	2,178,283	(3,642,050)	1,986,639
Potential tax benefit @ 30%	639,511	653,485	(1,092,615)	595,992
Set-off deferred tax assets associated with carried forward losses not recognised	(639,511)	(653,485)	1,092,615	(595,992)
Net deferred tax liability	-	-	-	-

NOTE 7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank	17,734	96,617	11,650	49,408
Cash in Maxi Account	167,851	488,485	167,851	488,485
Cash at bank and on hand	185,585	585,102	179,501	537,893
Reconciliation of Cash				

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and Cash Equivalents	185,585	585,102	179,501	537,893
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Cash at bank earns an effective rate of 3.3%

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

Refer to interest rate risk in Note 2.

NOTE 8 CURRENT ASSETS - INVENTORIES/ WORK IN PROGRESS

Drill program for third party in progress	-	51,655	-	51,655
	-	51,655	-	51,655

NOTE 9 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Other receivables	24,617	253,937	12,440	251,953
	24,617	253,937	12,440	251,953

No receivables balances are past due or impaired at year end.

Refer to fair value risk in note 2.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10	NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Deposits – tenements and premises (a)		85,273	84,005	76,940	76,940
Loans to subsidiaries (b)		-	-	5,773,754	5,351,764
Less provision for impairment		-	-	(5,773,754)	(5,351,764)
		<u>85,273</u>	<u>84,005</u>	<u>76,940</u>	<u>76,940</u>

- (a) Deposits – tenements and premises includes Mining Resource Tasmania deposits for performance and private land and are non-interest bearing.
(b) Loans to subsidiaries have been completely written down. The loans are non-interest bearing.
(c) Refer to financial risk management in Note 2.

Reconciliation of movements in provision

Beginning balance	-	-	5,351,764	853,227
Expenses	-	-	421,990	4,498,537
Closing balance	-	-	<u>5,773,754</u>	<u>5,351,764</u>

NOTE 11 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

Shares in subsidiaries (note 27)	-	-	10,622	10,621
	-	-	<u>10,622</u>	<u>10,621</u>

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

Plant and Equipment

Plant and equipment at cost	1,046,513	1,657,264	659,129	1,188,082
Less accumulated depreciation	(594,083)	(694,068)	(351,553)	(484,642)
Carrying amount at the end of the financial year	452,430	963,196	307,576	703,440
Assets under construction	100,351	339,754	100,351	339,754
	<u>552,781</u>	<u>1,302,950</u>	<u>407,927</u>	<u>1,043,194</u>

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	963,196	810,713	703,440	511,638
Additions	30,873	432,439	30,873	387,461
Disposals	(349,648)	(12,273)	(270,736)	(12,273)
Depreciation expense	(220,381)	(268,658)	(156,001)	(183,386)
Foreign currency exchange differences	28,390	975	-	-
Carrying amount at the end of the financial year	<u>452,430</u>	<u>963,196</u>	<u>307,576</u>	<u>703,440</u>

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 13 NON-CURRENT ASSETS - MINERAL EXPLORATION AND EVALUATION

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at the beginning of the financial year	2,176,872	3,088,506	2,176,872	1,564,819
Expenditure capitalised*	-	13,686	-	13,686
Employee benefits expenditure during the year	-	430,245	-	236,945
Other expenditure during the year	-	1,082,651	-	361,423
Amounts written off during the year	-	(2,451,672)	-	-
Foreign currency exchange differences	-	13,456	-	-
Balance at the end of the financial year	2,176,872	2,176,872	2,176,872	2,176,872

* Capitalised expenditure is in relation to equipment used for exploration & evaluation. In 2008 it included depreciation of \$0, insurance of \$327, and repairs & maintenance of \$13,359.

NOTE 14 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade and sundry creditors (a)	27,620	220,936	24,966	164,586
Accrued expenses	84,668	-	75,408	-
Aggregate employee benefit and related on-cost liabilities (b)	4,304	100,309	6,803	85,565
	116,592	321,245	107,177	250,151

(a) All creditors are non-interest bearing and are normally settled on 30 day terms.

(b) Employee benefit and related on-costs liabilities include holiday provision and superannuation payable and are non-interest bearing.

Contractual cashflows from trade and other payables approximate their carrying amount. Trade and other payables are contractually due within 6 months of year end.

NOTE 15 NON-CURRENT LIABILITIES - PROVISIONS

Employee benefit Long Service Leave	-	41,670	-	37,563
Reconciliation of Movement				
Opening Balance	41,670	9,157	37,563	5,086
Long service leave provisions expensed	(41,670)	32,513	(37,563)	32,477
Long Service Leave taken	-	-	-	-
Closing Balance	-	41,670	-	37,563

Amounts are not expected to be settled within 12 months.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 16	CONTRIBUTED EQUITY	PARENT ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		Shares	Shares	\$	\$
(a) Paid Up Capital					
	Ordinary shares – fully paid of no par value	148,886,279	145,759,293	15,861,872	15,750,208

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

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

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

Date	Details	Notes	Number of Shares	Issue Price \$	\$
1 Jul 2007	Opening Balance		132,732,912		14,584,590
13 July 2007	Exercise of unlisted options for shares		198,461	0.1334	26,535
25 Oct 2007	Exercise of unlisted options for shares		225,968	0.100	22,694
08 Nov 2007	Exercise of listed options		50,888	0.200	10,178
23 Nov 2007	Exercise of listed options		242,966	0.200	48,593
30 Nov 2007	Exercise of listed options		122,310	0.200	24,462
29 Nov 2007	Exercise of listed options		8,379	0.200	1,676
22 May 2008	Share Purchase Plan		12,177,409	0.085	1,035,080
	Issue Costs				(3,600)
30 Jun 2008	Balance		145,759,293		15,750,208
1 July 2008	Share Purchase Plan		58,490	0.085	4,966
28 Oct 2008	Rights Issue dated 28 October 2008		3,048,496	0.0350	106,698
30 Jun 2009	Balance		148,886,279		15,861,872

(c) Options

No. of Options

2009 2008

The number of unissued ordinary shares relating to options not exercised at year end:

- Non-transferable Options exercisable on or before 01 December 2008 at 10 cents	-	1,330,000
- Non-transferable Options exercisable on or before 20 October 2011 at 14 cents	180,000	1,560,000
- Non-transferable Options exercisable on or before 19 October 2010 at 16 cents	270,000	2,830,000
- Non-transferable Options exercisable on or before 30 November 2010 at 20 cents	3,200,000	3,200,000
- Non-transferable Options exercisable on or before 11 December 2010 at 15 cents	100,000	740,000
- Listed Options exercisable on or before 3 December 2010 at 4.5 cents	3,048,496	-
	6,798,496	9,660,000

(d) Option Issues

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

Date	Details	Number of Options	Exercise Price	Expiry Date
28 Oct 2008	Listed options issued for free under the terms of the Rights Issue dated 29 October 2008	3,048,496	\$0.045	3 Dec 2010

NOTE 16 CONTRIBUTED EQUITY (continued)

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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(e) Option Exercise

During the financial year no Options were exercised.

(f) Option Expiry

During the financial year 1,330,000 Options expired.

(g) Option Cancellation and Lapse

During the financial year 4,580,000 Options were cancelled or lapsed.

(h) Capital Management

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

The capital structure of the economic entity consists of equity attributable to equity holders of the parent comprising issued capital, reserves and accumulative losses as disclosed in Notes 16 and 17.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 are as follows.

The economic entity is not subject to any externally imposed capital requirements.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents	185,585	585,102	179,501	537,893
Trade and other receivables	24,617	22,338	12,440	20,335
Trade and other payables	(116,591)	(321,245)	(107,178)	(250,151)
Working capital position	93,611	286,195	84,763	308,077

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		Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
NOTE 17	RESERVES AND ACCUMULATED LOSSES				
(a)	Reserves				
	Share-based payments reserve	712,353	712,353	712,353	712,353
	Foreign currency translation reserve	(398,310)	(430,953)	-	-
		314,043	281,400	712,353	712,353
	Movements				
	<i>Share-based payments reserve</i>				
	Balance 1 July	712,353	236,119	712,353	236,119
	Option expense	-	476,234	-	476,234
	Balance 30 June	712,353	712,353	712,353	712,353
	Movements				
	<i>Foreign currency translation reserve</i>				
	Balance 1 July	(430,953)	(265,620)	-	-
	Currency translation differences arising during the year	32,643	(165,333)	-	-
	Balance 30 June	(398,310)	(430,953)	-	-
(b)	Accumulated losses				
	Movements in accumulated losses were as follows:				
	Balance 1 July	(11,940,002)	(6,348,962)	(12,601,146)	(6,600,653)
	Net loss for the year	(1,327,376)	(5,591,040)	(1,215,954)	(6,000,493)
	Balance 30 June	(13,267,378)	(11,940,002)	(13,817,100)	(12,601,146)

(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.

(ii) Foreign Exchange translation reserve

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

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 18 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:

	CONSOLIDATED 2009 \$	2008 \$	PARENT ENTITY 2009 \$	2008 \$
Not later than 1 year	990,741	746,876	250,000	373,653
Later than 1 year but not later than 2 years	1,129,630	38,433	-	-
Any greater than 5 years	125,000	-	-	-
	2,245,370	785,309	250,000	373,653

NOTE 19 RELATED PARTY TRANSACTIONS

Directors and specified executives

Disclosures relating to Directors and specified executives are set out in note 20.

Wholly-owned group

The wholly-owned group and the consolidated entity consist of Frontier Resources Ltd and its wholly-owned subsidiaries, Frontier Gold (PNG) Ltd and Frontier Copper (PNG) Ltd. Ownership interests in these subsidiaries are set out in note 27.

Frontier Gold (PNG) Ltd and Frontier Copper (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 2009 consisted of loan funds advanced to Frontier Gold (PNG) Ltd of \$94,707 (2008: \$50,129) and loan funds advanced to Frontier Copper (PNG) Ltd of \$327,283 (2008: \$2,588,836). Loans are advanced for working capital purposes.

As at 30 June 2009 Frontier Gold (PNG) Ltd owed Frontier Resources Ltd \$244,204 (2008: \$149,497) and Frontier Copper (PNG) Ltd owed Frontier Resources Ltd \$5,529,551 (2008: \$5,202,268) as shown in note 10. These are fully provided for at year end. The expense recognised during the period in respect of the provision is \$421,990.

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 Gold (PNG) Ltd and Frontier Copper (PNG) Ltd and no interest has been charged.

Other related parties

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

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 Unit 6, 34 York Street, North Perth WA 6006.

Ownership interests in related parties

Interests held in the subsidiaries – refer note 27.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key Management Personnel Compensation

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short term employee benefits	639,468	712,535	569,659	615,138
Post employment benefits	30,322	107,200	30,322	78,991
Share Based Payments	-	282,394	-	274,685
	669,790	1,102,129	599,981	968,814

Detailed remuneration disclosures are provided in sections b to d of the remuneration report on pages 14 to 16.

(b) 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 page 16.

(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.

2009	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						
Directors of Frontier Resources Ltd						
R.D. McNeil	800,000	-	-	1,525,514	2,325,514	2,325,514
P.A. McNeil	800,000	-	-	626,988	1,426,988	1,426,988
G.J. Fish	800,000	-	-	342,856	1,142,856	1,142,856
W.J. Staude	800,000	-	-	11,112	811,112	811,112
H.D. Swain	-	-	-	-	-	-
C.E. Iewago	-	-	-	-	-	-
Other key management personnel						
R. Reid	640,000	-	-	(640,000)	-	-
T. Grigson	710,000	-	-	(710,000)	-	-
John Jeal	130,000	-	-	(130,000)	-	-
J. McDougall	-	-	-	-	-	-
P.S. McNeil	370,000	-	-	11,112	381,112	381,112
J. Stephenson	-	-	-	-	-	-

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2008 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year**	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Frontier Resources Ltd						
R.D. McNeil	2,337,000	800,000	-	(2,337,000)	800,000	800,000
P.A. McNeil	2,907,578	800,000	-	(2,907,578)	800,000	800,000
G.J. Fish	420,829	800,000	-	(420,829)	800,000	800,000
W.J. Staude	450,000	800,000	-	(450,000)	800,000	800,000
H.D. Swain	-	-	-	-	-	-
C.E. Iewago	-	-	-	-	-	-
Other key management personnel						
R. Reid	340,000	300,000	-	-	640,000	640,000
T. Grigson	490,000	250,000	(30,000)	-	710,000	710,000
John Jeal	-	150,000	(20,000)	-	130,000	130,000
J. McDougall	130,000	-	-	(130,000)	-	-
J. Stephenson	-	-	-	-	-	-

There are no options which are vested and unexercisable at the end of the year or the prior year.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(iii) Share holdings

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

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year**	Balance at the end of the year
Name				
Directors of Frontier Resources Ltd				
R.D. McNeil	4,614,554	-	469,752	5,084,306
P.A. McNeil	9,229,047	-	489,552	9,718,599
G.J. Fish	48,601	-	57,142	105,743
W.J. Staude	100,000	-	24,000	124,000
H.D. Swain	-	-	-	-
C.E. Iewago	-	-	-	-
Other key management personnel				
R. Reid	100,000	-	-	100,000
T. Grigson	30,000	-	-	30,000
J. Jeal	20,000	-	-	20,000
P.S. McNeil	976,626	-	927,575	1,904,201
J. Stephenson	-	-	-	-
2008				
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
Directors of Frontier Resources Ltd				
R.D. McNeil	4,564,554	-	50,000	4,614,554
P.A. McNeil	9,189,047	-	40,000	9,229,047
G.J. Fish	25,071	-	23,530	48,601
W.J. Staude	100,000	-	-	100,000
H.D. Swain	-	-	-	-
C.E. Iewago	-	-	-	-
Other key management personnel				
R. Reid	100,000	-	-	100,000
T. Grigson	30,000	30,000	(30,000)	30,000
J. Jeal	-	20,000	-	20,000
J. McDougall	50,000	-	(50,000)	-
J. Stephenson	-	-	-	-

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

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

(c) Loans to Directors and executives

No loans were made to Directors of Frontier Resources Ltd or other key management personnel of the consolidated entity, including their personally-related entities (2008: Nil).

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

Directors of Frontier Resources Ltd

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

Directors R.D. McNeil and P.A. McNeil are parties to a joint venture agreement for the Company to solely 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
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

	2009 \$	2008 \$
Amounts recognised as expense		
Consulting fees:		
Administration*	64,891	85,616
Exploration*	127,430	242,060
Exploration Expenditure (JV)	-	79,558

*includes the provision of office and motor vehicle.

Other key management personnel of the consolidated entity

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

NOTE 21 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.

NOTE 21 SHARE-BASED PAYMENTS (continued)

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

- 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 - 2009							
16 Mar 2006	01 Dec 2008	\$0.10	1,330,000	-	-	(1,330,000)	-
20 Oct 2006	20 Oct 2011	\$0.14	1,560,000	-	-	(1,380,000)	180,000
19 Oct 2007	19 Oct 2010	\$0.16	2,830,000	-	-	(2,560,000)	270,000
23 Nov 2007	30 Nov 2010	\$0.20	3,200,000	-	-	-	3,200,000
11 Dec 2007	11 Dec 2010	\$0.15	740,000	-	-	(640,000)	100,000
			9,660,000	-	-	(5,910,000)	3,750,000
Weighted average remaining contracted life of options (Years)			2.23	-	-	-	1.44
Weighted average exercise price			\$0.161	-	-	\$0.153	\$0.080
Consolidated and parent entity - 2008							
03 Dec 2003	31 Dec 2007	\$0.20	1,600,000	-	-	(1,600,000)	-
16 Mar 2006	01 Dec 2008	\$0.10	1,645,000	-	(315,000)	-	1,330,000
20 Oct 2006	20 Oct 2011	\$0.14	-	1,630,000	-	(70,000)	1,560,000
19 Oct 2007	19 Oct 2010	\$0.16	-	2,830,000	-	-	2,830,000
23 Nov 2007	30 Nov 2010	\$0.20	-	3,200,000	-	-	3,200,000
11 Dec 2007	11 Dec 2010	\$0.15	-	740,000	-	-	740,000
			3,245,000	8,400,000	(315,000)	(1,670,000)	9,660,000
Weighted average remaining contracted life of options (Years)			0.42	2.55	-	-	2.23
Weighted average exercise price			\$0.152	\$0.170	\$0.100	\$0.197	\$0.161

The Options exercised during the 2008 year were done so on 13 July 2007 (160,000) and 25 October 2007 (225,000)
Options granted at the end of the year were all vested.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 21 SHARE-BASED PAYMENTS (continued)

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

Exercise date	Fair value of shares at issue date	2009 Number	2008 Number
13 Jul 2007	\$0.100	-	90,000
13 Jul 2007	\$0.140	-	70,000
25 Oct 2007	\$0.100	-	225,000
		-	385,000

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.

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.080 and a remaining weighted average contractual life of 1.44 years.

(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 20 November 2008 and prior to 5.00pm eastern standard time, 30 November 2010 ("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 10 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.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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NOTE 21 SHARE-BASED PAYMENTS (continued)

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

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

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

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

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 - 2009							
23 Nov 2007	30 Nov 2010	\$0.20	3,200,000	-	-	-	3,200,000
			3,200,000	-	-	-	3,200,000

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

Consolidated and parent entity - 2008

23 Nov 2007	30 Nov 2010	\$0.20	-	3,200,000	-	-	3,200,000
31 Dec 2003	31 Dec 2007	\$0.20	1,600,000	-	-	(1,600,000)	-
			1,600,000	3,200,000	-	(1,600,000)	3,200,000

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

There were no directors' options exercised during the financial years ended 30 June 2009 and 30 June 2008.

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 21 SHARE-BASED PAYMENTS (continued)

(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		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Options issued under employee option plan	-	476,233	-	476,233

NOTE 22 SEGMENT INFORMATION

Primary reporting – geographical based on the location of assets

		Geographical Segments		
		Papua New Guinea	Australia	Consolidated
		\$	\$	\$
Revenue from continuing operations	2009	764,042	416,255	1,180,297
	2008	1,576	130,953	132,530
Other income	2009	54,667	6,255	60,922
	2008	-	41,519	41,519
Segment results	2009	(535,869)	(559,908)	(1,095,777)
	2008	(2,794,804)	(3,027,834)	(5,822,638)
Segment assets	2009	171,448	2,853,680	3,025,128
	2008	318,471	3,904,451	4,222,922
Segment liabilities	2009	9,413	107,178	116,591
	2008	75,201	287,714	362,915
Segment depreciation	2009	64,380	156,001	220,381
	2008	87,685	183,386	271,071
Segment write down of exploration assets	2009	-	-	-
	2008	3,935,219	437,229	4,372,448

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.

NOTE 23 EARNINGS/(LOSS) PER SHARE (“EPS”)

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
The (loss) used in calculating basic earnings/(loss) per share is the loss attributable to members of Frontier Resources Ltd.	(1,327,376)	(5,591,040)	-	-
Weighted average number of shares used in the calculation of the basic EPS.	147,810,510	133,581,884	-	-
The number of potential ordinary shares relating to options not exercised at the end of the year. These potential ordinary shares are anti-dilutive in both years and so have not been included in the EPS calculations.	6,798,496	9,660,000	-	-
Basic and diluted (loss) per share.	(0.9c)	(4.2c)	-	-

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 24 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Company completed a rights issue of 1 new share at a price of 3.5 cents per share for every 1 share held with 1 free-attaching option for every 1 new share subscribed for. The Company raised a total of \$681,208.

NOTE 25 REMUNERATION OF AUDITORS

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

Assurance services

1. Audit Services

	CONSOLIDATED 2009 \$	2008 \$
BDO Kendalls Audit & Assurance (WA) Pty Ltd	17,691	36,400
BDO Kendalls Group Holdings (QLD) Pty Ltd	29,000	
Sinton Spence (PNG firm)	11,361	11,368
Total remuneration for audit services	53,052	47,768

2. Other Assurance Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd	240	-
BDO Kendalls Group Holdings (QLD) Pty Ltd	-	-
Sinton Spence (PNG firm)	-	-
Total remuneration for other assurance services	240	-

All Assurance Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd	17,931	36,400
BDO Kendalls Group Holdings (QLD) Pty Ltd	29,000	-
Sinton Spence (PNG firm)	11,361	11,368
Total remuneration for assurance services	53,292	47,768

Non-Assurance services

Taxation and Accounting Services

BDO Kendalls Audit & Assurance (WA) Pty Ltd	-	858
BDO Kendalls Group Holdings (QLD) Pty Ltd	-	-
Sinton Spence (PNG firm)	-	-
Total remuneration for taxation services	-	858

FRONTIER RESOURCES LTD & ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2009

NOTE 26	RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
(a) Reconciliation of operating loss after income tax to the net cash flow from operations:					
	Operating profit / (loss) after income tax	(1,327,376)	(5,591,040)	(1,215,954)	(6,000,493)
	Adjustment for non cash items:				
	- Exploration and evaluation costs written off (relates to investing activities)	1,274,813	1,543,328	707,381	-
	- Loss/(Gain) on disposal of fixed assets	60,829	(41,519)	94,624	(41,519)
	- Depreciation and amortisation expense	220,381	271,071	156,001	183,386
	- Non-cash employee benefits expense – share-based payments	-	476,232	-	476,232
	- Provision for non-recovery of loan		-	421,990	4,498,537
	- Prior Year Correction	231,599	-	231,599	-
	- Net exchange differences	2,985	(196,679)	-	-
	Change in operating assets and liabilities:				
	- Accounts payable and provisions	(246,324)	(62,900)	(180,536)	(43,670)
	- Accounts receivable and prepayments	(2,278)	167,156	7,914	149,473
	- Inventory/WIP	51,655	(51,655)	51,655	(51,655)
	Net cash inflow / (outflow) from operating activities	266,284	(3,717,603)	274,674	(1,061,307)

NOTE 27	SUBSIDIARIES	Country of Incorporation	Class of Shares	Equity Holding	
				2009	2008
	Name of Entity			%	%
	Frontier Gold (PNG) Ltd	Papua New Guinea	Ordinary	100	100
	Frontier Copper (PNG) Ltd	Papua New Guinea	Ordinary	100	100

NOTE 28 NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no such activities during the year (2008: Nil).

NOTE 29 CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2009.

NOTE 30 CORRECTION OF ERROR IN RECORDING OF REVENUE IN THE PREVIOUS FINANCIAL PERIOD

Due to the late processing of invoices in the parent entity in the prior period, revenue from the provision of drilling contract services for the year end 30 June 2008 was understated by \$231,599. This error had the effect of overstating the parent and consolidated accumulated losses by an equal amount of \$231,599 as at 30 June 2008. The error also had the effect of overstating the parent and consolidated loss by \$231,599 for the year ended 30 June 2008.

The error has been corrected by restating each of the above affected financial statement line items for the prior period, as reflected in the Statement of changes in equity.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance of the year ended on that date of the company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in pages 14 to 19 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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



P.A. McNeil
Managing Director

30 September 2009



BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRONTIER RESOURCES LIMITED

We have audited the accompanying financial report of Frontier Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Basis for Qualified Auditor's Opinion

Property, plant and equipment assets to the value of \$144,854 are currently held in a remote location in Papua New Guinea. Access to the location of these assets is limited. As a result of this we were unable to obtain sufficient assurance over the physical existence and therefore recoverability of these assets. Accordingly, we are not in a position to and do not express any assurance in respect of the physical existence and therefore recoverability of these items of property, plant and equipment for the year ended 30 June 2009.

Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the Property Plant and Equipment balance, the financial report of Frontier Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 3(d) in the financial report which indicates that the group incurred a net loss for the year of \$1,327,375 (2008: \$5,591,040). This result, along with other matters as set forth in Note 3 (d), indicate the existence of a material uncertainty which may cast significant doubt about the entity ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Frontier Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of September 2009

SCHEDULE OF TENEMENTS

EL No.	Tenement	Ownership
Frontier Copper (PNG) Ltd 100% owned PNG subsidiary		
EL 1345	Mt Andewa (243km ²)	100% Frontier Resources
EL 1351	Likuruanga (195km ²)	100% Frontier Resources
Frontier Gold (PNG) Ltd 100% owned PNG subsidiary		
EL 1595	Bulago (219km ²)	100% Frontier Resources
EL 1597	Leonard Schulz (674km ²)	100% Frontier Resources
Frontier Resources Ltd Tasmanian EL's		
EL 20/1996	Elliott Bay (11km ²)	90% Frontier Resources/10% McNeil Associates/EMC
RL 3/2005	Narrawa Creek (3km ²)	100% Frontier Resources
RL 4/2005	River Lea (4km ²)	100% Frontier Resources

SHAREHOLDER INFORMATION

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

STATEMENT OF QUOTED SECURITIES AS AT 22nd SEPTEMBER 2009

- a) Distribution of Shareholders
- | Size of Holding | Number of Shareholders |
|------------------|------------------------|
| 1 – 1,000 | 1,035 |
| 1,001 – 5,000 | 617 |
| 5,001 – 10,000 | 348 |
| 10,001 – 100,000 | 1,023 |
| 100,001 and over | 261 |
| | <u>3,284</u> |
- b) Number of holders of less than marketable parcels 2,152
- c) Percentage holding of 20 largest holders 40.57%
- d) There are no substantial shareholders listed in the Company's register as at 22nd September 2009.
- e) Twenty largest shareholders and optionholders as at 22nd September 2009.

Shareholder		
Name	Quantity	% of Total Holding
1. ANZ Nominees Limited <Cash Income A/C>	28,579,568	16.98
2. McNeil Associates Pty Ltd <McNeil Super Fund A/C>	5,628,397	3.34
3. Mr Jude Sebastian Alva & Mrs Melissa Emma Alva <Alva Superannuation A/C>	5,500,000	3.27
4. Exploration & Management Consultants Pty Ltd <Malalo Super Fund A/C>	4,836,409	2.87
5. Mr Jude Sebastian Alva & Mrs Melissa Emma Alva <Alva Family A/C>	2,500,000	1.49
6. Mr Larry J Gibson & Ms Maureen R Morrow & Mrs Elaine R Gibson	2,200,000	1.31
7. Mr Paul Roburt Papa & Mrs Lucy Josie Papa	2,000,000	1.19
8. Peter Andrew McNeil	1,911,503	1.14
9. Ms Paige Simone McNeil	1,904,201	1.13
10. Mr Walter Paul Sawko	1,788,108	1.06
11. Mr Trevor Neil Hay	1,714,286	1.02
12. Mr Robert Cameron Galbraith	1,492,404	0.89
13. Mr Matthew David Burford	1,440,000	0.86
14. Exploration & Management Consultants Pty Ltd	1,315,554	0.78
15. Mr Richard Benjamin Jamieson & Ms Gabriele Wilkens	1,000,000	0.59
16. Robert C Galbraith	987,772	0.59
17. Tromso Pty Limited	902,254	0.54
18. Mr Peter Raymond Knapman	901,530	0.54
19. J & E Kerr Investments <Super Fund A/C>	881,795	0.52
20. Ms Sharon Alimonti	800,000	0.48
TOTAL	68,283,781	40.57

SHAREHOLDER INFORMATION

Optionholder		
Name	Quantity	% of Total Holding
1. MR TREVOR NEIL HAY	1,714,286	7.62
2. MR MATTHEW DAVID BURFORD	1,440,000	6.40
3. ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,324,552	5.88
4. MCNEIL ASSOCIATES PTY LTD <MCNEIL SUPER FUND A/C>	1,311,112	5.82
5. MR ROBERT CAMERON GALBRAITH	746,202	3.32
6. MR MATTHEW DAVID BURFORD	620,000	2.75
7. PETER ANDREW MCNEIL	582,540	2.59
8. MR SIMON ROBERT EVANS	500,000	2.22
9. MR RICHARD BENJAMIN JAMIESON & MS GABRIELE WILKENS	500,000	2.22
10. ROBERT C GALBRAITH	493,886	2.19
11. WILLIAM GEOFFREY KROON	460,000	2.04
12. MRS RHONDA JOY STAUDE	440,570	1.96
13. MARTLET COMMODITIES PTY LTD	428,571	1.90
14. DR PAMELA ANNE SWAIN	428,570	1.90
15. MR KELVIN ROBERT MACBETH	400,000	1.78
16. TROMSO PTY LIMITED	400,000	1.78
17. MR CHRISTOPHER LINDSAY	330,032	1.47
18. GRAHAM J FISH	314,285	1.40
19. DUNDEE INVESTMENTS PTY LTD	298,824	1.33
20. MR STEWART DOOLEY <STEWART DOOLEY SUPER A/C>	297,755	1.32
TOTAL	13,031,185	57.89

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 22nd SEPTEMBER 2009

There are on issue the following unquoted securities:-

	Quantity
Non transferable options expiring 19 October 2010 exercisable at 16 cents	270,000
Non transferable options expiring 30 November 2010 exercisable at 20 cents	3,200,000
Non transferable options expiring 11 December 2010 exercisable at 15 cents	100,000
Non transferable options expiring 20 October 2011 exercisable at 14 cents	180,000