

Registered in England and Wales number 06573154

Frontier Resources International Plc (formerly Frontier Resources International Limited) and subsidiary undertakings

Annual report and financial statements for the year to 31 December 2009



Frontier Resources International Plc (formerly Frontier Resources International Limited)

Annual report and financial statements for the year ended 31 December 2009

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Frontier Resources International Plc (formerly Frontier Resources International Limited)

Officers and advisors

Directors:	Michael J Keyes	(Chief Executive Officer)
	Joseph E Warren	(Non-Executive Chairman)
	John O'Donovan	(Non-Executive Director)

Company secretary and registered office:	Cambridge Financial Partners LLP St John's Innovation Centre Cowley Road Cambridge CB4 0WS
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London Office:	Staple Court 11 Staple Inn Buildings London WC1V 7QH
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PLUS advisor and broker:	St Helen's Capital Plc 15 St Helen's Place London EC3A 6DE
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Bankers:	Allied Irish Bank (GB) City Office 9-10 Angel Court London EC2R 7AB
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Auditors:	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
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Solicitors:	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH
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Registrars and receiving agents:	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD
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Independent Petroleum Engineers:	Netherland, Sewell and Associates, Inc 1221 Lamar Street, Suite 1200 Houston, Texas 77010 United States
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Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the directors

The directors of Frontier Resources International Plc are pleased to present their report together with the audited financial statements for the year ended 31 December 2009

Highlights

The Group promotes the exploration for, and development of, hydrocarbons via current and innovative interdisciplinary technology in addition to providing consultancy services to the oil and gas industry. The Group, through its wholly owned US subsidiary Frontier Resources International Inc (FRII), also owns various interests in oil and gas producing properties onshore Texas.

During the year the admission to PLUS-quoted Markets was successfully achieved on 30 January when the Company's shares were admitted to trading. This transaction resulted in restricted cash of \$990k being released for use within the business and 24,555,971 new shares being issued.

The current volatility in commodity prices, including oil and gas, has led to widespread asset divestitures within the global oil industry. Expected high rates of return, shortages of cash and manpower and the high cost of services is encouraging both major and independent oil companies to dispose of under-performing and/or non-core assets. This situation may provide a unique opportunity for smaller companies to acquire exploration acreage with upside potential and producing properties at reduced prices and, potentially to improve the properties' economics using technology such as horizontal and extended - reach drilling, enhanced recovery techniques and 3D seismic.

One of the immediate objectives of the Group is to expand production in the United States and to evaluate international exploration/production opportunities for acquisition and/or farm-in. FRII has previously secured financing for oil and gas acquisitions via its existing banking relationships in Texas and will continue to seek additional financing with current and new lenders.

In keeping with its strategy of expanding its existing US production and evaluating international opportunities, FRII acquired a 50% interest in Bison II LLP (BIS), on 20 March, 2009. BIS (a Texas Limited Partnership) holds royalty and working interest rights in multiple producing oil and gas wells onshore Texas weighted towards overriding royalty interests in producing wells and leases that are candidates for future drilling and development. The transaction was completed on the 20 March, 2009 for a total cost of US \$700,000. Acquisition payment comprised of a combination of cash (US \$575,000) and 1,588,996 ordinary shares in the Company at a price of 5 5p. These shares were issued on 20 March, 2009. This acquisition adds approximately 5,200 barrels of oil and 126 million cubic feet of currently producing oil and gas reserves to the Group's portfolio, in addition to behind-pipe reserves, proved, yet undeveloped oil and exploration opportunities.

The acquisition of royalty interests in long - life fields is part of the Group's future strategy. Subsequent to the acquisition of Bison II a gas discovery has been made and additional drilling will take place in the near future including the drilling of shale gas wells to be spudded mid-2010, thus adding to the Group's reserve base.

The Group will continue to take advantage of its location and industry contacts by attempting to build an asset portfolio through investment and the pursuit of international acquisitions. The Board is particularly interested in the Middle East and Africa, however other international opportunities deemed to be underexploited will also be considered. Through the farm-in process, the Group hopes to reduce the time required to acquire international assets and to benefit from the experience gained by partnering with an established operator.

It is the intention of the Board that future investment and acquisitions of US assets and/or companies will be made by FRII while international transactions will be made by the Company.

The short and long term corporate outlook is positive. The current price of crude oil in conjunction with the modest decrease in the cost of services should enhance our operating revenue. The price of natural gas should improve with the expected increase in demand as the economy recovers and the continued

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the directors (continued)

trend towards environmentally friendly fuels. Since the Group's production is currently biased towards natural gas, an improvement in gas prices would impact our cash flow. The Group continues to seek the acquisition of oil-producing interests within the \$5-10 million range. Such an acquisition would support the Group's objective of moving its listing from PLUS-quoted markets to AIM during the next twelve to eighteen months.

The executive team was strengthened during the year with the addition of Mr Kent Nelson as Vice-President, Business Operations. Mr Nelson holds a B B A degree from the University of Texas and an M B A degree from the University of Houston and has over 25 years in the oil and gas industry.

The Group successfully raised GB 251,351 by placing 4,570,027 ordinary shares at 5.5 pence per share with existing and new shareholders.

The directors are encouraged by the potential of the current portfolio, and future acquisition opportunities, and are looking forward to further enhancement of portfolio value. In line with expectations the Group is reporting

Results and dividends

The results for the period are set out on page 10.

The directors do not recommend payment of a final dividend (2008 nil).

Principal activity

The principal activity of the Group is that of oil and gas exploration and production.

Business review

The Group's loss for the period after taxation was \$640,000 (2008 \$222,000).

A full review of the Group's activities in the period, recent events, principal risks and uncertainties and expected future developments is detailed in the highlights above and described below.

Going concern

Note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

The company has sufficient financial resources to meet any future commitments. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Reserve estimates

There are numerous uncertainties inherent in estimating reserves and assumptions that, whilst valid at the time of estimation, may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs. The Group

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the directors (continued)

utilises the expertise of third party consultants to report on its reserves estimates to increase the reliability of its estimations

Exploration and new projects

The Group may seek to identify new operations through active exploration and acquisition programmes. There is no guarantee, however, that such expenditure will be recouped or that existing oil/condensate and gas reserves will be replaced. Failure to do so could have a material and adverse impact on the Group's financial results and prospects.

Risks and uncertainties

Exploration for oil and gas is speculative and involves significant degrees of risks. Risks that prospect areas will be acquired, that they will lead to the discovery of oil or gas and financial and other resources will be secured to exploit the opportunities are uncertain.

Future outlook

The Group continues to evaluate a number of potential investment and acquisition opportunities to increase its US production base, its existing reserve base and its international outlook.

Political and charitable contributions

The Group made no charitable or political contributions during the year (2008: nil).

Financial instruments

Details of the use of financial instruments by the Group are contained in note 23 to the financial statements.

Post balance sheet events

At the date these financial statements were approved, the directors were not aware of any significant post balance sheet events other than those set out in this report in note 25 to the financial statements.

Key performance indicators

At this stage in the Group's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources that is cash-flows and bank balances and also general administrative expenses, which are tightly controlled. Specific exploration-related key performance indicators include the probability of geological success, the probability of commerciality or completion and the probability of economic success.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 19. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the directors (continued)

No person has any special rights of control over the company's share capital and all issued shares are fully paid

Directors

The directors of the Company during the year were

Michael J Keyes
Joseph E Warren
David R Gardner (resigned 16 October 2009)
John O'Donovan*

* On incorporation of the Company, M H Nominees Limited subscribed for one share, which was transferred to Joseph O'Donovan on 1 September in consideration for \$2 (£1)

Directors' interests

The directors who held office at 31 December 2009 had the following interests in the ordinary shares of the company

Name of director	31 December 2009
Michael J Keyes	23,377,004 38.0%
Joseph Warren	1,106,894 1.8%
John O'Donovan	1,500,000 2.4%

Directors' remuneration

Directors' remuneration during the year totalled \$56,000 (2008 nil)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Share option scheme

In order to provide incentive for the management and key employees of the Group the directors intend to set up a share option scheme. The directors will also consider setting up a share option scheme which will be open to other employees.

Policy and practice on the payment of creditors

The Group follows its code on payment practice, known as "Bill Code". This code is available at our registered office. It sets out the Group's policy of settling terms of payment with its suppliers when agreeing the terms of transactions and of ensuring suppliers are made aware of them. The Group has a successful record of abiding by the terms of "Bill Code" and this is expected to continue. Trade payables at 31 December 2009 were equivalent to 22 days costs (2008 67 days costs).

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Corporate Governance Statement

Corporate Governance

It is the Board's policy to support the principle of good corporate governance and the code of best practice as set out in the FRC Combined Code on Corporate Governance issued in June 2008 ('the code'), the Company is not required to comply with the Code, however it is recommended best practice to do so. The board considers that it has adopted the principles outlined in the Code for corporate governance insofar as it is practical and appropriate for the company's size.

The Group is controlled by a Board consisting of one executive director and three non executive directors. There is a clear division of responsibilities between the chairman and the chief executive officer and the Board considers the non executive director who is chairman to be independent of management.

The Board is responsible for the Group's corporate strategy, monitoring financial performance, approving capital expenditure, treasury and risk management policies. The Board meets regularly with Board meetings occurring once a month (some meetings were conducted by conference call). During the year ended 31 December 2009 the Board met six times. A schedule is circulated to the directors preceding a Board meeting that consists of an agenda, matters for approval and management accounts. Formal minutes of Board meetings are produced and circulated for comment and formally approved.

Due to the size of the company and Board, the directors do not consider it necessary to have a remuneration committee, an audit committee or a nomination committee as suggested by the Code. The whole Board considers such matters that these committees would undertake were they to exist. The directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

The Code requires the Board to review the need for an internal audit function from time to time. The Company does not consider that an internal audit function is appropriate given the current size of the business and structure of its operations.

The Board is responsible for the Group's system of internal control and reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute insurance against material misstatement or loss. The system of internal financial control comprises of controls established to provide reasonable assurance of

- i) The safeguarding of assets against unauthorised use or disposal and,
- ii) The reliability of financial information used within the business and for publication and the maintenance of proper accounting records.

In addition the key procedures on the internal financial control of the group are as follows:

- i) The Board reviews and approves budgets and monitors performance against those budgets on a monthly basis with any variance being fully investigated and,
- ii) The group has clearly defined reporting and authorisation procedures relating to the key financial areas.

The annual general meeting is the principal forum for dialogue with shareholders, the Company also has a dedicated electronic communication line specifically for shareholders enquiries.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Statement of Directors' Responsibilities

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the Company and the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and the group, and to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

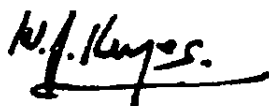
The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Mazars LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



Michael Jack Keyes
Chief Executive Officer

25th May 2010

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the independent auditors

Independent auditor's report to the members of Frontier Resources International Plc

We have audited the financial statements of Frontier Resources International plc for the 31 December 2009 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Report of the independent auditors

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mazars LLP

Mazars LLP, Chartered Accountants (Statutory auditor)

Stephen Bullock (Senior statutory auditor)

Tower Bridge House

St Katharine's Way

London

E1W 1DD

25 May 2010

Note The maintenance and integrity of the Frontier Resources International plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated statement of comprehensive income for the year ended 31 December 2009

		Year to 31 December	Period 22 April 2008 to 31 December
	Notes	2009 \$'000	2008 \$'000
Revenue	4	119	7
Cost of sales			
Impairment		(97)	(163)
Other cost of sales		(110)	(18)
Total cost of sales		(207)	(181)
Gross loss		(88)	(174)
Other income		7	-
Administrative expenses		(416)	(105)
Operating loss	5	(497)	(279)
Share of associate loss		(149)	
Finance income	7	4	1
Finance cost	8	(9)	-
Loss before tax		(651)	(278)
Taxation credit	9	11	56
Loss for the year		(640)	(222)
Other comprehensive expense			
Exchange differences on translating foreign operations		(98)	-
Total comprehensive loss for the year		(738)	(222)
Loss per share			
From continuing operations			
Basic and diluted	10	(0.01c)	(0.05c)

The results reflected above relate to continuing activities. The losses for the year and for the prior period and the total comprehensive losses for the year and the prior period are wholly attributable to equity holders of the parent company, Frontier Resources International plc.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated statement of financial position as at 31 December 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	473	342
Investment in associate	12, 13	533	-
		1,006	342
Current assets			
Trade and other receivables	14	46	103
Cash and cash equivalents		780	1,120
		826	1,223
Total Assets		1,882	1,565
EQUITY AND LIABILITIES			
Equity attributable to the holders of the parent			
Share capital	19	980	362
Share premium		1,139	96
Foreign exchange reserve		(98)	-
Retained earnings		(862)	(222)
		1,159	236
Non-current liabilities			
Provisions	17	73	28
Deferred tax liability	18	102	113
		175	141
Current liabilities			
Trade and other payables	15	218	1,188
Short term borrowings	22	280	-
		498	1,188
TOTAL EQUITY AND LIABILITIES		1,882	1,565

These financial statements were approved and authorised for issue by the board of directors on 25 May 2010 and were signed on its behalf by



Michael J Keyes
Director

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Registered in England and Wales number 06573154

Company statement of financial position as at 31 December 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Non-current assets			
Investment in subsidiary	12	1,409	701
		1,409	701
Current assets			
Trade and other receivables	14	32	72
Cash and cash equivalents		449	633
		481	705
Total Assets		1,890	1,406
EQUITY AND LIABILITIES			
Equity attributable to the holders of the parent			
Share capital	19	980	362
Share premium		1,139	96
Foreign exchange reserve		(5)	-
Retained earnings		(408)	(88)
		1,706	370
Non-current liabilities			
Payables	16	116	-
		116	-
Current liabilities			
Trade and other payables	15	68	1,036
		68	1,036
TOTAL EQUITY AND LIABILITIES		1,890	1,406

These financial statements were approved and authorised for issue by the board of directors on 25 May 2010 and were signed on its behalf by



Michael J Keyes
Director

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated statement of changes in equity for the year ended 31 December 2009

	Share Capital	Share Premium	Retained Loss	Foreign Exchange Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as 22 April 2008	-	-	-	-	-
Loss for the period	-	-	(222)	-	(222)
Total comprehensive loss for the period	-	-	(222)	-	(222)
Issue of share capital	362	96	-	-	458
Balance at 31 December 2008	362	96	(222)	-	236
Loss for the year	-	-	(640)	-	(640)
Other comprehensive income for the year	-	-	-	(98)	(98)
Total comprehensive loss for the year	-	-	(640)	(98)	(738)
Issue of share capital	618	1,115	-	-	1,733
Issue costs	-	(72)	-	-	(72)
Balance at 31 December 2009	980	1,139	(862)	(98)	1,159

The following describes the nature and purpose of each reserve within owners' equity

Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Retained loss	Cumulative net losses recognised in the financial statements
Foreign exchange reserve	Exchange differences on translating foreign operations

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Company statement of changes in equity for the year ended 31 December 2009

	Share Capital	Share Premium	Retained Loss	Foreign Exchange Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as 22 April 2008	-	-	-	-	-
Loss for the period	-	-	(88)	-	(88)
Total comprehensive loss for the period	-	-	(88)	-	(88)
Issue of share capital	362	96	-	-	458
Balance at 31 December 2008	362	96	(88)	-	370
Loss for the year	-	-	(320)	-	(320)
Other comprehensive income for the year	-	-	-	(5)	(5)
Total comprehensive loss for the year	-	-	(320)	(5)	(325)
Issue of share capital	618	1,115	-	-	1,733
Issue costs	-	(72)	-	-	(72)
Balance at 31 December 2009	980	1,139	(408)	(5)	1,706

The following describes the nature and purpose of each reserve within owners' equity

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value
Retained loss	Cumulative net losses recognised in the financial statements
Foreign exchange reserve	Exchange differences on translating foreign operations

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated statement of cash flows for the year ended 31 December 2009

		Year ended 31 December 2009	Period 22 April to 31 December 2008
	Notes	\$'000	\$'000
Net cash from operating activities	24	(330)	(123)
Cash flows from investing activities			
Cash consideration for acquisition of associate		(575)	-
Purchase of property, plant and equipment		(1)	-
Interest received		4	1
Dividends from associate		41	-
Contributions to associate		(23)	-
Net cash used in investing activities		(554)	1
Cash flows from financing activities			
Proceeds from issue of share capital		359	150
Proceeds from shares yet to be issued		-	990
Proceeds from borrowings		325	-
Loan from related party		-	102
Repayment of borrowings		(45)	-
Interest paid		(9)	-
Net cash used in financing activities		630	1,242
Net (decrease)/increase in cash and cash equivalents		(254)	1,120
Cash and cash equivalents at the beginning of period		1,120	-
Effect of foreign exchange rate changes		(86)	-
Cash and cash equivalents at end of period		780	1,120

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Company statement of cash flows for the year ended 31 December 2009

		Year ended 31 December 2009	Period 22 April to 31 December 2008
	Notes	\$'000	\$'000
Net cash from operating activities	24	(263)	(78)
Cash flows from investing activities			
Loans to subsidiary		(280)	(429)
Net cash used in investing activities		(280)	(429)
Cash flows from financing activities			
Proceeds from issue of share capital		359	150
Proceeds from shares yet to be issued		-	990
Net cash used in financing activities		359	1,140
Net (decrease)/increase in cash and cash equivalents		(184)	633
Cash and cash equivalents at the beginning of period		633	-
Cash and cash equivalents at end of period		449	633

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

1 General Information

Frontier Resources International Plc is a company incorporated in the United Kingdom. The address of the registered office is given in the officers and advisors section of this report. The nature of the Company's operations and its principal activities are set out in the Directors report.

The presentational currency of the Company and Group is the US Dollar (\$) because that is the currency of the primary economic environment in which the Group operates. The Company is registered in the United Kingdom.

2 Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

- IAS 1 (revised) 'Presentation of financial statements' prescribes the basis for presentation of financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 (revised) introduces a number of changes to the requirements for the presentation of financial statements, which include the following: the separate presentation of owner and non-owner changes in equity, requirement for entities making restatements or reclassifications of comparative information to present a Statement of Financial Position as at the beginning of the comparative period, and voluntarily name changes for certain primary statements.

The adoption of this revised standard has resulted in presentational changes to the group's financial statements. In addition, the primary statements are named as follows: Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

- IFRS 8 'Operating segments' requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to assess their performance and to allocate resources to the segments. These operating segments are then aggregated into reporting segments to combine those with similar characteristics. In contrast, the predecessor standard, IAS 14 'Segmental Reporting', required the group to identify two sets of segments (business and geographical), using a risks and rewards approach. For further details regarding how the group now reports operating segments, refer to note 4.

Standards not affecting the reported results nor the financial position.

The following new and revised Standards and Interpretations have been adopted in the current period. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

Amendments to IAS 39

IAS 38 (amended)

IAS 40 (amended)

IAS 20 (amended)

Financial instrument Recognition and Measurement and IFRS

7 Financial Instruments Disclosures

Intangible Assets

Investment property

Accounting for Government Grants and Disclosure of Government Assistance

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Notes to the consolidated financial statements for the year ended 31 December 2009

2. Adoption of new and revised standards (continued)

IAS 23 (revised 2007)	<i>Borrowing Costs</i>
IAS 32 (amended)/IAS 1	<i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>
IAS 39 (amended)	<i>Financial Instruments Recognition and Measurement – Eligible Hedged Items</i>
IFRS 2 (amended)	<i>Vesting Conditions and Cancellations</i>
IFRIC 9 (amended)/ IAS 39 (amended)	<i>Reassessment of Embedded Derivatives and Financial Instruments Recognition and Measurement</i>
IFRIC 15	<i>Agreements for the Construction of Real Estate</i>
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
IFRIC 18	<i>Transfers of Assets from customers</i>

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended)	<i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
IFRS 1 (amended)	<i>Additional Exemptions for First-time Adopters</i>
IFRS 1 (amended)	<i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
IFRS 2 (amended)	<i>Group Cash-settled Share-based Payment Transactions</i>
IFRS 3 (revised 2008)	<i>Business Combinations</i>
IFRS 7 (amended)	<i>Improving Disclosures about Financial Instruments</i>
IFRS 9	<i>Financial Instruments</i>
IAS 27 (revised 2008)	<i>Consolidated and Separate Financial Statements</i>
IAS 28 (revised 2008)	<i>Investment in Associates</i>
IAS 24 (revised 2009)	<i>Related Parties</i>
IAS 31 (revised 2009)	<i>Interests in Joint Ventures</i>
IAS 32 (amended)	<i>Classification of Rights Issues</i>
IAS 39 (amended)	<i>Effective Date and Transition</i>
IAS 39 (amended)	<i>Eligible Hedged Items</i>
IFRIC 9 (amended)/IAS 39 (amended)	<i>Embedded Derivatives</i>
IFRIC 14 (amended)	<i>Prepayments of a minimum Funding Requirement</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs (April 2009)	

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies

Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union

The financial statements are prepared on a going concern basis

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own income statement. The Company's loss for the period was \$320,000 (2008: \$88,000).

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business Review on page 3.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

The Company's investments in its subsidiaries are carried at cost less provision for any impairments.

Investments in associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (continued)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the period.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

The financial statements are expressed in US dollars (\$), the presentational currency as the Group operates in a sector where prices are commonly pegged to the US dollar.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transactions. Gains and losses arising from the settlement of such transactions at different exchange rates are recognised in the income statement. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling as at balance sheet date. Translation gains and losses are recognised in the income statement.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (*continued*)

In the consolidated and company financial statements, the net assets of the Company are translated into its presentational currency at the rate of exchange at the balance sheet date. Income and expense items are translated at the average rates for the period. The resulting exchange differences are recognised in equity and included in the foreign exchange reserve.

Leases

Rent paid on operating leases is charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

The Group has working interests in various oil and gas properties and recognises revenue from their interests in producing wells as oil and gas is produced and sold from these wells.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are classified as 'loans and receivables'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Interest bearing bank loans are recorded at the proceeds received, net of issue costs. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (*continued*)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (continued)

Valuation of Investments

The Group and Company's investments held as non-current assets are stated at cost less any provision for impairment

Property Plant and Equipment

All property, plant and equipment is stated at cost less accumulated depreciation with the exception of the proven oil and gas assets. Proven oil and gas assets are accounted for using the successful efforts method

Proven oil and gas assets

For evaluated properties with economic values exceeding the exploration and development costs incurred after the grant of the licence, these costs, which may include geological and geophysical costs, costs of drilling exploration and development wells, costs of field production facilities, including commissioning and infrastructure costs, are capitalised. These expenditures are combined into asset groups reflecting the anticipated useful lives of individual assets and subsequently are depreciated over the expected economic lives of those asset groups. The expenditure within the asset group with a useful life equal to the producing life of the field is depleted on a unit-of-production basis. The assets formed by capitalisation of these costs are referred to as *oil and gas assets*

Exploration and evaluation expenditures

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'

The successful efforts method means that costs of productive wells, developmental wells and productive leases are capitalised into the appropriate groups based on geographical and geophysical similarities. These capitalised costs are amortised using the unit-of-production method based on estimated proved reserves. Proceeds from sales of properties are credited to property costs, and a gain or loss is recognised when a significant portion of an amortisation base is sold or abandoned

Exploration costs, including geological and geophysical expenses and delay rentals are charged to expense as incurred. Exploratory drilling costs including the cost of stratigraphic test wells are initially capitalised but charged to exploration expense if and when the well is determined to be non-productive. The determination of an exploratory well's ability to produce must be made within one year from the completion of drilling activities. The acquisition costs of unproved acreage are initially capitalised and are carried at cost, net of accumulated impairment provisions, until such leases are transferred to proved properties or charged to impairment of unproved properties

Impairment review

The carrying amounts of the Group and Company's assets are reviewed at each balance sheet date and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use

Any impairment loss arising from the review is charged to the statement of comprehensive income under costs of sale whenever the carrying amount of the asset exceeds its recoverable amount

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (*continued*)

Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Decommissioning

The decommissioning provision represents the present value of decommissioning costs for existing assets in the Group's oil and gas operations. These provisions have been generated based on the Group and Company's internal estimates and where available external data. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed periodically to take into account any material changes to those assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning work required at the time the assets are decommissioned and abandoned. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates which in turn is dependent on future oil and gas prices which are inherently uncertain.

Reserves

Proved and probable reserve estimates are based on a number of underlying assumptions including oil prices, future costs, oil in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of oil and gas that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Carrying value of property plant and equipment

Depletion and depreciation for oil assets is calculated on a unit-of-production basis, using the ratio of oil production in the period to the estimated quantities of proved and probable reserves at the end of the period plus production in the period. Oil and gas assets are tested periodically for impairment to determine whether the net book value of capitalised costs relating to the cash generating unit exceeds the associated estimated future discounted cash flows of the related commercial oil and gas reserves. If an impairment is identified, the depletion is charged through the statement of comprehensive income in the period incurred.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

3 Significant accounting policies (*continued*)

Allowance for impairment of investment in subsidiaries

Reviews are made periodically by management on investments in subsidiaries for decline in net realisable value below cost and management record an allowance against the investment in subsidiaries for any such declines. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of investment in subsidiaries.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4 Segmental Analysis – Group

In the opinion of the directors, the operations of the group companies comprise one single class of business, oil and gas production. The group operates in one geographic area being the United States. The financial information presented reflects all the activities of this single business. Segments are determined by reference to the Group's internal organisation which bases its structure on products and geographical areas.

All revenues are derived from the sale of oil and gas produced by wells in which the Group has an interest. All the oil and gas producing wells are located in the United States and it is from here that all sales are made. Therefore all revenue originates from the United States. No single customer accounts for more than 10 per cent of the Group's total external revenue.

All non-current assets are held in the United States.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

5 Loss from operations

Operating loss for the year has been arrived at after charging

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Operating lease rentals	-	1
Impairment of property, plant & equipment	97	163
Auditors remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	15	22
Fees payable to the company's auditors and their associates for other services to the group		
- Corporate finance services	-	33

Fees payable for corporate finance services include an amount of \$nil (2008 \$19,000) which is included within prepayments (see note 14). This was offset against the share premium account upon the issue of the shares.

6 Employees

The average number of employees (including executive directors) during the year was 1 (2008: 1). Their aggregate remuneration comprised:

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Wages and salaries	56	-

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed in the directors' report on page 5. Directors' remuneration for the year was \$56,000 (2008: \$nil). All of this amount was paid to Mr Keyes as his salary.

The Group does not operate a pension plan for directors or employees.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

7 Finance income

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Bank interest receivable	4	1

8 Finance costs

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Interest payable on short-term borrowings	9	-

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

9 Taxation

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Corporation tax		
Current year	-	-
Deferred tax	11	56
Taxation credit	11	56

Corporation tax is calculated at 28 per cent (2008 28 per cent) of the estimated taxable profit for the year
The actual tax credit for the year and the preceding period differs from the current rate for the reasons set out in the below reconciliation

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Loss before tax on ordinary activities	(651)	(278)
Tax at the UK corporation tax rate of 28% (2008 28%)	(182)	(78)
Tax effect of losses carried forward	182	78
Deferred tax movements	(11)	(56)
Tax credit for the year	(11)	(56)

The effective tax rate for the year is 1.69% (2008 25.23%)

The Group has incurred tax losses for the period and a corporation tax charge is not anticipated. The potential benefit of these taxation losses calculated at the rates of tax prevailing in the countries in which the losses were incurred amount to approximately \$640,000 (2008 \$222,000). This gives rise to an unrecognised deferred tax asset at the balance sheet date of \$241,000 (2008 \$62,000).

Deferred tax assets related to these losses have not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of Group entities, the timing of which cannot be reasonably foreseen.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

10 Loss per share

Basic loss per share amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As the Group has made a loss in the period and there were no options or warrants no dilutive loss per share has been calculated. The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2009	Period 22 April 2008 to 31 December 2008
Net loss attributable to shareholders of the company (\$'000)	(640)	(222)
Weighted average number of ordinary shares	54,172,443	4,260,833
Basic and diluted loss per share (cents)	(0.01)	(0.05)

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

11 Property, plant and equipment

	Computer Equipment \$'000	Proven Oil and Gas assets \$'000
Cost		
At 22 April 2008	-	-
Acquisition of subsidiary	-	505
At 31 December 2008	-	505
Additions	1	226
At 31 December 2009	1	731
Impairment		
At 22 April 2008	-	-
Impairment loss	-	(163)
At 31 December 2008	-	(163)
Impairment loss	-	(24)
At 31 December 2009	-	(187)
Depreciation		
At 22 April 2008 and 31 December 2008	-	-
Charge for year	-	(72)
At 31 December 2009	-	(72)
Carrying value		
At 31 December 2009	1	472
At 1 January 2009	-	342
At 22 April 2008	-	-

The balance includes a deferred tax liability of \$102,000 calculated on the fair value uplift on the acquisition of the subsidiary

The directors considered that the stable global oil price indicated that an impairment had not arisen on the oil and gas assets. The directors performed a value in use calculation with a 10% discount rate and reassessed the key inputs into the valuation model, including oil price to reflect the market conditions prevailing at 31 December 2009. The directors reviewed the sensitivity of the impairment calculation and are confident that the carrying value represents the directors' best estimate of the final carrying value of the asset at 31 December 2009.

The company has no property, plant and equipment

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

12 Fixed asset investments

(a) Group	Associates \$'000
At 22 April 2008 and 31 December 2008	-
Additions	723
Dividends received	(41)
Share of retained loss in associate	(149)
At 31 December 2009	533

See note 13 for details of the associate

(b) Company	Subsidiary Undertakings US\$'000
At 22 April 2008	-
Additions	308
Amounts due from subsidiary	393
At 31 December 2008	701
Amounts due from subsidiary	708
At 31 December 2009	1,409

The principal subsidiary undertaking of the Company during the year and preceding period was Frontier Resources International Inc which is incorporated in the United States of America 100% of ordinary share capital and voting rights is held

The share of retained loss in the associate comprises the Group's share of the associate's loss (\$1,000) and a write down in the estimated proved reserves and future cash flows of the associate's properties (\$148,000) This impairment is to satisfy IFRSs which require estimated cash flows from working interests to be discounted, and for an impairment review to be based on the discounted cash flows A cumulative discount factor of 10% over a 16 year period was applied

The impact has been to reduce the carrying value of the investment in the associate and to increase the loss for the year Cash flows with no discount did not show an impairment in the carrying value

13 Investment in associate

On the 20 March 2009 the company acquired a 49.5% interest in the activities Bison Investments II Limited ("Bison"), a Texas Limited Partnership which holds a portfolio of producing oil and gas properties in Texas, USA FRIL and Gardner Energy Corporation, a related party, each have a 50% interest in Repetrol LLC, the General Partner of Bison, which has exclusive management powers over the business and affairs of Bison and holds a 1% interest in Bison

Per IAS 28, 'Investments in associates', the acquisition of the associate, Bison Investments II Limited has been accounted for using the equity method of accounting, being that the parent company's share of the profit or loss of the associates is shown in the statement of comprehensive income and dividends received from the associate are shown as investing or operating activities in the consolidated statement of cash flows

Details of consideration transferred for the acquisition are as follows

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

	\$'000
Purchase consideration	
Cash paid	575
Shares issued	125
Total	700

14 Trade and other receivables

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Trade receivables	14	31	-	-
Prepayments	11	72	11	72
Other receivables	21	-	21	-
	46	103	32	72

All amounts are due within three months. No amounts are past due and no amounts are impaired.

Amounts due from Group undertakings are repayable on demand.

The average credit period taken on sales of goods is 43 days (2008: 1125 days). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Credit risk

The Group's principal financial assets are bank balances, cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Receivables are regularly monitored and assessed for recoverability.

The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Trade and other receivables excluding prepayments	35	31	1,122	393
Cash and cash equivalents	780	1,120	449	633
	815	1,151	1,571	1,026

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

15 Trade and other payables

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Trade payables	36	64	14	19
Director's current account	144	102	16	-
Cash received for shares to be issued	-	990	-	990
Accruals	38	32	38	27
	218	1,188	68	1,036

Trade payables and accruals principally comprise amounts outstanding for trade purchases, and ongoing costs and are payable within 3 months. The average credit period taken for trade purchases is 63 days (2008 129 days)

The director's current account relates to Michael J Keyes and represents in part the distribution of net current assets of Frontier Resources International Inc immediately prior to the acquisition. As part of the share purchase of FRIL, the Company agreed to collect the net current assets prior to acquisition on behalf of the vendor, Michael J Keyes, a director of the Company. At 31 December 2009, this balance totalled \$nil (2008 \$58,000). In addition the director's current account balance includes trade payables and pre Initial Public Offering costs funded by the director on behalf of the Group. The directors' current account is non-interest bearing and repayable on demand.

The Group's trade payables balance at 31 December 2009 includes \$nil (2008 \$15,000) that relates to the balances of net current assets that have not been paid on behalf of Michael J Keyes.

The directors consider that the carrying amount of trade payables approximates to their fair value.

16 Non-current liabilities - Payables

	Company 2009 \$'000	Company 2008 \$'000
Amounts due to Group undertakings	116	-
	116	-

17 Provisions

	Group \$'000
Decommissioning provision	
At 1 January 2009	28
Additional provision in the year	45
At 31 December 2009	73

The provision for liabilities and charges represents asset retirement obligations associated with the Group's future abandonment of oil and gas properties. The timing of the economic outflows relating to this provision are uncertain.

The company has no provisions.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

18 Deferred tax

Deferred tax is calculated in full on the fair value uplift on business combinations at the prevailing tax rate that relates to the acquired business assets of 34% (the US tax rate)

The movement on the deferred tax account is as shown below

	\$'000
At 22 April 2008	-
Arising on business combination	169
Credited to statement of comprehensive income	(56)
At 1 January 2009	113
Credited to income statement	(11)
At 31 December 2009	102

Deferred tax liabilities were recognised in respect of business combinations entered into by the Group. The release of deferred tax to the income statement represents the deferred tax effect of the impairment of fair value of the tangible fixed assets acquired with the subsidiary.

Deferred tax assets in respect of unutilised tax losses have not been recognised at the balance sheet date. Such assets will only be recognised to the extent that their recovery is reasonably certain during the foreseeable future based on the projected future profits of the related subsidiaries.

At the balance sheet date the Group had \$241,000 of unprovided deferred tax assets (2008: \$62,000) relating to tax losses which would become recoverable if taxable profits were made in the future. Tax losses may be carried forward with no time limit.

19 Share capital

	2009 \$'000	2008 \$'000
Authorised:		
200,000,000 (2008: 200,000,000) ordinary shares of 2 cents each	2,894	2,894
Issued and fully paid		
61,514,408 (2008: 22,922,559) ordinary shares of 2 cents each	980	362

The Company has one class of ordinary shares which carry no right to fixed income.

7,876,871 shares were issued on 30 January 2009 as consideration for property rights at a price of 3 cents per share. 24,555,955 shares were issued on 30 January 2009 upon the admission to PLUS-quoted markets at a price of 4 cents per share. 1,588,996 shares were issued on 20 March 2009 as consideration for the acquisition of Bison II LLP at a price of 8 cents per share. 4,570,027 shares were issued on 7 December 2009 at a price of 9 cents per share.

In 2008, 1 share was issued upon incorporation on 22 April 2008. This share was subdivided into 100 shares on 12 August 2008. On 26 November 2008, 19,468,691 shares were issued as consideration for the acquisition of FRIL. 2,580,118 shares were issued at a price of 5 cents per share and 873,650 shares were issued at a price of 3 cents per share.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Notes to the consolidated financial statements for the year ended 31 December 2009

20 Commitments

Due to the nature of the Group's business, some contamination of the real estate property owned or leased by the Group is possible. Environmental site assessments of the property would be necessary to adequately determine remediation costs, if any. Management does not consider the amounts that would result from any environmental site assessments to be significant to the financial position or result of operations of the Group. Accordingly no provision for potential remediation costs is reflected in the financial statements for the year.

21 Associate

	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Aggregated amounts relating to associates		
Total assets	1,080	-
Total liabilities	(14)	-
Net assets	1,066	-
Group's share of net assets of associate	533	-
Total revenue	248	-
Loss	(298)	-
Group's share of loss	(149)	-

See note 13 for further information on associates

22 Borrowings

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Unsecured borrowings at amortised cost				
Bank loan	280	-	-	-

All borrowings are denominated in US Dollars

The Group has one principal bank loan with a balance of \$280,000 at the reporting date. The loan for \$325,000 was advanced on 3 March 2009 and is repayable on 3 March 2010. Repayments commenced in April 2009 and will continue until March 2010. The loan carries a fixed interest rate of 3.5% across the life of the loan.

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Notes to the consolidated financial statements for the year ended 31 December 2009

23 Financial instruments

The Group has exposure to the following key risks related to its financial instruments

- (i) Credit risk
- (ii) Market risk
- (iii) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 31 December 2009 no trading in financial instruments was undertaken (2008: none).

Capital risk management

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital and strategic investment needs to be met. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The capital structure of the Group consists of cash and cash equivalents, bank loans as disclosed in note 22 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 19 and the statement of changes in equity.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Financial Assets				
Loans and receivables (including cash and cash equivalents)	815	1,151	553	705
	815	1,151	553	705
Financial Liabilities				
Amortised cost	498	1,188	184	1,036
	498	1,188	184	1,036

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

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Notes to the consolidated financial statements for the year ended 31 December 2009

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies, consequently exposures to exchange rate fluctuations arise

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	2009 \$'000	Group 2008 \$'000	2009 \$'000	Company 2008 \$'000
Assets				
Sterling	470	633	553	705
US Dollars	345	518	-	-
	815	1,151	553	705
Liabilities				
Sterling	184	1,036	184	1,036
US Dollars	314	152	-	-
	498	1,188	184	1,036

A 10% increase or decrease in the sterling/dollar exchange rate, and if all other variables were constant would result in reported losses being \$21,000 higher or lower respectively with a corresponding impact on net assets

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow and deposit funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate cash deposits and borrowings

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note

Interest rate sensitivity analysis

The losses recorded by both the Group and the Company for the year ended 31 December 2009 would not materially increase/decrease if interest rates had been significantly higher/lower and all other variables were held constant. All of the group's borrowings are at fixed interest rates

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group

The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies

Disclosures related to credit risk associated with trade receivables are presented in notes 14 and 16

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Notes to the consolidated financial statements for the year ended 31 December 2009

Liquidity risk management

The Group and Company's practice is to regularly review cash needs and to place excess funds on fixed term deposits for periods not exceeding one month. The Group manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows. The Group and Company have sufficient funds to continue operations for the forthcoming period and have no perceived liquidity risk.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group	0-6 months \$'000	6-12 months \$'000	>12 months \$'000	Total \$'000
2009				
Non-interest bearing	74	144	144	218
Fixed interest rate instruments	280	-	-	280
	354	144	144	498
2008				
Non-interest bearing	1,086	102	-	1,188
Fixed interest rate instruments	-	-	-	-
	1,086	102	-	1,188

Company	0-6 months \$'000	6-12 months \$'000	>12 months \$'000	Total \$'000
2009				
Non-interest bearing	52	16	116	184
Fixed interest rate instruments	-	-	-	-
	52	16	116	184
2008				
Non-interest bearing	1,036	-	-	1,036
Fixed interest rate instruments	-	-	-	-
	1,036	-	-	1,036

The Group and Company have no derivative financial instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

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Notes to the consolidated financial statements for the year ended 31 December 2009

24 Notes to the statement of cash flows

Net cash inflow from operating activities

Group	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Operating loss	(497)	(279)
Impairment loss on property, plant and equipment	97	163
Decrease/(increase) in receivables	57	(103)
Increase in payables	10	96
Increase in provisions	3	-
Net cash from operating activities before tax	(330)	(123)

Company	Year ended 31 December 2009 \$'000	Period 22 April 2008 to 31 December 2008 \$'000
Operating loss	(320)	(88)
Decrease/(increase) in receivables	40	(35)
Increase in payables	17	45
Net cash from operating activities	(263)	(78)

25 Events after the balance sheet date

There are no events after the balance sheet date to report.

26 Related party transactions

Balances and transactions between the company and its subsidiary, which is a related party, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associate are disclosed in note 12.

Remuneration of key management personnel

The remuneration of Michael J Keyes, who is the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosures'.

	2009 \$'000	2008 \$'000
Short term employment benefits	56	-

At the balance sheet date, the Group owed Mr Keyes \$144,000 (2008 \$102,000).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.