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 period to 31 December 2008

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Annual report and financial statements for the period ended 31 December 2008

Contents

Page:

Directors

Michael J Keyes	(Chief Executive Officer)
Joseph E Warren	(Non-Executive Chairman)
David R Gardner	(Non-Executive Director)
John O'Donovan	(Non-Executive Director)

Company secretary and registered office

M H Secretaries Limited, Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH.

Company number

06573154

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Officers and advisors

Directors:	Michael J Keyes Joseph E Warren David R Gardner John O'Donovan
Company secretary and registered office:	M H Secretaries Limited Staple Court 11 Staple Inn Buildings London WC1V 7QH
London Office :	Staple Court 11 Staple Inn Buildings London WC1V 7QH
PLUS advisor and broker:	St Helen's Capital Plc 15 St Helen's Place London EC3A 6DE
Bankers:	Allied Irish Bank (GB) City Office 9-10 Angel Court London EC2R 7AB
Auditors:	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
Solicitors:	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH
Registrars and receiving agents:	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD
Independent Petroleum Engineers:	Netherland, Sewell and Associates, Inc 1221 Lamar Street, Suite 1200 Houston, Texas 77010 United States

The directors of Frontier Resources International Plc (formerly Frontier Resources International Limited) are pleased to present their report together with the audited financial statements for the period ended 31 December 2008.

Highlights

The Company was founded during the period, being incorporated and registered in England and Wales on 22 April 2008, as a limited company with registered number 06573154. The Company was re-registered as a public limited company on 17 December 2008. The main purpose for re-registering the Company as a public limited company was to seek admission to the PLUS-quoted markets which was achieved on 30 January 2009 when the Company's shares were admitted to trading.

During the year, Frontier Resources International Plc acquired the oil and gas producing properties of Frontier Resources International Inc. (FRII), a privately held Texas corporation. The transaction was completed on the 26 November 2008 when the total share capital of FRII was purchased by Frontier Resources International Plc for $307,800 (£194,688) in exchange for shares in the Company. The Texas registered Company, FRII, was incorporated on 24 February 1989. FRII promotes the exploration for, and development of, hydrocarbons via current and innovative interdisciplinary technology. FRII has also provided consultancy services to oil and gas companies and owns various interests in oil and gas producing properties onshore in Texas.

The current financial turmoil and associated decline in commodity prices, including oil and gas, may lead 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 may encourage both major and independent oil companies to dispose of under-performing and non-core assets. This situation can provide a unique opportunity for smaller companies to acquire exploration acreage with upside potential and producing properties at reduced prices and potentially improve the properties' economics using technology such as horizontal and extended - reach drilling, enhanced recovery techniques and 3D seismic.

Frontier Resources International Plc and FRII's (the Group's) immediate objective is to expand production in the United States ("US") while screening exploration/production deals internationally for future acquisition and/or farm-in opportunities. FRII has previously secured financing for oil and gas acquisitions through its existing banking relationships in Texas and will continue to seek additional financing with existing and new banking relationships. 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 acquisition opportunities. The Board is particularly interested in pursuing opportunities in the Middle East and Africa, but other international resource plays that are deemed to be underexploited to-date will also be considered. Through the farm-in process the Group will reduce the time required to acquire international assets as well as benefit from the experience gained by joining with an already 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 all other investment and acquisitions will be made by the U.K. parent company.

In keeping with its strategy of expanding its existing US production base while monitoring international opportunities, Frontier Resources International Plc acquired a 50% interest in Bison II, on 20 March 2009. Bison II (a Texas Limited Partnership) holds royalty and working interest ownership in several producing oil and gas wells onshore Texas.

The acquisition of royalty interests in long - life fields is part of the Group's future strategy. The cost of the Bison ll acquisition was $0.7 million paid for by a combination of US$575,000 in cash and 1,588,996 ordinary shares at 8c (5.5p) per share. It is expected that additional drilling will take place on these properties in the near future thus adding to the Group's existing reserve base.

In both the short and long term, the outlook for the Group is positive. The recent surge in the price of crude oil, combined with the modest decrease in the cost of services, should enhance the operating revenue of the Group. It is expected that the ongoing slump in drilling activity and the consequent reduction in supply will diminish the present glut of natural gas in the U.S. by the end of next year. This set of circumstances, together with an expected increase in demand as the economy recovers, could result in a price spike. Since the Group's production is currently biased towards natural gas, this situation could significantly impact our cash position. Although additional wells may be drilled this year on the recently acquired Bison properties with, hopefully, positive consequences, the Group continues to seek the acquisition of oil-producing interests within the $5-10 million range. Such an acquisition would support the Company's objective of moving its listing from PLUS-quoted markets to AIM during the next twelve to eighteen months.

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 8.

The directors do not recommend payment of a final dividend.

Principal activity

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

Business review

The Group's loss for the period after taxation was $222,291.

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

Going concern

The directors have considered their obligations to assess the going concern status of the Group and have concluded that the post balance sheet fund raising provides the Group with access to sufficient funds to meet any future commitments. Accordingly the financial statements have been prepared on a going concern basis.

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 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.

Political and charitable contributions

The Group made no charitable or political contributions during the period.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 20 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 21 to the financial statements.

Key performance indicators

The directors' key focus was the successful PLUS-markets listing and Initial Public Offering. No other key performance indicators are considered relevant.

Directors

The directors of the Company during the period were:

Michael J Keyes	(appointed 29 September 2008)
Joseph E Warren	(appointed 29 September 2008)
David R Gardner	(appointed 29 September 2008)
John O'Donovan*	(appointed 22 April 2008)

* 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' remuneration

The directors received no remuneration during the period.

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 Company will follow its code on payment practice, known as "Bill Code", during the next year. This code is available at our registered office and 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 Company has a successful record of abiding by the terms of "Bill Code" and this is expected to continue. Trade payables at 31 December 2008 were equivalent to 67 days costs.

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 Company'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.

BDO Stoy Hayward LLP, who were appointed as first auditors of the Company by the directors, 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

M.J. Keyes.

Michael John Keyes
Chief Executive Officer
19 June 2009

To the shareholders of Frontier Resources International Plc

We have audited the financial statements of Frontier Resources International Plc (formerly Frontier Resources International Limited) for the period ended 31 December 2008 which comprise the consolidated income statement, the consolidated and company balance sheet, the consolidated and company cash flow statement, the consolidated and company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for being satisfied that the financial statements give a true and fair view are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, have been prepared in accordance with the Companies Act 2006 and give a true and fair view. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept adequate accounting records if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 2006 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 2006 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the period then ended;

- the parent company statements give a true and fair view, in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006, of the state of the parent company's affairs as at 31 December 2008;

- The financial statements have been properly prepared in accordance with the Companies Act 2006.

- In our opinion, the information given in the directors' report is consistent with the financial statements.

Anne Sayers, (senior statutory auditor)
For and behalf of BDO Stoy Hayward LLP, statutory auditor
London

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated income statement for the period ended 31 December 2008

	Notes	Period 22 April 2008 to 31 December 2008 US$'000
Revenue	**3**	**7**
Cost of sales		
Impairment		(163)
Other cost of sales		(18)
Total cost of sales		**(181)**
Gross loss		**(174)**
Administrative expenses		
IPO costs expensed		(51)
Other administrative expenses		(54)
Total administrative expenses		**(105)**
Operating loss	**4**	**(279)**
Financial income	**6**	1
Loss before tax		**(278)**
Taxation credit	**7**	56
Loss for the period attributable to equity shareholders of the parent company		**(222)**
Loss per share		
From continuing operations		
Basic	**8**	(0.05c)

The results reflected above relate to continuing activities.

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated statement of changes in equity for the period ended 31 December 2008

	Share Capital US$'000	Share Premium US$'000	Retained Loss US$'000	Total US$'000
At 22 April 2008	-	-	-	-
Loss after tax for the period	-	-	(222)	(222)
Total recognised income and expense for the period	-	-	(222)	(222)
Issue of share capital	362	96	-	458
At 31 December 2008	**362**	**96**	**(222)**	**236**

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 recognized in the financial statements.

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Company statement of changes in equity for the period ended 31 December 2008

	Share Capital US$'000	Share Premium US$'000	Retained Loss US$'000	Total US$'000
At 22 April 2008	-	-	-	-
Loss after tax for the period	-	-	(88)	(88)
Total recognised income and expense for the period	-	-	(88)	(88)
Issue of share capital	362	96	-	458
At 31 December 2008	**362**	**96**	**(88)**	**370**

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 recognized in the financial statements.

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated balance sheet as at 31 December 2008

	Notes	31 December 2008 US$'000
Assets		
Non-current assets		
Property, plant and equipment - oil and gas assets	**9**	342
		342
Current assets		
Trade and other receivables	**12**	103
Cash and cash equivalents		1,120
		1,223
TOTAL ASSETS		**1,565**
Liabilities		
Current liabilities		
Trade and other payables	**13**	(1,188)
		(1,188)
Non-current liabilities		
Provisions	**14**	(28)
Deferred tax liability	**15**	(113)
		(141)
TOTAL LIABILITIES		**(1,329)**
NET ASSETS		**236**
Equity		
Capital and Reserves		
Share capital	**16**	362
Share premium		96
Retained loss		(222)
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**236**

These financial statements were approved and authorised for issue by the board of directors on 19 June 2009 and were signed on its behalf by:

....

Michael J Keyes
Director

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Company balance sheet as at 31 December 2008

	Notes	31 December 2008 US$'000
Assets		
Non-current assets		
Investments	**10**	308
		308
Current assets		
Trade and other receivables	**12**	465
Cash and cash equivalents		633
		1,098
TOTAL ASSETS		**1,406**
Liabilities		
Current liabilities		
Trade and other payables	**13**	(1,036)
TOTAL LIABILITIES		**(1,036)**
NET ASSETS		**370**
Equity and liabilities		
Capital and reserves		
Share capital	**16**	362
Share premium		96
Retained loss		(88)
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**370**

These financial statements were approved and authorised for issue by the board of directors on 19 June 2009 and were signed on its behalf by:

....

Michael J Keyes
Director

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

Frontier Resources International Plc (formerly Frontier Resources International Limited)

Consolidated and Company cash flow statement for the period ended 31 December 2008

	Notes	Group Period 22 April 2008 to 31 December 2008 US$'000	Company Period 22 April 2008 to 31 December 2008 US$'000
Operating loss for the period		**(279)**	**(88)**
Adjustment for:			
Impairment of tangible fixed assets		163	-
Decrease/(increase) in trade and other receivables		(103)	(35)
(Decrease)/increase in trade and other payables		96	45
Net cash outflow from operating activities		**(123)**	**(78)**
Investing activities			
Interest received	6	1	-
Loans to subsidiary		-	(429)
Net cash from investing activities		**1**	**(429)**
Cash flows from financing activities			
Loan from related party	13	102	-
Cash raised on issue of shares	16	150	150
Cash raised on shares yet to be issued	13	990	990
Net cash from financing activities		**1,242**	**1,140**
Net cash inflow		**1,120**	**633**
Cash and cash equivalents at end of period		**1,120**	**633**

The accompanying notes on pages 14 to 29 are an integral part of these financial statements.

1 General information

Frontier Resources International Plc (formerly Frontier Resources International Limited) 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 functional currency of the Company is sterling (£). The presentational currency of the Company and Group is the US$ Dollar. The Company is registered in the United Kingdom.

2 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 include the financial statements of the Company and its subsidiary made up to 31 December 2008. The acquisition method of accounting has been adopted, such that the results of subsidiary undertakings acquired in the year are included in the consolidated income statement from the date of acquisition.

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 $88,127.

Going concern

The directors have considered their obligations to assess the going concern status of the Group and Company and have concluded that the post balance sheet fund raising provides the Group and Company with access to sufficient funds to meet any future commitments. Accordingly the financial statements have been prepared on a going concern basis.

2 Accounting policies *(Continued)*

New Accounting Standards

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

IAS 1, Presentation of financial statements: A Revised Presentation (effective for accounting periods beginning on or after 1 January 2009).

Revised IFRS 3: Business Combinations (effective for accounting periods beginning on or after 1 July 2009). The revised IFRS 3 is still to be endorsed by the EU.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

IAS 23 Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009).

Amendment to IFRS 2 share based payments: Vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). The amended IAS32 is yet to be endorsed by the EU.

Amendment to IAS 27: consolidated and separate financial statements. Amendments are effective for periods beginning 1 July 2009. The amended IAS 27 is still to be endorsed by the EU.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2008).

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Instruments – Effective date and transition (effective for accounting periods beginning on or after 1 July 2008). The amendment has yet to be endorsed by the EU

Amendments to IFRS 1 and IAS 27: Cost of an Investment in a subsidiary, jointly controlled entity or associate (effective 1 January 2009).

Amendment to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective 1 July 2009). The amendment has yet to be endorsed by the EU

Amendment to IFRIC 9 and IAS 39: Embedded derivatives (effective 30 June 2009).

Amendment to IFRS 7: Improving Disclosures about Financial Instruments (effective 1 January 2009).

IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 is still to be endorsed by the EU.

2 Accounting policies *(Continued)*

New Accounting Standards (*Continued)*

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC 16 is still to be endorsed by the EU.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC 17 is still to be endorsed by the EU.

IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 January 2009). IFRIC 18 is still to be endorsed by the EU.

With the exception of those relating to business combinations (as the Group intends to grow by acquisition), the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group and the Company. There will be additional presentational and disclosure impact affecting the presentation of the financial statements

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 income statement 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.

2 Accounting policies *(Continued)*

Foreign currencies

The financial statements are expressed in US dollars (US$), the presentational currency as the Company operates in a sector where prices are commonly pegged to the US dollar. The functional currency of the Company is sterling (£). The functional currency of the subsidiary is US dollars.

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.

In the consolidated 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 income statement on a straight line basis over the term of the lease.

Financial instruments

The Group and Company's financial assets consist of current account or short term deposits at variable interest rates, loans and other receivables. Any interest earned is accrued and classified as interest. Trade and other receivables are stated initially at fair value and subsequently at amortised cost.

The Group and Company's financial liabilities consist of trade and other payables. All are non-derivative assets. The trade and other payables are stated initially at fair value and subsequently at amortised cost.

Valuation of investments

The Company’s investments held as non-current assets are stated at cost less any provision for impairment.

Property Plant and Equipment – oil and gas assets

The Group and Company applies the full-cost method of accounting under which all expenditure relating to the acquisition, exploration, appraisal and development of oil and gas interests, including an appropriate share of directly attributable overheads, is capitalised within cost pools. Capitalised costs are amortised on a unit of production basis. The Board regularly reviews the carrying values of tangible assets and writes down capitalised expenditure to levels it considers prudent. Costs pools are determined on the basis of geographical principles. The Group and Company currently has only one cost pool, being its producing interests in the United States

2 Accounting policies *(Continued)*

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*.

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 income statement under administrative expenses whenever the carrying amount of the asset exceeds its recoverable amount.

Critical accounting estimates and judgments

Treatment of subsidiary at acquisition (see Note 11)

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 exceed 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 income statement in the period incurred.

3. Segmental Analysis – Group

In the opinion of the directors, the operations of the Group companies comprise one single class of business including 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.

The Group's primary reporting segment is business segment:

	Production of oil and gas 2008 US$'000	Corporate 2008 US$'000	Total 2008 US$'000
Revenue	7	-	7
Loss after taxation	(134)	(88)	(222)
Total assets	503	1,062	1,565
Total liabilities	(293)	(1,036)	(1,329)

4. Loss from operations -Group

	Period 22 April 2008 to 31 December 2008 Group US$'000
Operating loss for the year has been arrived at after charging:	
Operating lease rentals – Other	1
Impairment of tangible fixed assets	163
Auditors remuneration:	
- Fee payable to the auditor for the audit of the Company's financial statement for the period to 31 December 2008	22
- Fee payable to the auditor for corporate finance services	33

Fees payable for corporate finance services include an amount of US$19,000 which is included within prepayments note 12 which on issue of the shares will be set against the share premium account.

5 Employees - Group

The average monthly number of employees (including executive directors) during the period was 1. There were no employment costs during the period.

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 director's report on page 4. There was no remuneration paid to directors' or key management personnel during the period.

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

6 Finance income - Group

	Period 22 April 2008 to 31 December 2008 US$'000
Bank interest receivable	1
Net interest	1

7 Taxation

	Period 22 April 2008 to 31 December 2008 US$'000
Current tax	
Current period United Kingdom corporation tax at 28%	-

Factors affecting the tax charge for the current period

The tax assessed on the loss on ordinary activities for the period is lower than the applicable rate of corporation tax in the United Kingdom of 28%. The differences are reconciled below:

	Period 22 April 2008 to 31 December 2008 US$'000
Tax reconciliation	
Loss on ordinary activities for the period before tax	(222)
Loss on ordinary activities at the standard rate of corporation tax in the blended rate of United Kingdom of 28 %	(62)
Effects of:	
Losses carried forward	62
Accelerated capital allowances (see Note 15)	(56)
Total tax credit	(56)

The above tax rate represents the blended rate of taxation for UK Corporation tax and US Income taxes.

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 $222,000. This gives rise to an unrecognised deferred tax asset at the balance sheet date of $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.

8 Loss per share - Group

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.

	Period 22 April 2008 to 31 December 2008 US$'000
Net loss attributable to equity holders of the parent company	**(222)**
Basic weighted average number of shares	4,260,833
Earnings per share	
- Basic	$0.05

See events after the balance sheet date (Note 21) for details of shares that would have reduced the loss per share had they been issued in the period.

9 Property, plant and equipment – Group

	Proven Oil and Gas Assets US$'000
Cost	
At 22 April 2008	-
Acquisition of subsidiary	505
At 31 December 2008	505
Accumulated impairment loss	
At 22 April 2008	-
Impairment	(163)
At 31 December 2008	(163)
Net book value	
At 31 December 2008	342
At 22 April 2008	-

The balance includes a deferred tax liability of $113,000 calculated on the fair value uplift on the acquisition of the subsidiary.
The directors considered that the low global oil price indicated that an impairment had 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 2008. 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 2008.

10 Fixed asset investments - Company

	Subsidiary undertakings US$'000
Cost	
At 22 April 2008	-
Additions	308
At 31 December 2008	308
At 22 April 2008	-

The principal subsidiary undertaking of the Company during the period was:

Company	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Frontier Resources International, Inc	United States	100%	Mineral rights acquirer

11 Acquisitions

On 26 November 2008 the Company entered into a share sale agreement with Michael J Keyes, a director of the Company, and issued 19,468,691 ordinary shares of 2c (1p) each in the Company in consideration for the entire issued share capital of Frontier Resources International Inc., a Texas based company (FRII).

The fair value of the assets and liabilities acquired on acquisition were:

	Book value US$'000	Fair value US$'000
Tangible assets – Oil and Gas	8	505
Deferred tax liability	-	(169)
Provisions for liabilities and charges	(28)	(28)
Net (liabilities)/assets acquired	(20)	308
Fair value of consideration – issue of 19,468,691 shares at nominal value of 2c (1p) each		308

.

11 Acquisitions *(Continued)*

As part of the share purchase of FRII, the Company agreed to collect and settle the net current assets that existed in FRII prior to acquisition on behalf of the vendor Michael J Keyes, a director of the Company. The fair values of the net current assets distributed to Michael J Keyes immediately prior to the acquisition were:

	Book and fair value US$'000
Trade and other receivables	89
Cash and cash equivalents	43
Trade and other payables	(74)
Net current assets	58

In determining whether this acquisition meets the definition of a business combination, the Group followed first the legal form of the agreement. Secondly, the Group identified the acquirer. For the acquisition of FRII in the period, the legal parent was identified as the acquirer because management of the acquirer will be the effective management of the Group.

No goodwill arose on the acquisition. FRII has contributed revenue of $7,000 and a loss of $98,000 to the period. If the subsidiary had been included in the Group from the beginning of the period, revenue for the Group would have been $139,000 higher and the Group loss for the period would have been $11,000 less.

Fair values were provisionally allocated to assets and liabilities at the date of acquisition due to the uncertainty surrounding long term oil prices. These matters are under constant review by the directors. The Company has twelve months from the acquisition date in which the provisional allocations of fair values can be adjusted if further information is obtained regarding the facts and circumstances that existed at the acquisition date.

12 Trade and other receivables

	Group US$'000	**Company US$'000**
Trade receivables	31	-
Amounts due from Group undertakings	-	393
Prepayments	72	72
	103	465

All amounts are due within three months.

Amounts due from subsidiary undertakings are repayable on demand. The amount of $393,000 due to the Company from its subsidiary includes $429,000 of cash received for shares issued on 30 January 2009 and payments of $36,000 made by the subsidiary on behalf of the Company for the Initial Public Offering.

12 Trade and other receivables *(Continued)*

Prepayments comprise a proportion of pre Initial Public Offering costs which on issue of the shares on 30 January 2009 on commencement of trading to the PLUS-quoted markets will be set against the share premium reserve. As part of the share purchase of FRII, 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 the Group's trade receivables balance includes $4,000 that has not been collected by the Company on behalf of Michael J Keyes.

13 Trade and other payables

	Group US$'000	Company US$'000
Trade payables	64	19
Director's current account	102	-
Cash received for shares to be issued (see Note 16)	990	990
Accruals	32	27
	1,188	1,036

Trade payables and accruals principally comprise amounts outstanding for trade purchases, and ongoing costs and are payable within 3 months.

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 FRII, 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, this balance totalled $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 includes $15,000 that relates to the balances of net current assets that have not been paid on behalf of Michael J Keyes.

14 Provisions for liabilities and charges

	Decommissioning Provision Group US$'000
At 22 April 2008	-
Acquisition of subsidiary	28
At 31 December 2008	28

The provision for liabilities and charges represents asset retirement obligations associated with the Group's future abandonment of oil and gas properties.

15 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:

	US$'000
At 22 April 2008	-
Arising on business combination	169
Credited to income statement	(56)
At 31 December 2008	113

Deferred tax liabilities were recognised in respect of business combinations entered into by the Group during the period (see note 11 Acquisitions). 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.

16 Share capital - Group and Company

	Authorised	
	Number	US$'000
Ordinary shares of 2c (1p) each	200,000,000	2,894

	Allotted, called up and fully paid	
	Number	US$'000
Incorporation	1	-
12 August 2008 Subdivision of ordinary shares	99	-
26 November 2008 – non cash to acquire 100% subsidiary	19,468,691	308
26 November 2008 for cash at 5c (3p) per share	2,580,118	41
26 November 2008 for cash at 3c (2p) per share	873,650	13
	22,922,559	362

The Company was incorporated with authorised share capital of 1,000 ordinary shares of $2 (£1) each of which one ordinary share of $2 (£1) was issued. Share capital, issued in UK pounds, is translated to US dollars at the rate of exchange prevailing at the date of the transaction as the money is raised in UK pounds but the presentational currency is US dollars. Authorised share capital is translated to US dollars at the rate prevailing at the balance sheet date.

On 12 August 2008, each of the existing issued and unissued 1,000 ordinary shares of $2 (£1) each in the capital of the Company were subdivided into 100 ordinary shares of 2c (1p) each and the Company's authorised share capital was increased by $2,892,530 (£1,999,000) (from $1,994 (£1,000) to $2,894,524 (£2,000,000)) by the creation of 199,900,000 ordinary shares of 2c (1p) each.

See note 21 for details of share issues after 31 December 2008.

17 Commitments

Commitments at the balance sheet date were as follows:

Due to the nature of the Group's business, some contamination of the real estate property owned or leased by Company 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 period.

18 Contingent commitments

On 26 November 2008, the Company entered into an assignment agreement, effective 1 January 2009, with Gardner Energy Corporation ("GEC") and FRII for the acquisition by FRII of interests in assets in Maben Oil Field, Texas, from GEC (the "Assignment Agreement"). Under the Assignment Agreement the cost of the assignment is $186,800 (£118,153) paid for by the issue of 7,876,871 ordinary shares of 2c (1.5p) each in the Company. Completion of the Assignment Agreement is conditional on the Company's admission to the PLUS-quoted market which occurred, post year end, on 30 January 2009.

19 Related party transactions

On 26 November 2008 the Company entered into a share sale agreement with Michael J Keyes, a director of the Company, and issued 19,468,691 ordinary shares of 2c (1p) each in the Company in consideration for the acquisition of the entire issued share capital of Frontier Resources International Inc ("FRII"). The fair value of FRII was calculated by independent petroleum consultants who estimated discounted future net revenue of proved developed producing reserves.

Michael J Keyes incurred costs of $89,099 on behalf of the Group for general trade expenses and for the Initial Public Offering for trading on the PLUS-quoted market which commenced on 30 January 2009. The balance due to him at 31 December 2008 is $44,080. Michael J Keyes is also owed $57,834 at 31 December 2008 which relates to distribution of the net current assets of Frontier Resources International Inc. that were due to him immediately prior to the acquisition.

On 22 November 2008, the Company entered into an assignment agreement with Gardner Energy Corporation as stated in the Commitments note, a Company in which David Gardner, a director of the Company, is a director.

20 Financial instruments

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 period ending 31 December 2008 no trading in financial instruments were undertaken.

There is no material difference between the book value and fair value of the Group and Company cash balances, short term receivables and payables.

Market risk

Market risk arises from the Group and Company's use of interest bearing and foreign currency financial instruments. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), and foreign exchange rates (currency risk).

20 Financial instruments *(Continued)*

Currency risk

The Group and Company have potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations.

At the period end, the Group and Company had cash balances of US$1,120,000 and US$633,000 respectively in the following currencies:

	Group US$'000	Company US$'000
Sterling	633	633
US dollars	487	-
Total	1,120	633

Other than the above US dollar cash balance no other financial instrument is denominated in a currency other than sterling. A 10% increase or decrease in the sterling/ dollar exchange rate would result in reported losses being US$5,000 higher or lower respectively with a corresponding impact on net assets.

Capital

The Group and Company considers its capital to comprise its ordinary share capital, share premium, shares to be issued reserve, foreign exchange reserve and retained loss.

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

Capital and reserves attributable to shareholders

	Group US$'000	Company US$'000
Share capital	362	362
Share premium	96	96
Retained loss	(186)	(88)
Total	272	370

20 Financial instruments *(Continued)*

Liquidity risk

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 and Company have sufficient funds to continue operations for the forthcoming period and have no perceived liquidity risk.

Maturity analysis

	Group US$'000	**Company** US$'000
Analysis of financial assets (financial assets are classified as loans and receivables):		
Up to 3 months	27	393
3 to 6 months	-	-
Total	27	393
Analysis of financial liabilities (financial liabilities are classified as loans and borrowings, trade and other payables and other financial liabilities):		
Up to 3 months	1,071	1,036
3 to 6 months	102	-
Total	1,173	1,036

21 Events after the balance sheet date

On 26 November 2008, the Company entered into an assignment agreement with Gardner Energy Corporation ("GEC") and FRII for the acquisition by FRII of 1.08 per cent net revenue interests in assets in Maben Oil Field, Texas, from GEC (the "Assignment Agreement"). The Assignment Agreement is effective 1 January 2009. Under the Assignment Agreement, the Company will issue 7,876,871 ordinary shares of 2c (1.5p) each. Completion of the allotment of shares is conditional on the Company's admission to the PLUS-quoted market which occurred on 30 January 2009.

On 30 January 2009 the Company commenced trading their entire issued share capital on the PLUS-quoted market and issued 24,555,955 ordinary shares of 3c (2p) and 4c (3p) for an aggregate subscription price of $990,000. Money was received for all of the shares issued on 30 January 2009 prior to 31 December 2008 and has been included in current liabilities.

On 20 March 2009 the Company acquired a 50% interest in Bison Investments II Limited (a Texas Limited Partnership) which holds a portfolio of producing oil and gas properties in Texas, US. Consideration comprises a combination of cash and 1,588,996 shares at a price of 8c (5.5p) issued on 20 March 2009. Total cash consideration was $575,000 with part of the payment raised by way of a secured term-loan.

22 Controlling party

Michael J Keyes, a director of the Company, and members of his close family, controlled the company as a result holding 99.99% of the issued share capital of the Company at 31 December 2008. There was no change in the shareholding until the admission of the Company to the PLUS-quoted market on 30 January 2009 whereupon new shares were issued as detailed above.