Registered in England and Wales number 06573154

Frontier Resources International Plc

Group Annual Report and Financial Statements
Year Ended 31 December 2010

Frontier Resources International Plc

Annual report and financial statements for the year ended 31 December 2010

Contents

Pages

Frontier Resources International Plc

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 McClintock Building Granta Park Great Abington Cambridge CB21 6GP
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:	UHY Hacker Young LLP Quadrant House 4 Thomas More Street London E1W 1YW
Solicitors:	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH
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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 ("Frontier") are pleased to present their report together with the audited financial statements for the year ended 31 December 2010.

Highlights

Frontier is an oil and gas company with producing properties in the USA and exploration acreage at present in Africa. Primarily focused on opportunities in the Middle East and Africa, the Group has an extensive database and strategic relationships worldwide. The Group has the ability to focus on new production and the identification of new exploration prospects and add value to under developed fields.

In 2010, Frontier completed its first full year of operations following admission to the PLUS-quoted Markets in 2009. Frontier Resources International Inc ("FRII") participated in the drilling of a new gas well in Texas, the Stridde No. 1 in addition to acquiring overriding royalties in two additional wells. The Group will continue to expand production in the United States.

With the ongoing volatility in commodity prices, primarily driven by worldwide political and economic uncertainty, major as well as independent oil companies continued to refine and divest non-core and underperforming assets. FRII is positioned to evaluate opportunities that become available and is prepared to make targeted acquisitions that add value to its existing portfolio, such as the successful acquisition of Bison II LLP in 2009.

Much of 2010 was spent researching and compiling geologic data for areas of interest in Africa and the Middle East.

Zambia

Effort and resource was put into formulating technical and commercial strategies and positioning the Company to be successful in anticipated petroleum exploration bid rounds. This was rewarded with the successful submission of an application for petroleum exploration block in Zambia. In January 2011 Frontier was awarded Petroleum Exploration Block 34 by the Zambian Ministry of Mines and Minerals Development. The Block covers 6,400 square kilometers and is located in the Kafue Trough approximately 150 kilometers southwest of the capital Lusaka. The area has had no previous hydrocarbon exploration and may form a part of the south western extension of the productive East African rift system – a geologic trend that has produced significant quantities of oil further north in Uganda. This is Frontier's first exploration license in the southern African region where the Company is reviewing additional opportunities. A local office is currently being opened in Lusaka.

Under the terms of the license agreement, Frontier has committed to geological and geophysical studies and the acquisition of aeromagnetic and aerogravity data within the next few years. Following the granting of the license, the Company is in the process of raising £450,000 by placing shares at 6.5p, to fund the agreed work programme over the next two years. As of May 2011, it is anticipated that the fund raising will be fully subscribed and completed soon.

With anticipated growth and additional opportunities the Board of Directors plans to move the Company to AIM. AIM is the London Stock Exchange's international market for smaller growing companies. The move to AIM will enhance Frontier's ability to raise additional growth capital and position it for the future.

The directors continue to review future acquisition opportunities to further enhance the Company's value.

Results and dividends

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

The directors do not recommend payment of a final dividend (2009: 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 year after taxation was $668,000 (2009: $640,000).

A full review of the Group's activities in the period and recent events are in the 'highlights' section above.

Risks and uncertainties
Principle risks and uncertainties is described below:

Going concern
Having made appropriate enquiries and examining those areas which could give rise to financial exposure, the directors are satisfied the Company has sufficient financial resources to meet its future commitments and to pay its liabilities for at least 12 months from the approval of the financial statements. 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 therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further discussion on going concern in included in note 3 of the 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 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. Subsequent events since the year end are discussed below.

Political and charitable contributions
The Group made no charitable or political contributions during the year (2009: nil).

Financial instruments
Details of the use of financial instruments by the Group are in note 24 to the financial statements.

Subsequent events
In January 2011 the Group was awarded its first exploration license in Zambia. Under the terms of the license agreement the Group has committed to geological and geophysical studies and the acquisition of aeromagnetic and aerogravity data within the next few years. To ensure that the Group has sufficient funds to cover the costs of this work programme the directors are raising $729,000 (£450,000) by placing shares at 10.5 cents (6.5 pence).

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 (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 20. The Company has one class of ordinary share 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.

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

Information to shareholders – website
The Company maintains a website (www.friplc.com) to facilitate the provision of information to both current and potential investors.

Directors
The directors of the Company during the year were:

Michael J Keyes
Joseph E Warren
John O'Donovan

Directors' interests

The directors who held office at 31 December 2010 had the following interests in the ordinary shares of the Company:

	31 December 2010	
Michael J Keyes	23,377,004	37.8%
Joseph Warren	1,106,894	1.8%
John O'Donovan	1,500,000	2.4%

Directors' remuneration

Directors' remuneration during the year was $84,000 (2009: $56,000), which includes salary of $54,000 and fees to non-executive directors of $30,000. The share-based payments to the directors in 2010 were $30,000 (2009: $Nil).

	Salary & fees $'000	Share-based payments $'000	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Michael J Keyes	54	5	59	56
Joseph Warren	15	6	21	-
John O'Donovan	15	19	34	-
Total	**84**	**30**	**114**	**56**

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 have set up a share option scheme. Details of the scheme are set out in note 8.

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. The average trade payables' payment period at 31 December 2010 was 53 days (2009: 63 days).

On behalf of the Board

Michael J Keyes
Chief Executive Officer
26 May 2011

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's Combined Code on Corporate Governance issued in June 2009 ('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 two 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 as required (some meetings were conducted by conference call). During the year ended 31 December 2010 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.

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 (www.friplc.com) 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.

Statement of disclosure to the 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.

UHY Hacker Young 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 J Keyes
Chief Executive Officer
26 May 2011

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

We have audited the Group and Parent Company financial statements of Frontier Resources International plc for the year ended 31 December 2010 (the "financial statements"), which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with 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.

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 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.

Respective responsibilities of directors and auditors
As explained more fully under 'Statement of Directors' Responsibilities' 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 of the Group's affairs.

Our responsibility is to audit the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for auditors.

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/private.cfm

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with the International Financial Reporting Standards 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 other matter 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.

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.

Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young LLP
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

26 May 2011

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Revenue	4	117	119
Cost of sales			
Impairment of oil and gas assets	13	(8)	(24)
Depletion of oil and gas assets	13	(67)	(73)
Other cost of sales		(70)	(110)
Total cost of sales		(145)	(207)
Gross loss		(28)	(88)
Other income		9	7
Share-based payments	8	(61)	-
Administrative expenses		(524)	(416)
Operating loss	5	(604)	(497)
Share of associate's loss	22	(70)	(149)
Finance income	9	1	4
Finance costs	10	(6)	(9)
Loss before tax		(679)	(651)
Taxation credit	11	11	11
Loss for the year		**(668)**	**(640)**
Other comprehensive income			
Exchange differences arising on translation foreign operations		27	(98)
Total comprehensive loss for the year		**(641)**	**(738)**
Loss per share (cents)			
Basic and diluted	12	**(1.08c)**	**(1.18c)**

The results reflected above relate to continuing activities. The loss for the current and prior years and the total comprehensive loss for the current and prior years are wholly attributable to equity holders of the Parent Company, Frontier Resources International plc.

Consolidated statement of financial position as at 31 December 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	351	473
Investment in associate	14	352	533
		703	1,006
Current assets			
Trade and other receivables	15	23	46
Cash and cash equivalents		190	780
		213	826
TOTAL ASSETS		**916**	**1,832**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	20	984	980
Share premium	20	1,156	1,139
Share-based payment reserve	8	61	-
Foreign exchange reserve		(71)	(98)
Retained losses		(1,530)	(862)
		600	1,159
Non-current liabilities			
Provision for decommissioning	18	44	73
Deferred tax liability	19	91	102
		135	175
Current liabilities			
Trade and other payables	16	181	218
Borrowings	23	-	280
		181	498
TOTAL EQUITY AND LIABILITIES		**916**	**1,832**

These financial statements were approved and authorised for issue by the board of directors on 26 May 2011 and were signed on its behalf by:

Michael J Keyes
Director

Company statement of financial position as at 31 December 2010

	Notes	2010	2009
		$'000	**$'000**
ASSETS			
Non-current assets			
Investment in subsidiary	14	1,509	1,409
Current assets			
Trade and other receivables	15	8	32
Cash and cash equivalents		112	449
		120	481
TOTAL ASSETS		**1,629**	**1,890**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	20	984	980
Share premium	20	1,156	1,139
Share-based payment reserve	8	61	-
Retained losses		(658)	(413)
		1,543	1,706
Non-current liabilities			
Payables	17	-	116
Current liabilities			
Trade and other payables	16	86	68
TOTAL EQUITY AND LIABILITIES		**1,629**	**1,890**

These financial statements were approved and authorised for issue by the board of directors on 26 May 2011 and were signed on its behalf by:

Michael J Keyes
Director

Consolidated statement of changes in equity for the year ended 31 December 2010

	Share Capital	Share Premium	Retained Losses	Share-based Payment Reserve	Foreign Exchange Reserve	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2009	**362**	**96**	**(222)**	**-**	**-**	**236**
Loss for the year	-	-	(640)	-	-	(640)
Other comprehensive loss	-	-	-	-	(98)	(98)
Issue of share capital	618	1,115	-	-	-	1,733
Issue costs	-	(72)	-	-	-	(72)
As at 31 December 2009	**980**	**1,139**	**(862)**	**-**	**(98)**	**1,159**
As at January 2010	**980**	**1,139**	**(862)**	**-**	**(98)**	**1,159**
Loss for the year	-	-	(668)	-	-	(668)
Other comprehensive income	-	-	-	-	27	27
Issue of share capital	4	17	-	-	-	21
Issue of share options	-	-	-	61	-	61
As at 31 December 2010	**984**	**1,156**	**(1,530)**	**61**	**(71)**	**600**

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 losses	Cumulative net losses recognised in the financial statements.
Share-based payment reserve	Amounts recognised for the fair value of share options granted
Foreign exchange reserve	Exchange differences on translating foreign operations.

Company statement of changes in equity for the year ended 31 December 2010

	Share Capital	Share Premium	Retained Losses	Share-based Payment Reserve	Total
	$'000	$'000	$'000	$'000	$'000
As at 1 January 2009	**362**	**96**	**(88)**	**-**	**370**
Loss for the period	-	-	(325)	-	(325)
Issue of share capital	618	1,115	-	-	1,733
Issue costs	-	(72)	-	-	(72)
As at 31 December 2009	**980**	**1,139**	**(413)**	**-**	**1,706**
As at January 2010	**980**	**1,139**	**(413)**	**-**	**1,706**
Loss for the period	-	-	(245)	-	(245)
Issue of share capital	4	17	-	-	21
Issue of share options	-	-	-	61	61
As at 31 December 2010	**984**	**1,156**	**(658)**	**61**	**1,543**

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 losses	Cumulative net losses recognised in the financial statements.
Share-based payment reserve	Amounts recognised for the fair value of share options granted

Consolidated statement of cash flows for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Net cash used in operating activities	25	**(416)**	**(330)**
Cash flows from investing activities			
Purchase of plant and equipment		(4)	(1)
Settlement of oil and gas properties acquired in prior year		20	-
Interest received		1	4
Cash consideration for acquisition of associate		-	(575)
Distribution from associate	14	111	41
Contributions to associate		-	(23)
Net cash from/(used in) investing activities		**128**	**(554)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	359
Proceeds from long term borrowings		-	325
Repayment of borrowings		(280)	(45)
Interest paid		(6)	(9)
Net cash (used in)/from financing activities		**(286)**	**630**
Net decrease in cash and cash equivalents		**(574)**	**(254)**
Cash and cash equivalents at the beginning of year		**780**	**1,120**
Effect of foreign exchange rate changes		(16)	(86)
Cash and cash equivalents at end of year		**190**	**780**

Company statement of cash flows for the year ended 31 December 2010

	Notes	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Net cash used in operating activities	25	**(139)**	**(263)**
Cash flows from investing activities			
Funds paid to subsidiary		(198)	(280)
Net cash used in investing activities		**(198)**	**(280)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	359
Proceeds from shares yet to be issued		-	-
Net cash from financing activities		**-**	**359**
Net decrease in cash and cash equivalents		**(337)**	**(184)**
Cash and cash equivalents at the beginning of year		**449**	**633**
Cash and cash equivalents at end of year		**112**	**449**

1 General information

Frontier Resources International Plc is incorporated in the United Kingdom. The address of the registered office is given in the officers and advisors section. 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 is the US Dollar ($) because that is the currency of the primary economic environment in which the Group operates (being the oil and gas industry).

2 Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in 2010 which had a material effect on these financial statements.

At the date of approval of these financial statements, the following IFRS Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below:

Standard	Description	Effective date
IAS 32	Amendment – Classification of Right Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment – First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised – Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment – IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7	Amendment – Transfer of financial assets	1 Jul 2011
IAS 12	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9	Financial instruments	1 Jan 2013

The Group has not early adopted these amended standards and interpretations. The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the periods of initial application.

3 Significant accounting policies

Basis of preparation

These financial statements of the Group and Company are prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, including IFRS 6 'Exploration for and Evaluation of Mineral Resources' and in accordance with the Companies Act 2006. The Parent Company's financial statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Significant accounting policies (continued)

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 and have been prepared using the principles of acquisition accounting ("the purchase method"). 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. 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 cost of acquisitions of subsidiaries 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.

Parent Company income statement

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 year was $245,000 (2009: $325,000) and is included within the consolidated statement of comprehensive income.

Going concern

During the year ended 31 December 2010 the Group made a loss of $668,000 (*2009: $640,000*). At the year end the Group had net assets of $600,000 (*2009: $1,159,000*) and cash balances of $190,000. Subsequent to the year end the Group was awarded its first exploration license in Zambia. To ensure that the Group has sufficient funds to cover the costs of the agreed work programme over the next few years the directors are raising $729,000 (£450,000) capital by placing shares at 10.5 cents (6.5 pence).

It is currently anticipated that the fund raising will be fully subscribed and completed soon. The Group currently has cash balances of approximately $272,000 and following the expected fund raising will have $820,000.

The directors are confident that they will be able to raise the additional funds and continue to meet their obligations and planned work programme as it falls due. In coming to this conclusion, the directors noted the continued interest of several investors and previous capital raisings reflecting the continued support being received from its shareholders, including the directors.

The operations of the Group are currently being financed from funds which the Company raised from private and public placings of its shares. The Group is not yet earning sufficient revenue to cover its costs. The Group is therefore still reliant on the continuing support from its existing and future shareholders.

The directors believe that the Group will have sufficient cash and other resources to fund its activities and to continue its operations for the foreseeable future and for the Group to continue to meet its liabilities as they fall due, and for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

3 Significant accounting policies (continued)

Investments in subsidiaries
The Company's investment in its subsidiary is 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.

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 consolidated statement of financial position 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 the investment. Losses of an associate in excess of the Group's investment in that 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.

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

The tax currently payable is based on taxable profit for the year. 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's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end.

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Foreign currencies
(i) Functional and presentational currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the directors to be the Pounds Sterling (£). The financial statements have been presented in US Dollars. The effective exchange rate at 31 December 2010 was £1 = US$1.57 (*2009: £1 = US$ 1.61*).

3 Significant accounting policies (continued)

Foreign currencies (continued)

(ii) Transactions and balances

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

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the year end. All differences are taken to the statement of comprehensive income.

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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end. 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.

Financial liabilities and equity

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

3 Significant accounting policies (continued)

Equity instruments
An equity instrument is any instrument with a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments (ordinary shares) are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and 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.

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 (see below).

Proven oil and gas assets
Proven oil and gas assets are accounted for using the successful efforts method. 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.

Impairment of proven oil and gas assets
When events or changes in circumstances indicate that the carrying amount of proven oil and gas assets may not be recoverable from future net revenues from oil and gas reserves attributable to that asset, a comparison between the net book value of the asset and the discounted future cash flows from the estimated recoverable oil and gas reserves is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount and the write off is charged as impairment in the consolidated statement of comprehensive income.

Impairment reviews
The carrying amounts of the Group's and Company's assets are reviewed at each year end 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.

Decommissioning costs
Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

3 Significant accounting policies (continued)

Share based payments
The Company made share-based payments to certain directors and advisers by way of issue of share options. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of any fees or remuneration settled by way of granting of options. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

Critical accounting estimates and judgments.
The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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's 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 (including proven oil and gas assets)
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 statement of comprehensive income in the period incurred.

Allowance for impairment of investment in subsidiaries
Reviews are made periodically by management on investments in subsidiaries for impairments. These reviews require the use of judgements and estimates of whether there are any indications that the carrying values are not recoverable.

4 Operating segments

In the opinion of the directors, the operations of the Group comprise one operating segment, being oil and gas production and exploration. The Group operates in one geographic area being the United States. These financial statements presented reflect all the activities of this single operating segment. Segments are determined by reference to the Group's internal organisation and reporting to the directors 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 and are located in 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.

5 Operating loss

The Group's operating loss has been arrived at after charging:

	Year ended 31 December 2010	Year ended 31 December 2009
	$'000	**$'000**
Operating lease rentals	18	-
Impairment of oil and gas assets	8	24
Depreciation and depletion of property, plant and equipment	67	73
Foreign exchange gains/(losses)	3	-
Fees payables to the Company's auditors	17	24

6 Employees

The average number of employees (including directors) in the Group during the year was 3 (2009: 3). Their aggregate remuneration comprised:

	Year ended 31 December 2010	Year ended 31 December 2009
	$'000	**$'000**
Wages, salaries and fees	85	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, and comprise of the directors of the Company listed in the directors' report on page 5. Directors' remuneration for the year was $85,000 (2009: $56,000), being $55,000 (2009: $56,000) paid to Mr Keyes as his salary and $30,000 (2009: $Nil) of non-executive directors' fees. In addition to the remuneration shown above, the directors received share–based payments totalling $30,000 in 2010 (2009: $Nil) (see note 8).

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

7 Directors' share options

	As at 31 December 2010	Exercise Price (pence)	Date Of Grant	Earliest Exercise Date	Expiry Date
M J Keyes	250,000	0.55	14/10/2010	14/10/2011	14/10/2020
M J Keyes	250,000	0.55	14/10/2010	14/10/2012	14/10/2020
M J Keyes	250,000	0.55	14/10/2010	14/10/2013	14/10/2020
J O'Donovan	1,000,000	0.55	14/10/2010	14/10/2011	14/10/2020
J O'Donovan	1,000,000	0.55	14/10/2010	14/10/2012	14/10/2020
J O'Donovan	1,000,000	0.55	14/10/2010	14/10/2013	14/10/2020
J Warren	750,000	0.55	14/10/2010	14/10/2011	14/10/2020

8 Share options and share-based payments

The Company grants share options at its discretion to directors, management and advisors. In 2010 share options were granted with vesting periods of between one and three years from the date of grant. Should the options remain unexercised after a period of ten years from the date of grant the options will expire. Options are exercisable at a price equal to the Company's quoted market price on the date of grant. Details for the share options granted, exercised, lapsed and outstanding at the year end are as follows:

	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	-	-
Granted during the year	7,250,000	0.55
Forfeited/lapsed during the year	-	-
Exercised during the year	-	-
Outstanding at end of the year	7,250,000	0.55
Exercisable at end of the year	1,000,000	0.55

Fair value of share options

The weighted average fair value of the share options granted in the financial year was 0.55 pence (0.87 cents). Options were priced using the quoted market value of the share price as this remained constant from the date of listing in January 2009 to 31 December 2010. Expected volatility has been estimated based on similar sized oil and gas companies listed on the AIM market of the London Stock Exchange. It is assumed that all options will be exercised.

	Year ended 31 December 2010
Grant date share price (pence)	0.55
Exercise price (pence)	0.55
Expected volatility	100%
Option life	10 years

A charge of $61,000 relating to share-based payments has been recognised in the year and is included in the statement of comprehensive income. The Company's share price was 0.55p throughout 2010.

9 Finance income

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Interest income from bank deposits	1	4

10 Finance costs

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Bank interest	3	-
Unwinding of discount of decommissioning provision	3	9
	6	9

11 Taxation

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Corporation tax		
Current corporation tax	-	-
Deferred tax		
Deferred tax credit (note 19)	11	11

Corporation tax is calculated at 28 per cent (2009: 28 per cent) of the estimated taxable profit for the year. The Group's effective tax rate differs from the theoretical amount that would arise using the UK domestic corporation tax rate applicable to losses of the consolidated companies as follows:

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Loss before tax on ordinary activities	(679)	(651)
Corporation tax calculated at 28%	(190)	(182)
Effect of unused tax losses carried forward	190	182
Effect of deferred tax movements	(11)	(11)
Taxation credit recognised in income statement	(11)	(11)

The effective tax rate for the year is 1.76% (2009: 1.69%)

11 Taxation (continued)

The Group has incurred tax losses for the year 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 $1,269,000 (2009: $635,000). This gives rise to an unrecognised deferred tax asset at the balance sheet date of $392,000 (2009: $191,000).

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.

12 Loss per share

The basic loss per share has been calculated using the loss for the year and the weighted average number of ordinary shares outstanding during the year, as follows:

Basic	Year ended 31 December 2010	Year ended 31 December 2009
Loss attributable to shareholders of the Company ($'000)	(668)	(640)
Weighted average number of ordinary shares	61,567,832	54,172,443
Basic loss per share (cents)	**(1.08c)**	**(1.18c)**

The Company issued share options in 2010. For the purposes of the diluted loss per share the weighted average number of shares in issue and to be issued, allowing for the exercise of the share options is 61,567,832. The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basis loss per share, thus being anti-dilutive.

13 Property, plant and equipment

Group	Computer Equipment $'000	Proven Oil and Gas Assets $'000	Total $'000
Cost			
At 1 January 2009	-	504	504
Additions in 2009	1	227	228
At 31 December 2009	1	731	732
Change in estimate of asset retirement obligations	-	(31)	(31)
Settlement of oil and gas properties acquired in prior year	-	(19)	(19)
Additions in 2010	4	-	4
At 31 December 2010	5	681	686
Impairment			
At 1 January 2009	-	(108)	(108)
Impairment loss in 2009	-	(24)	(24)
At 31 December 2009	-	(132)	(132)
Impairment loss in 2010	-	(8)	(8)
At 31 December 2010	-	(140)	(140)
Depreciation and depletion			
At 1 January 2009	-	(54)	(54)
Charge for 2009	-	(73)	(73)
At 31 December 2009	-	(127)	(127)
Charge for 2010	(1)	(67)	(68)
At 31 December 2010	(1)	(194)	(195)
Carrying value			
At 31 December 2010	**4**	**347**	**351**
At 31 December 2009	1	472	473
At 31 December 2008	-	342	342

The balance includes a deferred tax liability of $91,000 calculated on the fair value uplift on the acquisition of the subsidiary.

The impairment charge relates to provisions against the Group's carrying value of its US producing oil and gas asset, following a review at the year end. The impairment has been assessed based on a value in use calculation with a 10% discount rate and other key inputs, including a long-term estimated oil price to reflect the market conditions prevailing at 31 December 2010. The directors reviewed the sensitivity of the impairment calculation and are confident that the carrying value represents their best estimate of the carrying values of these assets at 31 December 2010.

The Company has no property, plant and equipment.

14 Fixed asset investments

Investment in associate

	Associate
Group	**$'000**
At 1 January 2009	-
Additions	723
Distribution received	(41)
Share of associate's loss	(149)
At 31 December 2009	533
Distribution received	(111)
Share of associate's loss	(70)
At 31 December 2010	**352**

The share of loss in the associate comprises the Group's share of the associate's loss of $105,000 plus an adjustment to for differences between US GAAP and IFRS, being a reversal of a prior year write down in the associates' oil and gas properties of $35,000 which is based upon the estimated proved reserves and future cash flows of the oil and gas properties.

On 20 March 2009 the Company's subsidiary, Frontier Resources International Inc. ("FRII"), acquired a 49.5% interest in the capital of Bison Investments II Limited ("Bison"), a Texas Limited Partnership which holds a portfolio of producing oil and gas properties in Texas, USA. FRII 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. Details of Bison Investments II Limited's assets and liabilities are in note 22.

IAS 28 'Investments in associates' requires the investment in the associate, Bison Investments II Limited, to be accounted for using the equity method of accounting. The Company's share of the profit or loss of the associate is shown in the consolidated statement of comprehensive income and distributions received from the associate are shown as investing or operating activities in the consolidated statement of cash flows.

The directors have assessed the carrying value of the investment in the associate and in their opinion no impairment provision is currently considered necessary.

14 Fixed asset investments (continued)

Investment in subsidiary undertaking

Company	Subsidiary undertaking $'000
At 1 January 2009	701
Amounts advanced to subsidiary	708
At 31 December 2009	1,409
Share based payments to subsidiary	19
Amounts advanced to subsidiary	81
At 31 December 2010	**1,509**

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

The above amount comprises the cost of the investment of $308,000 (2009: $ 308,000), amounts due from the subsidiary of $1,182,000 (2009: $1,101,000) and share based payments of $19,000 (2009: $nil). The amounts due from the subsidiary have no fixed repayment terms but are repayable in more than one year.

The directors have assessed the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary.

15 Trade and other receivables

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	$'000	$'000	$'000	$'000
Trade receivables	12	14	-	-
Prepayments	8	11	6	11
Other receivables	3	21	2	21
	23	**46**	**8**	**32**

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

The average credit period taken on sales is 37 days (2009: 43 days). The directors consider that the carrying amount of trade and other receivables approximates 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 as exposure is spread over a number of customers.

15 Trade and other receivables (continued)

Exposure to credit risk

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

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	$'000	$'000	$'000	$'000
Trade and other receivables excluding prepayments	15	35	2	21
Cash and cash equivalents	190	780	112	449
	205	**815**	**114**	**470**

16 Trade and other payables

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	$'000	$'000	$'000	$'000
Trade payables	44	36	19	14
Director's current account	86	144	15	16
Accruals	51	38	52	38
	181	**218**	**86**	**68**

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 53 days (2009: 63 days).

The director's current account relates to Michael J Keyes and represents in part the distribution of net current assets of FRII immediately prior to its 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. The directors' current account is non-interest bearing and repayable on demand.

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

17 Non-current liabilities - Payables

Company	Year ended 31 December 2010	Year ended 31 December 2009
	$'000	$'000
Amounts due to subsidiary undertaking	-	116

18 Provision for decommissioning

Group	Decommissioning provision $'000
At 1 January 2009	28
Additions	45
At 31 December 2009	73
Change of estimates (note 13)	(32)
Unwinding of discount and effect of changes in discount rate	3
At 31 December 2010 – Non-current	**44**

The provision for decommissioning represents the present value of the asset retirement obligations associated with the Group's future abandonment of oil and gas properties. The provision for decommissioning is estimated after taking into account of inflation, years to abandonment and an appropriate discount rate. The timing of the economic outflows relating to this provision is uncertain but is not due within one year of the year end.

Actual decommissioning costs will ultimately depend upon future market prices for the decommissioning work required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

The actual amounts paid for decommissioning may ultimately vary significantly from the provision at 31 December 2010 requiring potentially material adjustments to the carrying value of the obligations.

19 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:

	Deferred tax liability $'000
At 1 January 2009	113
Deferred tax credited to the income statement	(11)
At 31 December 2009	102
At 1 January 2010	102
Deferred tax credited to the income statement	(11)
At 31 December 2010	**91**

19 Deferred Tax (continued)

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 year end. 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.

At the year end the Group had $392,000 of unprovided deferred tax assets (2009: $191,000) relating to tax losses which are recoverable when taxable profits are available in the future. Tax losses may be carried forward with no time limit.

20 Share capital

Authorised share capital
The total number of authorised ordinary shares of 1p each at 31 December 2010 was 207,500,000 (2009: 200,000,000).

Issued share capital
The issued share capital in the year was as follows:

Company	Ordinary Shares Number	Share Capital $'000	Share Premium $'000
At 1 January 2009	22,922,559	362	96
Issue of share capital	38,591,849	618	1,043
At 31 December 2009	61,514,408	980	1,139
Issue of share capital	250,000	4	17
At 31 December 2010	**61,764,408**	**984**	**1,156**

The Company has one class of ordinary shares which carry no right to fixed income. On 14 October 2010 the Company issued 250,000 shares as payment for consultancy services provided to the Company during the year.

Details of the Group's share options in issue are shown in note 8.

21 Obligations under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases for office rental are:

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
No later than one year	17	-
Later than one year, and not later than five years	19	-
Later than five years	-	-
	36	**-**

The operating leases commitments above apply to the Group and the Company.

22 Associated company

Aggregated amounts relating to associate	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Total assets	726	1,080
Total liabilities	(22)	(14)
Net assets of associate	704	1,066
Groups share of associate's net assets	352	533
Total revenue for year	339	248
Loss for the year	(140)	(298)
Group's share of associate's loss	(70)	(149)

Note 14 contains further information on the associated company.

23 Borrowings

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Unsecured borrowings at amortised cost	$'000	$'000	$'000	$'000
Bank loan	-	280	-	-

The Group had no borrowings at 31 December 2010. The Group obtained a loan of $280,000 in March 2009 which was repayable by March 2011. Repayments commenced in April 2009 and continued until September 2010 when the loan was fully repaid. The loan carried a fixed interest rate of 3.5%.

24 Financial instruments

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

i. Market risk
ii. Foreign currency risk
iii. Interest rate risk
iv. Credit risk
v. 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 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 2010 no trading in financial instruments was undertaken (2009: none) and the Group did not have any derivative or hedging instruments.

Capital risk management

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital, exploration commitments and strategic investment needs to be met and therefore to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. 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 currently consists of cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in note 20 and the statement of changes in equity. The Group is not subject to any externally imposed capital requirements.

24 Financial instruments (continued)

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

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and receivables (note 15)	205	815	114	470
(including cash and cash equivalents)				
	205	**815**	**114**	**470**
Financial Liabilities				
Payables and borrowings	181	498	86	184
	181	**498**	**86**	**184**

Market risk
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 (other than the functional currency of the Company (£ Sterling), with exposure to exchange rate fluctuations. These transactions relate predominately to certain costs in the US denominated in US Dollars.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities were:

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	$'000	$'000	$'000	$'000
Assets				
Sterling	113	470	113	470
US Dollars	92	345	1	-
	205	**815**	**114**	**470**
Liabilities				
Sterling	156	184	86	184
US Dollars	25	314	-	-
	181	**498**	**86**	**184**

24 Financial instruments (continued)

A 10% increase or decrease in the sterling/dollar exchange rate, and if all other variables were constant would result in reported losses being $22,000 higher or lower respectively with a corresponding impact on net assets.

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

Interest rate sensitivity analysis
The losses recorded by both the Group and the Company for the year ended 31 December 2010 would not materially increase/decrease if interest rates had been significantly higher/lower and all other variables were held constant.

Credit risk management
Credit risk refers to the risk that a counter-party 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 is presented in note 15.

Liquidity risk management
The Group's 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 due repayment dates. The table includes both interest and principal cash flows.

Group	0-6 months $'000	6-12 months $'000	>12 months $'000	Total $'000
2010				
Non interest bearing	95	86	-	181
Fixed interest rate instruments	-	-	-	-
	95	**86**	**-**	**181**
2009				
Non interest bearing	74	144	-	218
Fixed interest rate instruments	280	-	-	280
	354	**144**	**-**	**498**

24 Financial instruments (continued)

Company	0-6 months $'000	6-12 months $'000	>12 months $'000	Total $'000
2010				
Non interest bearing	71	15	-	86
Fixed interest rate instruments	-	-	-	-
	71	**15**	**-**	**86**
2009				
Non interest bearing	52	16	116	184
Fixed interest rate instruments	-	-	-	-
	52	**16**	**116**	**184**

Derivatives

The Group and Company have no derivative financial instruments.

Fair values

The directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

25 Notes to the statement of cash flows

	Year ended 31 December 2010	Year ended 31 December 2009
Cash from operating activities	**$'000**	**$'000**
Group		
Loss before interest and taxation	(604)	(497)
Adjustments for:		
Depreciation of plant and equipment	1	-
Depletion of oil and gas assets	67	73
Impairment loss of oil and gas assets	8	24
Decrease in trade and other receivables	23	57
Increase in trade and other payables	35	10
(Decrease)/increase in provisions	(29)	3
Share based payments	61	-
Shares issue in exchange for consulting services	22	-
Net cash used in operating activities	**(416)**	**(330)**

25 Notes to the statement of cash flows (continued)

Company	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Operating loss	(245)	(325)
Decrease in trade and other receivables	24	45
Increase in trade and other payables	18	17
Share based payments	42	-
Shares issue in exchange for consulting services	22	-
Net cash used in operating activities	**(139)**	**(263)**

26 Subsequent events

In January 2011 the Group was awarded its first exploration license in Zambia. Under the terms of the license agreement the Group has committed to geological and geophysical studies and the acquisition of aeromagnetic and aerogravity data over the next few years. To ensure that the Group has sufficient funds to cover the costs of this work programme the directors are raising $729,000 (£450,000) by placing shares at 10.5 cents (6.5 pence).

27 Exploration commitments

At 31 December 2010 the Group did not have any exploration or work programme commitments. As discussed in note 26 above, subsequent to the year end the Group was awarded a 4 year exploration license in Zambia with a commitment to a works program which includes geological and geophysical studies and the acquisition of aeromagnetic and aerogravity data. Frontier has the right to withdraw at any stage. The expected cost of the work programme is $500,000 with no formal commitment during the period to 31 December 2014.

28 Contingent liabilities

Due to the nature of the Group's business, some contamination of oil and gas properties in which the Group has an interest in is possible. Environmental site assessments of the properties would be necessary to adequately determine remediation costs, if any. The directors do not consider the amounts that would result from any environmental site assessments to be significant to the financial position or results of operations of the Group. Accordingly, except for the provision made against decommissioning costs (note 18), no further provision for potential remediation costs is required.

29 Related party transactions

Balances and transactions between the Company and its subsidiary, which is a related party, have been eliminated on consolidation and mainly comprise amounts lent by the Company to the subsidiary (note 14). Transactions between the Group and its associate are disclosed in note 14.

29 Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the directors, who were the key management personnel of the Group in 2010, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosures'.

	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Short term employment benefits	84	56
Share-based payments	30	-
	114	56

On 31 December 2010 the Group owed Mr Michael J Keyes, the CEO, $86,000 (2009: $144,000) which is 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.

30 Control

The Company is under the control of its shareholders and not any one party.