Frontera Resources Corporation and Subsidiaries

Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 and 2015

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Condensed Consolidated Financial Statements *(Unaudited)*

Frontera Resources Corporation and Subsidiaries

Condensed Consolidated Balance Sheets *(Unaudited)*

	6/30/2016	12/31/2015	6/30/2015
Cash and cash equivalents	$50,811	$116,213	$2,213,286
Accounts receivable, net	1,341,801	327,810	269,602
Inventory	4,853,805	5,430,979	5,252,955
Prepaid expenses and other current assets	1,618,514	1,038,252	904,420
Total current assets	7,864,931	6,913,254	8,640,263
Property and equipment, net	4,185,115	4,487,276	4,605,801
Properties being depleted	129,264,403	129,280,065	127,666,963
Less: Accumulated depletion	(127,741,913)	(126,760,180)	(121,633,016)
Net oil and gas properties	1,522,490	2,519,885	6,033,947
Deferred financing costs, net	75,312	125,378	188,382
Total assets	$13,647,848	$14,045,793	$19,468,393
Accounts payable	$2,991,084	$3,093,678	$1,461,221
Accrued liabilities	10,131,063	10,630,918	9,041,171
Related party notes payable	18,891,508	5,380,000	11,797,000
Current maturities of notes payable	3,111,339	4,628,430	3,188,430
Convertible notes payable	29,798,401	28,266,745	-
Capital lease	5,790	5,595	6,818
Total current liabilities	64,929,185	52,005,366	25,494,640
Convertible note payable	-	-	26,821,379
Related party notes payable	300,000	8,170,000	300,000
Capital lease	15,123	18,068	19,504
Total liabilities	65,244,308	60,193,434	52,635,523
Common stock	171,223	132,176	130,328
Additional Paid In Capital	414,854,380	409,445,380	409,067,382
Accumulated Deficit	(466,622,063)	(455,725,197)	(442,364,840)
Total stockholder's equity (deficit)	(51,596,460)	(46,147,641)	(33,167,130)
Total liabilities and stockholders' deficit	$13,647,848	$14,045,793	$19,468,393

The accompanying notes are an integral part of these condensed consolidated financial statements.

Frontera Resources Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss *(Unaudited)*

	For the 6 month period ended 6/30/2016	For the 6 month period ended 6/30/2015
Revenue - crude oil & natural gas sales	$2,028,953	$3,150,321
Field operating and project costs	2,953,821	2,578,002
General and administrative	3,429,287	4,092,534
Depreciation, depletion and amortization	632,707	1,035,868
Impairment of oil & natural gas properties	731,187	-
Total operating expenses	7,747,002	7,706,404
Loss from operations	(5,718,049)	(4,556,083)
Interest income	8,930	13,418
Interest expense	(5,116,972)	(2,672,907)
Other, net	(70,775)	56,268
Total other income (expense)	(5,178,817)	(2,603,221)
Net comprehensive loss	($10,896,866)	($7,159,304)
Loss per Share		
Basic and diluted	($0.003)	($0.002)
Number of shares used in calculating loss per share		
Basic and diluted	3,778,947,148	2,933,117,576

The accompanying notes are an integral part of these condensed consolidated financial statements

Frontera Resources Corporation and Subsidiaries

Condensed Consolidated Statement of Stockholders' Deficit *(Unaudited)*

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2015	$ 132,176	$ 409,445,380	$ (455,725,197)	$ (46,147,641)
Issuance of common stock	39,047	5,409,000	–	5,448,047
Net loss for the six-month period ended June 30,2016	–	–	(10,896,866)	(10,896,866)
Balances at June 30, 2016	171,223	$ 414,854,380	$ (466,622,063)	$ (51,596,460)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Frontera Resources Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows*(Unaudited)*

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities		
Net loss	$ (10,896,866)	$ (7,159,304)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	632,707	1,035,868
Loss on impairment of oil & gas properties	731,187	-
Debt issuance cost amortization	199,502	159,488
Noncash interest expense	4,898,765	2,382,950
Non-Cash issuance of shares for services	13,700	-
Non-Cash payroll expense	255,240	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,013,991)	(350,712)
Inventory	577,174	187,225
Prepaid expenses and other current assets	949,738	(52,015)
Accounts payable	96,249	(172,661)
Accrued liabilities	2,213,623	(192,258)
Net cash used in operating activities	(1,342,972)	(4,161,419)
Cash flows from investing activities		
Investment in oil and gas properties	(147,333)	(314,230)
Investment in property and equipment	(103,348)	(151,039)
Net cash used in investing activities	(250,681)	(465,269)
Cash flows from financing activities		
Proceeds from notes payable	1,150,000	2,000,000
Repayment of borrowings	-	(2,905,650)
Proceeds from issuance of common stock	-	5,292,578
Cost of debt issuance	(69,000)	(120,000)
Payments on capital lease	(2,750)	(2,577)
Proceeds from related party notes payable	450,000	1,205,000
Net cash provided by financing activities	1,528,250	5,469,351
Net increase (decrease) in cash and cash equivalents	(65,402)	842,663
Cash and cash equivalents		
Beginning of year	116,213	1,370,623
End of period	$ 50,811	$ 2,213,286
Supplemental cash flow information		
Cash paid for interest expense	$ 3,362	$ 151,773
Non-cash investing and financing activities		
Issuance of convertible notes in lieu of interest payments	$ 1,451,219	$ 1,305,650
Issuance of related party promissory notes in lieu of salary payments	3,901,067	–
Change in AP and Accrued investment in oil and gas properties	(162,995)	(254,862)
Change in AP and Accrued investment in non-oil and gas properties	(23,348)	23,668
Non-cash payment of debt & interest via share issuance	2,956,048	–
Issuance of shares for oil field services performed by 3rd party	2,492,000	–
Issuance of related party promissory notes for oil field services performed by 3rd party	1,290,441	–

The accompanying notes are an integral part of these condensed consolidated financial statements

1. Nature of Operations

Frontera Resources Corporation, a Houston, Texas based Cayman Islands corporation, and its subsidiaries (collectively "Frontera" or the "Company") are engaged in the development of oil and gas projects in emerging marketplaces. Frontera was founded in 1996 and is headquartered in Houston, Texas. The Company emphasizes development of reserves in known hydrocarbon–bearing basins, and is attracted to projects that have significant exploration upside. Since 2002, the Company has focused substantially all of its efforts on the exploration and development of oilfields within the Republic of Georgia ("Georgia").

In June 1997, the Company entered into a 25–year production sharing agreement with the Ministry of Fuel and Energy of Georgia and State Company Georgian Oil ("Georgian Oil"), which gives the Company the exclusive right to explore, develop and produce crude oil in a 5500 square kilometer area in eastern Georgia known as Block 12, hereafter referred to as the "Block 12 PSA". The Block 12 PSA can be extended if commercial production remains viable upon its expiration in June 2022.

Under the terms of the Block 12 PSA, the Company is entitled to conduct exploration and production activities and is entitled to recover its cumulative costs and expenses from the crude oil produced from Block 12. Following recovery of cumulative costs and expenses from Block 12 production, the remaining crude oil sales, referred to as "Profit Oil", are allocated between Georgian Oil and Frontera in the proportion of 51% and 49%, respectively.

Under the terms of the Block 12 PSA, Frontera is exempt from all taxes imposed by the government of Georgia, and any taxes imposed on the Company are paid by Georgian Oil on behalf of the Company from Georgian Oil's 51% share of Profit Oil. Taxes are defined by the Block 12 PSA to mean all levies, duties, payments, fees, taxes or contributions payable to or imposed by any government agency, subdivision, municipal or local authorities within the government of Georgia.

Frontera's future revenues depend on operating results from its operations in the Republic of Georgia. The success of Frontera's operations is subject to various contingencies beyond management control. These contingencies include general and regional economic and political conditions, prices for crude oil, competition and changes in regulation. Frontera is subject to various additional political and economic uncertainties in Georgia which could include restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

On August 2, 2011, the Company completed a merger with and into a new Cayman Islands exempted company ("Frontera Cayman"), with Frontera Cayman being the surviving entity (the "Merger"). By operation of the Merger, all assets, liabilities, properties, corporate acts, plans, policies, contracts, approvals and authorizations of each of the Company and Frontera Cayman and their respective shareholders, boards of directors, committees elected or appointed thereby, officers and agents, which were effective immediately before the Merger, were vested in, assumed by or taken, as applicable, for all purposes as the acts, plans, policies, contracts, approvals and authorizations of Frontera Cayman and are effective and binding on Frontera Cayman in the same manner as they were with respect to the Company or Frontera Cayman, as the case may be, before the Merger.

Simultaneously with the Merger, Frontera Cayman completed a private equity fundraising pursuant to which Frontera Cayman received aggregate gross proceeds (before deduction of placing agent commissions, corporate finance fees and offering expenses) of approximately £6.8 million ($11.0 million), through (i) the issue of 115,678,351 new Frontera Cayman ordinary shares ("Frontera Cayman Shares") under a Placing Agreement with Strand Hanson Limited (as nominated advisor), and Arbuthnot Securities Limited and Old Park Lane Capital plc as Placing Agents, and (ii) subscription agreements with an affiliate of one of the Company's directors and a member of senior management for the purchase of 53,959,053 new Frontera Cayman Shares (the "Equity Fundraising"). Frontera Cayman also entered into a Standby Equity Distribution Agreement with YA Global Master SPV, Ltd. ("YAGM"), pursuant to which YAGM has agreed (subject to certain conditions) to make available over a 36-month period, a facility of up to £21.6 million ($35.0 million) in consideration for the issue of Frontera Cayman Shares. This agreement was extended in April 2015 through December 31, 2018.

Frontera Cayman simultaneously exchanged $121.6 million aggregate amount of the Company's 10% convertible notes payable plus accrued interest, for (i) 1,593,853,570 Frontera Cayman Shares, and (ii) $18.2 million aggregate principal amount of new 10% convertible notes due 2016 issued by Frontera Resources Holdings, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Frontera Cayman. These convertible notes payable were exchanged for shares of common stock at a price lower than the conversion price at inception of the notes. The difference in the value of the original conversion price to the actual conversion price was recorded in 2011 as inducement expense in the statement of comprehensive loss of approximately $99.4 million. Frontera Cayman also exchanged $9.2 million principal amount plus accrued interest of its related party notes payable for 141,515,879 newly issued Frontera Cayman Shares pursuant to note exchange agreements.

By operation of the Merger, each share of common stock of the Company has been converted into and represents the right to receive either (i) one Frontera Cayman Share (the "Stock Consideration") or (ii) £0.04 ($US0.065) (the "Cash Consideration"). As a result, all stockholders of the Company received the Stock Consideration, except for US stockholders who were not "accredited investors" as defined in Rule 501 under the US Securities Act of 1933, who received the Cash Consideration.

2. Liquidity and Capital Resources

The following key financial measurements reflect the Company's financial position and capital resources as of June 30, 2016, December 31, 2015, and June 30, 2015 (USD):

	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents	$ 50,811	$ 116,213	$ 2,213,286
Working capital (deficit)	$ (57,064,254)	$ (45,092,112)	$ (16,854,377)
Total debt	$ 52,122,161	$ 46,468,838	$ 42,133,131

The Company has incurred net losses and negative cash flows from operations in most fiscal periods since inception. Management plans to continue to reduce costs and continue to raise additional financing in order to continue to facilitate the Company's 2016 operating plan. Additionally the Company has approximately $36.1 million of debt as of June 30, 2016 that is scheduled to mature in fiscal 2016.

Throughout 2016 and 2015, there has been volatility and disruption in the global commodity, capital and credit markets. While these market conditions persist, the Company's ability to access the capital and credit markets may be adversely affected. Notwithstanding management's plan to manage costs and raise additional financing, the Company's viability is dependent upon producing oil and gas in sufficient quantities and marketing such oil and gas at sufficient prices to provide positive operating cash flow to the Company. Commencement of production from its Mtsarekhavi gas field in second quarter of 2014, participation of farm-in partner in Taribani, together with periodic access to the SEDA facility (see discussion in Note 4) could provide positive cash flows for the seeable future. The Company is also in the process of addressing the outstanding debt which mature in fiscal 2016 with their current debt holders. See further discussion in Note 6.

The Company is responsible for providing funding for the development of Block 12 in Georgia and will require additional funding in order to obtain certain levels of production and generate sufficient cash flows to meet future capital and operating spending requirements. This is dependent upon, among other factors, achieving significant increases in production, production of oil and gas at costs that provide acceptable margins, reasonable levels of taxation from local authorities, and the ability to market the oil and gas produced at or near world prices.

Management's plan for addressing the above uncertainties is partially based on forward looking events which have yet to occur, including the commencement of additional production, refinancing of debt maturing in 2016 and ability to access capital markets and, accordingly, there is no assurance that those events will transpire or succeed as initially contemplated.

3. Basis of Presentation and Summary of Significant Accounting Policies

The condensed consolidated balance sheet of the Company at December 31, 2015 was derived from the Company’s audited consolidated financial statements as of that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“US GAAP”). The condensed consolidated balance sheets at June 30, 2016 and June 30, 2015, the condensed consolidated statements of operations for the six month periods ended June 30, 2016 and 2015, the condensed consolidated statement of changes in stockholders’ deficit for the six month period ended June 30, 2016, and the condensed consolidated statements of cash flows for the six month periods ended June 30, 2016 and 2015 were prepared by the Company.

In the opinion of Company management, all adjustments, consisting of normal recurring adjustments, necessary to state fairly the consolidated financial position, results of operations and cash flows were recorded. The results of operations for the six month period ended June 30, 2016 are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements presented in accordance with US GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's consolidated financial statements for the year ended December 31, 2015.

For a description of the Company's accounting policies, refer to Note 3 of the Company's 2015 consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates of oil and natural gas reserves and their values, future production rates and future costs and expenses are inherently uncertain for numerous reasons, including many factors beyond the Company's control. Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of data available and of engineering and geological interpretation and judgment. In addition, estimates of reserves may be revised based on actual production, results of subsequent exploitation and development activities, prevailing commodity prices, operating costs and other factors. These revisions may be material and could materially affect the Company's future depletion, depreciation and amortization expenses.

The Company's revenue, profitability, and future growth are substantially dependent upon the prevailing and future prices for oil and natural gas, which are dependent upon numerous factors beyond its control such as economic, regulatory developments and competition from other energy sources. The energy markets have historically been volatile and there can be no assurance that oil and natural gas prices will not be subject to wide fluctuations in the future. A substantial or extended decline in oil and natural gas prices could have a material adverse effect on the Company's financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced.

Impairment

Under the full cost method of accounting, the net book value of natural gas and crude oil properties may not exceed a calculated "ceiling." The ceiling limitation is the discounted estimated future net revenue from proved natural gas and crude oil properties plus the cost of properties not subject to amortization. In calculating future net revenues, costs used are those as of the end of the appropriate period. The prices used are the unweighted average first-day-of-the-month commodity prices for the prior twelve months. These prices are not changed except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts.

The net book value is compared to the ceiling limitation on both a quarterly and annual basis. Any excess of the net book value is written off as impairment expense. Impairment expense recorded in one period may not be reversed in a subsequent period even though higher natural gas and crude oil prices may have increased the ceiling limitation in the subsequent period. For the year ended December 31, 2015, the Company recorded an impairment of $4.1 million to the carrying value of the oil & natural gas properties in Georgia. For the period ending June 30, 2016 and 2015, the Company recorded an impairment of $0.7 million and $0 to the carrying value of the oil & natural gas properties in Georgia. The lower ceiling value resulted primarily from significant decreases in the trailing 12 month average prices for oil & natural gas, which significantly reduced proved reserves.

Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt. Management considers the carrying values of cash and cash equivalents, trade receivables and trade payables to be representative of their respective fair values. As such, the measurement was categorized as a Level 1 measurement per the fair value hierarchy.

The authoritative guidance related to fair value defines a hierarchy of inputs to valuation techniques based upon whether those inputs reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). Refer to the fair value of debt disclosed in Note 4. The Company does not have any assets or liabilities classified within Level 3 of the fair value hierarchy.

4. Debt

Debt consists of the following:

	June 30,	
	2016	**2015**
Related party notes payable	$ 19,191,508	$ 12,097,000
Convertible notes payable	29,798,401	26,821,379
Other notes payable	3,111,339	3,188,430
Capital Lease	20,913	26,322
Total debt	52,122,161	42,133,131
Less: Current notes payable	51,807,038	14,992,248
Total long-term debt	$ 315,123	$ 27,140,883

Related Party Notes Payable

On January 11, 2011, a revolving credit facility ("Credit Facility") was put in place by and between the Company, Steve C. Nicandros, a Director of the Company, and Zaza Mamulaishvili, then a member of the Company's senior management team and now a Director of the Company (together, the "Lenders") in the amount of $2,000,000. The $2,000,000 borrowing limit pursuant to the Credit Facility was removed on October 30, 2012. Accordingly, during respective reporting periods of 2016 and 2015, the Company entered into a series of further notes payable governed by this Credit Facility with the Lenders in the aggregate amounts of $5.6 million and $1.2 million, respectively. As of June 30, 2016 and 2015, the Company had $19.2 million and $12.1 million total related party notes outstanding. These notes have a one-year term, bear interest of 15%, and are classified within Related Party Notes Payable on the consolidated Balance Sheet. As of June 30, 2016, the fair value of the related party notes was approximately $15.1 million.

The further draw-downs under the Credit Facility as noted above, constitute related party transactions pursuant to the AIM Rules for Companies as the Lenders are directors or applicable employees of the Company, as the case may be.

Convertible Notes Payable

During May 2007, the Company raised approximately $67.0 million through a private placement of convertible unsecured notes due May 2012. The notes were issued at par and bear interest at 10% per annum, payable quarterly in arrears in cash or in kind at the Company's discretion. The notes are convertible into shares of common stock at a conversion price of $1.67 per share. The notes will be automatically converted into common stock at the conversion price if the stock price exceeds two times the conversion price for at least 20 consecutive trading days. On August 2, 2011, 85.1% of the 2012 Notes were converted into the common stock and another 14.6% were exchanged for the 2016 Notes.

On July 3, 2008, the Company raised $23.5 million through a private placement of convertible unsecured notes due July 2013. The notes were issued at par and bear interest at 10% per annum, payable quarterly in arrears in cash or in kind at the Company's discretion. The notes are convertible into common stock at a conversion price of $1.71 per share. On August 2, 2011, 84.0% of the 2013 Notes were converted into the common stock and another 16.0% were exchanged for the 2016 Notes.

On August 2, 2011, note holders exchanged $18,220,312 of 2012 and 2013 Notes into new notes issued under the 2016 Note Purchase Agreement due August 2016 (the "2016 Notes"). As of June 30, 2016 and 2015, the Company had $29.8 million and $26.8 million total convertible notes payable. The 2016 Notes accrue interest at the rate of 10% per annum, mature five years from the date of issuance and are convertible into Frontera Cayman Shares, at the option of the holder, at a conversion rate of $0.25 per share. As of June 30, 2016, the fair value of the convertible notes payable was approximately $27.1 million.

During the six month periods ended June 30, 2016 and 2015, the Company elected to pay the quarterly interest payments in kind and issued approximately $1.5 million and $1.3 million, respectively, in additional convertible notes in accordance with terms of the note purchase agreements.

Other Notes Payable

On June 28, 2011 the Company entered into the SEDA facility with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors LLC providing for up to approximately £21.6 million (US$35 million) of additional equity investment, through the issue of the new shares in the Company. As of June 30, 2016 approximately £16.3 million (US$21.6 million) of commitment amount was still available for drawdown. This agreement was extended in April 2015 through December 31, 2018.

The Company drew down from their SEDA-backed loan agreements with YA II PN, Ltf. (formerly YA Global Master SPV Ltd.). Under these drawdowns, $3.1 million and $3.2 million remained outstanding as of June 30, 2016 and 2015, respectively. As of June 30, 2016, the fair value of the other notes payable was approximately $2.6 million.

Future principal maturities as of June 30, 2016 for long-term debt obligations are as follows:

2016	$ 36,073,678
2017	16,036,404
2018	6,405
2019	5,674
2020	-
Total future principal payments on debt	$ 52,122,161

5. Commitments and Contingencies

ARAR Arbitration

On January 9, 2008, Frontera Eastern Georgia Limited ("FEGL") served a notice of arbitration and claim on ARAR, Inc., for breach of contract under drilling services contract dated May 2, 2007. On December 16, 2008, FEGL entered into a settlement agreement with ARAR Inc, ARAR Petrol ve Gas Arama Uretim Paz A.S., and Mr. Fatih Alpay (collectively, "Defendants"), which was confirmed by the arbitration panel and pursuant to which Defendants were required to make a series of payments to FEGL through December 2009 in the aggregate amount of $1.25 million. In August 2009, the Defendants defaulted on monthly payments and remained in default on payments due August - December 2009. FEGL applied to the arbitration panel for entry of an agreed award pursuant to the settlement agreement and, on April 16, 2010, the arbitration panel entered a final, binding award in favor of FEGL against Defendants in the amount of $1.43 million ("Final Award"). Following series of subsequent court hearings in the US courts, on July 16, 2012, the US Court of Appeals for the Fifth Circuit confirmed the Final Award granting FEGL total amount of $1,552,707, which included total amount of the Final Award and FEGL's attorney's fees and expenses.

In order to enforce the Final Award against Defendants' assets located in in Turkey, in July 2010 FEGL filed an enforcement action in the 4th Commercial Court in Ankara, Turkey. The 4th Commercial Court conducted a series of hearings on the enforcement action, and by its order dated November 23, 2012, rejected FEGL's request for enforcement. FEGL filed its appeal with the appeals court in Ankara on June 7, 2013. On June 20, 2014, the appeals court granted Frontera's appeal, overturned the 4th Commercial Court's decision and remanded the case back to the 4th Commercial Court with instruction to adopt a new decision in line with the appeals court's ruling. On December 20, 2015, the 4th Commercial Court adopted new decision granting Frontera enforcement of the Final Award. The Defendants appealed this decision and the case is currently pending at the appeals court

Georgian Tax Refund
From the inception of operations in Georgia Company has incurred certain tax expenses which per the terms of the Production Sharing Agreement signed with Georgian government are subject of reimbursement from the state. The Company has notified appropriate authorities and is in the process of collecting a tax refund from the Georgian government. As of June 30, 2016 the amount of refund due to the Company was $5.4 million.

The Company has not recognized a receivable as of June 30, 2016 or 2015 for these ongoing proceedings.

6. Subsequent Events

On July 21, 2016, Frontera Resources Holdings, LLC (FRH), a wholly owned subsidiary of Frontera Resources Corporation ("Frontera"), initiated liquidation proceedings pursuant to Chapter 7 of the United States Bankruptcy Code in a proceeding styled Case No 16-80220; In re Frontera Resources Holdings, LLC, in the United States Bankruptcy Court for the Southern District of Texas (the "Chapter 7 Proceeding"). This Chapter 7 Proceeding relates to a series of 10% Convertible Notes (the "Notes") that were issued by FRH on August 1, 2011, and that matured and became payable by FRH on August 1, 2016. Frontera is not a debtor in the Chapter 7 Proceeding, however in order to seek a declaration and confirmation that it is not a surety or guarantor of the Notes, or otherwise liable to repay them as parent of FRH, Frontera initiated adversary proceeding in the United States Bankruptcy Court for the Southern District of Texas, which is styled Adversary No. 16-08008; Frontera Resources Corp. v. Casciato-Northrup, et al.; in the United States Bankruptcy Court for the Southern District of Texas (the "Adversary Proceeding"). In addition, Frontera asserted claims in the Adversary Proceeding against the holders of the largest outstanding group of Notes, Outrider Master Fund LP and Outrider Management, LLC (collectively "Outrider"), contending that Outrider was complicit in a scheme to misappropriate the Company's confidential information and trade secrets on a number of occasions in 2014, 2015 and 2016, and through those actions interfered with Frontera's financing efforts and ability to capitalize on financing and development opportunities that were then available to Frontera. The Adversary Proceeding and Chapter 7 Proceeding each are in their preliminary stages.

On August 1, 2016, the Company has issued 2,398,786,214 new ordinary shares of US$0.00004 each in the Company ("New Ordinary Shares") in order to create strategic alliances with service providers associated with its operations in the country of Georgia. The issuance of these New Ordinary Shares was in consideration of procurement of $4,000,000 of oilfield services by the Service Providers to enable implementation of accelerated and more technically advanced operations over the remainder of this year and next year at the Company's South Kakheti Gas Complex and Shallow Fields Production Unit assets within its Block 12 portfolio. In addition, the Company raised about $545,000 through a draw down on the Standby Equity Distribution Agreement ("SEDA") with YA II PN, Ltd. (formerly as YA Global Master SPV Ltd.) and issue of 513,365,718 new ordinary shares of $0.00004 each in the Company.

On September 26, 2016, the Company raised £527,475.24 through a draw down on the Standby Equity Distribution Agreement ("SEDA") with YA II PN, Ltd. (formerly as YA Global Master SPV Ltd.). and issue of 753,536,060 new ordinary shares of US$0.00004 each in the Company.

Events occurring after June 30, 2016 were evaluated through September 27, 2016, the date these financial statements were available to be issued, to ensure that any subsequent events meeting the criteria for recognition or disclosure were included.