Frontera Resources Corporation and Subsidiaries

Condensed Consolidated Financial Statements
Six Months Ended June 30, 2012 and 2011

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Frontera Resources Corporation and Subsidiaries
Condensed Consolidated Balance Sheets *(Unaudited)*

	June 30, 2012	December 31, 2011	June 30, 2011
Assets			
Current assets			
Cash and cash equivalents	$ 1,593,541	$ 1,718,410	$ 279,515
Accounts receivable, net	209,994	229,241	243,956
Inventory	5,262,163	5,131,044	5,276,841
Prepaid expenses and other current assets	711,436	171,960	32,638
Total current assets	7,777,134	7,250,655	5,832,950
Property and equipment, net	1,062,445	1,067,508	1,074,924
Oil and gas properties, full cost method			
Properties being depleted	125,826,045	125,411,637	124,083,941
Less: Accumulated depletion	(118,168,040)	(117,419,454)	(116,603,379)
Net oil and gas properties	7,658,005	7,992,183	7,480,562
Other assets	173,988	196,734	1,578,495
Total assets	$ 16,671,572	$ 16,507,080	$ 15,966,931
Liabilities and Stockholders' Deficit			
Current liabilities			
Accounts payable	$ 511,203	$ 2,142,120	$ 3,725,423
Accrued liabilities	3,439,163	2,705,215	5,514,845
Related party notes payable	1,470,000	-	7,784,918
Current maturities of notes payable	2,193,969	253,249	89,175,688
Total current liabilities	7,614,335	5,100,584	106,200,874
Convertible notes payable, less current portion	19,592,826	18,590,358	31,587,757
Derivative stock warrant liabilities	23,622	191,990	152,958
Total liabilities	27,230,783	23,882,932	137,941,589
Commitments and contingencies			
Stockholders' deficit			
Common stock	85,773	82,621	5,366
Additional paid-in capital	396,441,477	395,190,976	172,504,155
Treasury stock, at cost	-	-	(567,832)
Accumulated deficit	(407,086,461)	(402,649,449)	(293,916,347)
Total stockholders' deficit	(10,559,211)	(7,375,852)	(121,974,658)
Total liabilities and stockholders' deficit	$ 16,671,572	$ 16,507,080	$ 15,966,931

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

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

	Six Months Ended June 30,	
	2012	**2011**
Revenue - crude oil sales	$ 3,275,346	$ 3,117,672
Operating expenses		
Field operating and project costs	2,158,563	1,790,455
General and administrative	3,658,510	4,300,806
Depreciation, depletion and amortization	883,100	713,526
Total operating expenses	6,700,173	6,804,787
Loss from operations	(3,424,827)	(3,687,115)
Other income (expense)		
Interest income	4,185	2,363
Interest expense	(1,151,929)	(8,157,659)
Derivative income	168,368	684,577
Other, net	(32,809)	(56,419)
Total other income (expense)	(1,012,185)	(7,527,138)
Net loss	$ (4,437,012)	$ (11,214,253)
Loss per share		
Basic and diluted	$ (0.00)	$ (0.08)
Number of shares used in calculating loss per share		
Basic and diluted	2,128,012,905	135,318,282

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, 2011	$ 82,621	$ 395,190,976	$ (402,649,449)	$ (7,375,852)
Issuance of common stock	3,210	1,343,897	–	1,347,107
Purchase of company common stock	(58)	(93,396)	–	(93,454)
Net loss	–	–	(4,437,012)	(4,437,012)
Balances at June 30, 2012	$ 85,773	$ 396,441,477	$ (407,086,461)	$ (10,559,211)

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,	
	2012	**2011**
Cash flows from operating activities		
Net loss	$ (4,437,012)	$ (11,214,253)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	883,100	713,526
Debt issuance cost amortization	22,746	742,943
Noncash interest expense	1,097,935	7,414,716
Stock based compensation	–	166,137
Derivative income	(168,368)	(684,577)
Changes in operating assets and liabilities:		
Accounts receivable	19,247	(54,116)
Inventory	(131,119)	(232,794)
Prepaid expenses and other current assets	(539,476)	147,739
Accounts payable	(1,095,668)	201,301
Accrued liabilities	733,189	524,979
Net cash used in operating activities	(3,615,426)	(2,274,399)
Cash flows from investing activities		
Investment in oil and gas properties	(936,325)	(84,628)
Investment in property and equipment	(129,451)	–
Net cash used in investing activities	(1,065,776)	(84,628)
Cash flows from financing activities		
Proceeds from notes payable	3,195,000	–
Repayment of borrowings	(1,362,320)	–
Purchase of company common stock	(93,454)	–
Proceeds from issuance of common stock and warrants	1,347,107	–
Proceeds from related party notes payable	1,470,000	2,480,000
Net cash provided by financing activities	4,556,333	2,480,000
Net increase (decrease) in cash and cash equivalents	(124,869)	120,973
Cash and cash equivalents		
Beginning of year	1,718,410	158,542
End of period	$ 1,593,541	$ 279,515
Supplemental cash flow information		
Cash paid for interest	$ 31,248	$ –
Non-cash investing and financing activities		
Issuance of convertible notes in lieu of interest payments	$ 974,004	$ 5,819,059
Change in accrued investment in oil and gas properties	(521,917)	69,692

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

1. Nature of Operations

Frontera Resources Corporation, a 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"), a member of the Former Soviet Union.

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 5,500 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.

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.

Frontera Cayman simultaneously exchanged $121.6 million aggregate principal 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 as inducement expense in the statement of operations 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"). All stockholders of the Company will receive the Stock Consideration, except for US stockholders who are not "accredited investors" as defined in Rule 501 under the US Securities Act of 1933, who will receive the Cash Consideration.

Events occurring after June 30, 2012 were evaluated as of September 27, 2012, the date this report was issued, to ensure that any subsequent events the met the criteria for recognition and/or disclosures in this report have been included.

2. Liquidity and Capital Resources

The following key financial measurements reflect the Company's financial position and capital resources as of June 30, 2012, December 31, 2011 and June 30, 2011 (dollars in thousands):

	June 30, 2012	December 31, 2011	June 30, 2011
Cash and cash equivalents	$ 1,594	$ 1,718	$ 280
Working capital	163	2,150	(100,368)
Total debt	23,257	18,844	128,548

Frontera's future revenues depend on operating results from its operations in 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.

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 raise additional financing to continue to facilitate the Company's 2012 operating plan.

Notwithstanding management's plan to reduce 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. The Company is solely responsible for providing all of the 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 successful completion of its development program, and accordingly, there is no assurance that those events will transpire as initially contemplated.

3. Basis of Presentation and Summary of Significant Accounting Policies

The condensed consolidated balance sheet of the Company at December 31, 2011 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. The condensed consolidated balance sheet at June 30, 2012 and June 30, 2011, the condensed consolidated statements of operations for the six month periods ended June 30, 2012 and 2011, the condensed consolidated statement of changes in stockholders' deficit for the six month period ended June 30, 2012, and the condensed consolidated statements of cash flows for the six month periods ended June 30, 2012 and 2011 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, 2012 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 accounting principles generally accepted in the United States of America 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, 2011.

For a description of the Company's accounting policies, refer to Note 3 of the 2011 consolidated financial statements.

Use of Estimates

The preparation of the condensed 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. As the full cost ceiling exceeded the net capitalized costs at June 30, 2012, December 31, 2011 and June 30, 2011, there was no such reduction of the Company's carrying value of its natural gas and crude oil properties during the six month periods ended June 30, 2012 and 2011.

Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables, long-term debt and derivative stock warrant liabilities. Management considers the carrying values of cash and cash equivalents, trade receivables, trade payables and long-term debt to be representative of their respective fair values. Additionally, the derivative warrant liabilities are recorded at fair value in the accompanying balance sheets.

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). The Company performed an analysis on its derivative warrant liabilities as of the balance sheet date. The fair value of the combined derivative stock warrant liabilities on June 30, 2012 was $23,622, within Level 2 of the fair value hierarchy. The Company does not have any assets or liabilities classified within Level 3 of the fair value hierarchy.

4. Related Party Transactions

During 2012 and 2011, the Company entered into a series of notes payable with two of the Company's officers in the aggregate amounts of $1.5 million and $2.9 million, respectively. These notes have a one-year term, bear interest of 15%, and are classified as Related Party Notes Payable on the Balance Sheet. During the Merger in 2011, $9.2 million principal plus accrued interest of the related party notes were exchanged for 141,515,879 shares of Frontera Cayman shares.

5. Convertible Notes Payable

During May 2007, the Company raised approximately $67.0 million through a private placement of convertible unsecured notes due May 2012 ("2012 Notes"). 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 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 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 ("2013 Notes"). 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 common stock and another 16.0% were exchanged for the 2016 Notes.

On August 2, 2011 note holders exchanged $18.2 million of 2012 and 2013 Notes into new notes issued under the 2016 Note Purchase Agreement due 2016. 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.

During the six month periods ended June 30, 2012 and 2011, the Company elected to pay the quarterly interest payments in kind and issued approximately $1.0 million and $5.8 million, respectively, in additional convertible notes in accordance with terms of the note purchase agreements.

6. Derivative Stock Warrant Liabilities

In July 2008, the Company solicited consents from holders of its 10% convertible notes due May 2012 to amend the note purchase agreements governing such notes to permit the issuance of the new notes and to release escrowed proceeds of $5.0 million from the May 2007 private placement. In connection with the solicitation, each consenting holder received a warrant exercisable into shares of common stock in an amount equal to 7.5% of the number of shares of common stock into which such consenting holder's existing notes were convertible. The warrants are exercisable for 3,151,000 shares in the aggregate. Each warrant entitled the holder to purchase one share of common stock at a price of $3.50 per share. During 2009, due to anti-dilution provisions contained in the warrant agreements, the warrants became exercisable into 6,593,037 shares in the aggregate at an exercise price of $1.69 per share. Again, during 2011 due to the same anti-dilution provisions contained in the warrant agreements, the warrants became exercisable into 65,743,893 shares in the aggregate at an exercise price of £0.105 per share. The warrants have a five–year term and include a cashless exercise provision along with other customary terms and provisions. The issuance date fair value of these warrants was estimated to be $0.9 million and was recorded as a derivative stock warrant liability. The warrants were valued on the issuance date using the

following assumptions: risk-free interest rate of 3.42%, expected volatility of 146.3%, no expected dividend yield and a term of 5 years.

In September 2009, the Company issued 45,186,536 units, each comprised of one Common Share and one Common Share purchase warrant at an issue price of $0.1684 per unit, for gross proceeds of approximately $7.6 million. Each warrant entitles the holder the ability to purchase from the Company one Common Share for a period of two years following the transaction closing date at an exercise price of £0.15 per Common Share. An additional 1,355,596 units were issued to an advisor in exchange for issuance fees. These additional units have the same provisions, with the exception that the term for these warrants is 18 months versus 2 years for those related to the offering. During 2011, due to anti-dilution provisions contained in the warrant agreements, the warrants because exercisable into 139,079,809 shares in the aggregate at an exercise price of £0.047 per share. The issuance date fair value of these warrants was estimated to be $3.8 million and was recorded as a derivative stock warrant liability. The warrants were valued on the issuance date using the following assumptions: risk-free interest rates of 0.58% and 0.82%, expected volatilities of 103.5% and 110.3%, no expected dividend yield and terms ranging from 1.5 years and 2 years. All of these warrants expired in September 2011.

On February 8, 2011 the Company issued a warrant instrument entitling Arbuthnot, broker of Company, to purchase 500,000 Common Shares at an exercise price of £0.06 per share. These warrants expire on February 8, 2013.

On August 2, 2011 as part of the fees and commissions payable to Arbuthnot, OPL and Strand Hanson for their respective roles in the Placing, the Company has issued 12,558,307 warrants with an exercise price of £0.04 per share with terms ranging from 2 to 3 years.

Under the terms of SEDA-backed Loan Agreement in respect of Initial Advance in January 2012 Yorkville has been granted 15,000,000 warrants exercisable within 2 years with an exercise price of £0.018 per share.

The change in the aggregate fair value of the warrants resulted in derivative income of $0.2 million and $0.7 million for the six months ended June 30, 2012 and 2011, respectively.

7. Commitments and Contingencies

ARAR Arbitration

In January 2008, Frontera Eastern Georgia Limited ("FEGL") served a notice of arbitration and claim on ARAR, Inc. (“ARAR"), for breach of contract under a drilling services contract dated May 2007, specifically for, among other things, failure to commence work by the time specified in the contract, failure of the drilling rig to meet required specifications and failure to reconcile advance payments made by FEGL with work actually performed. FEGL terminated the contract after ARAR failed to mobilize the rig to the required location and failed to commence work as otherwise required under the contract. FEGL claimed damages of approximately $7.0 million in the arbitration. ARAR denied FEGL's claims and filed counterclaims against FEGL, seeking payments of approximately $7.1 million for, among other things, standby charges for the period of time the rig was undergoing inspection and repairs to bring it into contract specification, early termination fees and demobilization fees. The parties entered into a settlement agreement in December 2008 pursuant to which ARAR was required to make a series of payments to FEGL through December 2009 in the aggregate amount of $1.25 million. The settlement resolved all outstanding claims and counterclaims between Frontera and ARAR arising out of the drilling services contract. Beginning in August 2009, ARAR defaulted on its 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. The panel held a hearing on FEGL’s application in March 2010, and in April 2010 entered a final, binding award in the amount of $1.43 million in favor of FEGL (“Final Award”).

In April 2010, FEGL filed an action in the U.S. District Court for the Southern District of Texas ("District Court") seeking confirmation of the Final Award pursuant to the Convention on Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958 as a precursor to further enforcement action in the U.S. In May 2010, ARAR filed a counterclaim in the District Court seeking to deny confirmation and to vacate the Final Award. On August 15, 2011, the District Court entered final judgment ("Final Judgment") confirming the Final Award and granting FEGL total amount of $1,552,707.01, which include total amount of the Final Award and FEGL's attorney's fees and expenses. On September 13, 2011, ARAR appealed the Final Judgment with the United States Court of Appeals for the Fifth Circuit ("Court of Appeals"). On July 16, 2012, Court of Appeals dismissed ARAR's appeal and affirmed District Court's Judgment in its entirety. ARAR attempted to further appeal Court of Appeal's decision via "motion for rehearing"; on August 16, 2012, Court of Appeals denied ARAR's motion and affirmed its earlier decision.

In order to enforce the Final Award against assets of ARAR located in Turkey, in July 2010 FEGL filed an enforcement action in the 4th Commercial Court in Ankara, Turkey. 4th Commercial Court conducted a series of hearings on the enforcement action, and the next hearing is expected on November 23, 2012. In parallel, in July 2010 an affiliate of ARAR filed a lawsuit against FEGL in the 7th Commercial Court in Ankara, Turkey claiming damages of $0.3 million in connection with the exportation of the drilling rig from Georgia. On July 5, 2012, 7th Commercial Court dismissed ARAR's lawsuit in its entirety.

In parallel to the enforcement action in Turkey, on January 13, 2012, FEGL filed a petition in the High Court of Justice, Queens Bench Division, in London, UK ("London High Court"), seeking enforcement of the Final Award in the UK against the defendants' assets located in the UK. Additionally, FELG sought an injunction prohibiting the defendants to dispose of any assets in the UK while the enforcement action is pending. On January 31, 2012, the London High Court entered an order granting both FEGL's petition for enforcement and motion for injunction. On May 8, 2012, defendants filed response requesting to vacate the court order. FEGL intends to continue to pursue the enforcement action in the UK before the London High Court. Oral hearing is expected to take place some time in November 2012 (precise date is yet to be scheduled by the court).

Randy Theilig vs. Frontera Resources Corporation

On November 11, 2011, Randy Theilig, Frontera's former Chief Financial Officer, filed an Original Petition against Frontera in District Court of Harris County, Texas, in which he alleged that Frontera breached Mr. Theilig's employment agreement by not paying certain monies to Mr. Theilig following his departure from Frontera in early 2011. On December 5, 2011, Frontera filed a motion to compel the arbitration as provided under employment contract between Frontera and Mr. Theilig. On January 23, 2012, the Court granted the motion. Following the grant of the motion, Mr. Theilig has not filed a claim in arbitration. Frontera considers Mr. Theilig's claims to be without merit and intends to vigorously defend itself should Mr. Theilig chose to file a claim in arbitration.