

**April 26, 2005 FRONTIER MINING\* 37.5p BUY - Target Price 51p (30p) - Naimanjal set to produce gold in May with the first gold pour first gold in June**

Frontier Mining has today released a project update for the first quarter and financial results for last year.

**Naimanjal (gold):** The update reports the Naimanjal gold mine is on track to produce gold from the heaps in May with the first gold pour due in June. The gold ore at Naimanjal is unconsolidated and should not require blasting before extraction. Some 17,000t of ore is already stockpiled grading 2.05g/t and should result in a cash cost of around US\$181/oz despite the projects still relatively small scale. The project capex of US\$3.64 is extremely low for the start-up of a gold mining operation and we believe the market should be impressed if gold is poured following this relatively low capital program.

The Naimanjal update gives some details on the exploration done at site to date. The company has identified mineralisation over 2,000m of strike length and to 150m depth. A simple plan shows a small 85,390oz resource which could extend beyond the projects current limits.

Presumably this is in addition to the 160,000oz of 2.1g/t C1 and C2 category ores listed in the prospectus. SRK assigned a moderate value of \$10-15/oz in the listing valuation. If the project is shown to contain some 1.5moz of economically mineable gold then applying a conservative \$50/oz valuation to this gives a potential value of \$75m.

**Beschoku (copper):** While we believe the Naimanjal has substantial potential Beschoku is also producing positive results. The project has a combined inferred resource of 2.48mt of contained copper from the VMS and Skarn mineralisation. We note that the giant Grasberg mine produces some of its best grade copper ore from skarn mineralisation. If the exploration work is verified then Beschoku could produce around 150,000tpa of copper grading around 1%. The deposit also contains molybdenum, a valuable by-product credit which could add significantly to the projects value. Six holes have been drilled and we await the assay results. The assays should give a better indication of the teams 2.48mt inferred resource estimate. If the drill-hole data supports their claims then we may add significant additional value to our valuation for this project.

**Yubileiny (copper):** The team continues to upgrade the P1 resource into C2 classification. So far the 30,000t of contained copper in C2 reserve is small but this should be followed by the upgrade of an 80,000t copper in P1 resource. We await news of the potential scale of the Yubileiny prospect and the IP sensing work appears to give good correlation with the former mine workings.

**Baltemir (gold):** Drilling has been postponed here until June when the initial Yubileiny drilling is completed.

**Personnel:** We are concerned by the departure of Robin Young, a director, who has left to run another exploration business and by the former resignation of Michael Short, a former director who reportedly resigned due to a conflict of interest between his, respected, consulting business GBM.

**Valuation:** We are upgrading our target price to reflect the company's move to production and the value of the cash flow which should be realized through small scale mining at Naimanjal. We expect that further exploration around the mine should enable a substantial increase in reserves and resources and a commensurate increase in planned low-cost gold production in future years. We believe the Naimanjal prospect has significant potential to become a larger mining project than is currently known and that this may be demonstrated through relatively little drilling at site.

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