

# FRONTIER MINING LTD.

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1 December 2004

## Projects update and financial information to 30 September 2004

### Highlights

- Naimanjal mine in northeastern Kazakhstan remains on schedule to begin gold and silver production in May 2005
- Western Services Engineering defined a Kriged measured and indicated resource of 150,000 ounces of gold and 3.4 million ounces of silver with a gold cut off grade of 0.5 grams per tonne to JORC standards
- Geochemical surveys and drilling at the Naimanjal satellite deposits have been completed and their potential remains encouraging
- New mineralized target identified in the northern part of the Baltemir license area
- Beschoku oxide copper P1 resource estimate doubled to approximately 620,000 tonnes and new sulphide copper P1 resource identified of approximately 1.86 million tonnes with grades of up to 2.9%
- Preliminary acid digestion leach results at Yubileiny and Beschoku show up to 97% recovery of oxide copper, averaging 92% at Yubileiny and 89% at Beschoku

Brian Savage, CEO of Frontier Mining, comments, "Since listing on AIM in September, we have progressed our projects significantly, both on time and on budget, and we are on line to achieve our core objective of generating cash-flow via gold and silver production by May 2005.

"We are also highly encouraged by the further exploratory work carried out on our licence areas, particularly the increase in our copper resource at Beschoku, which has doubled in size. We continue to be enthusiastic about our holdings which represent a remarkable concentration of precious and base metal prospects."

### The Company

Frontier Mining Ltd. (FML) is a mineral exploration and development company that was incorporated in the state of Delaware, USA, on August 5, 1998 for the purpose of exploring and developing gold and copper deposits in the Republic of Kazakhstan. Through its subsidiaries and affiliates, FML locates, evaluates, acquires, explores and develops mineral properties.

FML has two licenses, over a total area of 4,326 km<sup>2</sup>, owned by its wholly owned subsidiaries in Kazakhstan. They are the Naimanjal exploration and mining license, held by FML Kazakhstan and the Baltemir exploration license, held by Baltemir LLP. FML is currently focused on 3 gold projects with more than 2 million ounces of oxide gold resource and 2 copper/gold projects with more than 1 billion pounds of copper resource.

FML was admitted to the Alternative Investment Market of the London Stock Exchange on September 2, 2004. FML has 60,570,911 ordinary shares issued and 20,142,767 outstanding options and warrants, giving 80,713,678 fully diluted ordinary shares.

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## **Naimanajal Gold Mine Development**

Activities completed to date include:

Western Services Engineering defined a Kriged measured and indicated resource of 150,000 ounces of gold and 3.4 million ounces of silver with a gold cut off grade of 0.5 grams per tonne to JORC standards. This equates to the previous "C1+C2" category Kazakhstani State Reserve Committee estimate. We have, therefore, initiated the commercial discovery process for the Naimanajal gold mine.

We have also completed a detailed survey of the proposed plant and other required facilities area and developed sufficient water resources to supply the proposed leaching operation including 2 additional water wells to provide surplus water if needed.

To reduce initial capital costs and minimize potential for delays we have selected electric power generators over installation of a power line which will save approximately \$250,000 of initial capital cost, selected collection tanks over construction of earthen collection ponds, and signed a contract with Mining and Economic Consulting, a well known local engineering consulting firm, to assist with regulatory approvals, licenses, and permits.

Our ongoing activities include condemnation trenching and drilling of the proposed heap leach complex area, obtaining regulatory approvals of commercial discovery at Naimanajal, developing an initial mine plan, performing additional metallurgical test work related to gold and silver recoveries, design of heap leach pad, plant, and other required facilities using both Kazakhstan based and foreign based contractors, sourcing equipment and consumables, and discussions with contract mining companies.

In addition to the mine development work at Naimanajal, in-fill drilling at Naimanajal and exploration at the 6 satellite deposits continue to provide encouraging results. The recently completed drill program at Naimanajal of more than 7,100 meters was entirely of an in-fill nature in order to give additional confidence to previous estimations. It should be noted that the mineralized resource continues at depth in sulphide mineralization for which metallurgical characteristics are currently unknown. Mineralized material is open in three directions, NW, SE, and E. Mineralized material above the nominal 0.5 gpt cut off has been encountered in the last holes drilled in the NW, SE, and E. To the NW, the last hole ended in material in excess of 4 grams per tonne. To the SE, the last hole in the northern trend ended in material grading over one gram per tonne over 3 meters. The last hole in the southern trend also ended in material above the nominal 0.5 gram per tonne cutoff.

Soil and rock geochemistry immediately east of Naimanajal identified additional mineralization that requires drilling.

## **The six Naimanajal satellite deposits**

Geochemical surveys and drilling at the satellite deposits have been completed. Assay information has been received for most of the satellites. The results are currently being interpreted with encouraging preliminary results. We will release the completed interpretation in the near future.

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## Exploration update for Koskuduk and Baltemir Gold Projects

### Koskuduk

A geochemical program of over 2,400 samples was conducted at east, west and south Koskuduk. Although not all of the sample results have been received, initial results have identified interesting anomalies in previously untested areas. At West Koskuduk, a gold anomaly 1,200 meters long and 600 meters wide at its center has been identified. The anomaly is currently open to the east and west. Gold values as high as 0.949 gpt have been encountered with a gold value of 0.5 gpt at the eastern termination of the west Koskuduk anomaly. The results from east and south Koskuduk are currently being interpreted with encouraging preliminary results. We will release the completed interpretation in the near future.

A metallurgical report for sulphide ores at east Koskuduk has been completed by Base Metals R&D Institute in Ust-Kamenogorsk. A 40-kg bulk sample was collected by compositing various sulphidic ore types obtained from previous drilling of three large diameter core holes within the main ore zone at East Koskuduk.

The ore was tested using gravity, flotation and cyanidation processing technologies. The composition of primary sulphide ore was as follows: silica: 37.06%; total sulphur: 16%; sulphide sulphur: 0.6%; iron: 12,85%; arsenic: 0,23%; zinc: 2,18%; lead: 0,28%; copper: 0,1%; gold: 1.6 gpt; silver: 9.1 gpt. Using gravity methods only 9% of the gold was recovered. Using flotation methods, two kinds of concentrate were obtained, zinc-rich and pyrite-rich. 83% of the gold reported to the zinc-rich concentrate, which assayed 2.2 gpt. The recovery of gold from the zinc-rich concentrate is 93.3%. Only 5% of the gold reported to the pyrite-rich concentrate which assayed 6.6 gpt. The recovery of gold from the pyrite-rich concentrate is 85%. Using direct cyanidation, recovery varied from 50% to 63%.

A drill is currently mobilizing to Koskuduk. Metallurgy of oxide ores will be studied using composite samples to be collected from the drill holes.

Compilation of data continues at Koskuduk. It is anticipated that a resource model will be calculated for east Koskuduk using 500 previously drilled shallow geochemistry holes; 150 previously drilled core and rotary holes of which we have assay information for 87, and the new drilling performed by Frontier.

### Baltemir

Core drilling has commenced in the previously identified quartz vein system in the central and west portions of the Baltemir license. To date, 4 holes are complete, 2 holes are being drilled, and 2 more holes are planned.

A new mineralized target (15km by 8km) has been identified in the northern part of the license area about 6 kilometers from the known quartz vein system. This is a complex mafic/ultramafic Koskia pluton with explosive breccia in vein zones and smaller rhyolitic intrusives. Gold values of 0.5 gpt have been encountered in outcrops with 0.5% lead and 0.5% arsenic.

An 800 meter RC drilling program will be performed here in December.

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## **Beschoku**

Our best copper exploration results were achieved at Beschoku. Geological and geophysical results to date have identified two large mineralized systems within the Beschoku area, a copper-rich VMS deposit including oxide mineralization, and an intrusive-centered copper-gold deposit (may consist of porphyry copper with skarn). The copper mineralogy is represented by malachite, azurite, and chrysocolla.

Based on geology and geophysics, to a depth of 200 meters, using 10% sulphide content and a specific gravity of 2.7 tonnes per cubic meter, management estimate a preliminary inferred geologic resource (P1) for the VMS type deposit of 810,000 tonnes of contained copper with 1% grade and 1.67 million tonnes of contained copper with 1% grade for the porphyry copper with skarn type deposit. This doubles our previous oxide copper resource estimate of 300,000 tonnes and identifies a new sulphide resource. This resource will be tested by a drilling program planned for December/January that will include 2 core holes, each 200 meters deep, at the center of each of the two IP anomalies, and 4 RC holes, oriented toward oxide mineralization, each 100 meters deep.

We have completed detailed alteration mapping, a soil geochemistry survey, a magnetic survey, an induced polarization (IP) survey, and acquired imagery of the Beschoku area with 5.8 meter resolution from an Indian satellite. This imagery was used to develop a digital elevation model to study the structural geology of the deposit and to make 1:25,000 scale topography maps.

The detailed alteration mapping covering a 45 sq km area of a district scale NW trending tectonic zone was completed. Within this zone is a 7km long and 1km wide portion containing seven historic copper deposits of VMS type. The depth of oxidation is estimated to be 50 meters.

The soil geochemical survey covering a 15 sq km portion of the 45 sq km area on a 200m by 40m grid was completed. Assay results are pending.

The magnetic survey covering the same 45 sq. km area on a 200m by 20m grid was completed. The principal result is a well-defined magnetic "low" over the zone of copper mineralization hosted by altered basalts and volcanic mudstone.

The induced polarization (IP) survey covering a 34 sq km portion of the 45 sq km area on a 1000m by 25m grid was completed. A broad (1km wide by 4km long by 200m deep) anomaly of high chargeability (up to 40 mv/v) was identified. This corresponds to the zone of sulphide mineralization hosted by mafic volcanics containing more than 10% sulphides. In addition, some mafic volcanics wrap around the granodiorite intrusive forming another IP anomaly with high chargeability (about 30 mv/v). One prospect containing gold-bearing magnetite skarn mineralization is associated with latter anomaly.

To test the leaching characteristics of the oxide copper two 300-kg bulk metallurgical samples were collected with copper grades of 2.90% and 1.84% and four 5-kg metallurgical samples with copper grades of 2.62%; 2.70%; 2.80%; and 10.40% were taken from historic copper mine workings.

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We have received excellent preliminary leach results. From the 5-kg samples the recovery of oxide copper after acid digestion is very high, from 83% to 97%. The two 300-kg samples are undergoing 90 day leach testing, to be completed by December 31.

## **Yubileiny**

Based on geology and geophysics, to a depth of 120 meters, using 10% sulphide content and a specific gravity of 2.7 tonnes per cubic meter, management estimate a preliminary inferred geologic resource (P1) of 30,000 tonnes of contained copper at 1% grade over a 1 sq km area. This correlates well to the historic estimate of 150,000 tonnes of oxide copper over a 10 sq km area.

We have completed detailed alteration mapping, a soil geochemistry survey, a magnetic survey, and an induced polarization (IP) survey. Copper mineralization is 75% to 80% comprised of azurite and malachite with the remaining 20% to 25% chrysocolla.

The alteration mapping profiles covered 16 line kilometers and show that mineralization is surrounded by massive silicification and argillic alteration aureoles.

The soil geochemical survey covered a 1 sq km area on a 100m by 20m grid. Assay results are pending.

The magnetic survey covering 1 sq km identified a magnetic "high", 1km long, 100m wide, and 150m deep. This corresponds to a north-west trending fault zone containing known copper mineralization.

The IP survey covering the same 1 sq km area, shows the chargeability anomaly corresponding roughly to 15% sulphides that coincides with the magnetic anomaly.

To test the leaching characteristics of the oxide copper two 300-kg bulk metallurgical samples were collected with copper grades of 1.16% and 0.48% were taken from 2 historic mine workings. Nine 5-kg samples with copper grades ranging from 0.40% to 3.44% were taken from 3 historic mine workings.

We received excellent preliminary leach results from the 5-kg samples, which show copper recovery ranging from 86% to 95%. The two 300-kg samples are undergoing 90 day leach testing to be completed by December 31.

5 confirmation holes were drilled in October near historic mine workings. Results from 2 of the 5 drill holes returned 5 meters of 0.849% copper and 6.9 meters of 0.593% copper. 1 new hole 150 meters deep will be drilled in December/January to test the most intensive sulphide anomaly.

## **Baitimir**

We were able to complete detailed alteration mapping and a soil geochemistry survey is continuing as long as weather permits. We were, unfortunately, only able to obtain 2 IP geophysical profiles and postponed the rest of the survey to April 2005 due to weather.

Four 4 RC holes to a depth of 100 meters are planned to be drilled in January in the most intensely altered areas near historic mine workings.

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## **Credit Facilities**

Centras Securities, part of the Centras Capital group, an investment banking company focused on emerging capital markets including the CIS and Central Asia, has been appointed as financial advisor to assist the company in obtaining a working capital credit facility from Kazakhstan or international financial institutions. The credit facility will allow the company to issue letters of credit to minimize the risk of purchasing equipment and supplies from foreign entities.

## **Financial Statements**

See attached

## **Enquiries**

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<b>Numis Securities</b>	John Harrison / Nick Westlake	020 7776 1500
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# FRONTIER MINING LTD.

## Frontier Mining Ltd.

### Interim Unaudited Summarized Consolidated Financial Statements

Balance Sheet for period ended September 30, 2004

	Notes	September 30, 2004 (unaudited) US Dollars	September 30, 2003 (unaudited) US Dollars	2003  US Dollars
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment, net		168,657	57,246	65,075
Exploration cost		2,571,966	1,213,207	1,308,658
Intangible assets, net		4,585	88,001	40,035
<b>Total Non-current assets</b>		<b>2,745,208</b>	<b>1,358,453</b>	<b>1,413,768</b>
<b>Current assets</b>				
Cash and cash equivalents		4,123,751	39,510	882
Accounts receivable		-	8,333	-
Other current assets		157,781	9,253	13,752
<b>Total Current assets</b>		<b>4,281,532</b>	<b>57,096</b>	<b>14,634</b>
<b>TOTAL ASSETS</b>		<b>7,026,740</b>	<b>1,415,550</b>	<b>1,428,402</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital		605,709	11,387	15,928
Additional paid-in-capital		14,746,882	2,075,334	3,931,766
Retained earnings		(6,363,007)	(3,726,724)	(5,311,533)
Net income/loss		(3,331,719)	(406,545)	(1,051,474)
<b>Total Shareholders' equity</b>		<b>5,657,865</b>	<b>(2,046,548)</b>	<b>(2,415,313)</b>
Provision for exploration expense		98,402	86,436	90,985
		98,402	86,436	90,985
<b>Current liabilities</b>				
Short term debt		752,106	2,038,748	2,688,587
Demand notes payable		-	1,091,784	495,823
Accounts payable		448,377	149,596	208,594
Other current liabilities and interest accrued		69,990	95,534	359,726
<b>Total Current Liabilities</b>		<b>1,270,473</b>	<b>3,375,663</b>	<b>3,752,730</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>7,026,740</b>	<b>1,415,550</b>	<b>1,428,402</b>

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**Profit and Loss Statement** for period ended September 30, 2004

	<i>Notes</i>	<i>Period ended September 30, 2004 (unaudited)  US Dollars</i>	<i>Period ended September 30, 2003 (unaudited) US Dollars</i>	<i>2003  US Dollars</i>
General and administrative expenses		(908,054)	(330,804)	(312,338)
Shares granted to directors and officers		(600,000)	-	-
AIM admission fees and costs		(1,999,349)	-	-
<b>Loss from operations</b>		3,507,403	330,804	312,352
Finance cost		52,428	74,428	739,030
Foreign exchange gain (loss), net		(228,112)	1,313	(14)
<b>Loss before taxation</b>		3,331,719	406,545	1,051,368
Taxation		-	-	106
<b>Consolidated Net Loss</b>		3,331,719	406,545	1,051,474

# FRONTIER MINING LTD.

**Cash Flow Statement** for period ended September 30, 2004

	<b>September 30, 2004</b>	<b>December 31, 2003</b>
	US Dollars	US Dollars
Cash flows from operating activities:		
Loss before income tax	(3,331,719)	(976,115)
<i>Adjustments for:</i>		
Depreciation	50,440	32,710
Finance costs	52,428	739,030
Gain from disposal of investment in associate	-	(706)
Loss from disposal of property and equipment	-	8,958
(Recovery of) provision for bad debts	44,555	(359,600)
	(3,184,296)	(555,723)
Operating (loss) profit before working capital changes		
<i>Changes in operating assets and liabilities:</i>		
Decrease (increase) in trade accounts receivable	(188,584)	369,712
Increase (decrease) in trade accounts payable	231,999	3,465
Increase (decrease) in other current liabilities	(282,319)	51,001
Cash used in operations	(238,904)	424,178
Income tax paid	-	-
Net cash flows from operating activities	(3,423,200)	(131,545)
Cash flows from investing activities:		
Increase decrease in exploration and development costs	(1,263,308)	(18,722)
Proceeds from disposal of associate	-	600
Purchase of property and equipment	(118,572)	-
Net cash flows from (used in) investing activities	(1,381,880)	(18,122)
Cash flows from financing activities:		
Capital contributions	6,345,500	30,000
Proceeds received from short term debt	772,658	238,128
Repayment of notes payable	(540,467)	(130,769)
Proceeds from convertible notes	2,350,258	10,000
Net cash used in financing activities	8,927,949	147,359
Net increase/(decrease) in cash and cash equivalents	4,122,869	(2,308)
Cash and cash equivalents at the beginning of year	882	3,190
Cash and cash equivalents at the end of year	<b>4,123,751</b>	<b>882</b>

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## Notes to the Accounts

### 1. General

Frontier Mining Ltd ("FML" or "the Company") was incorporated under the laws of the state of Delaware on August 5, 1998, for the purpose of exploring, and if warranted developing gold and copper deposits in the Republic of Kazakhstan.

Through its wholly owned subsidiaries, FML Kazakhstan LLP ("FMLK") and Baltemir LLP, FML holds interest in, or is the beneficial owner of, non-producing gold and copper metal properties in Kazakhstan. The Company is actively exploring its wholly owned Naimanjal and Baltemir contract and license areas.

### 2. Basis of preparation

The interim Financial Statements have been summarized in accordance with the accounting policies set out in the Company's audited financial statements for the year to December 31, 2003.

### 3. Share Capital

The Company placed in AIM listing of London stock Exchange 23,333,334 common shares for proceeds of £3,500,000

On September 2<sup>nd</sup>, the Company converted £1,271,994 (US\$ 2,350,259) notes, raised in a private placement, into to 12,656,657 common shares at 10.05p upon admission.

Prior to admission to the market the Company split existing common shares at rate 1 to 10

On March 31, 2004 the Company issued 250,037 common shares at US \$ 3 each, including 200,000 common shares that were granted to the directors and officers.

On February 27, 2004, the Company increased authorized capital to 100,000,000 common shares.

### 4. Short-Term Debt

As of September 30, 2004 short-term debt, including accrued interest, comprised the following:

	Sept 30, 2004	2003
Loans from directors and management	-	1,725,695
Debt to related parties	412,106	547,639
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	412,106	2,273,334
Debt to the United States Trade and Development Agency ("TDA")	340,000	340,000
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	752,106	2,613,334

Loans from directors and management were repaid and converted into shares upon AIM admission

### 5. Notes Payable

The Demand Notes' principal amount and accumulated interest were repaid in September 10th, 2004. None of those Demand Notes were converted into common shares.