

Regulatory Announcement

Company Frontier Mining Ltd
TIDM FML
Headline Final Results 2005
Released 07:00 28-Jun-06
Number 2709F



Frontier Mining Ltd.

Final Results for the year ended 31 December 2005

Highlights:

- Construction of the Naimanjal mine completed
- Gold and silver production commenced in September 2005
- Two equity placings raised funds of £12.375 million (gross)
- Exercise of all warrants and select options provided funds of £2.088 million

Post Year End Highlights:

- Two prospective gold targets 2km from current mining operations at Naimanjal identified and prioritised for exploration
- Potential to significantly increase copper resources

Brian Savage, CEO of Frontier commented, "The Company made good progress during 2005 as we brought our first gold mine into production. We are working hard to achieve our stated objective of producing 25,000 oz of gold in 2006 and the stage is now set to accelerate the growth of our business. We believe Frontier is in a strong position, combining the producing Naimanjal mine with our portfolio of exploration assets. Furthermore, we continue to enrich our experience of operating in Kazakhstan, which we believe to be highly prospective for further mineral discoveries."

Enquiries

Frontier Mining Ltd	Brian Savage	020 7898 9100
Parkgreen Communications	Cathy Malins / Annabel Leather	020 7493 3713

Chairman's Statement

I am pleased to report the financial results of Frontier for the financial year ended 31 December 2005. The Company made good progress in 2005, and we achieved our targets of both constructing the Naimanjal gold/silver mine and bringing it into production. We also advanced all of our exploration projects to commercial discovery status and remain confident that we are operating in a region of great mineral wealth that we believe holds the potential for significant new mineral discoveries.

Financial Results

During 2005, we completed two equity placings, raising a total of £12.375 million gross proceeds. All of our pre-IPO warrants and IPO broker warrants and certain employee options were exercised providing the Company with gross proceeds of £2.088 during the year.

The cash was used to fund continued exploration across all of our projects, complete the development of the Naimanjal gold/silver mine, purchase a fleet of mining equipment for Naimanjal with the remainder to be used to fund our exploration programmes through 2007. We also used a portion of the funds available to conduct due diligence on the potential acquisition of a substantial uranium project, although this was subsequently acquired by another party for a valuation in excess of what we were willing to pay.

As of 31 December 2005 the Company had more than US\$14 million of cash.

Gold Projects:

Naimanjal Gold/Silver Mine

First gold was poured at Naimanjal in September 2005. This was behind our initial schedule of May 2005 due to delays in obtaining the required permits, but we did achieve our stated objective of producing metal within the first year of listing on AIM.

We focused our initial mining on a higher percentage of ore that only required screening and agglomerating, which allowed us to postpone the installation of a crusher and shorten the development schedule. By the end of October 2005 we had stacked more than 70,000 tonnes of screened and agglomerated ore, with the coarse ore fraction stockpiled for processing after installation of the crushing circuit. We saturated the pad with cyanide solution and achieved expected percolation characteristics through the heaps and were able to commission the Merrill Crowe gold/silver recovery circuit and produce gold and silver. To ensure we did not lose the integrity of the pad, due to the extreme cold temperatures, we suspended leaching operations during the third week of November 2005. The remaining gold and silver in solution not extracted during commissioning was returned and contained in the heap pad over the winter.

We re-commenced operations in mid-April 2006, following winter, and have since commissioned a 225 tonne per hour crushing circuit and installed an additional 150 tonne per hour screening circuit. Mining operations commenced in May 2006 using contracted excavators and company owned bulldozers, front end loaders, and trucks. Three new excavators have arrived at Naimanjal facilitating increased mining rates. Stacking operations are currently about 65% of our targeted rate and these are increasing daily. We have begun leaching the stacked ore and producing gold and silver.

We are working hard to achieve our initial plan to mine and stack approximately 896,000 tonnes of ore with an average grade of 1.38 grams of gold per tonne and 10.24 grams of silver per tonne to produce 25,000 ounces of gold and 110,000 ounces of silver this year. We have just over 600,000 tonnes of ore permitted to be mined under our Pilot Production license and have an additional

400,000 tonnes of ore currently being permitted with the relevant government agencies. Our ultimate recovery is expected to be 74% of the gold and 44% of the silver contained in ore stacked on the pad. We currently recover 85% of the gold and silver contained in solution from the pad. The remaining 15% gold and silver is not wasted, there is a time delay in its ultimate recovery, which is why we will continue to leach the pads for several months after stacking is complete.

To date, we have stacked over 130,000 tonnes of ore. We expect to stack 100,000 tonnes of ore in July 2006 and significantly exceed this rate thereafter. The gold grade in our initial screened ore was less than 1 gram per tonne and the gold in coarse ore is greater than 1 gram per tonne and will be crushed and stacked this year. We expect that our average grade stacked will increase as we blend Naimanjal ore with higher grade Baritovy ore, which grades approximately 4 grammes per tonne (“gpt”) gold.

The Board believes in the strength of the gold market and is taking the view that gold prices will remain high and are likely to go higher. As a result, we are currently working with Behre Dolbear on an alternative mine plan with a lower cut-off grade. We are currently stockpiling ore that has gold grades ranging from 0.2 to 0.4 gpt. This allows us to blend with much higher grade ore or stack it as and when the metal prices increase. We are however prepared for lower prices with a forecast operating cost of US\$250 per ounce.

We have always discussed our plan for incremental expansion at Naimanjal and we purchased larger processing equipment than budgeted, albeit at a competitive cost, in order to be prepared to handle increased throughput. We believe that this will result in significant cost savings in the long run as we will not be required to replace certain items to manage and process this expansion. With this in mind, we now have a crushing and screening circuit capable of 2 million tonnes of ore per year. We will continue to incrementally upgrade equipment to allow for additional crushing, screening, and stacking capacity.

Our mining fleet consists of six 30-tonne Belaz trucks and three Daewoo 500LCV excavators. We also have several front end loaders and bull dozers. We believe this mining fleet is sufficient for our current tonnage requirements and we will study whether it is more economic to purchase additional mining equipment or hire a contract miner to increase future mining capacity.

We anticipate that all the current costs associated with the Naimanjal gold/silver mine will be funded from the Company’s existing cash resources.

Naimanjal and Satellites Exploration

Exploration this year will be focused on the near surface oxides at Naimanjal, Naiman, and Baritovy. We are very excited about a number of targets we have recently identified at Naimanjal and Naiman that are within 2 kilometres of the Naimanjal plant facility. Due to their proximity to the current mining operations, these will be the priority targets in the coming year.

Other Gold Exploration

We are planning to spend just over US\$1 million on gold exploration at Baltemir and Koskuduk with the majority of this used to drill 3,500 metres of core at Baltemir, and 9,300 metres of core at Koskuduk, where we are also planning a trenching programme of 15,000 m³. The results of this programme will be used in an updated resource estimate, expected in the next few months, and the completion of the pre-feasibility study.

We are planning further exploration work at Baltemir, including 500 metres of reverse circulation (“RC”) drilling.

Copper Projects

A US\$1 million first phase exploration programme is planned for our copper projects.

Beschoku - Yubileiny

A first phase copper exploration programme at Beschoku and Yubileiny is currently underway and includes 1,300 metres of core drilling at the Yubileiny prospect and 1,750 metres of core and 2,500 metres of RC drilling at Beschoku and 1,000 metres of RC drilling along the copper trend. We are also conducting additional soil geochemistry and trenching work. Based on the results of this initial phase, we will determine our additional work programme for the remainder of 2006.

We are planning a minor amount of exploration work at Kotansor in 2006.

Baitimir

A first phase copper exploration programme is also underway at Baitimir which includes 2,200 metres of RC drilling, additional soil geochemistry and trenching. As with Beschoku and Yubileiny the results of this initial phase will determine our additional work programme for the remainder of 2006.

Outlook

We continue to set aggressive growth targets for ourselves. We have not changed our stated goal of producing 25,000 ounces of gold in 2006, 50,000 ounces of gold in 2007, and 100,000 ounces of gold in 2008. We expect Naimanjal to become self sustaining this year.

Our exploration programmes are progressing well and we will be providing more updates in the coming weeks as to developments on our copper projects and other gold projects.

The Company also continues to review a number of exciting acquisition opportunities to provide for additional external growth.

Finally, I would like to thank my fellow directors, staff and consultants for their hard work and dedication and also thank our loyal shareholders for their continued support for the Company.

B C Savage

Chairman and Chief Executive Officer

28 June 2006

FRONTIER MINING LTD

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

	Notes	2005	2004
General and administrative expenses	4	2,867,619	2,172,797
Business development expenses		515,645	-
Finance costs	5	7,187	56,977
Other income	6	(270,372)	-
Other expenses	7	341,731	-
Foreign exchange loss/(gain), net		886,431	(136,536)
Loss from operations		4,348,241	2,093,238
Taxation	25	-	-
Net loss		4,348,241	2,093,238
Loss per share – basic and diluted (cents per share)	26	5	9

The notes on pages 11 to 28 form an integral part of these consolidated annual financial statements.

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

	Notes	2005	2004
ASSETS			
NON-CURRENT ASSETS:			
Exploration and development costs	8	6,883,607	3,210,726
Property and equipment, net	9	4,999,869	182,556
Intangible assets	10	49,691	47,329
Value-added tax receivable	11	400,622	-
Restricted cash	12	112,000	-
		<u>12,445,789</u>	<u>3,440,611</u>
CURRENT ASSETS:			
Inventory	13	934,835	-
Trade accounts receivable	14	142,445	-
Prepaid expenses	15	282,706	74,143
Other accounts receivable	16	249,174	26,103
Cash	17	13,958,038	2,650,743
		<u>15,567,198</u>	<u>2,750,989</u>
TOTAL ASSETS		<u><u>28,012,987</u></u>	<u><u>6,191,600</u></u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	18	1,325,816	611,179
Share premium	18	36,440,425	12,139,942
Treasury stock		-	(670)
Accumulated deficit		(12,729,233)	(8,380,992)
		<u>25,037,008</u>	<u>4,369,459</u>
NON-CURRENT LIABILITIES:			
Provision for future site restoration	19	119,187	112,000
Due to the Government of the Republic of Kazakhstan	20	689,605	-
Debt to Trade Development Agency	21	240,000	340,000
		<u>1,048,792</u>	<u>452,000</u>

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

	Notes	2005	2004
CURRENT LIABILITIES:			
Account payable	22	863,287	201,340
Debt to Trade Development Agency	21	100,000	-
Short-term debt	23	-	521,735
Due to the Government of the Republic of Kazakhstan	20	132,146	-
Other current liabilities	24	831,754	647,066
		<u>1,927,187</u>	<u>1,370,141</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>28,012,987</u>	<u>6,191,600</u>

The notes on pages 11 to 28 form an integral part of these consolidated annual financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

	Notes	Share capital	Treasury stock	Share premium	Accumulated deficit	Total
At December 31, 2003	18	15,995	(67)	3,931,766	(6,287,754)	(2,340,060)
Shares granted to directors, management and employees		8,390	-	809,319	-	817,709
Capital contributions in cash, net of direct issue costs		233,433	-	4,126,784	-	4,360,217
Conversion of operating liabilities and loan notes to equity		186,902	-	3,437,929	-	3,624,831
Stock split: 10 for 1		166,459	(603)	(165,856)	-	-
Net loss for the year		-	-	-	(2,093,238)	(2,093,238)
At December 31, 2004	18	611,179	(670)	12,139,942	(8,380,992)	4,369,459
Placing shares on open market		175,000		7,812,897	-	7,987,897
Shares granted		6,350		239,013	-	245,363
Private placement		400,000		12,359,240	-	12,759,240
Exercise of warrants		131,954	670	3,850,673	-	3,983,297
Exercise of options		1,333		38,660	-	39,993
Net loss for the year		-		-	(4,348,241)	(4,348,241)
At December 31, 2005	18	<u>1,325,816</u>	<u>-</u>	<u>36,440,425</u>	<u>(12,729,233)</u>	<u>25,037,008</u>

The notes on pages 11 to 28 form an integral part of these consolidated annual financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

	Notes	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES			
Loss from operations		(4,348,241)	(2,093,238)
Adjustments for non cash flow items:			
Increase in provision for future site restoration	19	-	16,466
Depreciation of property and equipment	9	471,244	19,033
Amortization of intangible assets	10	8,978	25,117
Increase in provision for tax liabilities	24	30,000	-
Finance costs	5	7,187	56,977
Loss from disposal of property and equipment		-	46,105
Operating cash flows before movements in working capital		<u>(3,830,832)</u>	<u>(1,929,540)</u>
Increase in value added tax receivable	11	(400,622)	-
Increase in inventory	13	(934,835)	-
Increase in trade accounts receivable	14	(142,445)	-
Increase in prepaid expenses	15	(208,563)	-
Increase in other receivable	16	(223,071)	(86,494)
Increase in accounts payable	22	661,947	112,746
Increase in other current liabilities	24	154,688	1,109,598
Increase in due to the Government of the Republic of Kazakhstan	20	821,751	-
NET CASH USED IN OPERATING ACTIVITIES		<u>(4,101,982)</u>	<u>(793,690)</u>
INVESTING ACTIVITIES			
Increase in exploration and development costs	8	(3,672,881)	(1,902,068)
Purchase of property and equipment, net	9	(5,288,557)	(182,619)
Purchase of intangible assets	10	(11,340)	(32,411)
NET CASH USED IN INVESTING ACTIVITIES		<u>(8,972,778)</u>	<u>(2,117,098)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED December 31, 2005

(Expressed in US Dollars)

	Notes	<u>2005</u>	<u>2004</u>
FINANCING ACTIVITIES			
Capital contributions, net of direct issue cost *	18	25,015,790	4,360,217
Proceeds received from convertible loan notes	18	-	2,306,126
(Repayment) / proceeds of short term debts	23	(521,735)	(552,894)
Interest paid		-	(56,977)
Repayment of notes payable		-	(495,823)
NET CASH FROM FINANCING ACTIVITIES		<u>24,494,055</u>	<u>5,560,649</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,419,295	2,649,861
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,650,743</u>	<u>882</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR **		<u><u>14,070,038</u></u>	<u><u>2,650,743</u></u>

* The Company granted 650,000 ordinary shares to employees at 21.50 pence per ordinary share (US\$0.37625 per share equivalent at the exchange rate in effect at that date)

** Note: the amount includes \$112,000 restricted for restoration purposes in accordance with the subsurface use contract.

The notes on pages 11 to 28 form an integral part of these consolidated annual financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in US Dollars)

1. NATURE OF THE BUSINESS

Frontier Mining Ltd (“Frontier” 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.

The principal activities of the Company and its subsidiaries (the “Group”) as of December 31, 2005 are as follows:

Operating Entity	Principal Activity	Country of incorporation
Frontier Mining Ltd	Management of the Group	United States of America
FML Kazakhstan LLP	Exploration and development	Republic of Kazakhstan
Baltemir LLP	Exploration	Republic of Kazakhstan

Through its wholly owned subsidiaries, FML Kazakhstan LLP (“FMLK”) and Baltemir LLP, Frontier holds interests in, or is the beneficial owner of, non-producing gold and copper properties in Kazakhstan. The Group is actively exploring and developing its wholly owned Naimanjal and Baltemir contract and license areas.

The Naimanjal contract dated August 16, 1999, represents the combined exploration and extraction over a 30-year period. The Naimanjal license No. 1166DD currently covers an approximate area of 529 square kilometres in North Eastern Kazakhstan.

The Baltemir license No. 1256D issued by the Competent Agency on August 16, 1999, covers an area of approximately 154 square kilometres in North Eastern Kazakhstan.

On August 27, 2005, the Company received regulatory approval for a 2½ year extension of the exploration period to evaluate four commercial discoveries on the Naimanjal license.

On August 27, 2005, the Company received regulatory approvals and commenced pilot production on the Naimanjal Mine.

At December 31, 2005, the Company’s registered office was located at: 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, the USA. At December 31, 2005, the Company had four representative offices, two of which were located in the Republic of Kazakhstan, one in Colorado, USA and one in London, England.

The number of employees of the Group at December 31, 2005 was 89 people (2004: 50 employees).

Organization history – On July 10, 1998, the founders of Frontier agreed that Frontier, upon its incorporation, would issue 280,000 ordinary shares at US\$ 0.01 par value per share to its founders as compensation and acquire, from SEMTECH in exchange for the assets and assumption of liabilities and the issuance of 200,000 ordinary shares of Frontier at par value:

- 100% of Polygon Resources LLP,
- 70% of Besshoky LLP (“Besshoky”) and
- 50% of Semgeo LLP.

Purchase accounting was used to account for the acquisition and, accordingly, the assets acquired and liabilities assumed were recorded at their respective fair market values as of the acquisition date.

On October 31, 1998 Polygon Resources LLP was re-registered in Kazakhstan as FML Kazakhstan LLP (“FMLK”) to reflect the name change and the Company’s 100% ownership.

In September 1999, Frontier acquired 100% of Baltemir LLP by issuing the owners 50,000 ordinary shares of Frontier and agreeing to pay historical exploration expenses to the main shareholder.

Besshoky LLP and Semgeo LLP ceased their operations and were liquidated by the Company in January and February 2004, respectively.

Political and economic environment – The Kazakhstan economy continues to display certain traits consistent with that of a market economy in transition. These characteristics have in the past included:

- higher than normal historic inflation,
- lack of liquidity in the capital markets, and
- the existence of currency controls, which cause the national currency to be illiquid outside of Kazakhstan.

The continued success and stability of the Kazakhstan economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Meanwhile, the Company's operations and financial position will continue to be affected by Kazakhstan political developments including the application of existing and future legislation and tax regulations. The likelihood of such occurrences and their effect on the Company could have a significant impact on the Company's ability to continue operations. As of December 31, 2005, the Company does not believe that any material matters exist relating to the developing markets and evolving fiscal and regulatory environment in Kazakhstan, including current pending or future governmental claims and demands, which would require adjustment to the accompanying financial statements in order for those statements not to be misleading.

2. PRESENTATION OF FINANCIAL STATEMENTS

Consolidated subsidiaries – FML Kazakhstan LLP (100% ownership) and Baltemir LLP (100% ownership).

Basis of presentation – These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements are presented in US Dollars (“US\$” or “\$”), unless otherwise indicated. The US Dollar is used as the functional and presentation currency as the majority of the Group’s transactions are denominated and measured in US Dollars. Transactions in other currencies are treated as transactions in foreign currencies.

The consolidated annual financial statements are prepared under the historical cost convention.

Principles of consolidation – The consolidated annual financial statements of the Group include Frontier and the companies that it controls, and from which it obtains economic benefits. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company’s share capital and is able to govern the financial and operating policies of an enterprise, so as to benefit from its activities and plans to retain this control for at least one year from the balance sheet date. Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date control is deemed to be temporary, if easily determinable with reasonable certainty. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Use of estimates and assumptions – The preparation of consolidated annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Going concern – These consolidated annual financial statements were prepared on a going concern basis and there is no evidence that the Group is intending or in a position to terminate or significantly reduce its operations in the near future.

The Group operates as a natural resources exploration company. To date, the Group has not earned significant revenues and is considered to be in the exploration and development stage. The Group incurred losses of US\$ 4,348,241 and US\$ 2,093,238 for the years ended December 31, 2005 and 2004 respectively. The Group has an accumulated deficit of US\$ 13,355,480 and US\$ 8,380,992 as at December 31, 2005 and December 31, 2004 respectively. These factors, as well as other factors, raise doubt about whether the Group can continue as a going concern.

Additional financing will be required to fund any material expenditures relating to new mineral exploration projects or advancing the Group’s current projects. Whilst the Group has been successful in raising financing in the past, there can be no assurance that the Group will be able to continue to raise such additional financing as may be required for future operations.

The Group intends to seek additional financing through the issuance of equity or debt instruments.

The consolidated annual financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result from the outcome of this uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment – Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	10 – 14
Machinery and equipment	4 – 10
Other	5 – 12

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Exploration and development costs

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalized (and classified as either tangible or intangible assets) and carried at cost with the intention that these will be amortized by charges against earnings from future mining operations.

Exploration and development assets are measured at cost.

Expenditures related to the following activities are included in the initial measurement of exploration and development assets:

- acquisition of rights to explore, mining licenses;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating technical feasibility and commercial viability of extracting a mineral resource.

Expenditures not included in the initial measurement of exploration and development assets are:

- the development of a mineral resource once technical feasibility and commercial viability of extracting a mineral resource have been established; and
- administration and other general overhead costs.

Upon reaching designed commercial production capacity, exploration and development costs are amortised using the unit of production method based on the volumes of proved and probable reserves of ore and are written off as the assets are depleted.

Site restoration costs

Provision is made for the close down, restoration and, environmental clean up costs, where there are legal or constructive obligations to do so, (which includes the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs, based on the estimated future costs. The provision is discounted where material and the unwinding of the discount is shown as a finance cost in the consolidated income statement. At the time of establishing the provision, a corresponding asset is capitalized and depreciated on a unit of production basis upon the commencement of production.

The provision is reviewed on an annual basis for changes in cost estimates or economic useful life of existing operations.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated income statement as incurred.

Intangible assets – Intangible assets include licenses and computer software. Intangible assets under development are not amortized. Amortization of these assets will begin when the related assets are placed in service.

Licenses – Licenses are stated at cost net of accumulated amortization. Amortization is provided so as to write down the cost of an asset on a straight-line basis over its estimated useful economic life.

Computer software – Computer software costs are recognized as assets at cost and are amortized on a straight-line basis over their useful lives, but not exceeding a period of seven years.

Impairment of tangible and intangible assets – At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land, buildings, other than investment property, or equipment, carried at a revalued amount, in which case the impairment loss is treated as decrease in revaluation reserve.

Equity instruments - Equity instruments issued by the Group are recorded at the time proceeds are received, net of direct issue cost. Changes in the fair value of a contract arising from variations in market interest rates do not affect the amount of cash or other financial assets to be paid or received, or the number of equity instruments to be received or delivered. Changes in the fair value of an equity instrument are not recognized in the financial statements.

Inventories – Materials are stated at the lower of cost or net realizable value. Cost comprises direct materials, customs duties, and transportation and handling costs. Cost is calculated using the first-in-first-out method.

Work in process is valued at the net unit cost of production based on the percentage of completion method.

Finished goods are measure at the lower of net production costs on the weighted average basis, or net realizable value. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Accounts receivable – Accounts receivable are stated at their net realizable value after deducting provisions for uncollectible amounts.

Cash and cash equivalents – Cash includes cash on hands, deposits with banks with original maturity terms not less than two years.

Restricted cash – Restricted cash includes deposits with banks with original maturity terms not less than five years.

Trade and other payables – Trade and other payable are stated at their nominal value.

Taxation – The Company is not subject to taxation on a consolidated basis.

Frontier is subject to United States federal, state and foreign income taxes. There are no currently payable income taxes. For companies working under Kazakhstan legislation current taxes are calculated in accordance with the regulations of the Republic of Kazakhstan and are based on the companies' operating results prepared under Kazakhstan Accounting Standards after adjustments for tax purposes.

As of December 31, 2005 net deferred tax assets, primarily related to net operating loss carryforwards, have been entirely offset by a valuation allowance due to the uncertainty associated with the Company being able to generate taxable income in the future.

Deferred income taxes are accounted for using the balance sheet liability method in respect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the accompanying

consolidated annual financial statements to the extent that there is a reasonable expectation of their realization. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

A valuation allowance is provided when it is probable that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. It is charged or credited to the consolidated income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Employee benefit costs – The Group does not have any pension program from the State pension scheme of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments. Such contributions (social tax payments) are charged to expense as incurred.

Provisions – A provision is recognized when, and only when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (that is, more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is determined based on the present value of the expenditures expected to be required to settle the obligation.

Borrowings costs - Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset.

Reclassifications – Certain reclassifications have been made to the consolidated annual financial statements for the year ended December 31, 2004 to conform to their current period presentations. These reclassifications have not affected previously reported results of operations or shareholders' equity.

4. GENERAL AND ADMINISTRATIVE EXPENSES

	2005	2004
	<u> </u>	<u> </u>
Payroll and related staff costs	1,092,553	535,869
Travel and accommodation	434,986	191,733
Shares grants and options to Directors, Management and employees	245,363	817,709
Rent and office services	223,599	189,394
Financial and consulting services	179,616	109,987
Telecommunication	143,673	73,108
Depreciation and amortization (refer to notes 9 and 10)	118,393	23,764
Audit and accounting fees	112,047	43,750
Public relations and promotion	74,101	-
Printing stationary and office miscellaneous	67,620	29,090
Taxes other than income tax	56,582	51,293
Insurance	46,168	98,517
Bank charges	30,056	3,199
Other expenses	42,862	5,384
	<u>2,867,619</u>	<u>2,172,797</u>

5. FINANCE COSTS

	2005	2004
	<u> </u>	<u> </u>
Interest on notes payable	-	38,794

Interest on loans from employees	-	13,634
Unwinding of discount for site restoration provision	7,187	4,549
	<u>7,187</u>	<u>56,977</u>

6. OTHER INCOME

	2005	2004
Gross revenue from sales of gold	231,781	-
Interest on deposits	33,093	-
Other	5,498	-
	<u>270,372</u>	<u>-</u>

In September 2005 the Group started pilot production at the Naimanjil mine. The revenue for the period comprised of amounts invoiced to Metalor Technologies S.A. for initial sales of gold produced from September to December 2005.

7. OTHER EXPENSES

	2005	2004
Start up expenses attributable to initial sales of gold	324,115	-
Other	17,616	-
	<u>341,731</u>	<u>-</u>

8. EXPLORATION AND DEVELOPMENT COSTS

Cost:	
At December 31, 2003	1,308,658
Additions	1,902,068
At December 31, 2004	<u>3,210,726</u>
Additions	3,672,881
At December 31, 2005	<u>6,883,607</u>

9. PROPERTY AND EQUIPMENT, NET

	Machinery & equipment	Transport & vehicles	Office equipment	Capital work in progress (Naimanjil complex)	Total
Cost:					
At December 31, 2003	37,919	-	56,044	1,900	95,863
Additions	29,824	31,224	121,571	-	182,619
Disposal	-	-	(55,677)	-	(55,677)
At December 31, 2004	<u>67,743</u>	<u>31,224</u>	<u>121,938</u>	<u>1,900</u>	<u>222,805</u>
Additions	726,526	50,257	255,309	4,333,389	5,365,481
Disposals	(12,818)	-	(64,106)	-	(76,924)
At December 31, 2005	<u>781,451</u>	<u>81,481</u>	<u>313,141</u>	<u>4,335,289</u>	<u>5,511,362</u>
Accumulated Depreciation:					
At December 31, 2003	(6,074)	-	(24,714)	-	(30,788)
Charge for the year	(1,846)	(2,478)	(14,709)	-	(19,033)
Disposal	3,037	-	6,535	-	9,572
At December 31, 2004	<u>(4,883)</u>	<u>(2,478)</u>	<u>(32,888)</u>	<u>-</u>	<u>(40,249)</u>

Charge for the year	<u>(328,497)</u>	<u>(20,124)</u>	<u>(122,623)</u>	<u>-</u>	<u>(471,244)</u>
At December 31, 2005	<u><u>(333,380)</u></u>	<u><u>(22,602)</u></u>	<u><u>(155,511)</u></u>	<u><u>-</u></u>	<u><u>(511,493)</u></u>
Net book value:					
At December 31, 2004	<u>62,860</u>	<u>28,746</u>	<u>89,050</u>	<u>1,900</u>	<u>182,556</u>
At December 31, 2005	<u><u>448,071</u></u>	<u><u>58,879</u></u>	<u><u>157,630</u></u>	<u><u>4,335,289</u></u>	<u><u>4,999,869</u></u>

10. INTANGIBLE ASSETS

	Licenses	Software	Total
Cost:			
At December 31, 2003	2,847	30,761	33,608
Additions	-	32,411	32,411
At December 31, 2004	<u>2,847</u>	<u>63,172</u>	<u>66,019</u>
Additions	658	10,682	11,340
At December 31, 2005	<u><u>3,505</u></u>	<u><u>73,854</u></u>	<u><u>77,359</u></u>
Accumulated amortization:			
At December 31, 2003	(1,116)	(13,282)	(14,398)
Charge for the year	(192)	(4,100)	(4,292)
At December 31, 2004	<u>(1,308)</u>	<u>(17,382)</u>	<u>(18,690)</u>
Charge for the year	<u>(128)</u>	<u>(8,850)</u>	<u>(8,978)</u>
At December 31, 2005	<u><u>(1,436)</u></u>	<u><u>(26,232)</u></u>	<u><u>(27,668)</u></u>
Net book value:			
At December 31, 2004	<u>1,539</u>	<u>45,790</u>	<u>47,329</u>
At December 31, 2005	<u><u>2,069</u></u>	<u><u>47,622</u></u>	<u><u>49,691</u></u>

11. VALUE-ADDED TAX RECEIVABLE

Value-added tax (VAT) receivable was recorded in the books of FML Kazakhstan as of December 31, 2005 and has been classified as non-current assets. FML Kazakhstan is in pilot production and will be able to recover the VAT amount in 2008 when the Group expects to commence commercial production as per the Kazakh tax code.

12. RESTRICTED CASH

Restricted cash as of December 31, 2005 in the amount of US\$ 112,000 (December 31, 2004: nil), represents cash held in a restricted bank account for future site restoration works. Such costs are expected to be incurred at the end of the mines' estimated economic useful life, approximately between the years 2025 to 2026.

13. INVENTORY

	2005	2004
Materials	221,602	-
Gold in ore in stockpile	98,579	-
Gold in ore on pad	475,782	-
Gold in circuit	14,409	-
Gold in dore	<u>124,463</u>	<u>-</u>
	<u><u>934,835</u></u>	<u><u>-</u></u>

14. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as of December 31, 2005 comprise of amount receivable from Metalor Technologies S.A. for initial sales of gold in December 2005.

15. PREPAID EXPENSES

As of December 31, 2005 and December 31, 2004, Prepaid expenses primarily relate to materials, works and services for the construction of the camp and the plant at the Naimanjal mine.

16. OTHER ACCOUNTS RECEIVABLE

	2005	2004
Due from employees	41,511	7,228
Deferred expenses	112,771	16,407
Other receivables	86,869	-
Security deposit on office rent	8,023	2,468
	<u>249,174</u>	<u>26,103</u>

17. CASH

	December 31, 2005	December 31, 2004
GBP current bank account	13,627,397	2,465,042
US Dollars current bank account	202,564	113,011
KZT current bank account	5,484	67,410
Cash on hand	2,243	5,280
Cash in transit	120,350	
	<u>13,958,038</u>	<u>2,650,743</u>

18. SHARE CAPITAL

As of December 31, 2005, the Company's authorized capital comprises 500,000,000 ordinary shares of US\$0.01 par value per share (December 31, 2004: 100,000,000 shares at US \$0.01 par value each)

Movements in the issued share capital for the period ended December 31, 2005 was as follows:

	Number of shares and outstanding	Ordinary share capital	Treasury stocks	Share premium	Total
December 31, 2003	1,599,500	15,995	(67)	3,931,766	3,947,694
Shares granted to Directors and Management	200,000	2,000	-	598,000	600,000
Capital contributions in cash	10,000	100	-	29,880	29,980
Conversion of operating liabilities to equity	40,000	400	-	119,600	120,000
Total before split	1,849,500	18,495	(67)	4,679,246	4,697,674
Stock split: 10 for 1	16,645,900	166,459	(603)	(165,856)	-
Total shares after split	18,495,400	184,954	(670)	4,513,390	4,697,674
Conversion of short -term debt of Directors and Management to equity	5,993,526	59,935	-	1,138,770	1,198,705
Shares granted to Directors and Management	158,984	1,590	-	27,378	28,968
Conversion of convertible loan notes to equity	12,656,657	126,567	-	2,179,559	2,306,126
AIM placement, net of direct issue costs	23,333,330	233,333	-	4,096,904	4,330,237
Exercise of options	480,000	4,800	-	183,941	188,741
December 31, 2004	61,117,897	611,179	(670)	12,139,942	12,750,451
AIM placement, net of direct issue cost	17,500,000	175,000	-	7,812,897	7,987,897
Private placement, net of direct issue cost	40,000,000	400,000	-	12,359,240	12,759,240
Shares granted to Directors and Management	635,000	6,350	-	239,013	245,363
Exercise of warrants	13,262,366	131,954	670	3,850,673	3,983,297
Exercise of options	133,300	1,333	-	38,660	39,993
December 31, 2005	132,648,563	1,325,816	-	36,440,425	37,766,241

On January 1, 2005, 43,310 options were exercised to purchase 43,310 ordinary shares of US\$ 0.01 par value per share at a price of US\$ 0.30 per ordinary share providing the Company with proceeds of US\$ 12,993.

On March 4, 2005, the Company placed 17,500,000 ordinary shares of US\$ 0.01 par value per share ("New Ordinary Shares") with institutional investors in the United Kingdom at a price of 25 pence per ordinary share to raise £4.375 million before expenses (US\$ 8,122 million equivalent at the exchange rate in effect on that date).

On June 17, 2005, Numis Securities Ltd exercised its options to purchase 605,709 ordinary shares of US\$ 0.01 par value per share at a price of 15 pence per ordinary share (US\$ 0.27 per ordinary share equivalent at the exchange rate in effect on that date) providing the Company with proceeds of £90,856 (US\$ 163,541.43 equivalent at the exchange rate in effect on that date).

The ordinary shares issued upon exercise of warrants and options are admitted to trading on the AIM as soon as possible after their issuance.

On December 14, 2005 the Company placed 40,000,000 ordinary shares of US \$0.01 par value each with private investors in the United Kingdom at a price of 20 pence per ordinary share to raise £8 million before expenses (US \$13.750 million equivalent at the exchange rate in effect on that date). The ordinary shares are admitted to trading on the AIM on December 28th 2005.

As of December 31, 2005, all 12,656,657 warrants were exercised at a price of 16.5 pence per ordinary share providing the Company with £1.576 million additional proceeds (US \$2.993 million equivalent at the exchange rate in effect on that date). The ordinary shares issued upon exercise of warrants are admitted to trading on the AIM as soon as possible after their issuance.

Changes to the Company's warrants are summarised as follows:

	Balance as of 01/01/2005	Granted	Exercised	Balance as of 31/12/2005	Expiry date
Warrants at 16.5 pence	12,656,657	-	(12,656,657)	-	31/12/05
Warrants at 15 pence	605,709	-	(605,709)	-	31/12/05
	13,262,366	-	(13,262,366)	-	

Changes to the Company's stock options are summarised as follows:

	2005		2004	
	Number of options	Wt. Avg. Option Price	Number of options	Wt. Avg. Option Price
Balance, Beginning of Year	303,300		303,300	
Granted	260,000	\$0.38	480,000	\$0.38
Exercised	(133,300)	\$0.30	(480,000)	\$0.38
Expired	(30,000)	\$0.30	-	
Balance, End of Year	400,000		303,300	

The Company maintains an incentive stock option plan ("plan") under which directors, officers and key personnel may be granted options to purchase common shares of the Company. The Company intends to follow the Association of British Insurers' guidelines allowing up to 10% of the outstanding stock to be made available in options to executive directors and employees. The Company has reserved 6,057,091 common shares for issuance upon the exercise of options granted under the terms of the plan (2004 – 6,057,091). The Board of Directors determined the exercise price of each option (140,000 shares at US\$0.30, 5,960,401 shares at 15 pence). The vesting periods established under the Company's stock option plan and the term of the options are set by the board of directors, subject to a maximum term for any option of 5 years.

19. PROVISION FOR FUTURE SITE RESTORATION

As of December 31, 2005 environmental restoration provisions are related to obligations to restore and make safe mines after use and the estimated costs of cleaning up any possible contamination. Most of these costs are expected to be incurred at the end of the mines' useful operations, approximately between the years 2025 to 2026. The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the estimated lives of the mines, the scale of any possible contamination and the timing and extent of corrective actions.

The movements in the site restoration provision were as follows for the periods ended December 31, 2005 and December 31, 2004:

	2005	2004
At the beginning of the year	112,000	90,985
Site restoration provision	-	16,466
Unwinding of discount	7,187	4,549

<u>119,187</u>	<u>112,000</u>
----------------	----------------

20. DUE TO THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

The Company is obligated to reimburse to the Government of Kazakhstan of US\$ 1,436,400 in respect of the historical cost of geological studies performed in respect of the Naimanjal contract. US\$ 14,364 was already paid by the Company and the rest of the amount was discounted at 12%. Pursuant to the exploration contract the cost of geologic studies is to be repaid in 40 equal, quarterly installments, commencing from the date of commercial production.

	<u>2005</u>	<u>2004</u>
Current portion of due to Republic of Kazakhstan	132,146	-
Non-current portion of due to Republic of Kazakhstan	689,605	-
	<u>821,751</u>	<u>-</u>

21. DEBT TO THE US TRADE AND DEVELOPMENT AGENCY

	<u>2005</u>	<u>2004</u>
Current portion of debt to TDA	100,000	-
Non-current portion of debt to TDA	240,000	340,000
	<u>340,000</u>	<u>340,000</u>

As of December 31, 2004 short-term debt comprised of grant received from the US Trade and Development Agency ("TDA"). It is interest free grant and denominated in US Dollars. In accordance with the terms of the grant, the grant is refundable to the TDA when the Company succeeds in obtaining funding for the Naimanjal mine based on the feasibility study that the grant was provided to finance.

22. ACCOUNTS PAYABLE

As of December 31, 2005 and December 31, 2004 accounts payable comprised payables for geological, topographical and geophysical studies and consulting fees payable, which were denominated in US\$.

	<u>2005</u>	<u>2004</u>
Geological works and services	463,287	201,340
Consulting services	400,000	-
	<u>863,287</u>	<u>201,340</u>

23. SHORT-TERM DEBT

As of December 31, 2005 and December 31, 2004 short-term debt comprised the following:

	<u>2005</u>	<u>2004</u>
Loans from Small World Associates Company ("SWA") (refer to note 8)	-	109,629
Debt to Degelen LLP	-	412,106
	<u>-</u>	<u>521,735</u>

As of December 31, 2005 the debt of US \$412,106 to Degelen LLP, the former shareholder of Baltemir LLP, was fully repaid.

As of December 31, 2005 loans from SWA comprised payables for surveyor and geochemical sampling services provided by SWA, was written off. The loans were denominated in US Dollars, and interest free.

24. OTHER CURRENT LIABILITIES

As of December 31, 2005 and December 31, 2004 other payables and accrued expenses comprised the following:

	2005	2004
Due to employees	322,283	218,429
Tax penalties provision	365,618	335,618
Taxes other than on income	91,330	32,223
For audit services provided	-	59,758
Unused vacation reserve	51,514	-
Other	1,009	1,038
	<u>831,754</u>	<u>647,066</u>

25. TAXATION

The effective income tax rate differs from statutory income tax rates. A reconciliation of the income tax expenses based on statutory rates with actual is as follows for period ended December 31, 2005 and December 31, 2004:

	2005	2004
Loss before income tax	(4,348,241)	(2,093,238)
Statutory tax rate	30%	30%
Theoretical income tax benefit at the statutory rate	(1,304,472)	(627,971)
Payroll and related staff costs	327,766	234,406
Travel and accommodation	123,019	57,520
Rent and office services	67,080	20,955
Telecommunication	43,102	6,447
Audit and accounting fees	33,614	-
Taxes other than income tax	16,975	13,135
Financial and consulting services	53,885	32,996
Depreciation and amortization	35,517	7,129
Printing stationary and office miscellaneous	20,286	8,727
Bank charges	9,017	960
Public relation	22,230	-
Other operating expenses	20,335	572
Insurance	13,850	29,555
Changes in unrecognized deferred tax assets	517,796	215,569
	<u>-</u>	<u>-</u>

As of December 31, 2005, for financial reporting purposes, the deferred tax assets were not recognized in accordance with the prudence concept due to the uncertainty that these deferred tax assets will be realized.

	2005	2004
Exploration and development cost capitalized in tax books	2,023,221	1,505,425
Unrecognised deferred tax assets	(2,023,221)	(1,505,425)
Deferred tax assets	<u>-</u>	<u>-</u>

26. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive options, warrants and other shares reserved for issuance.

The following reflects the loss and share data used in the basic and diluted loss per ordinary share computations:

	December 31, 2005	December 31, 2004
Net loss attributable to ordinary shareholders for basic loss per share	(4,348,241)	(2,093,238)
Net loss attributable to ordinary shareholders for diluted loss per share	(4,348,241)	(2,093,238)
Weighted average number of ordinary shares for basic loss per share	82,752,099	22,525,009
Effect of dilution:		
Options	56,170	-
Warrants	3,570,444	4,172,903
Adjusted weighted average number of ordinary shares for diluted loss per share	86,378,713	26,697,912

The effect of warrants on loss per ordinary share for the year ended December 31, 2005 and 2004 is anti-dilutive.

27. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions with related parties for the year ended December 31, 2005 and balances as of this date were carried out at market terms and were as follows:

	December 31, 2005		December 31, 2004	
	Related party transactions	Total category	Related party transactions	Total category
Due to employees (see Note 24)	41,511	112,790	218,429	218,429
Short-term debt (see Note 23)	-	-	109,629	109,629
Accounts payable (see Note 22)	-	863,287	31,576	201,340
Other accounts receivable (see Note 16)	322,284	374,807	7,228	26,013
	12 months 2005		12 months 2004	
	Related party transactions	Total category	Related party transactions	Total category
Finance cost (see Note 5)	-	7,187	52,428	56,977

As December 31, 2005, related parties primarily include the directors and management of the Company who own the majority of the Company's share capital.

Key management personnel totals to 3 persons as at December 31, 2005 (2004: 3 persons). Total compensation to key management personnel included in general and administrative expenses in the income statement was 614,400 US dollars for the year ended December 31, 2005 (2004: 246,600 US dollars).

28. COMMITMENTS AND CONTINGENT LIABILITIES

License commitments

In 2005, the Group prolonged contracts for exploration and subsequent production for Naimanjal and Baltemir licenses. Each contract includes a work program defining the Group's obligations for investment into exploration of the licenses and contracts. The total amount of the minimum work program commitments is US \$500,000 to December 31, 2006.

Taxation

Legislation and regulations regarding taxation, foreign currency translations and licensing of foreign currency loans in the Republic of Kazakhstan continue to evolve as the central government manages the transformation from a command to a market-oriented economy.

The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors, National Bank officials, and the Ministry of Finance. Instances of inconsistent opinions between local, regional, and national tax authorities and between National Bank and the Ministry of Finance are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's law, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid. Interest is assessable at rates of generally 0.03% per day. As a result, penalties and interest can result in amounts that are multiples of any unreported taxes.

The Group believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate.

Because of the uncertainties associated with the Kazakh tax and legal systems, the ultimate amount of taxes, penalties and interest, if any, assessed may be in excess of the amount expensed to date and accrued at December 31, 2003. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

Environmental Matters

The Group is subject to various environmental laws and regulations of the Republic of Kazakhstan. While management believes that substantial compliance with such laws and regulations has been achieved, there can be no assurances that contingent liabilities do not exist.

Legal Issues

In the ordinary course of business, the Group can be subject to legal actions and complaints. Management is not aware of any current or pending legal action or complaint. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

29. CONCENTRATION OF BUSINESS RISK

The Group's main business activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

30. SUBSEQUENT EVENTS

As of June 20, 2006 the Company had purchased approximately US\$ 4.5 million of mining plant and equipment for its Naimanjal and Koskuduk projects.

The Company, through its registrar, Computershare Investor Services {Channel Islands} Limited, has established a depository arrangement whereby depository interests representing Shares will be issued to investors who wish to hold their Shares in electronic form within the CREST system.

Further company information may be accessed at the Frontier Mining Ltd. website at: www.frontiermining.com

END

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. Terms and conditions, including restrictions on use and distribution apply.

©2006 London Stock Exchange plc. All rights reserved