



17 June 2010

Frontier Mining Ltd
("Frontier" or "the Company")

Final Results for the year ended 31 December 2009

Frontier Mining Ltd (AIM: FML), the AIM listed gold and copper exploration and development company focused on Kazakhstan, today announces its final results for the year ended 31 December 2009.

Financial Highlights

- Revenue \$2.9 million (2008: \$0.8 million)
- Operating loss reduced to \$2.6 million (2008 \$4.5 million) before finance costs and other gains/losses
- \$14 million financing completed, comprising \$4m equity placement and \$10m debt facility
- £5 million Standby Equity Distribution Agreement signed with YA Global Master SPV LTD
- Repayment of \$7.7 million convertible note

Operational Highlights

- Erlan Sagadiev appointed as Chairman and Chief Executive Officer of Frontier
- Completion of 54 hole (approximately 6,700 meters) drilling programme designed to confirm the oxide zone of the Benkala deposit
- \$6.2 million invested into Benkala by KazCopper LLP
- Gold production at Naimanjal restarted with 2,620 oz produced in 2009 (2008 772 oz)
- Decision made to focus development at Naimanjal on the Koskuduk deposit

Post-Period Highlights

- Merger discussions underway with Coville Intercorp Ltd to acquire their 50% of Benkala deposit and their Maminskoye gold deposit in Russia
- £6.1 million received from exercise of warrants used to repay majority of Zere Group JSC loans
- \$10 million financial facility with Zere Group JSC extended for additional 12 months.
- New Wardle-Armstrong report giving updated NPV valuation of Benkala Oxide deposit as \$191 million
- Engineering design contract signed with Calder Maloney Pty Ltd for detailed design of the Benkala SE-EW plant
- Naimanjal licence extensions received for all areas to 31 December 2010

Erlan Sagadiev, CEO of Frontier, commented: "Our core focus going forward is to ensure that cash flow from existing and new operations will strongly support future expansion plans and acquisitions. Frontier's improved performance during 2009 has demonstrated the capability of the new management team and with facilities in place to fund working capital for the year ahead combined with expected revenue flow from Koskuduk, we are confident that our plans for 2010 can be achieved."

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

Summary

As Chairman and CEO of Frontier Mining Ltd, I am pleased to report the Financial Results of Frontier for the year ended 31 December 2009. This was a critical and transformational year for Frontier in which a new and stronger management team brought fresh financing and a re-energised vision to the Company. In addition, new plans were laid to expand and develop the Company's asset portfolio. During 2009 we achieved a number of important objectives:

- New management team appointed
- \$14 million financing completed, comprising \$4 million equity placement and \$10 million debt facility
- Revived production at Naimanjai
- Advanced pre-production planning at Koskuduk
- Continued development activity at Benkala copper project

Subsequent to the year-end, we announced merger discussions between Frontier and our joint venture partner, Coville Intercorp Ltd., which will consolidate ownership and operation of the Benkala copper project and will also add the development stage Maminskoye gold project to Frontier's development pipeline.

Importantly, we have undertaken a comprehensive review of all of the Company's assets and this has led to the development of our largest and most important assets (Benkala, Baitemir and, post merger, Maminskoye) becoming our primary focus. Going forward, the Company's smaller assets will act as a source of short-term cash to support the larger operations.

Operating and Financial Highlights

Sales revenue for the year was \$2.9 million (2008: \$0.8 million) consisting of 2,620 ounces of gold at an average price of \$1,063 an ounce, and 13,644 ounces of silver at an average price of \$17 per ounce. The operating loss for the year was \$2.9 million (2008 \$4.5 million), \$6.2 million has been invested on the Benkala project and \$8 million of debt and overdue payables was retired. A loss, resulting from the issuing of warrants and the recalculation of their fair value at year end, of \$24.9 million and finance and other costs of \$2.8 million means a total loss \$30.6 million for 2009 (2008: \$5.3 million).

Financial restructuring was a key achievement in 2009, with the provision of the \$10 million financial facility by Zere Group JSC in April being critical to reinvigorating the financial health of the Company. This ensured that Frontier had enough working capital throughout the year to work on achieving its goals. In January 2010 this facility was renewed for another year, providing the Company with sufficient working capital for 2010.

Additionally, the \$4 million placement by Sokol Holdings Inc allowed Frontier to retire a significant amount of debt, while the £5 million Standby Equity Distribution Agreement with Yorkville further strengthened the Company's available sources of funding and provided an external vote of confidence in Frontier.

The new management team has also taken an aggressive position with respect to managing costs. There was a significant reduction in operating expenses from the previous year (2009 \$1.9m, 2008 \$4.5m) such that overheads are now running at approximately 50% of previous levels.

Project Review

Benkala

The Benkala Project ("Benkala"), a copper-molybdenum-gold deposit, is Frontier's flagship asset and is managed through KazCopper LLP ("KazCopper"), the 50% joint venture between Frontier and Coville Intercorp Ltd ("Coville"). Benkala is located in north-western Kazakhstan in the Urals gold/copper ore belt, north east of Aktobe Oblast and 100km south east of the Zhetikara Mountains, an area close to the Russian border with a long regional mining history. Benkala is in an attractive position for mine development given that it already contains developed infrastructure, including a main line railway, an all weather highway and excellent power supply to the site.

A Competent Persons Report ("CPR") on the Benkala project, completed by Wardell Armstrong International ("WAI") in March 2007 and updated in May 2010, estimates 47.75 Mt at an average grade of

0.36% Cu for the oxide mineralisation, and 873.75 Mt at an average grade of 0.30% Cu for the sulphide mineralisation, representing some 2.8 million tonnes of contained copper.

In 2009 KazCopper invested \$6.2 million to advance development at Benkala. KazCopper completed a 6,000 meter, 54 hole drilling programme to prepare the deposit for initial mining in 2010. Initial assay results back from independent laboratories confirm prior work. Further confirmation testing is scheduled for the second half of 2010 with Alex Stuart laboratories, and the Company anticipates releasing an updated JORC compliant resource statement for the oxide/supergene zone by Q4 2010.

KazCopper LLP also accomplished a considerable amount of work at the Benkala site in 2009. One electrical power line was constructed to the site and KazCopper will connect a second line in 2010. KazCopper has received technical and regional authority approval to connect electricity to the Benkala site. Almost all the mining fleet is now assembled at the site, with initial pit excavation planned to start in June 2010, as KazCopper has now received an excavation licence to mine 3million meters³ of overburden and ore in 2010.

To advance these efforts, on May 20, 2010 KazCopper signed a contract with Calder Maloney Pty Ltd, an Australian engineering and design firm, for detailed engineering design of the Benkala SE-EW plant and has identified key vendors for plant equipment. Construction work on the plant and other site infrastructure, and the foundation works to establish a 7,000 tonne per year SX-EW cathode copper plant, are planned to commence in Q3 2010.

These efforts will allow KazCopper to commence pilot mining and to progress towards production and near term-cash flow in the oxide/supergene and mixed sulphide ores at Benkala in Q2 2011, subject to further regulatory and production approvals. This early production will help finance development of an expanded SX-EW facility and further feasibility work on the Benkala sulphide resources.

Benkala is set to be a key driver in bringing Frontier into significant revenue streams in the short to medium term. The Company is exploring funding options to accelerate construction.

Naimanjal

The Naimanjal District comprises an area of approximately 170 square kilometres with a number of highly mineralised discoveries. The existing Naimanjal mine represents one commercial discovery on a small part of that area. The Naimanjal District includes 6 identified satellite prospects and more than 100 exploration targets. The Measured, Indicated, and Inferred resource at the Naimanjal mine (using a cut-off grade of 0.3 g/t on a gold equivalent basis) totals 11,803,332 tonnes with an average grade of 0.67 g/t gold and 18.46 g/t silver, containing 252,648 ounces of gold and 7,007,175 ounces of silver.

To date, the Naimanjal mine has been Frontier's only producing operation. In 2009 Naimanjal produced 2,620 ounces of gold and 13,644 ounces of silver sold for an average price of \$1,063 per ounce gold and \$17 per ounce silver, resulting in income of \$2.9 million. This compares with production of 772 ounces of gold and 8,809 of silver in 2008.

The Company commenced production at Naimanjal based on limited knowledge of the overall district potential because all regulatory approvals were already in hand. With new management on board, a technical review of the project was conducted in early 2009 as well as an assessment of other targets within the district. Based on this review the Company decided to shift production to other nearby gold deposits, starting first at Koskuduk and subsequently at Beschoku. Each of these deposits has higher grades and better mining thicknesses than at Naimanjal. During 2010 the Company will complete leaching of ore mined in 2009 at Naimanjal and then keep the licence in good standing until production restarts.

Koskuduk

The Koskuduk deposit is located approximately 120 km south-east of Naimanjal and hosts an existing Russian C2 Resource of 180,000 ounces of gold at an average grade of approximately 2 grams per tonne. Frontier believes this deposit has upside potential and has commenced relocation of its mining operations in the region to access this new resource.

The new gold leach plant was built at Koskuduk over the winter and mining started in November 2009. Despite an unusually cold winter with record temperatures and snow levels, Frontier's team in Kazakhstan has done an excellent job to build a plant, install crushing equipment and start the pit excavation over the winter. The Company expects to start leaching at Koskuduk in June 2010 with the production target for 2010 set at 10,000 ounces of gold.

Frontier believes that Koskuduk will be an important source of cash to fund the Company's activities for several years to come.

Baitemir

The Naimanjal District also includes the Baitemir copper prospect located approximately 40 km south-east of Naimanjal. Copper-gold mineralisation is hosted both in intrusive and volcanic rocks.

The Company is very optimistic about the Baitemir copper reserve. Further drilling and analytical work will be completed in 2010 but available data suggests that Baitemir will exceed 800,000 tons of contained copper with an oxide portion of over 100,000 tons at very acceptable grades of over 0.40%.

Most likely Baitemir will be Frontier's next large SX-EW project with production reaching over 10,000 tons of cathode copper per year. Based on availability of funding and human resources, the Company would like to launch the Baitemir project in 2013.

Beschoku and Yubileiny

Beschoku is a smaller, hydrothermal breccia, high grade gold/copper deposit located approximately 60 kilometres south-east of Naimanjal, which Frontier is currently planning to bring into production in 2013. During 2010 the Company will complete a drilling programme to plan mining operations and gather material for metallurgical testing and complete all necessary documentation for submission to the authorities. Frontier will spend part of 2010 carrying out additional laboratory works to determine the optimum gold copper separation technology for the Beschoku ore. The initial results to date have been positive, but with the Company's focus on larger, and higher priority targets, the launch of operations at Beschoku and Yubileiny will depend on availability of funds and qualified personnel.

Overall

We consider 2009 as a turning point in Frontier's history. With a new management team and access to sufficient funds the Company has been able to re-establish itself on a growth trajectory and move to aggressively develop its asset portfolio.

During 2009 Frontier completed most of the work to turn its gold assets into a firm and steady source of cash flow to support the Company's further expansion. In addition, the Company redefined its focus on establishing copper production at Benkala, its most significant asset. The new team has been able to substantially reduce anticipated capital expenditure costs for Benkala and Koskuduk projects based on a better understanding of the equipment specifications and requirements for the SX-EW operation. The Company has also been able to benefit from the current financial crisis as management has had the ability to acquire first class equipment at heavily discounted prices.

Significantly, subsequent to year-end, Frontier reached an understanding with Coville Intercorp Ltd, its partner at Benkala, to consolidate their collective mining resources under a single company. This transaction is advancing well and is expected to be completed in the third Quarter of 2010. The consolidation of ownership at Benkala will greatly facilitate the development of this flag ship resource and the addition of Coville's Maminskoye gold deposit will add further growth to Frontier's project pipeline. The Company will be providing further information to the market as this proposed business combination progresses.

Outlook

As a result of the changes made, the market capitalisation of the Company has risen dramatically in 2009. It is the Board's belief that Frontier is still very much undervalued and that as it becomes a producing company the market will further appreciate its stock.

Frontier's core focus going forward is to ensure that cash flow from existing and new operations will strongly support future expansion plans and acquisitions. The Company's improved performance during 2009 has demonstrated the capability of the new management team and, with facilities in place to fund working capital for the year ahead combined with expected revenue flow from Koskuduk, we are confident that our plans for 2010 can be achieved.

Erlan K Sagadiev,
Chairman and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(expressed in US dollars)

	Notes	2009	2008
Revenue	6	2,925,162	-
Cost of sales	7	(2,737,768)	-
Abnormal production costs	7	(1,153,694)	-
Selling, general and administrative expenses	8	<u>(1,964,508)</u>	<u>(4,519,160)</u>
Operating loss		(2,930,808)	(4,519,160)
Interest income		-	16,976
Finance costs	9	(2,389,658)	(277,771)
Loss from financial liability at fair value through profit or loss	19	(24,971,775)	-
Foreign exchange loss, net		(135,151)	(210,766)
Other income/(expenses), net		<u>93,855</u>	<u>(24,751)</u>
Loss before taxation		(30,333,537)	(5,015,472)
Income tax expense	23	<u>(301,624)</u>	<u>(304,174)</u>
Loss for the year		<u>(30,635,161)</u>	<u>(5,319,646)</u>
Other comprehensive loss, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(30,635,161)</u>	<u>(5,319,646)</u>
Loss per share			
Basic and diluted	26	(0.08)	(0.02)

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2009
(expressed in US dollars)

	Notes	2009	2008
ASSETS			
Non-current assets			
Exploration and evaluation assets	10	26,576,690	25,795,891
Mine development assets	11	15,696,369	16,405,755
Property, plant and equipment	12	5,210,983	4,649,712
Intangible assets		17,260	20,886
Advances for long-term assets		47,582	23,982
Value added tax receivable	16	15,059	-
Restricted cash deposit	15	40,939	13,053
Deferred tax asset	23	506,373	807,997
Total non-current assets		48,111,255	47,717,276
Current assets			
Inventories	13	507,177	263,766
Value added tax receivable	16	151,002	-
Advances and prepaid expenses		936,624	65,582
Other receivables	14	1,824,680	138,467
Long-term assets held for sale		-	31,400
Cash and cash equivalents	15	233,776	14,768
Total current assets		3,653,259	513,983
TOTAL ASSETS		51,764,514	48,231,259
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	18	5,097,958	2,181,201
Additional paid-in-capital	18	53,936,563	51,824,776
Option premium on convertible notes		25,926	425,185
Equity settled employee benefit reserve		-	232,925
Accumulated losses		(53,727,462)	(23,895,596)
Total shareholders' equity		5,332,985	30,768,491
Non-current liabilities			
Borrowings	19	10,543,310	2,096,299
Site restoration provision	20	292,301	699,353
Due to Government of the Republic of Kazakhstan	21	640,097	648,700
Due to the US Trade and Development Agency	22	340,000	340,000
Deferred tax liability	23	11,111	182,222
Total non-current liabilities		11,826,819	3,966,574
Current liabilities			
Trade accounts payable	24	1,112,271	1,244,506
Financial liability at fair value through profit or loss	19	26,416,401	-
Borrowings	19	2,714,397	7,129,630
Due to Government of the Republic of Kazakhstan	21	28,063	-
Other current liabilities	25	4,333,578	5,122,058
Total current liabilities		34,604,710	13,496,194
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		51,764,514	48,231,259

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(expressed in US dollars)

	Notes	Issued capital	Additional paid-in-capital	Accumulated losses	Option premium on convertible notes	Equity settled employee benefit reserve	Total
At January 1, 2008		2,181,201	51,824,776	(18,575,950)	425,185	232,925	36,088,137
Loss for the year, representing total comprehensive loss for the year		-	-	(5,319,646)	-	-	(5,319,646)
At January 1, 2009		2,181,201	51,824,776	(23,895,596)	425,185	232,925	30,768,491
Issue of shares	18	2,916,757	2,111,787	-	-	-	5,028,544
Settlement of convertible note	19	-	-	570,370	(570,370)	-	-
Less related taxes	23	-	-	-	171,111	-	171,111
Expiry of share options	18	-	-	232,925	-	(232,925)	-
Loss for the year, representing total comprehensive loss for the year		-	-	(30,635,161)	-	-	(30,35,161)
At December 31, 2009		5,097,958	53,936,563	(53,727,462)	25,926	-	5,332,985

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(expressed in US dollars)

	Notes	2009	2008
OPERATING ACTIVITIES:			
Loss for the year		(30,635,161)	(5,319,646)
Adjustments for non cash flow items:			
Income tax expense recognized in consolidated statement of comprehensive income	23	301,624	304,174
Depreciation of property, plant and equipment and mine development assets	11, 12	1,326,668	63,495
Amortization of intangible assets		3,626	12,819
Foreign exchange loss		-	229,159
Gain from disposal of property, plant and equipment		(30,243)	(10,925)
Provision for non-recovery of advances paid		-	67,898
Provision for obsolete inventory	13	16,732	53,261
Provision for VAT receivable	8	-	688,057
Reversal of tax penalties provision	8	(380,000)	-
Loss from financial liability at fair value through profit or loss	19	24,971,775	-
Finance costs	9	2,389,658	277,771
Operating cash flows before movement in working capital		(2,035,321)	(3,633,937)
Increase in value added tax receivable		(166,061)	-
(Increase)/decrease in inventories		(260,143)	105,436
Decrease in trade accounts receivable		-	41,762
(Increase)/decrease in advances and prepaid expenses		(871,042)	3,105
Increase in other receivables		(1,836,213)	(98,729)
(Decrease)/increase in trade accounts payable		(132,235)	1,127,050
(Decrease)/increase in other current liabilities		(708,107)	1,920,090
Cash outflows from operating activities before tax and interest paid		(6,009,122)	(535,223)
Payment of interest		(89,000)	-
NET CASH USED IN OPERATING ACTIVITIES		(6,098,122)	(535,223)
INVESTING ACTIVITIES:			
Increase in exploration and evaluation assets		(772,647)	(1,330,671)
Increase in mine development assets		(8,264)	(1,809,511)
Cash proceeds from test production sales		-	804,513
Purchase of property, plant and equipment	12	(1,702,002)	(89,081)
Proceeds from sale of property, plant and equipment		64,094	654,983
Increase in advances for long-term assets		(23,600)	(23,982)
Restricted cash deposit		(40,939)	(1,053)
Withdrawal of restricted cash deposit		13,053	100,000
NET CASH USED IN INVESTING ACTIVITIES		(2,470,305)	(1,694,802)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009
(expressed in US dollars)

	Notes	2009	2008
FINANCING ACTIVITIES:			
Receipt of loans	19	13,334,673	-
Repayment of loans	19	(985,000)	-
Payment of convertible note	17	(3,700,000)	-
Proceeds from share placement	18	194,604	-
Cost of share placement	18	(56,842)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>8,787,435</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		219,008	(2,230,025)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		-	(229,159)
Cash and cash equivalents at the beginning of year	15	14,768	2,473,952
Cash and cash equivalents at the end of year	15	<u><u>233,776</u></u>	<u><u>14,768</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. BACKGROUND

a) Organisational structure and operations

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. At December 31, 2009, the Company’s registered office was located at: 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, the USA.

The principal activities of the Company and its wholly owned subsidiaries (the “Group”) as of December 31, 2009 are as follows:

Operating entity	Principal activity	Country of incorporation
Frontier Mining Ltd	Management of the Group	United States of America
FML Kazakhstan LLP (“FMLK”)	Exploration and development o the Naimanjal license	Republic of Kazakhstan
Baltemir LLP (“Baltemir”)	Dormant	Republic of Kazakhstan

In addition, the Company owns a 50% interest in US Megatech BVI (incorporated in the British Virgin Islands) which is the sole shareholder of Kazcopper LLP (incorporated in Kazakhstan). The principal activity of Kazcopper LLP is exploration and development of the Benkala license.

Frontier is the ultimate parent entity of the Group (see Note 27).

At December 31, 2009 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, 2009 was 253 people (2008: 75 employees). The Group’s activities currently relate to two licenses: the wholly owned Naimanjal contract license area and the 50% owned Benkala Joint Venture licence.

Naimanjal license

The Naimanjal contract dated August 16, 1999 provides combined exploration and extraction rights for a 30-year period for gold,silver and copper deposits. The Naimanjal license No. 1166DD currently covers an approximate area of 529 square kilometres in North Eastern Kazakhstan. It includes five deposits, the status of which as at December 31 is shown below:-

Area of interest	Activity status at December 31, 2009
Naimanjal	Production
Koskuduk	Exploration and evaluation
Beschoku	Exploration and evaluation
Yubileiny	Exploration and evaluation
Baitimir	Exploration and evaluation

During 2009, the Naimanjal area of interest moved from development stage to production. At December 31, 2009 the asset was available for use but had not moved to commercial production as regulatory approvals were yet to be obtained. Subsequent to balance date, management temporarily suspended operations at the Naimanjal mine and commenced development of the Koskuduk mine. Higher ore recoveries are anticipated from the Koskuduk mine and this allows the Group to generate operating revenue whilst the commercial production license process continues for the Naimanjal area of interest. Management anticipates that production at Koskuduk will commence in 2010 and that commercial production at Naimanjal will commence in 2011 following receipt of regulatory approvals.

Benkala License

The Benkala copper-molybdenum-gold deposit is located in North-western Kazakhstan within the Urals gold/copper ore belt. Benkala is currently in the development stage with initial production of copper planned for 2011. The Group's interest in the Benkala project was acquired in 2007. The Benkala contract dated November 15, 2007 is valid for 29 years with an extension right and includes a 4 year exploration period and a 25 year development period.

b) Operating environment

The Group is subject to the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

In addition, the ongoing global financial turmoil has significantly affected Kazakhstan's economy. It has resulted in a decrease in Kazakhstan's GDP, significant declines in debt and equity prices and a substantial outflow of capital. The Kazakhstan government initiated the adoption of a package of laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Kazakhstan's economy, however at this stage, there is no clarity with respect to efficiency of these measures.

As a development stage entity, the global financial turmoil, and associated tightening of credit availability, significantly impacted the Group's ability to access the capital necessary to finance its working capital and capital expenditure until such time as its gold and copper projects reach sustainable production levels in order to generate net operating cash flows.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan operating environment on the operations and the financial position of the Group. The future business environment may differ from management's current assessment (see going concern discussion in Note 2)

2. PRESENTATION OF FINANCIAL STATEMENTS

Consolidated subsidiaries – The consolidated financial statements include the Company and its consolidated subsidiaries namely FMLK (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 ("\$"), unless otherwise indicated. The US Dollar is the functional currency of all entities in the Group and is used as the presentation currency. Management consider that using the US Dollar as the functional currency best represents the economic effects of transactions, events and conditions related to the Group's operations. Transactions in other currencies are treated as transactions in foreign currencies.

The consolidated annual financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments as described in Note 4.

Going concern – These consolidated annual financial statements are prepared on a going concern basis.

The Group operates as a natural resources exploration and development company. To date, the Group has not earned significant revenues and, as described in Note 1 at December 31, 2009, was in the exploration and development stage for the majority of its areas of interest and had yet to reach commercial production stage at its Naimanjal mine. At December 31, 2009, mining operations at the Naimanjal complex were the Group's sole source of operating cash inflow. For the year ended December 31, 2009 the Group incurred a loss of \$30,635,161 (2008: \$5,319,646) and cash outflow from operating activities of \$6,098,122 (2008: \$535,223) and as at December 31, 2009 had accumulated losses of \$53,727,462 (2008: \$23,895,596) and a working capital deficit of \$30,951,451 (2008: \$12,982,211).

The global financial turmoil described in Note 1 restricted the available sources of finance for the Group. On April 30, 2009 Frontier completed a \$10 million financing agreement with Zere Group JSC which is available up to April 30, 2011 (see Note 19). During 2009, the Group received net proceeds of \$12,349,673 under this facility, with \$2,349,673 being an advance pending facility extension in January 2010. In connection with this debt facility, the Company issued to the lender share warrants which entitled the lender to subscribe for shares in the Company (refer Notes 18 and 19).

On January 15, 2010 Frontier announced to the market that the above share warrants had been exercised (the exercise price payable by the lender was offset against Frontier's financial liability under the debt agreement) and that the \$10 million financing agreement with Zere Group JSC had been extended to allow further drawings until 30 April 2011 (refer Note 30).

On August 28, 2009 Frontier announced that it had entered into a £5 million Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV LTD, which is administered by Yorkville Advisors LLC ("Yorkville"). This agreement enables the Company, at its discretion and subject to certain conditions being met, to obtain funding at any time for up to 5 years from the date of signing by way of subscription for new shares in the Company (refer Note 18). During 2009, the Group received net proceeds of \$194,604 under this facility.

The major risks and uncertainties which could impact upon the Group's ability to generate operating cash inflows in the foreseeable future (in the period up to June 30, 2011) are its level of gold production and gold prices.

The Group's cash flow forecasts, based on the assumption that budgeted production in the Naimanjal licence area will be achieved and on the prevailing outlook for the gold price show that the Group's operations will be cash generative for the foreseeable future and that it has sufficient borrowing capacity to fund operations. Key factors in this assessment include:

- the availability of sufficient working capital through the financial facilities described above;
- the decision to focus production on the higher grade ore bodies at the Koskuduk deposit; and
- improved management capability.

The Group will be required to raise additional funding (debt and/or equity) in the foreseeable future in order to complete its plans for development of the Naimanjal and Benkala licenses. If market conditions are unfavourable and funding is unavailable, the Group's development timetable for those projects will be delayed. Management currently anticipates that it will be able to secure funding at reasonable cost and has prepared its forecasts on that basis. Management also anticipates that the Zere Group borrowings will be either refinanced or the facility will be extended beyond the current maturity date of April 2011.

Accordingly, at the time of approving the consolidated financial statements, the directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated annual financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Critical judgments in applying the entity's accounting policies - In the process of applying the entity's accounting policies, which are described in Note 4, management has made the following judgments and estimates that have the most significant effect on the amounts recognized in the financial statements.

Exploration, evaluation and development- The mining industry in general is inherently risky in nature. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and the Group may be subject to risks from operations, mining law, environmental regulations, permits and licenses and financing.

Exploration activities rely on the exploration results collected at that time and on the professional judgment of people involved in the exploration business. There can be no assurance that exploration programs will result in a discovery being made. In the event that a discovery is made, no assurance can be given that the discovery will result in either resources or reserves being established on the property. If reserves are established, it may take a number of years and substantial expenditures until production is achieved, during which the economical feasibility of the project may change.

The long-term profitability of the Group's operation will, in part, be directly related to the success of its exploration programs in finding additional reserves, which may be affected by a number of factors that are beyond the control of the Group.

Depreciation and amortization of mining assets- The Group's mine development assets are depreciated over the respective life of the mine using the unit-of-production (UOP) method based on the ore reserves. Any changes to the ore reserves will have a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

Property, plant and equipment are depreciated on a straight line basis over the useful economic lives or life of mine whichever is shorter. Management periodically reviews the appropriateness of economic useful lives of the assets based on the current condition and the estimated period during which they will bring economic benefit to the Group.

Provision for mine abandonment and site restoration - The Group's mining activities are subject to various laws and regulations governing the protection of the environment. The Group estimates the provision for mine abandonment and site restoration obligations based on management's understanding of the current legal requirements and license agreements. The provision is based on management's estimate of the total cost of restoration for disturbance caused at the reporting date and is discounted to its net present value and recorded as an expense over the estimated mine life. The estimate of total cost requires management to make a number of assumptions including restoration activities and discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

Impairment of assets - The Group assesses its non current assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, gold and silver prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

The key assumptions used in the determination of value in use for the non-current assets related to the Naimanjal area of interest include:

Mineable gold ore reserves – 252,648 (2008: 252,648) ounces

Discount rate – 18 % (2008: 10 %)

The Naimanjal mine will be put back into operation in 2012 (refer Note 1).

Should management modify its business plan such that the Naimanjal mine does not return to production, this would result in a significant asset impairment in a future period.

Financial liability at fair value through profit or loss - The Group has a financial liability which is recorded at fair value through profit or loss. The fair value of this liability is determined using an option valuation model, the key inputs to which are disclosed in Note 19.

Ore reserves – Ore reserves a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of ore reserves for the Naimanjal area of interest, management used a 2007 report it obtained from geological experts prepared under the JORC quantification methodology to interpret geological and exploration data to determine measured, indicated resources and inferred reserves. The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on a cost effective basis. Ore reserves are analyzed and assessed on a periodic basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

Contingencies - By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Income Taxes - The Group is subject to income taxes in the United States of America and Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognises liabilities for anticipated additional tax based on its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax

outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, the deferred tax asset currently recorded may be impaired in that period and results of operations and cash flows may be negatively affected.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Principles of consolidation

The consolidated 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 is able to govern the financial and operating policies of an entity so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation.

4.2 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date. Any premium paid as part of the purchase consideration is assessed as to whether it relates to mining properties or exploration potential before determining whether goodwill on acquisition is to be recognized.

4.3 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any excess of purchase consideration over the acquisition of the Group's interests in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for business combinations.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

4.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognized when the risks and rewards associated with ownership of goods are passed to customers; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits associated with the transaction will flow to the Group; the amount can be measured reliably; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from saleable gold and silver produced during the testing phase of production activities is deducted from capitalized mine development costs.

4.5 Foreign currencies

The functional currency of the companies in the Group is the US Dollar. The presentation currency of the Group is the US Dollar.

In preparing the financial statements of the individual entities that form part of the Group, transactions in currencies other than the entities' functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated into the functional currency at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in items of historical cost in a foreign currency are not retranslated.

Exchange differences are generally recognized in profit or loss in the period in which they arise.

4.6 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets. In that case, borrowing costs are added to the cost of these assets, until such time as the assets are substantially ready for their intended use.

4.7 Share-based payments

Equity-settled share-based payments to employees and others including non-executive directors are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

4.8 Taxation

The Group is subject to United States and Kazakhstan income tax laws.

Income tax expense represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is recognized 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 consolidated 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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.

Current and deferred tax for the period is charged or credited to the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity (in which case the deferred tax is also recognized directly in equity) or where they arise from initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in determining the excess of the Group's interest in the net fair values of the acquiree's net assets over the cost of the business combination.

4.9 Retirement benefit costs

The Group accounts for its employee retirement benefit costs in accordance with the 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. This plan is a defined contribution plan and such contributions (social tax payments) are charged to expense as incurred.

4.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant 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.

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 statement of comprehensive income as incurred.

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

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

The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits to be derived from items of property, plant and equipment. The effects of any changes in estimate are accounted for on a prospective basis.

4.11 Exploration and evaluation assets

Exploration and evaluation assets are measured at cost.

Expenditures related to the following activities are capitalized and included in the initial measurement of exploration and evaluation 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.

Exploration and expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active significant operations in relation to the area are continuing, or planned for the future.

Purchased exploration and evaluation assets are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

An impairment review is performed when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to mine development assets.

4.12 Mine development assets

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

Development expenditure is recognised at cost. Upon reaching designed commercial production capacity, mine development assets are amortized using the unit of production method.

4.13 Intangible assets

Intangible assets include non-mining and exploration 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.

4.14 Impairment of tangible and intangible assets

The Group reviews on an annual basis 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 not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that its carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.14 Inventories

Inventories are stated at the lower of cost net and realizable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most applicable to the particular class of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.15 Accounts receivable

Accounts receivable are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Accounts receivable are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

4.16 Cash and cash equivalents

Cash includes cash on hand, deposits with banks with original maturity terms not more than three months.

4.17 Restricted cash deposits

Cash deposits with banks are made pursuant to requirements of the Group's subsurface use contracts. The Group accumulates cash to meet restoration provisions related to obligations to restore and make the mines safe after use and the estimated costs of cleaning up any chemical leakage.

4.18 Site restoration costs

Provision is made for closure, 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 recorded as a finance expense in the period incurred. At the time of establishing the provision, a corresponding asset is capitalized and amortised 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.

4.19 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.

4.20 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs or at the fair value of the consideration given when issued for asset purchases or services received.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Derivative financial instruments

One of the Group's loan agreements includes a derivative financial instrument. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. The resulting gain or loss is recognized in the profit or loss.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

4.21 Adoption of new and revised standards

In the preparation of the consolidated financial statements, the Group has adopted all of the new and revised International Financial Reporting Standards and Interpretations issued by IFRIC that are relevant to its operations and effective for the annual reporting periods reported herein.

The principles changes due to implementation were as follows:

IAS 1 Presentation of Financial Statements (as revised in 2007 and effective January 1, 2009)

This revised standard separates owner and non-owner changes in the statement of changes in equity. Based on the revised standard the statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line item and separately disclosed in the statement of comprehensive income. In addition, the Standard introduces the statement of comprehensive income and introduces new names of some statements. All information presented in these consolidated financial statements was amended, accordingly.

The revisions and amendments to the following Standards and Interpretations presented below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payments*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 8 *Operating Segments*;
- IAS 7 *Statement of Cash Flows*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 18 *Revenue*;
- IAS 19 *Employee Benefits*;
- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
- IAS 23 *Borrowing Costs*;

- IAS 27 *Consolidated and Separate Financial Statements*;
- IAS 28 *Investments in Associates*;
- IAS 29 *Financial Reporting in Hyperinflationary Economies*;
- IAS 31 *Interests in Joint Ventures*;
- IAS 32 *Financial Instruments: Presentation*;
- IAS 36 *Impairment of Assets*;
- IAS 38 *Intangible Assets*;
- IAS 39 *Financial Instruments: Recognition and Measurement*;
- IAS 40 *Investment Property*; and
- IFRIC 15 *Agreements for the Construction of Real Estate*.

4.22 Standards and interpretations in issue but not yet adopted

At the date of approval of the Group's consolidated financial statements, the following new and revised standards and interpretations have been issued, but are not effective for 2009:

Standards and interpretations	Effective for annual periods beginning on or after
IAS 1 <i>Presentation of Financial Statements</i> (amended)	January 1, 2010
IAS 7 <i>Statement of Cash Flows</i> (amended)	July 1, 2009 and January 1, 2010
IAS 17 <i>Leases</i> (amended)	January 1, 2010
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> (amendments)	July 1, 2009
IAS 24 <i>Related Parties Disclosures</i> (amended)	January 1, 2011
IAS 27 <i>Consolidated and Separate Financial Statements</i> (revised)	July 1, 2009
IAS 28 <i>Investments in Associates</i> (revised due to revision of IFRS 3)	July 1, 2009
IAS 31 <i>Investments in Joint Ventures</i> (revised due to revision of IFRS 3)	July 1, 2009
IAS 32 <i>Financial Instruments: Presentation</i> (amended)	February 1, 2010
IAS 36 <i>Impairment of Assets</i> (amended)	January 1, 2010
IAS 38 <i>Intangible Assets</i> (amended)	July 1, 2009
IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (amended)	July 2009 1, and January 1, 2010
IFRS 2 <i>Share-based Payment</i> (amended)	January 1, 2010
IFRS 3 <i>Business Combinations</i> (revised)	July 1, 2009
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (amended)	January 1, 2010
IFRS 8 <i>Operating segments</i> (amended)	January 1, 2010
IFRS 9 <i>Financial Instruments</i>	January 1, 2013
IFRIC 14 <i>IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> (amended)	January 1, 2011
IFRIC 17 <i>Distribution of Non-cash Assets to Owners</i>	July 1, 2009
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	July 1, 2010

Management anticipates that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements when effective. The impact of adoption of these standards and interpretations in the preparation of consolidated financial statements in the future periods is currently being assessed by the Group's management.

5. SEGMENTAL ANALYSIS

5.1 Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which was determined as Group's chief executive, in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on license areas. The Group's reportable segments under IFRS 8 are therefore as follows:

- Naimanjal license area (gold, silver and copper)
- Benkala license area (copper)

The Group does not allocate central administration costs, directors salaries, finance costs and other gains or losses to its segments, and accordingly these amounts are presented as Unallocated. Information regarding the Group's reportable segments is presented below.

5.2 Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Naimanjal license area	Benkala license area	Unallocated	Consolidated 2009
Revenue	2,925,162	-	-	2,925,162
Cost of sales	(2,737,768)	-	-	(2,737,768)
Abnormal production costs	(1,153,694)	-	-	(1,153,694)
Selling, general and administrative expenses	(450,630)	(139,261)	(1,374,617)	(1,964,508)
Finance costs	-	-	(2,389,658)	(2,389,658)
Loss from financial liability at fair value through profit or loss	-	-	(24,971,775)	(24,971,775)
Foreign exchange loss, net	-	-	(135,151)	(135,151)
Other income/(expenses), net	74,433	348	19,074	93,855
Loss before taxation	(1,342,497)	(138,913)	(28,852,127)	(30,333,537)
	Naimanjal license area	Benkala license area	Unallocated	Consolidated 2008
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Selling, general and administrative expenses	(1,464,745)	(288,443)	(2,765,972)	(4,519,160)
Interest income	4,184	-	12,792	16,976
Finance costs	-	-	(277,771)	(277,771)
Foreign exchange loss, net	-	-	(210,766)	(210,766)
Other income/(expenses), net	(23,821)	(930)	-	(24,751)
Loss before taxation	(1,484,382)	(289,373)	(3,241,717)	(5,015,472)

Revenue recorded above represents revenue generated from the Group's sole external customer (refer Note 6).

5.3 Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets and tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

	2009	2008
Total assets		
Naimanjal license area	24,990,859	26,176,764
Benkala license area	24,131,973	21,080,210
Unallocated	2,641,683	974,285
	<u>51,764,515</u>	<u>48,231,259</u>
	2009	2008
Total liabilities		
Naimanjal license area	960,461	1,334,087
Benkala license area	-	-
Unallocated	45,471,068	16,128,681
	<u>46,431,529</u>	<u>17,462,768</u>

5.4 Other segment information

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4.

Depreciation and amortization charges for the year (including amounts capitalized to mine development assets) are:

Naimanjal license area \$1,322,231 (2008: \$1,563,647)
 Benkala license area \$ 26,429 (2008: \$6,568)

The non cash transactions described in Note 17 are not allocated to either of the Group's segments.

Additions during the year to non current assets were:

	2009		2008	
	Naimanjal	Benkala	Naimanjal	Benkala
Additions	342,940	2,162,402	3,435,053	1,387,429

6. REVENUE

	2009	2008
Revenue from the sale of gold & silver	<u>2,925,162</u>	<u>-</u>

All of the Group's sales of gold and silver dore alloy are made to one customer in Switzerland.

During 2009 the Group moved from pilot stage to ready for use production stage at the Naimanjal mine. The revenue from the sale of gold and silver of \$2,925,162 consisted of 2,620 ounces of gold and 13,644 ounces of silver at an average price of \$1,063 and \$17, respectively.

In 2008 the processing plant operated in a production testing phase. During 2008 the Group sold \$804,513 of gold and silver, being 772 ounces of gold and 8,809 ounces of silver at an average price of \$868 and \$15, respectively. Revenue from saleable gold and silver produced during the testing phase of production activities is deducted from capitalized mine development assets.

7. COST OF SALES

	2009	2008
Labour	917,000	-
Consumables and spares	839,315	-
Third party services	751,606	-
Maintenance	128,576	-
Other expenses	75,605	-
Extraction tax	<u>213,100</u>	<u>-</u>
Cash operating costs	2,925,202	-
Depreciation & depletion	<u>1,296,818</u>	<u>-</u>
Total cost of production	<u>4,222,020</u>	<u>-</u>
Change in finished goods and work-in-progress	(330,558)	-
Abnormal production costs	<u>(1,153,694)</u>	<u>-</u>
Total cost of sales	<u>2,737,768</u>	<u>-</u>

Abnormal production costs

Abnormal production costs relate to wages and other costs incurred during 2009 when production levels were below normal operating capacity at the Naimanjal area of interest.

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Employee benefit expenses	1,118,216	1,392,543
Financial and consulting services	257,360	497,997
Public relations and promotion	228,023	237,726
Insurance	153,424	99,675
Audit and accounting fees	141,631	375,602
Printing stationary and office miscellaneous	98,671	57,440
Travel and accommodation	81,744	507,074
Rent and office services	59,072	171,923
Selling expenses	49,522	-
Bank charges	41,180	13,978
Depreciation and amortization	30,616	74,302
Taxes other than income tax	30,448	158,114
Telecommunication	28,433	60,804
Change in provision for obsolete inventory	16,732	53,261
Reversal of tax penalties provision (Note 25)	(380,000)	-
Provision for VAT recoverable	-	688,057
Provision for bad debts	-	67,898
Other expenses	9,436	62,766
	<u>1,964,508</u>	<u>4,519,160</u>

9. FINANCE COSTS

	2009	2008
Interest expense - Zere Group JSC loan (Note 19)	1,380,304	-
Interest expense - Coville Intercorp Ltd convertible note (Note 19)	720,370	-
Interest expense - Sokol Holdings Inc convertible note (Note 19)	186,077	133,336
Un-winding of discount on amount due to Government of the Republic of Kazakhstan (Note 21)	71,589	69,505
Un-winding of discount for site restoration provision (Note 20)	31,318	74,930
	<u>2,389,658</u>	<u>277,771</u>

10. EXPLORATION AND EVALUATION ASSETS

	2009	2008
Naimanjal license area	5,082,788	4,808,122
Benkala license area	21,493,902	20,987,769
	<u>26,576,690</u>	<u>25,795,891</u>

Movements for the year are summarised as follows:

	2009	2008
At 1 January	25,795,891	32,220,409
Naimanjal license area additions	274,666	-
Benkala license area additions	506,133	1,330,671
Transfer to mine development assets	-	(7,755,189)
	<u>26,576,690</u>	<u>25,795,891</u>

11. MINE DEVELOPMENT ASSETS

Movements for the year are summarised as follows:

	Field preparation	Site restoration asset	Historical cost	Total
Cost:				
At January 1, 2008	4,996,866	605,065	611,155	6,213,086
Additions	3,435,053	-	-	3,435,053
Test production sales	(804,513)	-	-	(804,513)
Transfer from exploration and evaluation assets	7,755,189	-	-	7,755,189
Change in estimate	-	-	(193,060)	(193,060)
	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2008	15,382,595	605,065	418,095	16,405,755
Additions	8,264	-	-	8,264
Disposals	(16,334)	-	-	(16,334)
Change in estimate	-	(438,370)	(52,129)	490,499
	<hr/>	<hr/>	<hr/>	<hr/>
	15,374,525	166,695	365,966	16,065,996
Accumulated depreciation:				
At January 1, 2008	-	-	-	-
Charge for the year	(203,758)	(2,209)	(4,850)	(210,817)
	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2009	(203,758)	(2,209)	(4,850)	(210,817)
	<hr/>	<hr/>	<hr/>	<hr/>
At December 31, 2008	<u>15,382,595</u>	<u>605,065</u>	<u>418,095</u>	<u>16,405,755</u>
At December 31, 2009	<u>15,170,767</u>	<u>164,486</u>	<u>361,116</u>	<u>15,696,369</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery & equipment	Transport & vehicles	Office equipment	Construction in progress and equipment for installation	Total
Cost:						
At January 1, 2008	3,963,667	4,323,692	900,534	340,953	152,636	9,681,482
Additions	-	5,234	19,490	53,649	10,708	89,081
Transfer	51,147	(156,069)	60,866	25,884	18,172	-
Disposals	-	(1,003,019)	(429,649)	(10,947)	(120,032)	(1,563,647)
At December 31, 2008	4,014,814	3,169,838	551,241	409,539	61,484	8,206,916
Additions	-	162,075	264,993	10,508	1,264,426	1,702,002
Disposals	-	(151,943)	-	-	-	(151,943)
At December 31, 2009	4,014,814	3,179,970	816,234	420,047	1,325,910	9,756,975
Accumulated Depreciation:						
At January 1, 2008	(168,978)	(1,880,612)	(428,283)	(280,821)	-	(2,758,694)
Charge for the year	(421,909)	(1,012,786)	(192,249)	(62,093)	-	(1,689,037)
Transfer	(12,425)	(34,535)	45,327	1,633	-	-
Disposals	-	657,117	224,232	9,178	-	890,527
At December 31, 2008	(603,312)	(2,270,816)	(350,973)	(332,103)	-	(3,557,204)
Charge for the year	(422,886)	(518,402)	(181,414)	(15,578)	-	(1,138,280)
Disposal	-	149,492	-	-	-	149,492
At December 31, 2009	(1,026,198)	(2,639,726)	(532,387)	(347,681)	-	(4,545,992)
Net Carrying Amount:						
At December 31, 2008	3,411,502	899,022	200,268	77,437	61,484	4,649,712
At December 31, 2009	2,988,616	540,244	283,847	72,366	1,325,910	5,210,983

Depreciation charged for the year 2009 includes \$22,429 (2008: \$1,625,542) which has been capitalized to mine development assets.

13. INVENTORIES

	2009	2008
Work in progress	330,558	-
Raw materials	173,936	264,187
Fuel	60,780	33,217
Spare parts	7,315	17,560

Other	4,581	2,063
	<u>577,170</u>	<u>317,027</u>
Provision for obsolescence	(69,993)	(53,261)
	<u>(69,993)</u>	<u>(53,261)</u>
Total	<u>507,177</u>	<u>263,766</u>

14. OTHER RECEIVABLES

	2009	2008
Receivable from related party (Note 27)	1,262,375	-
Security deposit on purchase of equipment	301,180	-
Due from employees	98,621	9,732
Taxes – other than income taxes	36,011	33,697
Receivable for sale of fixed assets	-	87,485
Other	126,493	7,553
	<u>1,824,680</u>	<u>138,467</u>

15. CASH AND CASH EQUIVALENTS

	2009	2008
KZT current bank account	113,030	11,480
US Dollars current bank account	92,587	2,610
Cash deposits	40,939	13,053
GBP current bank account	22,315	-
Cash on hand	5,844	678
	<u>274,715</u>	<u>37,821</u>
Less: Restricted cash deposit	(40,939)	(13,053)
	<u>233,776</u>	<u>14,768</u>

Restricted cash

Restricted cash as of December 31, 2009 in the amount of \$40,939 (2008: \$13,053) represents cash held in a restricted bank account for future site restoration works. Pursuant to the Benkala Subsurface Use Contract, the Group is required to accumulate cash to meet future obligations to restore and make the mine site safe after use and the estimated costs of cleaning up any chemical leakage.

16. VALUE ADDED TAX RECEIVABLE

	2009	2008
Value added tax receivable	854,118	688,057
Less: provision for non-recovery	(688,057)	(688,057)
	<u>166,061</u>	<u>-</u>
Classified as:		
Current asset	151,002	-
Non-current asset	15,059	-

<u>166,061</u>	<u>-</u>
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17. NON CASH TRANSACTIONS

Repayment of convertible note – Coville Intercorp Ltd.

During the year, the Group repaid its convertible note of \$7.7 million due to Coville Intercorp Ltd., a related party (refer Notes 19 and 27). This repayment comprised a cash settlement of \$3.7 million and the issue by the Company of 187,793,427 shares with a fair value of \$ 4 million to Sokol Holdings Inc, a director related entity (refer Note 27). Under an agreement dated April 30, 2009 between Frontier and Coville Intercorp Ltd , the parties agreed that the amount of \$4 million owed by Coville Intercorp Ltd to Sokol Holdings Inc would be settled through the transaction described above.

Arrangement fee for the Zere Group JSC debt facility

In connection with the Zere Group JSC finance facility agreed in April 2009, the Company issued 100,000,000 shares at a fair value of \$890,783 as a loan arrangement fee (refer Note 18).

Arrangement fee for the SEDA equity finance facility

As disclosed in Note 18, in August 2009 the Company signed a £5 million SEDA equity finance facility. The Company issued 2,076,411 shares at a fair value of \$204,125 as an arrangement fee for this facility.

Offset of interest payable to Coville Intercorp Ltd

Interest payable of \$150,000 during the year related to the convertible note described in Note 19 was offset against other receivables due from the same party.

There were no significant non-cash transactions during the year ended December 31, 2008.

18. SHARE CAPITAL

As of December 31, 2009 the Company's authorized capital comprised 1,500,000,000 ordinary shares of \$0.01 par value per share (December 31, 2008: 500,000,000 shares at \$0.01 par value each). Movements in the issued share capital for the years ended December 31, 2009 and 2008 were as follows:

	Number of shares and outstanding	Nominal amount	Additional paid in capital	Total	Issue price per share (USD cents)
December 31, 2007	<u>218,120,095</u>	<u>2,181,201</u>	<u>51,824,776</u>	<u>54,005,977</u>	
December 31, 2008	<u>218,120,095</u>	<u>2,181,201</u>	<u>51,824,776</u>	<u>54,005,977</u>	
Issued to Sokol Holdings Inc. (Note 17)	187,793,427	1,877,934	2,122,066	4,000,000	2.22
Issued to Zere Group JSC entities (Note 19)	100,000,000	1,000,000	(109,217)	890,783	0.01
Issued under the SEDA Placement costs	3,882,267	38,823	359,905	398,728	10.31
	-	-	(260,967)	(260,967)	
	<u>291,675,694</u>	<u>2,916,757</u>	<u>2,111,787</u>	<u>5,028,544</u>	
December 31, 2009	<u>509,795,789</u>	<u>5,097,958</u>	<u>53,936,563</u>	<u>59,034,521</u>	

Share options

Changes to the Company's share options are summarized as follows:

	2009		2008	
	Number of options	Weighted average option price	Number of options	Weighted average option price
At beginning of year	4,180,000	\$0.21	4,180,000	\$0.30
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(4,180,000)	-	-	-
At end of year	<u>-</u>	<u>-</u>	<u>4,180,000</u>	<u>\$0.21</u>

The Company maintains an incentive share option plan ("plan") under which directors, officers and key personnel may be granted options to purchase ordinary shares of the Company. Management believes the Company is in compliance with the Association of British Insurers' guidelines allowing up to 10% of the issued shares to be made available in options to executive directors and employees.

All existing share options expired in 2009 and no new options were issued.

Share warrants

In 2009 the Company issued warrants over 407,540,430 shares at an exercise price per share of 1.5 pence (equivalent to USD cents 2.25) to entities associated with Erlan Sagadiyev, the Chief Executive Officer of the Group, as a condition of the finance facility it obtained from Zere Group JSC, also a related entity of Erlan Sagadiyev (Note 19).

	2009 Number of warrants	2008 Number of warrants
At beginning of year	-	-
Granted	407,540,430	-
Exercised	-	-
Expired	-	-
At end of year	<u>407,540,430</u>	<u>-</u>

All warrants were exercised on January 15, 2010 (see Note 30)

Standby Equity Distribution Agreement

In August 2009, the Company signed a £5 million SEDA (equivalent to \$7.5million) with YA Global Master SPV LTD. The Company made one drawing in 2009 under the SEDA and issued 1,805,856 shares at a price of 6.65 pence (\$0.0983) for £120,089 (\$194,604). In addition, the Company issued 2,076,411 shares as an arrangement fee for the total facility. The arrangement fees along with other placement fees (\$56,842) have been deducted from additional paid in capital.

19. BORROWINGS AND FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
Non-current		
Zere Group JSC loan	10,543,310	-
Convertible note Sokol Holdings Inc	-	1,962,963
Accrued interest	-	133,336
	<u>10,543,310</u>	<u>2,096,299</u>
Current		
Convertible note Coville InterCorp Inc	-	7,129,630
Convertible note Sokol Holdings Inc	1,989,037	-
Accrued interest	725,360	-
	<u>2,714,397</u>	<u>7,129,630</u>
	<u>13,257,707</u>	<u>9,225,929</u>

Convertible notes

The Group issued \$9.7 million of unsecured convertible notes in November 2007. One note of \$7.7m was settled during 2009 (refer Note 17) and this resulted in a reversal of \$171,111 of deferred tax liabilities and the reversal of \$570,370 of option premium on convertible notes.

The terms of the remaining note are as follows:

It is a \$2 million convertible note issued to Sokol Holdings Inc, a director related entity. This note is convertible into Frontier shares at a price of 20 pence (\$ 0.29) per share. The note is convertible at the holder's option within a 3 year period from date of issue. The convertible loan note was interest-free until 29 February 2008 and bore interest at 8% per annum after that date and is repayable, if not converted, in November 2010. Interest is payable annually in arrears and accrued interest at December 31, 2009 was \$293,333 (2008: \$133,336).

The conversion feature was segregated from the liability and recorded separately on the balance sheet. The convertible note including related accrued interest payable has been recorded as a current liability of \$2,256,296 (2008: total of \$9,225,929 classified as current liability of \$7,129,630 and non-current liability of \$2,096,299) and equity related to the conversion feature of \$25,926 (2008: \$425,185) net of related income tax effect.

Zere Group loan facility

Frontier signed a \$10 million unsecured financial loan facility with Zere Group JSC on April 30, 2009. Under the terms of the facility, the lender was granted warrants to subscribe for 407,540,430 ordinary shares of US\$0.01 at an exercise price of 1.5p per share (Note 18). An arrangement fee of 100 million shares was paid by the Company to the lender for the facility. The facility has an interest rate of 15% and is for a period of two years. No principal payments are due within the two year period and 15% interest is payable monthly.

Movements in this financial loan facility during the year ended December 31, 2009 were as follows:

As of January 1, 2009	-
Total proceeds from draw down of loan	13,334,673
Repayments	(985,000)
Capitalized transaction and other costs	(2,665,643)
Amortization of transaction and other costs	859,280
	<hr/>
As of December 31, 2009	10,543,310
	<hr/> <hr/>

The capitalized transaction and other costs include loan arrangement fees of \$1,221,017 and the fair value of the share warrants at inception of \$1,444,626 (refer below) as it represents a premium paid to the lender.

The Group has determined that the share warrants are a derivative financial liability and should be separately measured at fair value. The Group uses a valuation technique based on option valuation models and market data related to its share price and volatility at each balance sheet date to determine the fair value of the derivative. The key assumptions for determination of fair value of the share warrants were as follows:

	Initial recognition	December 31, 2009
Share price, pence	0.61	5.1
Strike price, pence	1.5	1.5
Years to maturity, years	2.22	1.33
Risk-free rate, %	1.73	0.94
Expected volatility, %	109.0	128.5
Warrant value per share, pence	0.24	4.01
Number of warrants	407,540,430	407,540,430
Fair value of warrants, GBP	989,266	16,341,727
Fair value of warrants, USD	1,444,626	26,416,401

The loss for the year ended December 31, 2009 recorded in the statement of comprehensive income was \$24,971,775.

On January 15, 2010, the share warrants were exercised at a price of 1.5 pence (equivalent to USD cents 2.25) (refer Note 30).

20. SITE RESTORATION PROVISION

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 mining operations, approximately between the years 2027 to 2028. 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.

	2009	2008
As of January 1	699,353	624,423
Unwinding of discount	31,318	74,930
Change in estimate	(438,370)	-
	<hr/>	<hr/>
As of December 31	292,301	699,353
	<hr/> <hr/>	<hr/> <hr/>

The following assumptions were used to estimate the net present value of the provision for future site restoration:

- a. Total undiscounted amount of future estimated cash out flows in current year 2009 prices is \$502,238 (2008 : \$780,238)
- b. Expected timing of future cash outflows - to 2027
- c. Discount rate – 12% per annum (2008: 12%)
- d. Inflation rate –8% per annum (2008: 8%)

To fund the future costs of the Naimanjal and Benkala mine site restoration, the Group is required to transfer funds into a special deposit account (see Note 15).

21. DUE TO GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

The Group is obligated to reimburse the Government of Kazakhstan the amount of \$1,436,400 for the historical cost of geological studies performed in respect of the Naimanjal contract. The Group paid \$14,364 upon assuming the liability: the remaining amount was discounted at a rate of 12% per annum to arrive to the net present value of the remaining liability. Pursuant to the subsurface use and exploration contracts, the historical cost of geologic studies is to be repaid in 40 equal, quarterly instalments, commencing from the date of commercial production as evidenced by an approval from the appropriate governmental authority.

	2009	2008
As of January 1	648,700	772,255
Change in estimate	(52,129)	(193,060)
Unwinding of discount	71,589	69,505
As of December 31	668,160	648,700
Current portion	28,063	-
Non-current portion	640,097	648,700
	668,160	648,700

In 2008 the estimate of the obligation was based on the assumption that full commercial production would begin in the first quarter of 2010. In 2009 this was revised until the fourth quarter 2010. This resulted in a revision to the estimated fair value of the liability.

22. DUE TO THE US TRADE AND DEVELOPMENT AGENCY

	2009	2008
Non-current portion	340,000	340,000
	340,000	340,000

The Company received a grant from the US Trade and Development Agency (“TDA”). The grant is 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.

23. TAXATION

23.1 Income tax recognized in profit or loss

	2009	2008
Income tax expense comprises:		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	<u>301,624</u>	<u>304,174</u>
Total income tax expense	<u><u>301,624</u></u>	<u><u>304,174</u></u>

The total charge for the year can be reconciled to the accounting profit/loss as follows:

	2009	2008
Loss before income tax	<u>(30,333,537)</u>	<u>(5,015,472)</u>
Tax benefit at the statutory tax rate of 20% (2008: 30%)	(6,066,707)	(1,504,642)
Effect of change in income tax rate	-	790,446
Effect of taxation at different tax rates	(2,847,712)	-
Deferred tax asset not recognized	2,249,406	312,808
Permanent differences – non deductible items	<u>6,966,637</u>	<u>705,562</u>
Income tax expense	<u><u>301,624</u></u>	<u><u>304,174</u></u>

23.2 Income tax recognized directly in equity

	2009	2008
Deferred tax relating to reversal of temporary differences	<u>(171,111)</u>	<u>-</u>
Total income tax recognized directly in equity	<u><u>(171,111)</u></u>	<u><u>-</u></u>

23.3 Deferred tax balances

	2009	2008
Deferred tax asset		
Temporary differences – Kazakh entities		
Exploration and evaluation and mine development assets; and property plant and equipment	402,097	551,059
Inventory obsolescence provision	13,999	10,652
Accrued expenses	-	3,196
Site restoration provision	43,845	104,903
Due to Government of the Republic of Kazakhstan	<u>96,015</u>	<u>97,305</u>
	555,956	767,115
Unused tax losses	<u>-</u>	<u>40,882</u>
	555,956	807,997
Deferred tax liability		
Temporary differences – Kazakh entities		
Inventories	<u>(49,583)</u>	<u>-</u>
Net deferred tax asset	<u><u>506,373</u></u>	<u><u>807,997</u></u>
Deferred tax liability		
Temporary differences – FML US		
Issue of convertible notes	<u>(11,111)</u>	<u>(182,222)</u>
	<u><u>(11,111)</u></u>	<u><u>(182,222)</u></u>

23.4 Unrecognized deferred tax assets

A deferred tax asset has not been recognized in relation to carry-forward tax losses of Frontier Mining Limited, the USA incorporated parent entity of the Group, as recovery of those losses against future taxable income is not regarded as probable. The unrecognized deferred tax asset is approximately \$4.9 million (2008: \$2.7 million).

24. TRADE ACCOUNTS PAYABLE

	2009	2008
Trade payables	767,870	1,128,516
Other	344,401	115,990
	<u>1,112,271</u>	<u>1,244,506</u>

The average credit period on purchases is 30 days. No interest is charged on trade payables.

25. OTHER CURRENT LIABILITIES

	2009	2008
Payables to related party (Note 27)	3,588,753	3,787,138
Due to employees	361,372	840,734
Taxes other than on income	323,308	63,224
Unused vacation	11,456	33,302
Tax penalties provision	-	380,000
Other	48,689	17,660
	<u>4,333,578</u>	<u>5,122,058</u>

In 2009 the Company was advised by the United States Internal Revenue Service that it had all outstanding tax returns were deemed to be timely filed for the periods prior to 2007 and that no penalty fees would be charged. As a result, the Company reversed the \$380,000 provision for tax penalties.

26. EARNINGS/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 and other shares reserved for issuance.

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

	2009	2008
Net loss attributable to common shareholders for basic earnings per share	(30,635,160)	(5,319,646)
Weighted average number of common shares for basic earnings per share	379,735,246	218,120,095
Loss per share basic	(0.08)	(0.02)
Weighted average number of common shares for diluted earnings per share	379,735,246	218,120,095
Loss per share diluted	(0.08)	(0.02)

Potential ordinary shares related to the share options (refer Note 18), convertible notes (refer Note 19) warrants and equity settled employee benefits (refer Note 18) have not been included in the computation of diluted earnings per share as the effect would be to decrease reported loss per share (that is, they are anti-dilutive).

27. RELATED PARTY TRANSACTIONS

The parent entity and ultimate controlling entity is Frontier Mining Ltd., incorporated in Delaware, USA.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

At December 31, 2009 related parties include the directors and management of Zere Group JSC, River House Consultants Limited, Sokol Holdings Inc. and Coville Intercorp Ltd as follows:

Zere Group JSC is a related party to Frontier as Erlan Sagadiev (CEO and Chairman of Frontier) is a shareholder of Zere Group JSC.

River House Consultants Limited is a related party to Frontier as Erlan Sagadiev (CEO and Chairman of Frontier) is a beneficial owner of River House Consultants Limited.

Sokol Holdings Inc. is a related party to Frontier as Brian Savage (a non-executive director of Frontier) and Thomas Sinclair (a non-executive director of Frontier) are shareholders of Sokol Holdings Inc.

Coville Intercorp Ltd is a related party to Frontier as it is the other 50% shareholder in US Megatech BVI, the Company's joint venture party in the Benkala project.

During the years ended December 31, 2009, the Group entities entered into the following transactions with related parties:

- Issue by the Company to Sokol Holdings Inc. of 187,793,427 shares with a fair value of \$4,000,000 in 2009 - refer Notes 17 and 18 (2008 : nil);
- Zere Group JSC provided a finance facility of \$10,000,000 to the Group in 2009 (refer Note 19);
- River House Consultants Limited was issued 100,000,000 shares and 372,540,430 share warrants in 2009 (refer Notes 18 and 19);
- Sokol Holdings Inc. was owed \$5,817,333 at December 31, 2009 (2008: \$5,657,437) relating to advances made to the Group for working capital funds of \$3,561,138 (2008: \$3,562,137) (refer

Note 25) and convertible note payable of \$2,256,295 (2008: \$2,095,300) (refer Note 19). The amounts are repayable within twelve months.

- Coville Intercorp Ltd owed the Group \$1,262,375 at December 31, 2009 (2008: nil) relating to its portion of funding of the Benkala project which was made by Group entities on its behalf. This is due within twelve months.
- Zere Group JSC received an advance payment of \$637,500 (2008: nil) from Kazcopper LLP for equipment purchases to be made on its behalf outside Kazakhstan.
- At December 31, 2009 and 2008 the Company had 10 (2008: 3) key management personnel. Total compensation to key management personnel included in the general and administrative expenses in the consolidated statement of comprehensive income was \$599,400 for the year ended December 31, 2009 (2008: \$591,291). This amount is for short term employee benefits including applicable taxes.

28. COMMITMENTS AND CONTINGENT LIABILITIES

License commitments

Naimanjal. In 2009 the Group continued exploration, development and production under its Naimanjal license. The contract includes a work program defining the Group's obligations to invest in exploration in the license areas. The total amount of the minimum work program requirement to December 31, 2009 is \$3.5 million and the Group invested \$4.6 million.

There is also a requirement to expend an amount of 1% of total investment on education of employees and the Group spent \$18,330 in 2009.

Benkala. Kazcopper LLP has minimum work program commitments on the Benkala license area which at December 31, 2009 totalled \$17.4 million.

Under the Benkala subsurface contract, there are commitments for social obligation payments totalling \$7.5 million over the 29 year period of the licence. The Group's share of this commitment is \$3.75 million. The full commitments are only payable if the project moves from exploration into commercial production. In 2009, the amount of payments made by Kazcopper LLP totalled \$201,750 (2008: \$100,000).

Commitments of \$98,480 for geological assessment work previously performed within the license territory. Of this amount, \$2,954 was paid after contract signing and the remaining amount is payable in annual equal instalments after start of commercial production.

There is a requirement to expend an amount of 1% of total investment on education of employees In 2009 Kazcopper LLP's investment totalled \$7.3 million requiring an expenditure of \$73,000 on education. Kazcopper LLP spent \$78,000 on education in 2009.

The Group's share of all the Benkala commitments is 50%.

Management believes that the Group has fulfilled its obligations under its license commitments during the year ended December 31, 2009.

Taxation

Tax laws in the Republic of Kazakhstan are subject to frequent changes and varying interpretations. Management's interpretation of such legislation in applying it to business transactions of the Company may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation of legislation and assessments and as a result, it is possible that transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to be reviewed by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Company believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Company.

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. The Group is associated with a legal dispute involving related parties and other unrelated parties and the directors believe that the ultimate liability, if any, arising from these actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Liquidation fund

The Group will be required to make a monetary contribution to the extent that the environmental clean-up costs required exceed the liquidation fund. The Group's management believes they are in compliance with the commitments set forth in the Naimanjal, Baltemir and Benkala Subsurface Use Contracts. However, such compliance may be questioned by the relevant authorities whose interpretation may differ significantly from the Group's.

Insurance

The insurance industry in the Republic of Kazakhstan is in the process of development, and many forms of insurance coverage common in developed markets are not yet generally available. The Group does not have full coverage for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations

29. FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

Capital risk management

The capital structure of the Group consists of debt (the borrowings and convertible notes described in Note 19), cash and cash equivalents and equity (comprising issued capital, reserves and accumulated losses).

The gearing ratio at year-end was as follows:

	2009	2008
Debt	13,257,707	9,225,929
Cash and cash equivalents	<u>(223,776)</u>	<u>(14,768)</u>

Net debt	13,033,931	9,211,161
Equity	5,332,985	30,768,491
Net debt to equity ratio	245%	30%

Categories of financial instruments

	2009	2008
Financial assets		
Restricted cash deposit	40,939	13,053
Other receivables	1,788,669	104,770
Cash and cash equivalents	233,776	14,768
	<u>2,063,384</u>	<u>132,591</u>
Financial liabilities		
Borrowings	13,257,707	9,225,929
Due to the US Trade and Development Agency	340,000	340,000
Trade accounts payable	1,112,271	1,244,506
Financial liability at fair value through profit or loss	26,416,401	-
Other current liabilities	3,998,814	4,645,532
	<u>45,125,193</u>	<u>15,455,967</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group does not apply hedge accounting in order to manage volatility in the profit or loss.

The Group is exposed to fluctuations in gold and silver product prices as a result of market conditions and changes in London Metal Exchange (LME) quotes. This exposure is not regarded as significant to the Group as its operations are yet to reach commercial production stage.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The main credit risk on receivables to which the Group is exposed relates to the recoverability of the receivable with Coville Intercorp Ltd referred to in Note 27. Management believes there is minimal risk associated with collectability of this receivable based on the assessment of the credit worthiness of the debtor (including its asset backing) and given that the Group is in merger discussions with Coville Intercorp Ltd (refer Note 30).

The Group considers that there is minimal credit risk in respect of other receivables. The Group reviews the credit ratings of the financial institutions used for holding cash balances in order to minimise the credit risk. The maximum credit risk to which the Group was exposed at 31 December 2009 was \$2,099,395 (2008: \$166,288).

Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

The Group is subject to foreign currency risk on purchases and payables denominated in foreign currencies. The currency most associated with risk is the Kazakhstan Tenge (KZT). The risk associated with the Tenge is not able to be managed. Outlined below are the US dollar equivalent balances of KZT denominated assets and liabilities at balance date:

	2009	2008
Assets		
Restricted cash deposit	40,939	13,053
Cash and cash equivalents	118,874	11,105
Other receivables	727,543	104,770
	<u>887,356</u>	<u>128,928</u>
Liabilities		
Trade accounts payable	8,275	81,658
Other current liabilities	46,689	57,075
	<u>54,964</u>	<u>138,733</u>
Net exposure	<u>832,392</u>	<u>(9,805)</u>

The following significant exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2009	2008	31.12.2009	31.12.2008
USD 1	<u>147.50</u>	<u>120.30</u>	<u>148.36</u>	<u>120.77</u>

Currency sensitivity analysis

The Company is mostly exposed to the risk of a fluctuation in the Tenge.

The following table shows the Company's sensitivity to a 10% increase and decrease in the Tenge in relation to the USD. 10% is the sensitivity level used in internal reporting to senior management with respect to the currency risk and is management's estimate of a reasonable change in exchange rates. A sensitivity analysis includes only unpaid cash items in foreign currency and adjusts their translation at the end of the period by 10%. A sensitivity analysis also includes loans, provisions, accounts payable and cash equivalents. A positive figure below indicates an increase in net income, when the tenge strengthens by 10% against the USD. If the Tenge weakens by 10% against the USD the impact on net income will be the opposite, and the balances below will be negative.

	Impact of the KZT	
	2009	2008
Profit or loss	(83,392)	981

The Group does not believe the above risk to be significant. There are no material effects on other equity balances.

Operational risk

Operational risk is the risk of the Group incurring financial losses as a result of business interruption and possible damage to the Group's property through natural disasters and technological accidents. In accordance with the subsoil contracts, the Group is obliged to carry medical insurance, insurance against accidents during production and occupational diseases to its employees.

At December 31, 2009 the Group believes it had sufficient insurance policies in force in respect of public liability and other insurable risks.

Interest rate risk management

The Group's borrowings relate to convertible notes and debt both of which bear interest at fixed rates.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate finance facilities (debt and equity), and by monitoring forecast cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	1 month	3-12 months	From 1 to 2 years	Contractual cash flows	Carrying amount December 31, 2009
Borrowings Due to the US Trade and Development Agency	725,360	2,000,000	12,349,673	15,075,033	13,257,707
Trade accounts payable	340,000	-	-	340,000	340,000
Other current liabilities	1,112,271	-	-	1,112,271	1,112,271
	3,998,814	-	-	3,998,814	3,998,814
	<u>6,176,445</u>	<u>2,000,000</u>	<u>12,349,673</u>	<u>20,526,118</u>	<u>18,708,792</u>
	1 month	3-12 months	From 1 to 2 years	Contractual cash flows	Carrying amount December 31, 2008
Borrowings Due to the US Trade and Development Agency	133,336	7,700,000	2,000,000	9,833,336	9,225,929
Trade accounts payable	340,000	-	-	340,000	340,000
Other current liabilities	1,244,506	-	-	1,244,506	1,244,506
	4,645,532	-	-	4,645,532	4,645,532
	<u>6,363,374</u>	<u>7,700,000</u>	<u>2,000,000</u>	<u>16,063,374</u>	<u>15,455,967</u>

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Disclosure of estimated fair values of financial instruments is made in accordance with the requirements of IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount for which the instrument can be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument. As of December 31, 2009 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash - Carrying amount of cash balances represents their fair value due to the short maturity of these instruments.

Trade and other accounts receivable - The carrying amount of trade and other accounts receivable is considered a reasonable estimate of their fair value due to the short term nature of these assets.

Accounts payable - The carrying amount of accounts payable is a reasonable estimate of their fair value due to the short term nature of these liabilities.

Convertible notes - The fair value at balance date is estimated to be \$1,989,037 (2008: \$9,092,593).

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2009			December 31, 2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial liability	-	26,416,401	-	-	-	-

Reconciliation of the beginning balance and ending balance based on the Level 2 hierarchy of the fair value as at 31 December 2009 is presented as follows:

	2009	2008
Beginning balance	-	-
Initial recognition	1,444,626	-
Loss recognized in profit for the year	24,971,775	-
Ending balance	26,416,401	-

30. SUBSEQUENT EVENTS

Exercise of share warrants and loan repayment – Refer to Note 18 for a description of the share warrants issued during 2009. On January 15, 2010, the share warrants were exercised at a price of 1.5 pence (equivalent to USD cents 2.25) per share, resulting in the issue and allotment of 407,540,430 new shares. Following this allotment, the Company's issued ordinary share capital is comprised of 917,336,219 shares.

The exercise price payable of £6.1 million (equivalent to \$9.9 million) was offset against Frontier's financial liability under the debt agreement. The facility agreement was amended allowing an additional \$10 million for further drawings until 30 April 2011.

The fair value of the issued shares was £27.9 million (equivalent to \$45.3 million) at the date of exercise of the warrants.

Merger Discussions - On February 16, 2010 Frontier announced that it had begun discussions with Coville Intercorp Ltd with the intention of merging their mining assets into Frontier. Discussions are at an early stage but a memorandum of understanding has been signed by the parties with the intention of concluding a merger by 31 October 2010. Coville Intercorp Ltd's assets include a 50% interest in KazCopper LLP, the joint venture company that owns the Benkala copper-molybdenum-gold deposit and 100% of the Closed Joint Stock Company Maminskoye Mining Enterprise.

Appointment of Chief Financial Officer – On February 16, 2010 Frontier announced that Mr. George Cole was appointed as Chief Financial Officer of Frontier with effect from the 15 February 2010.

License Update –On March 22, 2010 the Ministry of Energy and Mineral Resources (“MEMR”) of the Republic of Kazakhstan confirmed that it had extended Frontier's licenses for its Naimanjal contract license area and allocated the Company 12 months to confirm its reserves into the State Reserve Balances and to submit its development working programme for those reserves.