

FRONTIER MINING

HEAVYWEIGHT APPROACH TAKEN BY JUNIOR

Junior exploration outfit Frontier Mining is beginning to show true frontier spirit as it develops gold and copper assets in Kazakhstan.

THE COMPANY'S LEAP OF faith with its sole operating mine, Naimanjal, appears to be paying off.

Since establishing a shallow open pit mine and heap-leach operation, and commencing pilot gold production at the site in September 2005, Frontier now expects a commercial production licence to be granted in the near future.

It also anticipates the near-surface oxide-gold-silver mine to produce gold at an initial rate of 25,000 ounces per annum.

Crushed through a three-stage circuit, all ore will be processed using conventional, cyanide heap leach technology – with precious metals recovered using Merrill Crowe technology that produces a doré product for export.

The Naimanjal complex includes Frontier's primary asset, the Naimanjal gold-silver mine, as well as six near-surface oxide-gold satellite deposits located within a 12-kilometre radius.

An exploration program for these satellites, which include Baritovy, Naiman, Ergozy, Toksanbay, Jal and Jantilak, is still being developed.

But the outlook is good, if you look at the most advanced satellite, Baritovy – where a 4870-tonne sample of ore assayed at 4.64 grams

of gold to the tonne for 726 ounces of gold.

Frontier chief financial officer Tom Sinclair said he hoped similar results would be seen at the company's Benkala copper project – expected to be a major money-maker for Frontier.

Once the company finishes its ongoing drilling program at the deposit, it hopes to receive a JORC-compliant resource and compile a feasibility study by the end of the second quarter of 2010.

With commissioning set for the early second quarter of 2011, civil engineering work has also started at the project.

An open cut mine and solvent-extraction electro-winning (SXEW) facility – capable of initially handling about 5.5 million tonnes of ore per annum and producing around 20,000tpa of copper cathode – is planned. To date, a total of 49 holes have been drilled along a mainly oxide-supergene zone to an average depth of 115m, with assay results expected by December 2009.

A JORC-compliant resource statement for the oxide-supergene zone is expected to be completed by the second quarter of 2010.

Sinclair said the strategic focus of the infill drilling program was revised in order to achieve earlier production and cash flow from the oxide-

supergene zone.

“We decided that we needed closer spaced infill drilling to depths of 150 metres across the deposit,” he said.

And the approach just might be right on target, with results indicating high convergence of contents and thickness of remnant ores, for both the historic and verification holes.

“High grades were also identified in the verification holes, which will be further examined to determine their consistency and accuracy,” Sinclair added.

Another positive development for Frontier is its appointment earlier this year of new chairman and chief executive Erlan Sagadiev. A prominent Kazakh businessman, Sagadiev has extensive experience in the Eurasian business world, along with a proven ability to successfully manage and grow companies.

Sagadiev graduated from the Kazakhstan State University and Oberlin College in Ohio and has a Masters degree in agricultural economics from the University of Minnesota.

His master company is the Zere Group, a Kazakh firm with interests in mining, oil and gas, food, and education. Notably, since becoming involved with Frontier, he has established a major financial position in the company.

This is reflected in the Zere Group granting a two-year \$US10 million debt financing facility in April that has 407.5 million warrants attached, with an exercise price of 1.5 pence per share.

Following the debt facility agreement, Frontier issued 20 million ordinary shares and 46.508 million warrants to River House Consultants in June, another company controlled

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TOM SINCLAIR
FRONTIER MINING

by Sagadiev. Sinclair said having a professional with financial clout like Sagadiev come on board was crucial for the company, especially considering the major capital raising difficulties faced by the wider junior mining sector this year.

Some of the financial highlights for Frontier for this year include:

\$14 million financing completed comprising a \$4 million equity placement and \$10 million debt facility; £5 million additional funding secured with YA Global Master SPV Ltd, via a standby equity distribution agreement; cash balance of \$1.2 million in bank as at September 30, 2009; and year-to-date income of \$US1,570,000 from the sale of 1499oz of gold and 4886oz of silver

Sinclair said the company's financing activities have laid a firm foundation to concentrate on the development of the Benkala and Naimanjal projects.

"I am confident that the company's plans will continue to build significant shareholder value in the short to medium term and beyond," he said.

And if Frontier's share price performance is anything to go by, he just might be right on the money.

After hitting a post-initial public offering low of 0.15p/share in December 2008, Frontier has rebounded strongly this year.

The stock hit a high of 10.88p/share in May and as of mid-August was trading at around 5.20p/share giving rise to a market capitalisation of £22.2 million (\$US36.4 million) based on the 425.9 million ordinary shares outstanding. On a fully diluted basis, the market cap was £48.6 million (\$US79.7 million).

All in all, Frontier looks a force to be reckoned with in the coming years, thanks to the good cash flow from its Naimanjal mine and the sheer size, scale and potential of its Benkala deposit.

The explorer is also well positioned in Kazakhstan, a country that shares highly prospective geology, diverse mineralisation and potentially low mining costs.

On top of that, Frontier is backed by highly experienced and knowledgeable managers and board members – putting the junior in an enviable position. Incorporated in the United States in 1998, Frontier Mining Resources was floated on the Alternative Investment Market in London in September 2004.

The company – which locates, evaluates, acquires, explores and develops mineral properties – has



Cold sampling in Kazakhstan

one producing gold mine, Naimanjal; one pre-feasibility stage gold project, Koskuduk; and a 50% interest in the Benkala copper mine.

Frontier also has a potential copper porphyry deposit with associated gold and molybdenum, Baitimir, and several copper-gold prospects along a 25km trend including both volcanogenic-associated massive sulfide deposits (VMS) and porphyry types.

Metallurgical tests on its Beschoku and Yubileiny copper projects confirm the oxide copper ore is amenable to extraction using low-cost SX-EW technology.

The company also owns a 50% interest in KazCopper LLP, the joint venture company that owns the Benkala deposit, located in northwestern Kazakhstan within the Urals gold-copper ore belt.

Frontier currently owns two licences in Kazakhstan – the Naimanjal exploration and mining licence held by FML Kazakhstan (Frontier's wholly owned subsidiary), and the Benkala licence owned by Megatech BVI (in which Frontier has a 50% stake).

A competent persons' report on the Benkala project completed by Wardell Armstrong International in March 2007 estimated 47.75 million tonnes at an average grade of 0.36% copper for the oxide mineralisation and 873.75Mt at an average grade of 0.30% Cu for the sulfide mineralisation – representing some 2.8Mt of contained copper. In addition, at a 10% discount rate and a \$1.5 per pound Cu price, the Benkala Project has a net present value approaching \$500 million. A conceptual study team and advisory team have been appointed to fast track the development of this project forward towards a pre-feasibility study. – **Samantha Cairns**

FRONTIER MINING AT A GLANCE

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MARKET CAPITALISATION

£39 million (at press time)

MAJOR SHAREHOLDERS

Teratorn International 21.4%
BMF International 21.4%,
River House Consultants 19.6%