THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or the action that you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors of the Company, whose names appear on page four, accept responsibility, including individual and collective responsibility, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and there is no omission likely to affect the import of such information.

This document is an AIM Admission Document which has been drawn up in accordance with the AIM Rules and the Public Offers of Securities Regulations 1995 as amended ("the POS Regulations"). It also comprises a prospectus for the purposes of the POS Regulations and therefore a copy has been delivered to the Registrar of Companies in England and Wales for registration as required by Regulation 4(2) of those Regulations.

Application has been made for the whole of the ordinary share capital of the Company in issue and to be issued, pursuant to the Placing, to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange plc nor the UK Listing Authority has examined or approved the contents of this document.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"), as amended, or under the securities legislation of any state of the United States of America, and may not be offered or sold in the United States or to U.S. persons unless they are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Hedging transactions involving these securities may not be conducted unless in compliance with the Securities Act. The Ordinary Shares have not been and will not be registered under the securities laws of Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

FRONTIER MINING LTD.

Incorporated under the General Corporation Law of the State of Delaware, United States of America

PLACING

of 23,333,334 Ordinary Shares of $0.01 each at a price of 15p per share and ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker

Numis Securities Limited

Share capital immediately following the Placing

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
100,000,000	$1,000,000	Ordinary Shares of $0.01 each	60,570,911	$605,709.11

All the Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all the dividends and other distributions declared, paid or made in respect of Ordinary Shares after Admission.

Numis Securities Limited ("Numis"), which is authorised and regulated by The Financial Services Authority, is acting as Nominated Adviser and Broker exclusively for the Company for the purposes of the AIM Rules and in relation to the Admission and the Placing and is not acting for and will not be responsible to any other person other than the Company for providing the protections afforded to customers of Numis or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document. Numis' responsibilities as the nominated adviser to the Company are solely owed to the London Stock Exchange plc. No representation or warranty, express or implied, is made by Numis as to any of the contents of this document for which the Directors are solely responsible. Numis has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted Numis for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and its directors are solely responsible.

A copy of this document is available, free of charge, to the public at the offices of Numis, Cheapside House, 138 Cheapside, London, EC2V 6LH for one month from the date of Admission.

The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part Two of this document.

CONTENTS

PLACING STATISTICS

Placing Price	15p
Number of Placing Shares to be issued pursuant to the Placing	23,333,334
Number of Ordinary Shares in issue on Admission	60,570,911
Percentage of the enlarged issued share capital subject to the Placing	38.5%
Estimated cash proceeds of the Placing (Gross)	£3,500,000
Estimated cash proceeds of the Placing receivable by the Company	£2,722,111
Market capitalisation of the Company at the Placing Price	£9,085,636

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for payment of the Placing Price in full (unless delivery versus Payment)	12 noon on 2 September 2004
Dealings in Ordinary Shares commence on AIM	2 September 2004
Share certificates despatched to Placees	10 September 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors	Mr. Brian Charles Savage (*Chairman and Chief Executive Officer*) Dr. Edward Isaac Bloomstein (*Exploration Director*) Mr. Thomas Ian Sinclair (*Chief Financial Officer*) Mr. Boyd Warrington Bishop (*Non-executive*) Mr. Michael John Short (*Non-executive*) Dr. Shamil Talibulovich Tukhvatulin (*Non-executive*) Mr. Naum Voloshin (*Non-executive*) Mr. Robin Jay Young (*Non-executive*) *All of:* 12 St James's Square London SW1Y 4RB
Company Secretary	Alexandra Timofeeva
Registered Office	2711 Centerville Road, Suite 400 Wilmington, Delaware 19808 USA
Nominated Adviser and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
Industry Advisers to the Company	Loeb Aron & Company Ltd. Georgian House 63 Coleman Street London EC2R 5BB
Solicitors to the Company	Stringer Saul 17 Hanover Square London W1S 1HU
Lawyers to the Company as to Kazakh Law	Aequitas 47/49 Abai Avenue Ap.2 Almaty Republic of Kazakhstan 480091
Lawyers to the Company as to U.S. Law	Davis Graham & Stubbs LLP 1550 Seventeenth Street, Suite 500 Denver, Colorado 80202 USA
Solicitors to the Placing	Denton Wilde Sapte One Fleet Place London EC4M 7WS
Auditors and Reporting Accountants	Ernst & Young Kazakhstan 273 Furmanov Street Almaty Republic of Kazakhstan 480099
Reporting Geologists	Steffen Robertson & Kirsten (UK) Limited 21 Gold Tops Newport Gwent N19 4PG
Registrar	Computershare Investor Services (Channel Islands) Limited Ordinance House 31 Pier Road St Helier, Jersey Channel Islands, JE4 8PW

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985, as amended
"Admission"	admission becoming effective of the whole of the ordinary share capital of the Company in issue and to be issued pursuant to the Placing to trading on AIM in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules applicable to AIM as published by the London Stock Exchange from time to time
"Baltemir Contract"	the contract registration number 325 dated 5 May 1999 between Baltemir LLP and the Competent Agency for the conduct of exploration within the Baltemir field located in the Maisky District of Pavlodar Region of the Republic of Kazakhstan, as amended by Amendment No 1 dated 14 April 2004
"Baltemir Licence"	Licence No 1256D issued by the Competent Agency to Baltemir LLP on 15 July 1998
"Baltemir LLP"	Baltemir LLP, a limited liability partnership 100 per cent owned by the Company and first registered in the Republic of Kazakhstan on 14 November 1997 registration number 10043-1917-TOO (IU)
"Baltemir Project"	the Baltemir gold prospect located in the Maisky District of Pavlodar Region of the Republic of Kazakhstan
"Board" or "Directors"	the directors of the Company whose names are set out on page four
"Combined Code"	the Combined Code of Good Governance and Best Practice
"Commonwealth of Independent States"	Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine
"Company" or "Frontier" or "FML"	Frontier Mining Ltd., a company incorporated in the State of Delaware, United States of America
"Competent Agency"	the agency, from time to time, of the Government of the Republic of Kazakhstan that is authorised to issue licences and enter into contracts for the conduct of subsoil operations
"Competent Person's Report"	the report from SRK which appears in Part Three of this document
"Copper/Gold Project"	the copper-gold deposits which include the 25 kilometre copper-gold trend between Beschoku and Yubileiny, and the copper-gold deposit at Baitimir, all located within the Naimanjal Licence area
"CREST"	the computer based system and procedures which enable title to securities to be evidences and transferred without a written instrument administered by CREST Co Limited
"Exploration Properties"	Naimanjal, Koskuduk and the area within the Copper/Gold Project area

"FML Kazakhstan" or "FMLK"	FML Kazakhstan LLP, a limited liability partnership 100 per cent owned by the Company and first registered in the Republic of Kazakhstan on 15 July 1997, registration number 2806-1900-TOO(IU), as Polygon Resources LLP and re-registered on 31 October 1998 as FML Kazakhstan LLP, registration number 7366-1917-TOO(IU)
"Frontier Share Option Scheme"	the unapproved share option scheme adopted by the Company on 1 May 1999, details of which are set out in paragraph 1(h) of Part Five of this document
"Group"	the Company and its subsidiaries at the date of this document
"IAS"	International Accounting Standards
"Kazakhstan" or "RK"	the Republic of Kazakhstan
"Koskuduk Gold Project"	the gold deposit which includes Eastern, Western and Southern Koskuduk, all located within the Naimanjal Licence area
"KZT"	Kazakhstani Tenge, the national currency of the Republic of Kazakhstan
"London Stock Exchange"	London Stock Exchange plc
"Naimanjal Complex"	the Naimanjal gold deposit and surrounding satellite deposits located in the Maisky District of Pavlodar Region, the Yegendybulasky District of Karaganda Region and the Abralinsky District of East Kazakhstan Region of the Republic of Kazakhstan
"Naimanjal Contract"	the contract dated 7 March 1999 between FML Kazakhstan LLP and the Competent Agency for the conduct of exploration for Gold, Silver, Platinum, Copper, Zinc, Lead, Nickel, Cobalt, Aluminium, Magnesium, Tungsten, Molybdenum and Tin within the Naimanjal Zone located in the Maisky District of Pavlodar Region, the Yegendybulasky District of Karaganda Region and the Abralinsky District of East Kazakhstan Region of the Republic of Kazakhstan, as amended by an amendment dated 24 February 2000
"Naimanjal Licence"	Licence No 1166DD issued by the Competent Agency to FML Kazakhstan LLP on 16 August 1999, which covers the areas in the Naimanjal Complex, the Copper/Gold Project and the Koskuduk Gold Project
"New Share Option Plan"	the employee incentive plan to be adopted by the Company on Admission, details of which are set out in paragraph 7 of Part Five of this document
"Numis"	Numis Securities Limited
"Ordinary Shares"	ordinary Stock of $0.01 each in the share capital of the Company
"Placing"	the proposed placing of the Placing Shares on behalf of the Company at the Placing Price pursuant to the terms and conditions of the Placing Agreement as described in this document
"Placing Agreement"	the conditional agreement dated 1 September 2004 between the Company (1), the Directors (2) and Numis (3) relating to the Placing, details of which are set out in paragraph 4(ii) of Part Five of this document

"Placing Price"	15p per Ordinary Share
"Placing Shares"	the 23,333,334 new Ordinary Shares which are the subject of the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"Project(s)"	the projects carried on at the Naimanjal Licence and the Baltemir Project
"SRK"	Steffen Robertson & Kirsten (UK) Limited, the Reporting Geologists
"US$" or "$"	United States Dollars
"Voyager"	Voyager Fund, LP

(Where a figure denominated in US Dollars is expressed as an amount of GB pounds sterling and *vice versa* in this document the exchange rate used was £1 : US$1.83).

KEY INFORMATION

- Frontier was established in 1998 to explore and develop gold and copper deposits in the Republic of Kazakhstan and holds an exclusive twenty five year exploration and mining licence over 4,172 km^2 within the mineral-rich former nuclear test site, commonly known as the Polygon, in northeastern Kazakhstan, and an exclusive exploration licence over a further 153.6 km^2 extendable in March 2005.

- The licence areas are believed to host very substantial gold and copper/gold systems and in a report of December 2003 SRK state that "the area represents a remarkable concentration of precious and base metal prospects".

- The management of Frontier has extensive experience in the mining industry and particularly in Kazakhstan. Their skills encompass successful exploration, mine and plant construction, engineering and finance.

- Three major gold projects and two major copper/gold projects have been identified to date in a low cost mining environment. The first stage of the primary project is targeted to produce gold at an annual rate of 25,000 ozs within 9 months of Admission.

- Modular development of identified satellite prospects, that will also make use of the primary project processing plant, is expected to contribute to further economies of scale in a substantial mining complex. Other major projects will be developed concurrently and Frontier expects to be producing gold at an annual rate of 100,000 ozs within 36 months of Admission.

- The Company's projects also include a 450,000 tonne copper resource.

- Frontier is raising £3.5 million to fund detailed engineering studies, mine construction and further exploration.

Part One – Information on the Company and the Placing

1.1 Introduction

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

Frontier has two licences, over a total area of 4,326 km^2, owned by its wholly owned subsidiaries in Kazakhstan. They are the Naimanjal exploration and mining licence, held by FML Kazakhstan and the Baltemir exploration licence, held by Baltemir LLP. In a report dated December 2003, reporting geologists SRK stated that the Frontier licence area "represents a remarkable concentration of precious and base metal prospects".

Frontier's projects are described in the section headed "The Group's Current Projects" below and summarised in the table immediately below.

Naimanjal Exploration and Mining Licence No 1166DD – 4,172 km^2

Project	*Principal Mineralisation*	*Ownership Status*	*Prospects*
Naimanjal Complex	Gold	100%	Naimanjal Deposit and Six Satellites
Koskuduk	Gold	100%	Eastern, Western and Southern Koskuduk
Copper-Gold Deposit	Copper-Gold	100%	The Beschoku and Yubileiny 25 km trend, and Baitimir

Baltemir Exploration Licence No 1256D – 153.6 km^2

Project	*Principal Mineralisation*	*Ownership Status*	*Prospects*
Baltemir	Gold	100%	Series of quartz veins within a zone one kilometre wide and extending for 7 kilometres along strike

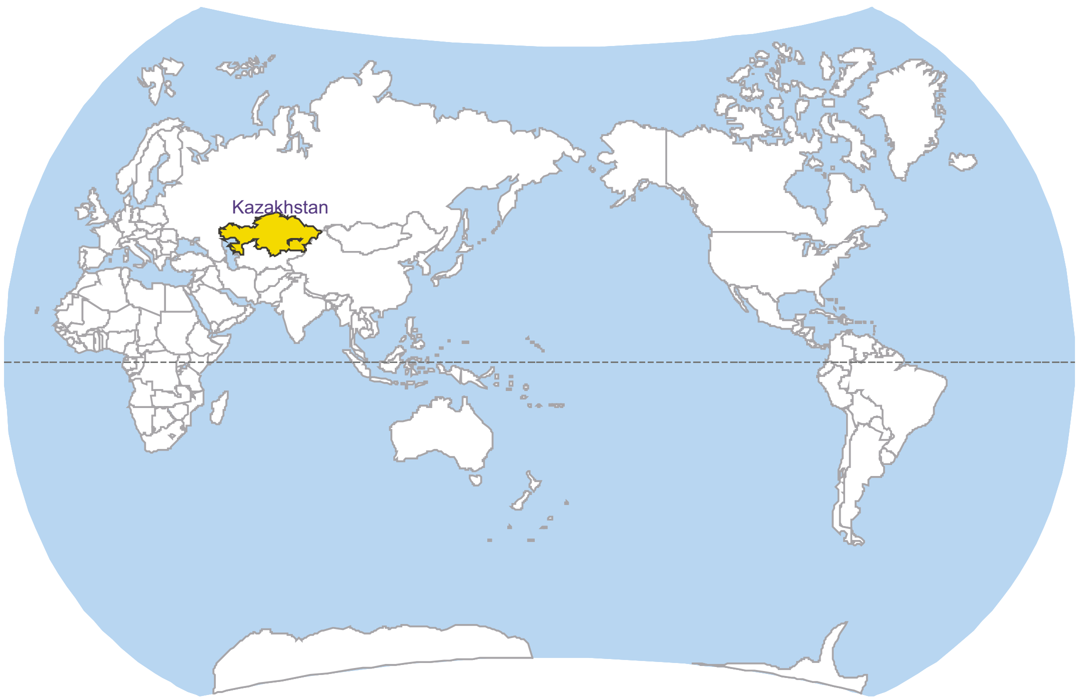
SRK has prepared a Competent Person's Report comprising an independent geological evaluation and associated valuation report on the Group's assets, and has valued such assets at US$53 million, discounted to take account of the exploration status of the Projects to a range of US$16 million to US$20 million. The results of SRK's work are set out in Part Three of this document.

The executive management of Frontier has extensive experience in the mining industry in general and Kazakhstan in particular. In the Competent Person's Report, SRK describes the management team as being strong and dynamic and considers their experience in Kazakhstan to be a major asset.

It is the intention that Frontier will raise approximately £3.5 million before commissions and expenses by way of the issue of Ordinary Shares to fund its detailed engineering study, mine construction and proposed exploration expenditures in relation to the Projects and to provide general working capital.

1.2 Republic of Kazakhstan

The Republic of Kazakhstan is situated in Central Asia between Europe and China and is the ninth largest country in the world, with a surface area of approximately 2.7 million sq km and a population of some 15 million people. 26 per cent of the area of the country comprises the Kazakh Steppes, 44 per cent is desert and semi-desert and the remainder forest. The country was under Russian and then Soviet rule until December 1991 when it declared its independence as a presidential republic, following the break-up of the Soviet Union. The President, Nursultan Nazarbayev, has served since he was elected in 1991. His current term of office expires in 2006, having been confirmed by a referendum in 1995 and an election in 1999.



Kazakhstan possesses very substantial fossil fuel reserves, contributing to a power generation surplus, including Central Asia's largest recoverable coal reserves, with 34.5 million short tons and nearly 160 oil and gas fields roughly equivalent to the present day resources of the whole of Western Europe. Kazakhstan's combined onshore and offshore proven hydrocarbon reserves have been estimated to be between 9 and 17.6 billion barrels. The country also hosts a substantial base metals extractive industry. The Kazakhstan government is actively encouraging foreign investment and this has been aided by the establishment of a securities market, a developed civil and tax code and banking and insurance infrastructures. SRK have assigned a "low" country risk factor to Kazakhstan in its Competent Person's Report. In 2000, Kazakhstan became the first former Soviet republic to repay all of its $400 million debt to the International Monetary Fund ("IMF"), seven years ahead of schedule. The government has stated that it intends to continue cooperation with the IMF. Since 19 September 2002 Moody's country credit rating for Kazakhstan has been investment grade and on 20 May 2004, Standard & Poor's, raised Kazakhstan's foreign currency credit rating into its investment grade category.

1.3 History of the Group

On its formation in August 1998, Frontier acquired from SEMTECH LLP, a Kazakhstani partnership, membership positions under Kazakhstani law in three Kazakhstani limited liability partnerships. The acquisitions provided 100 per cent ownership of Polygon Resources LLP; 70 per cent ownership of Besshoky LLP; and 50 per cent ownership of SemGeo LLP. Polygon Resources LLP was renamed FML Kazakhstan LLP shortly after being acquired by Frontier. In September 1999, Frontier acquired the remaining 30 per cent ownership of Besshoky LLP.

Having performed some exploration work on the Besshoky licence, Frontier elected to relinquish it in August 2003. Frontier's co-owner in SemGeo LLP was unwilling to fund its share of exploration costs and the Group was unable to acquire the 50 per cent of the partnership that it did not own. The SemGeo licence and the Balykty licence were relinquished in December 2002 and November 2003 respectively. Besshoky LLP was dissolved in January 2004 and SemGeo LLP was dissolved in February 2004.

In August 1999, Frontier amended the Naimanjal exploration licence to include mining and extraction rights. In September 1999, Frontier acquired 100 per cent of Baltemir LLP, the holder of the Baltemir Licence, which is located to the northeast of the Naimanjal Licence area.

In December 1999, Frontier received a grant from the United States Trade and Development Agency to assist the Group in the funding of a feasibility study to determine the economics of developing the Naimanjal gold deposit. To date, Frontier has received payments under this grant amounting to US$340,000.

In April 2000, Frontier acquired 100 per cent of Gold Land LLP. Gold Land LLP held the Novodnieprovka licence, which included the Novodnieprovka gold deposit and the Raigorodok gold deposit.

Frontier developed an open pit mine and a gravity plant on the strength of an historical government report that postulated 70 per cent gold recovery by gravity methods at the Novodnieprovka gold deposit. This proved unsuccessful and in August 2003, following a series of partial sale transactions designed to fund the construction of a flotation circuit and an intensive cyanide leaching reactor, the board of Frontier concluded that the financial requirements of the Novodnieprovka project had the potential to threaten the future of the Group and took the decision to sell its remaining 30 per cent ownership of Gold Land LLP and withdraw from the project.

1.4 The Group's Current Projects

Frontier has a 100 per cent interest in two licences identified as the Naimanjal Licence and the Baltemir Licence. All deposits and prospects are located within the limits of the Naimanjal Licence (4,172 km^2) with the exception of Baltemir. The Baltemir Licence covers an area of 153.6 km^2 and includes the Baltemir gold prospect. Both licences are located within the same vicinity and are situated approximately 130 kilometres west of the city of Semipalatinsk in northeastern Kazakhstan (see figure 1 of the Competent Person's Report on page 34), on the former mineral-rich nuclear test site commonly referred to as the "Polygon". Nuclear testing on this site ceased in 1989 and environmental tests were subsequently carried out to identify the scale and extent of its radionucleid pollution, the results of which enabled the revival of economic activities in its ecologically safe sections. If commercial production commences within the Naimanjal Licence area, an additional payment of US$1.436 million will be made to the government of the RK for the purchase of all historical exploration data generated prior to the Group's acquisition of the Naimanjal Licence. Such amount is to be paid as follows: (i) one per cent (1%) or US$14,364 to be paid in accordance with an Agreement for the Purchase of Geological Information No. 74 dated 21 September 1998, and (ii) the balance of US$1,422,036 to be paid in equal quarterly payments of US$35,551 beginning after commercial production has commenced. Presently, all existing and previously compiled data is held by the Group to assist in its evaluation of the potential of the Projects and prospects currently controlled by the Group.

The assets of the Group are comprised of the following:

1.4.1 The Naimanjal Complex

The Naimanjal Complex includes the Naimanjal gold deposit itself, which represents Frontier's primary project, as well as six satellite gold prospects located within a 12 kilometre radius of the Naimanjal deposit (see figure 3 of the Competent Person's Report on page 37).

The Naimanjal Deposit

Geology

The geology and cross-section of the Naimanjal deposit is shown in figure 4 of the Competent Person's Report (see page 39). The host rocks of the deposit are Lower Ordovician subaqueous basaltic lavas, volcanoclastic turbidites, and deep-water siliceous rocks. Based on the lithological composition and hydrothermal alteration, the Lower Ordovician sequence is divided into three stratigraphic units. Relative to the precious metals mineralisation, the lower unit is considered to be a footwall, the middle unit hosts the mineralisation, and the upper unit is a hanging wall. Middle Ordovician terrigenous sedimentary rocks overlie this basaltic sequence. Mineralisation is hosted mainly within lenses of turbiditic mudstones and graywackes that are intensely brecciated and consisted, before oxidation, of gold-bearing pyrite, arsenopyrite, sphalerite and galena, reaching 30 volume per cent sulphides or more in places. In oxidized mineralisation free gold and limonite replace sulphides. These features reflect the volcanogenic massive sulphides nature of this mineralisation, which is conventionally interpreted to be formed on a sea floor by precipitation near the discharge site of hydrothermal fluids.

There are two main structures of the deposit area. The first or compressional structure is an anticline of west-northwest orientation. The southwestern limb of the structure dips steeply to the west, while the northeastern limb dips more gently to the east. The fold is complicated by northwest and northeast striking faults. The second or extensional structure is a pull-apart structure of east-west orientation. The pull-apart consists of faults with left-lateral displacement. The pull-apart could be superimposed onto a flexure that bended the northwest-trending anticline. Both the pull-apart and flexure correspond to the central area of the mineralisation where the rocks are disrupted by intensive fracturing. A large thrust fault is interpreted to truncate the mineralized trend at its eastern limits.

The mineralisation at Naimanjal is considered to have occurred in two phases, followed by substantial supergene modification. The first phase comprised the emplacement of syngenetic volcanogenic massive sulphide mineralisation while the second comprised epigenetic hydrothermal mineralisation thought to be related to Permian-Triassic extensional tectonism. The hydrothermal processes are considered to have both remobilised gold from the massive sulphides and introduced additional gold within the hydrothermal fluids, as evidenced by the discordant nature of the resulting deposits relative to the older and regionally dominating northwest structural trend.

The supergene modification of the mineralisation began in the Eocene, when the climate of the area changed from humid tropical to arid and comprised of the following process: the development of saprolite, the oxidation which liberated the gold from the host sulphides, and the secondary enrichment of sulphides from ground water carrying around liberated gold and copper.

The precious metals mineralisation of Naimanjal is hosted within both structural trends described above, each of them is in the order of one to two kilometres in width. The currently predominant northwestern trend is approximately two kilometres in length. Within this trend, the gold/silver mineralisation is located within a series of sub-parallel, sub-vertical to vertical structures that have various strike orientations. The lengths of the mineralised zones are variable. The second mineralised trend "the Eastern Zone" is open both in strike and length, currently extends one kilometre in width. The mineralisation here, in addition to oxide and sulphides varieties, contains secondary sulphide enrichment zones varying in thickness from one to five metres, and containing gold grades varying from 2 to 48 g/t. The Group plans to further extend drilling of the Eastern Zone this summer.

Mineral Resources

The main deposit is the Naimanjal gold deposit which has been well explored and represents the most advanced asset presently held by the Group. Exploration has included geophysical and geochemical surveys, trenching, and core drilling. Based on the completed work, gold and silver grades of economic value have been identified. The near surface mineralisation is oxidized while deeper extents are sulphidic in character. Based on the existing exploration data the State Reserve Committee of the RK ("SRC") have certified a total of 160,000 ozs of gold within the oxide portion of the resource as C1 + C2 reserves. In addition, in a report on reserves in March 2001 to the SRC, Frontier postulated that within the oxide portion there was an additional 300,000 ozs of P category resource. Frontier's management now believe the oxide deposit to be substantially larger than that suggested by current reserve and resource estimates. At present, the oxide resources represent an open pit mining target from which mined material may be treated using a heap leach recovery system. Column leach test work confirms the amenability of the mineralisation to heap leaching with preliminary recoveries indicated to be in the order of 75 per cent for gold and 40 per cent for silver.

At present, no resource has been defined for the known deeper sulphide mineralisation which has been identified in deep drilling completed by previous licence holders and the Group. A geophysical survey has also identified the potential presence of sulphides along strike and at depth. The resultant anomalies were confirmed by drilling three core holes. Planned exploration drilling will test the potential of the sulphide mineralisation and metallurgical test work will also be completed. Results will be used to establish the economic potential of this portion of the resource. If proven to be economically viable, this portion of the resource may be mined by a combination of open pit and/or underground methods. The processing method is yet to be defined.

The Naimanjal data used to estimate the mineral resources were obtained by two groups completed over two distinct time periods. The Maikain Expedition ("ME") completed the original work on behalf of the RK from 1991 through to 1996 whilst exploring for base metals. The ME work contained 41 core holes totalling 10,975 metres which was designed to test the sulphide potential of Naimanjal.

Surface trenching of 2,164 linear metres was also completed within a total of 40 trenches. ME also mined a limited portion of the outcropping oxide mineralisation and placed this material in a series of 82 stockpiles which remains on site today.

The Group completed additional exploration work during the period from its formation in 1998 through to 2000. This work included geophysical and geochemical surveys that were used to assist in identification of trenching and drilling targets. During this period, a total of 6,093 linear metres of surface trenches were excavated. Percussion and core drilling were also conducted. Regarding percussion drilling, a total of 167 holes were completed containing a total of 3,319 metres. A total of 1,321 metres of drill core were completed within 12 holes bringing the total of Company completed drilling to 4,640 metres.

Analytical results for all Group generated samples were produced by the Central Research Laboratory located in Kara-Balta, Kyrgyzstan. This facility was certified by NAMAS to ISO 9002. Also completed during this work was a bulk density determination of the core samples for use in resource estimation.

Ongoing Work Programme

In March 2004, the Group commenced an in-fill core drilling programme, using three drill rigs, on the Naimanjal gold deposit to verify and confirm the continuity of the gold/silver mineralisation. The limits of the mineralisation have not yet been defined along strike or at depth. After the in-fill drilling, the step out drilling will be conducted to establish the global extent of the mineralisation and expand resources in four areas located along the strike from the last known mineralised intercepts.

As previously stated, this is a phased drill programme in which the near surface oxidized mineralisation is being drilled as the initial step. A minimum of 5,000 metres of drilling will be completed within the oxide zone. Using the existing trenching and drilling results as well as the results from the ongoing drill programme, the resource will be updated and a detailed engineering study will be compiled to determine the economic potential of the mineralisation for supporting an open pit heap leach operation. Metallurgical test work will also be completed to validate previously completed column leach tests which indicated potential metallurgical recoveries of 75 per cent for gold and 40 per cent for silver.

The second phase of core drilling will begin immediately after completion of the oxide drilling programme. This program will test the deeper down dip sulphide potential which has been identified in previously completed RK exploration agency holes as well as that completed by the Group. The duration of this programme will depend upon the results obtained during the sulphide drilling phase. A detailed engineering study is presently planned for completion once drilling is completed.

Six Satellite Prospects

The six nearby gold prospects represent exploration targets and have a similar geological structure to the Naimanjal deposit. Geophysical and geochemical results, as well as a limited amount of core drilling, have identified these prospects as potential targets of merit. An exploration programme is planned on these six prospects which will include additional in-fill geochemical sampling, detailed geophysical surveys, trenching and core drilling. If economic levels of mineralisation are identified, resources from these prospects will be mined and transported to the main Naimanjal gold deposit for processing thus contributing to economies of scale. As with the main Naimanjal gold deposit, both oxidized and sulphide mineralisation appear to be present at the Naiman and Baritovy prospects (see figures 5 and 6 of the Competent Person's Report on pages 41 and 42). The Frontier management estimates a total of 375,000 ozs of P category resource within the oxide zone.

1.4.2 Koskuduk Gold Project

The Group's second most advanced project is the Koskuduk gold project (see figure 7 of the Competent Person's Report on page 44). Koskuduk is also located within the Naimanjal Licence area. Three target areas have been delineated within the Koskuduk area; Koskuduk East, Koskuduk West and Koskuduk South. Koskuduk South is an exploration target. Koskuduk East and Koskuduk West have been extensively explored by trenching and the drilling of 63 diamond drill and 96 percussion holes ranging to depths of 300 metres which have an estimated category C2 resource of 180,000 ozs. The available drill results contain economic intervals of gold mineralisation, oxidised near surface and present at depth in association with sulphides. Observations by the Group indicate that the Koskuduk Gold Project may represent an open pit mineable resource as well as a heap leach processing target for the oxidized portion of the resource.

Frontier plans to conduct an exploration and drill programme in the Koskuduk area intended to confirm and expand upon Kazakhstan state expedition data. This work will include additional detailed geological mapping, geophysical survey, geochemical sampling, and diamond drilling. The first phase of drilling will be focused on the near surface oxide potential, which is exposed within the trenches and reported to be present within historical drill holes not completed by Frontier. Dependent upon the results of this work, metallurgical test work and a feasibility study will then be commissioned with a view to determining the economic potential of the oxidised near surface mineralisation. Concurrent with the evaluation, drilling will be continued within the down dip sulphidic zones to establish the tenor of the associated mineralisation.

1.4.3 The Copper-Gold Deposits

The copper-gold deposits include the 25 kilometre copper-gold trend between Beschoku and Yubileiny, and the Baitimir copper-gold deposit, all located within the Naimanjal Licence area. All have been explored on a limited basis in modern times. This has consisted primarily of geochemical sampling and trenching of mineralised outcrops. Anomalous values of copper have been identified in all three areas. Portions of Yubileiny have also been drilled on a very limited basis.

Beschoku

A geochemical soil survey in July 2002 on a 1,000 × 200 metre grid was carried out by Frontier at the Beschoku area of historical copper mining (see figures 8 and 10 of the Competent Person's Report on pages 45 and 48). On the basis of this survey, Frontier identified the most prospective area covering 15 km^2 of anomalous copper, gold and arsenic and estimate, by analogy with other deposits of this style in eastern Kazakhstan, this prospect may have the potential to host in the order of 300,000 tonnes of copper. An extensive geophysical and in-fill geochemical programme is planned within the areas of anomalous copper-gold mineralisation. The results of this programme will be followed up with core drilling. If appropriate, the results will be used to compile a prefeasibility study to determine the potential of the project and to define any additional exploration work that may be required.

Yubileiny

The Yubileiny copper deposit was first discovered and developed in the second half of the 19th century (see figure 9 of the Competent Person's Report on page 46). Records show that about 1,000 tonnes of copper was extracted during the 1870's with oxide copper grades ranging from 5 per cent to 10 per cent. In 1947 the estimated copper resource above a depth of 100 metres was reported to be 150,000 tonnes of copper, and this prompted further work during the period between 1948 and 1951. During this phase, three exploration shafts, 308 metres of shallow exploration pits and 1,000 m^3 of trenches were excavated followed by 914 metres of drilling distributed in eight core drill holes. The width of the mineralised zone varies from 100 to 200 metres, and the total mineralised area covers 3.5 km^2. Total copper values in outcrops and pits vary from 0.5 per cent to 1.0 per cent copper, and, in places, up to 30 per cent copper, and can be assumed to be related to a zone of secondary copper enrichment. Frontier concurs with the 1947 estimate that this deposit has the potential to contain in the order of 150,000 tonnes of copper. This is primarily based on analogies with other VMS-hosted copper deposits in the region namely Mizek, Abyz, Maikain, Nikolaevsky and Artemovsky. In all of these other deposits the majority of the mineralisation occurs in the underlying basalts at depths in excess of 100 metres. Frontier plans to conduct a detailed geophysical IP survey over the area, a technique with which the Group has been particularly successful. Following this, a detailed core drilling programme is planned to confirm the existing resource potential with regard to the oxide – sulphide distribution as well as to investigate the mineralisation at depth. Metallurgical test work is also planned. If justified by the results, a prefeasibility study will be completed to determine the potential of the project area.

Baitimir

The Baitimir prospect lies within the Malikapinsky area 40 kilometres north of Yubileiny, and situated away from the 25 kilometre copper-gold trend (see figure 8 of the Competent Person's Report on page 45). The Kazakhstan State Regional Mapping Programme outlined the Malikapinsky area as the most prospective area for discovery of large-scale copper mineralisation. Within this area there are a number of copper prospects the most notable of which is Baitimir. The mineralisation at Baitimir has been outlined by a series of shallowly excavated pits and trenches returning elevated gold and copper values over an 8 kilometre long zone. Frontier plans to conduct an additional exploration programme to identify the presence of any areas requiring follow-up exploration, trenching and drilling.

1.4.4 **Baltemir**

The Baltemir Licence covers an area of 153.6 km^2 and is located to the east of the Naimanjal Complex and to the north of Koskuduk. The gold appears to occur in a series of quartz veins within a zone one kilometre wide and extending for 7 kilometres along strike. A geochemical soil survey conducted on a 500 × 50 metre grid delineated numerous anomalies with elevated gold and silver values. Preliminary plan view maps indicate that elevated gold values are primarily associated with the quartz veins but it does also occur disseminated within the host rocks. A total of 19 core drill holes have been drilled by previous licence holders and while five of these have intersected gold mineralisation, this data has not yet been interpreted in any detail.

Work planned by Frontier comprises the assembly of all existing historical information and the analysis of this so as to define the better-mineralised targets, their extent and continuity. Subsequently, the Group plans to conduct further detailed geochemical soil sampling, trenching, a close spaced geophysical IP survey and core drilling of anomalous targets and outcropping vein structures that have not yet been drilled. Metallurgical test work will be conducted and if justified a preliminary feasibility study will be compiled to determine the potential of the area.

1.5 The Group's Near Term Objectives and Use of Proceeds

The location, the terrain and the nature of the deposits combine to facilitate low cost mining. The Group's stated objectives are to achieve the following milestones within the indicated time periods from Admission and it is intended that this will be at the costs specified, which will be funded from the proceeds raised for the Company from the Placing:

Location	Objective	Timeframe from Admission	Expenditure (millions)
Naimanjal	Complete ongoing in-fill drilling programme on near-surface gold oxide and detailed engineering study for heap leach processing	6 months	£0.4
	Construction of heap leach pads and processing plant	9 months	£1.5
	Produce gold at an annual rate of 25,000 ozs	9 months	–
	Expand current reserve and resource at Naimanjal and satellites following drill programme	12 months	£0.2
Koskuduk	Pre-feasibility study of East Koskuduk and exploration programme in remaining part of deposit	6 to 9 months	£0.1
Copper/gold deposits	Geophysical, geochemical, core drilling and metallurgical test work to confirm 450,000+ tonnes copper over two prospects	6 to 12 months	£0.2
Baltemir	Explore 7 km-long mineralised gold trend by geophysical, geochemical, core drilling and metallurgical test work	9 to12 months	£0.1
		TOTAL	£2.5

The remainder of the £3.5 million proceeds raised for the Company from the Placing will be used for expenses of the issue and repayment of existing debt and the remaining amount, together with revenues from gold production at Naimanjal, will be used for working capital. The Company will require further funding to enable it to carry out the planned activities that are set out in paragraph 1.4 above but not included in the above objectives table.

It is the Directors' current objective for the Group to be producing gold at the rate of approximately 100,000 ozs per annum by mid 2007.

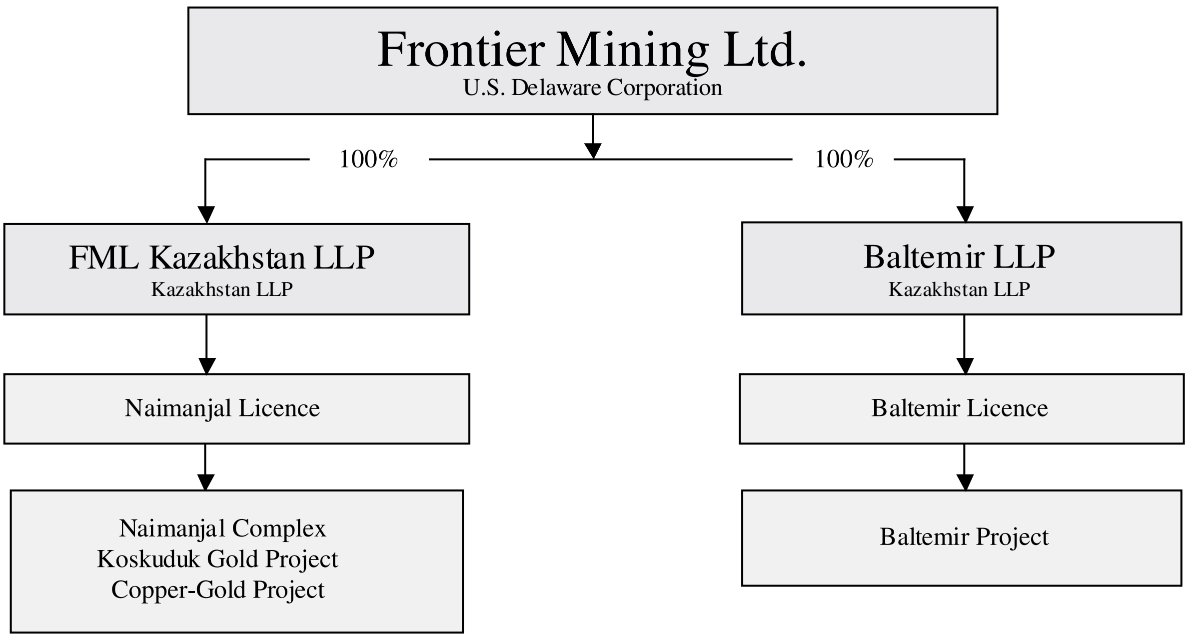
1.6 Infrastructure in the Project Area

The city of Kurchatov, the centre of Frontier's operations, is located on the Irtysh river between the cities of Semipalatinsk and Pavlodar. There is a mainline rail station in Kurchatov and a 90 km long railroad spur exists to transport coal from the open pit coal mine at Karajira to Kurchatov. This coal mine is about 30 kilometres to the North of the Koskuduk Gold Project. A paved road and a 25 kilometre long power line currently connects Kurchatov with the Opytnoye Pole jobsite, the nearest external electric power supply source and transformer station to Naimanjal Complex, approximately 40 kilometres to the south of it. Electric power is supplied by the East Kazakhstan Regional Energy Company through a 110 kV power line. Similarly the Balapan jobsite, could be a power supply source to Koskuduk (40 kilometres to the south) and Baltemir. High voltage 35 kV power lines would have to be constructed along a distance of approximately 40 kilometres to provide future Naimanjal and Koskuduk open pit mines with electric power. Power requirements to the Gold/Copper Deposits could be satisfied by the Degelen transformer station nearby.

The Naimanjal Licence area does not contain any rivers or freshwater lakes, in places there are some saltpans filled with seasonal brackish water. Drinking water is planned to be transported to the Naimanjal, Koskuduk and Baltemir minesites by trucks. Water required for the technical aspects of the Naimanjal mining operation could be supplied from three sources: a nearby well, by collecting atmospheric precipitation and from the open pit, under which ground water occurs at a depth of approximately 35 metres as evidenced by hydrogeological drilling.

Further information on the Group's assets and projects are contained in the Competent Person's Report set out in Part Three of this document.

1.7 The Group's Administrative Structure



Frontier operates through two wholly owned subsidiaries: FML Kazakhstan and Baltemir LLP, both are Kazakhstani partnerships with limited liability.

FML Kazakhstan maintains an administrative office in Almaty, Kazakhstan, the former capital city of Kazakhstan and the main business centre in the southeast of Kazakhstan. The Almaty office has 9 full time employees and several contractors who provide accounting, administrative, banking, computer, geologic, and legal support to FML Kazakhstan. FML Kazakhstan also maintains an office in Kurchatov, located about 130 kilometres west of Semipalatinsk. Semipalatinsk is about 830 kilometres north of Almaty, and has regular commercial airline service from Almaty. The Kurchatov office has 9 employees who provide accounting, administrative, and banking support for the exploration projects and a varying number of contractors who are engaged in exploration work.

FML Kazakhstan also provides administrative support to the Company's other operating subsidiary, Baltemir LLP. Baltemir LLP has only one employee, who is the General Director and is also a president of FML Kazakhstan.

Frontier maintains a small corporate office in Centennial, Colorado, a suburb of Denver. This office provides corporate administrative support for the Kazakhstan operations. The Group has 3 full time employees in the United States including the chief executive officer, the exploration director and an administrative assistant. However, the chief executive officer and the exploration director spend the majority of their time at the Group's operations in Kazakhstan. Frontier has recently established a small corporate office in London. This office will provide finance orientated corporate and administrative functions.

1.8 Directors

***Mr. Brian Charles Savage** – Chairman and Chief Executive Officer (aged 44)*

Mr. Savage is a founder of Frontier and served as President and Director since the Company's formation in August 1998. He was elected Chairman of the Board and Chief Executive Officer on December 12, 2001. Mr. Savage has 20 years experience in all aspects of the mining industry. Mr. Savage has a BSc in Mining Engineering and MSc in Mineral Economics from the Colorado School of Mines. Having worked in mines as a student, on graduation he went to work in an underground coal mine in western Colorado where he was involved in all aspects of mine operations. He returned to graduate school and joined Lynx Geosystems and became a regional manager of marketing and technical support of the company's mining software. Upon receiving his master's degree, he joined the Bank of New York as its mining engineer responsible for technical analyses of mine financing. He was recruited by Sharps Pixley, a precious metal trading house, as an analyst of project finance transactions and subsequently moved from there in 1992 to Bank of Montreal as director of the Mining and Metals Group in New York subsequently acting in mergers and acquisitions and public financings for the bank's wholly owned subsidiary Nesbitt Burns. He left in 1996 to become President of Earth Search Sciences Inc (ESSI), a remote sensing company with applications in the mining industry. He played a major role in the Remote Sensing Mission to Kazakhstan, sponsored by the U.S. Government and formed several joint venture companies in Kazakhstan. Mr. Savage left ESSI in 1998 and formed Frontier having acquired the relevant data and local rights to the ESSI findings.

***Dr. Edward Isaac Bloomstein** – Exploration Director (aged 66)*

Dr. Bloomstein has over 30 years' experience as a successful international exploration executive in the mining industry. He has managed successful exploration programmes that have lead to the discovery of multi-million ounce gold deposits in the U.S., Russia, Kyrgyzstan and Kazakhstan. He began his career in the National Geological Institute in St. Petersburg, Russia. He became exploration manager for Far Eastern Siberia and Kamchatka, developing an extensive network of industry contacts. He emigrated with his family to the US in 1974 and performed post-doctorate work in geology at Stanford University before joining US Steel as senior geologist and project manager. He established the company's gold exploration programme and was responsible for the discovery of the multi-million ounce Ivanhoe deposit in Nevada. He left and founded Fortress Mining and discovered the Waimanu gold deposit in Fiji before selling the Fortress rights at Waimanu to Western Mining Company. In 1985 he then joined Santa Fe Pacific Gold Corporation as Chief Geologist and during twelve years with the company discovered more than 10 million ozs of gold, including the Twin Creeks gold mine now producing at 500,000oz per year. He was appointed Director of Exploration – Central Asia in 1992 and established effective exploration programmes in Kazakhstan and Kyrgyzstan. He was responsible for government and local contractor relations. He negotiated foreign investment contracts that stabilised investment conditions in relation to fiscal and regulatory issues. He remained as director of

Central Asia Exploration when Santa Fe Pacific was acquired by Newmont. In 1998 Dr. Bloomstein joined ESSI to run their exploration programme and met Brian Savage with whom he founded Frontier Mining.

Mr. Thomas Ian Sinclair *– Chief Financial Officer (aged 35)*

Mr. Sinclair was nominated to be a director by the Board on 7 May 2004. His appointment was confirmed by the shareholders of the Company on 7 May 2004. He qualified as a chartered accountant from New Zealand in 1992 and has 15 years' international financial management experience including 7 years' direct experience in the CIS and Kazakhstan where he started as finance manager for the Moonstone Group, which was involved in gold and diamond exploration in Kazakhstan. He then joined Cameco Corporation as a finance manager on their Inkai uranium project in Kazakhstan and as a financial consultant to their Kumtor Gold project in Kyrgyzstan. At that time he was also Treasurer for the Mining Association of Kazakhstan, consulting on tax and commercial legislative reform with the Ministries of Finance and State Revenues in conjunction with the foreign investors council. Prior to joining Frontier Mining, Mr. Sinclair worked for the Kazkommerts Group, Kazakhstan largest private banking and industrial holding group whose investments included significant shareholdings in Kazaktelecom, PetroKazakhstan, Nelson Resources and Chaparral Resources Inc. Mr. Sinclair was directly involved with Kazkommert's oil, gas and mining mergers and acquisitions and its financial reporting between Almaty and London.

Mr. Boyd Warrington Bishop *– Non-executive Director (aged 64)*

Mr. Bishop is a founder of Frontier and has served as a Director since the Company's foundation in August 1998. He is also President of Bishop Associates, which specializes in technology transfer and infrastructure projects in the new independent states of the former Soviet Union. He is on the board of several companies in these countries, including SEMTECH, a technology development company in Kazakhstan. Prior to forming Bishop Associates in 1990, Mr. Bishop was a Senior Foreign Service officer of the US Department of State, where he gained 22 years of experience in international relations, focused on East-West issues. Mr. Bishop has a Bachelor of Arts degree in International Affairs.

Mr. Michael John Short *– Non-executive Director (aged 52)*

Mr. Short has served as a Director of the Company since 27 February 2004. He is also Managing Director of GBM Minerals Engineering Consultants Ltd based in Twickenham, near London. He holds a Bachelor of Engineering (Civil) degree from the University of N.S.W. and is a Chartered Engineer (UK & Australia). He has over 30 years' project management and site construction experience on a broad range of projects, including engineering, design and construction of gold and copper/lead/zinc ore treatment plants worldwide including Kazakhstan and Russia.

Dr. Shamil Talibulovich Tukhvatulin *– Non-executive Director (aged 56)*

Dr. Tukhvatulin is a founder of Frontier and has served as a Director since the Company's foundation in August 1998. He is currently General Director of the National Nuclear Center of the Republic of Kazakhstan and a Director of SEMTECH. Dr. Tukhvatulin has 30 years' experience in nuclear safety, laboratory experiments, and project management. He was also a physicist and engineer on nuclear power stations with Tomsk Polytechnical Institute, and performed research on nuclear facility safety with Podolsk Scientific Research Institute. Dr. Tukhvatulin has a Ph.D. in Nuclear Engineering.

Mr. Naum Voloshin *– Non-executive Director (aged 40)*

Mr. Voloshin has been a Director of the Company since December 2001. He is also President of San Francisco Securities, Inc., and General Partner of Voyager, which is involved in venture capital, arbitrage, hedging and direct access trading. Mr. Voloshin has over 13 years' experience in the securities industry including extensive experience in equity financing, investment advisory and investment banking.

Mr. Robin Jay Young *– Non-executive Director (aged 50)*

Mr. Young has been a Director of the Company since December 2001. He is also President and Chief Executive Officer of Western Services Engineering, Inc. He has 28 years' domestic and international experience in the mineral resources industry, including more than five years of experience in Kazakhstan and Russia. Mr. Young has a Bachelor of Science degree in Geological Engineering.

The Company will appoint a Non-executive Chairman in the near future and is in discussions with suitable candidates.

1.9 Senior Managers

Mr. James Stonehouse *– Vice President – Operations, Frontier Mining Ltd. (aged 52)*

Mr. Stonehouse has been a Vice President of the Company since April 2004. He has been involved in mining for 30 years, including exploration, mine site plant and supervision, permitting, and mine development. His career has involved exploration and development in North and South America, Europe, and Central Asia. Successful projects with which he has been associated include Borealis, Brewer, and Manhattan in the United States, El Mochito and Rosita in Central America, Tomi and Las Cristinas in Venezuela, and Kurutegerek in Kyrgyzstan. Most recently Mr. Stonehouse was employed by Vannessa Ventures in Guyana directing exploration for diamonds and gold and directing the feasibility study and permitting for a mid-sized gold project.

Mr. Igor Nedbaev *– Vice President, FML Kazakhstan (aged 43)*

Mr. Nedbaev has been a Vice President of the Company since 1998 and has 20 years' experience in the resource and nuclear industries. He was an Executive Director of Polygon Resources, Besshoky and Semgeo between September 1996 and July 1997. Prior to this he held various managerial positions in state-owned enterprises. He holds a Bachelor of Science degree in Mining Geology.

Mr. Askhat Mukhazhanov *– Financial Controller, FML Kazakhstan (aged 32)*

Mr. Mukhazhanov has been a Financial Controller of the Company since February 2004. He has 7 years' experience in accounting and financial management, including at Deloitte & Touche as an auditor of large multinational corporations with businesses in Kazakhstan, Uzbekistan, Kyrgyzstan and Russia. He was recently a financial controller with Kazkommers Group, the largest private banking and industrial holding group in Kazakhstan. Mr. Mukhazhanov has a Master of Business Administration degree from the Kazakhstan Institute of Management Economics and Strategic Research.

1.10 Financial Information

The attention of investors is drawn to the information which is set out in Part Four of this document, which comprises a copy of the audited consolidated financial statements of the Company for the three years ended 31 December 2003, 2002 and 2001.

1.11 Corporate Governance

The Directors support the highest standards of corporate governance and intend to observe the requirements of the Combined Code to the extent they consider it appropriate having regard to the Company's size, stage of development and resources.

The Company will hold board meetings periodically as issues arise which require board attention. The Directors will be responsible for formulating, reviewing and approving the Group's strategy, budget, major items of capital expenditure and senior personnel appointments.

On 27 August, the Company set up Remuneration, Nomination and Audit Committees with formally delegated duties and responsibilities with effect from Admission.

The Audit Committee, which comprises Naum Voloshin and Robin Young, will meet at least twice a year and will be responsible for making recommendations to the Board on the appointment of auditors and the audit fee, ensuring the financial performance of the Group is properly monitored and reported on and will receive and review reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Group.

The Remuneration Committee, which comprises Michael Short, Boyd Bishop and Naum Voloshin, will be responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Group.

The Nomination Committee, which comprises Boyd Bishop, Michael Short, Shamil Tukhvatulin and Brian Savage will be responsible for regularly reviewing the Board structure, size and composition and will make recommendations to the Board with regard to any adjustments that are deemed necessary.

The Company will take all reasonable steps to ensure compliance by the Directors and relevant employees with the provisions of the AIM Rules relating to dealing in securities.

1.12 Dividend Policy

It is the intention of the Directors to achieve capital growth. In the short term, the Directors intend to reinvest any future profits in the Group and, accordingly, are unlikely to declare dividends in the foreseeable future. However, the Directors will consider the payment of dividends out of distributable profits of the Company when they consider it is appropriate to do so.

1.13 Lock-In Agreements

In accordance with the AIM Rules, the Directors and their associates have undertaken not to dispose of any of their Ordinary Shares for a period of 24 months from Admission, subject to certain exceptions, representing a total of 12,495,080 Ordinary Shares (being 20.6 per cent of the issued share capital after Admission).

1.14 Settlement and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. Due to restrictions on transfer under the United States Securities Act 1933 (as amended), however, the Ordinary Shares must be held in certificated form for a period of at least 12 months following the Placing and so the Ordinary Shares will not be eligible for settlement through CREST during that time. The Ordinary Shares are not registered in the United States and the certificates will bear a legend to that effect.

Accordingly, settlement of transactions in both the existing Ordinary Shares and the Placing Shares following Admission will not take place within the CREST system, although trades can be reported to AIM and the cash consideration can be settled using the CREST residual service.

The Company does not currently intend to apply for the existing Ordinary Shares or the Placing Shares to be settled in CREST upon the expiry of this 12 month period. Accordingly, the Directors expect that settlement will not take place in CREST for the foreseeable future.

1.15 Reasons for the Placing

The Company will raise approximately £3.5 million before commissions and expenses by way of the Placing Shares to fund its detailed engineering study, mine construction and expenditure in relation to the Projects, further details of which are set out in paragraph 1.5 above, and to provide general working capital and repay existing debt.

The Directors consider that the profile and status of the Company will be enhanced by the success of the Placing and by the Admission.

1.16 Details of the Placing

Numis has conditionally placed, as agent for the Company, 23,333,334 new Ordinary Shares at the Placing Price, which represent 38.5 per cent of the issued ordinary share capital of the Company on Admission. The Placing Shares are being placed by Numis with institutional and other investors. The Placing will raise approximately £3.5 million for the Company (before commissions and expenses).

The Placing, which has been underwritten by Numis is conditional, *inter alia*, on Admission and on the Placing Agreement not being terminated. Commission is payable to Numis by the Company in respect of the Placing Shares.

It is expected that the proceeds of the Placing will be received by the Company on 2 September 2004. Placees will receive Ordinary Shares pursuant to the Placing in certificated form. It is expected that certificates will be despatched by post, within five business days of the date of Admission.

Following Admission, the Directors and connected parties will hold 12,495,080 Ordinary Shares, representing approximately 20.6 per cent of the enlarged issued share capital of the Company. Certain other shareholders, as referred to in paragraph 2(k) of Part Five of this document, will hold more than three per cent of the enlarged issued share capital of the Company, and will together hold 30,632,715 Ordinary Shares, representing approximately 50.6 per cent of the enlarged issued share capital of the Company.

The Company has agreed, in certain circumstances, to issue new Ordinary Shares to placees in order to protect such placees from any potential dilution of their shareholding in the capital of the Company. Further details are provided in paragraph 4(vii) of Part Five of this document.

Further details of the Placing Agreement are set out in paragraph 4(ii) of Part Five of this document.

The Ordinary Shares have not been, and will not be, registered under the Securities Act, as amended, or under the securities legislation of any state of the United States of America, and may not be offered or sold in the United States or to U.S. persons unless they are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Hedging transactions involving these securities may not be conducted unless in compliance with the Securities Act. The Ordinary Shares have not been and will not be registered under the securities laws of Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Russian Federation, the Republic of Kazakhstan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

1.17 Warrants

The Company has issued a warrant to Numis entitling it to subscribe for up to 605,709 Ordinary Shares at the Placing Price at any time within five years of Admission. Further details of the warrant are set out in paragraph 4(iv) of Part Five of this document.

1.18 New Share Option Plan

The Directors believe that the ability and expertise of the Group's personnel provides the Group with a competitive edge. The Directors also believe that the demand for skilled professionals will continue to increase. The ability of the Group to recruit and retain high quality staff is therefore of paramount importance. In addition to the Group's employed staff, the Group relies on the assistance of consultants and other service providers in the countries in which it operates. It is important to the future of the Group that it is able to offer remuneration to such persons which ultimately reflects the increase in value of the Company. Accordingly, the Directors have adopted a New Share Option Plan under which they are entitled to grant up to 10 per cent of the Company's issued share capital from time to time, further details of which are set out in paragraph 7 of Part Five of this document.

Part Two – Risk Factors

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing the Group's activities and an investment in the Company include, but are not necessarily limited to, those set out below. Any one or more of these risks could have a material adverse effect on the value of any investment in the Company and the business, financial position or operating results of the Company and should be taken into account in assessing the Company's activities.

The risks noted below do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

Nature of Mineral Exploration and Mining

Mineral exploration and development is a speculative business, characterised by a number of significant uncertainties. For example, unprofitable efforts may result not only from the failure to discover mineral deposits but also from finding mineral deposits that are insufficient in quantity and/or quality to return a profit from production. Even deposits that could be sufficient to provide a profit from production are not guaranteed to do so because management of the mining operation may fail to perform adequately. The marketability of minerals acquired or discovered by the Group may be affected by numerous factors which are beyond the Group's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and metals, and environmental protection, a combination of which may result in the Company not receiving an adequate return on invested capital.

While discovery of a mineral structure may result in substantial rewards, few properties that are explored are ultimately developed into economically viable operating mines. Major expenditure may be required to establish reserves by drilling and in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Group's projects or the current or proposed exploration programmes on any of the properties in respect of which the Group has exploration rights will result in a profitable commercial mining operation.

The Group's operations are subject to all of the hazards and risks normally incidental to the exploration, development and production of precious metals and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. The Group's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Group has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material.

While the Group may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or that certain risks could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance which may be, but is not, taken out or in excess of insurance coverage actually taken out may cause substantial delays and require significant capital outlays, adversely affecting the Group's earning and competitive position in the future and, potentially, its financial position. In addition, the potential costs that could be associated with compliance with applicable laws and regulations may also cause substantial delays and require significant capital outlays, adversely affecting the Group's earning and competitive position in the future and, potentially, its financial position.

Whether a precious metal or a base metal deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit (such as its size and grade), proximity to infrastructure, financing costs and governmental regulations (including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of precious metals or base metals and environmental protection). The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Group not receiving an adequate return on invested capital.

Exploration, Mining and Processing Licences

The Group's exploration, mining and processing activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents, which may be withdrawn or made subject to limitations. There is no guarantee that, upon completion of any exploration, a mining licence will be granted with respect to exploration territory. There can also be no assurance that any exploration licence will be renewed or if so, on what terms.

These licences place a range of past, current and future obligations on the Group. In some cases there could be adverse consequences for breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the relevant licence or related contract.

The Company notes that the original exploration period under the Baltemir Licence expired on 5 March 2003, and the decision of the RK Government to extend such exploration period was made on 19 March 2003. The Company has obtained a legal opinion from its RK lawyers to the effect that Baltemir LLP holds valid rights to use subsoil resources under RK law notwithstanding this brief gap. The Company has also obtained written confirmation dated 27 May 2004 from the Competent Agency of the RK Government to the effect that Baltemir LLP holds valid rights to use subsoil resources under RK law.

Development Projects

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the orebody, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

Expansion Targets and Operational Delays

The Group plans to develop its properties, if warranted. However, there can be no assurance that it will be able to complete the planned development on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of management to identify problems at an early stage could have an adverse impact on the Group's financial performance.

Resources, Reserves and Production

The figures for resources and reserves presented in this document are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realised. Market fluctuations in the price of precious metals may render ore reserves and resources uneconomical. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Precious Metal and Base Metal Prices

The market price of metals is volatile and beyond the Company's control and may adversely affect the feasibility or future profitability of potential projects. The level of interest rates, the rate of inflation, world supply of precious and base metals and stability of exchange rates can all cause significant fluctuations in precious and base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The decision to put a mine into production, and the commitment of the funds necessary for that purpose, must be made long before the first revenues from production will be received. Metal price fluctuations as well as forecast production costs between the time that such a decision is made and the commencement of production can completely change the economics of any mine. Although it is possible to protect against metal price fluctuations by hedging in certain circumstances, the volatility of metal prices represents a substantial risk in the mining industry generally, which no amount of planning or technical expertise can eliminate.

Limited Operating History

The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access equity markets for its development requirements. The Group has not earned profits to date and there is no assurance that it will do so in the future. A portion of the Group's activities will be directed to the search for and the development of new mineral deposits. Significant capital investment will be required to achieve commercial production from the Group's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Additional Financing

The Group is required to fund its share of approved exploration expenditure on certain of the properties on which it has exploration rights, failing which the Group's exploration rights in the relevant property may be either reduced or forfeited. The Group may acquire exploration rights in other exploration properties in the Commonwealth of Independent States and elsewhere, which may require acquisition payments to be made and exploration expenditures to be incurred. The only sources of funding currently available to the Group are through the issue of additional equity capital, project finance or borrowing. There is no assurance that the Group will be successful in raising sufficient funds when needed or that, if available, the terms of such financing will be favorable to the Group to commence mining operations or to meet its obligations with respect to the exploration properties in which it has or may acquire exploration rights.

Key Personnel

The Group relies on a limited number of key employees. However, there is no assurance that the Group will be able to retain such key executives or other senior management. If such personnel do not remain active in the Group's business, its operations could be adversely affected.

Political Risk

The Group is conducting its exploration and development activities primarily in the Republic of Kazakhstan. The Directors are hopeful that the government of the Republic of Kazakhstan will support the development of natural resources by foreign operators, but there have been cases of mineral licences being revoked in the past. There can be no assurance that future political and economic conditions in the Republic of Kazakhstan will not result in its government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income, return of capital, nationalisation, expropriation and other areas, each of which may affect both the Group's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date.

Regulatory Approvals

The operations of the Group and the exploration agreements which it has entered into require approvals, licences and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees). The Directors believe that the Group holds or will obtain all necessary approvals, licences and permits under applicable laws and regulations in respect of its main projects and believes it is presently complying in all material respects with the terms of such approvals, licences and permits. However, such approvals, licences and permits are subject to change in various circumstances and further project specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that the Group will be able to obtain or maintain all necessary approvals, licences and permits that may be required and/or that all project specific governmental decrees and/or required legislative enactments will be forthcoming to explore and develop the properties on which it has exploration rights, to commence construction or operation of mining facilities, to export and sell metals and concentrates or to maintain continued operations that economically justify the costs involved.

Environmental Factors

The exploration and development of the Group's property interests will be subject to the Kazakhstani laws and regulations concerning a wide range of matters including, but not limited to, environmental matters, the discharge of hazardous wastes and materials, and the potential radiological concerns surrounding work on a former nuclear test site. The Group conducts its activities in compliance with international environmental and occupational health and safety norms, even if they exceed the currently applicable Kazakhstani requirements. Environmental legislation and permitting requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees, which could impose increased capital or operating costs on the Group and could restrict and/or delay the development or operation of the Group's property interests. In addition to environmental regulation, various discretionary government approvals will be required in order to place a mining project into production.

Uninsured Risks

The Group may become subject to liability for employee health and safety claims for various reasons including but not limited to diseases alleged to be related to radiation exposure, and other hazards of mineral exploration against which the Group cannot insure or against which the Group may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and could have a material adverse affect on the Group's financial position.

Factors beyond the Group's control may effect the economic viability of any products discovered including market fluctuations, government regulations on such matters as prices, taxes, royalties, land tenure, importing and exporting of minerals and metals, export restrictions, exchange controls, dividends and environmental protection.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Group, in the search for and acquisition of exploration and development rights on attractive mineral properties. The Group's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that the Group will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties.

The Group also competes with other industry sectors that, at times, may be more in favour with investors, limiting the Group's ability to obtain necessary capital.

Currency Risk

Currency fluctuations may affect the cash flow that the Group hopes to realise from its operations, as minerals and base metals are sold and traded on the world markets in United States dollars. The Group's costs are incurred primarily in United States dollars, British pounds sterling and Kazakhstan Tenge. Various countries within Central Asia have from time to time imposed restrictions on the convertibility of local currency and there is no guarantee that such restrictions will not be imposed in Kazakhstan in the future.

Limitations on Foreign Control of Mining Companies

There are no restrictions on the foreign ownership of mining companies in the jurisdiction in which the Group is currently operating. However, there can be no assurance that legal requirements as to the foreign ownership and control of mining companies in this jurisdiction will not change.

Areas of Investment Risk

The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors some of which are general or market or sector specific and others that are specific to the Group.

It is the intention that the Company's shares will not be listed on the Official List of the UK Listing Authority and although application has been made for the Company's shares to be traded on AIM, this should not be taken as implying that there will always be a liquid market in them. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Company's shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's shares cannot be guaranteed. Investors should be aware that the value of the Company's shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Company's shares may not reflect the underlying value of the Group's net assets. The price at which investors may dispose of their shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal of their shares investors may realise less than the original amount invested.

Market Perception

Market perception of small mining exploration companies may change which could impact on the value of investors' holdings and impact on the ability of the Group to raise further funds by issue of further shares in the Company.

Geology and Reserves

To maintain precious and base metal production into the future beyond the life of the current reserves or to increase production materially above projected levels, the Group will be required to delineate further reserves. Any precious and base metal exploration programme entails risks relating to the location of economic orebodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities at any site chosen for mining. No assurance can be given that any exploration programme will result in any new commercial mining operation or in the discovery of new resources.

A decline in the market price of precious and base metal may render ore reserves containing relatively lower grades of mineralisation uneconomic.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group will operate and holds it major assets, as well as other unforeseen matters.

Since the 1998 Russian debt crisis, the investment risk profile in Kazakhstan has improved. However, although steps have been taken to strengthen the legal and tax regimes including those applicable to foreign companies and to facilitate currency movements, there remain areas of uncertainty in the legislation and its interpretation and in relation to the enforcement of judgements.

Risks Associated with Exploration and Mining Activities in a Former Nuclear Test Site

The Group's licence areas lie within the former Semipalatinsk nuclear test site (the "Polygon"). The Polygon is under the control of the National Nuclear Center of the Republic of Kazakhstan ("NNC"). According to the NNC's Institute of Radiation Safety and Ecology (the "Institute"), 72 per cent of the Polygon is free of radioactive contamination. The Institute completed site-specific radiation surveys under contract to the Group at the Naimanjal and Koskuduk sites and did not detect any radiation levels above normal background levels on these sites, which are currently the Group's highest priority targets. In addition to studies by the Institute, the distribution of radioactivity on the Polygon has been studied by the International Atomic Energy Agency ("IAEA") using scientists from Kazakhstan, Europe and the United States. The IAEA, in a report published in 1998, stated that "except for two areas there is sufficient evidence to conclude that over most of the test site there is little or no residual radioactivity."

A decree of the Government of the Republic of Kazakhstan on the Procedure for Removal, Protection and Use of Contaminated and Damaged Lands became effective on 16 June 1997. This decree requires that, among other things, land where nuclear weapons were tested may be granted for land use or transferred into ownership only after site characterization and remediation of contaminated areas has been completed. The type of decontamination to be provided for particular areas is to be approved by the NNC and the Ministry of Ecology and Bioresources and the Atomic Energy Agency of the Republic of Kazakhstan.

NNC and the Company will develop and implement policies and procedures for working on the Polygon which will assure the safety of workers and compliance with applicable health and safety requirements for workers and the public. While it is the Group's intention to locate, characterize and exploit mineral deposits on the Polygon that are removed from the areas of significant radioactive contamination, there is no guarantee that a potentially economic deposit would not be declared uneconomic due to radiological contamination.

As a former nuclear test site, the Polygon territory is subject to special legal restrictions concerning access to its territory and the performance of operations there, including restrictions which appear to limit such access and activities to entities operating in conjunction with the NNC.

Anti-dilution Arrangements

The Company has agreed, during the period of eighteen months from the date of Admission, in certain circumstances to issue new Ordinary Shares to placees in order to protect such placees from any potential dilution of their shareholding in the capital of the Company. Any future investments in the Company during this period will be subject to these anti-dilution measures and as a result will reduce the percentage holding of other investors accordingly.

The investment offered in this document may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this kind before making their decision.

Part Three – Competent Person's Report

INDEPENDENT REPORT AND VALUATION OF EXPLORATION PROPERTIES

Prepared for:

Frontier Mining Ltd.
August 2004

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COMPETENT PERSON'S REPORT

1 INTRODUCTION

1.1 Background

Steffen Robertson & Kirsten (UK) Limited (SRK) has been requested to review and value the exploration assets held by Frontier Mining Ltd (FML) in Kazakhstan as of May 2004. This report presents the results of this work. SRK understands that this report may be included as part of a prospectus issued in support of a listing on the Alternative Investment Market of the London Stock Exchange (AIM).

1.2 Qualifications of Consultants

SRK is part of an international group ("the SRK Group") that comprises over 500 professional staff offering expertise in a wide range of engineering disciplines.

The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. The SRK Group has a demonstrated track record in undertaking independent assessments of Mineral Resource and Reserve estimates, project evaluations and audits, competent person's reports and independent feasibility studies on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group also has specific experience in transactions of this nature.

This report has been prepared by a team of consultants sourced from the SRK Group office in Cardiff (United Kingdom). These consultants are specialists in the fields of geology, Mineral Resource and Reserve estimation and classification and open-pit and underground mining.

Neither SRK nor any of its employees employed in the preparation of this report has any beneficial interest in the assets of FML. SRK will be paid a fee for this work in accordance with normal professional consulting practice.

The individuals responsible for this report have extensive experience in the mining industry and are members in good standing of appropriate professional institutions.

1.3 Work Conducted

SRK prepared a preliminary report and valuation of FML's assets in December 2003. This was based solely on a review of information provided by FML. The updated valuation given here is still based largely upon information supplied to SRK by FML but this is now supported by visits to FML's offices in Almaty and Kurchatov, as well as field visits to the majority of the prospect areas, in March 2004.

Steffen, Robertson and Kirsten (UK) Ltd.
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North America
Southern Africa
South America
United Kingdom

SRK has reviewed the licence documents from a technical perspective but has not undertaken any legal due diligence to confirm whether or not any statutory obligations and consents are in force and current.

While SRK has derived a technical value for each of FML's assets, SRK has not reviewed FML's financial accounts.

2 FRONTIER MINING

2.1 Introduction

FML was established in 1998 and is a privately owned mining and exploration company incorporated in Delaware, USA with offices in Denver, Colorado and in Almaty and Kurchatov, in the Republic of Kazakhstan.

FML's two licence areas, Naimanjal and Baltemir, are located approximately 130 km west of the city of Semipalatinsk and on the former Semipalatinsk Nuclear Test Site. The test site was closed in 1989 and environmental tests to identify the scale and extent of its radionucleid pollution were subsequently carried out enabling the revival of economic activities in its ecologically safe sections.

A significant amount of exploration work had been completed within the licence areas prior to FML's involvement and this has now been supported by a certain amount of additional work conducted by FML itself, primarily on the Naimanjal licence. Resource estimates have now been derived for the two most advanced gold prospects and further gold, copper and zinc-lead prospects have been identified by FML based on geological mapping and geophysical and geochemical exploration variously undertaken prior to FML's involvement and also by FML itself. Only a limited amount of drilling has, however, been completed on these to date and they remain at an early stage of assessment.

FML's work on the Naimanjal licence has been concentrated at the Naimanjal Prospect itself and has included drilling, preliminary feasibility work, and metallurgical testwork.

FML's stated objectives are to:

- Complete the ongoing in-fill diamond drilling programme of the near surface oxide mineralisation at Naimanjal;
- Complete a detailed engineering study on Naimanjal based on a heap leach treatment scenario;
- If justified, bring the Naimanjal oxide mineralisation into production at a rate of 50,000 oz/yr;
- Undertake exploration at Naimanjal and the nearby satellite deposits with a view to replacing and increasing the currently delineated oxide resources and reserves;
- Evaluate the potential of the underlying sulphide mineralisation at Naimanjal by undertaking a programme of deeper drilling to confirm the results of existing drill hole intercepts and test geophysical anomalies;
- Verify existing historical drill results compiled for the Koskuduk gold project and complete an in-fill drilling programme to establish the full extent of the oxide resource and its potential to support a heap leach operation in due course;
- Explore the 7 km long mineralised trend of the Baltemir gold project through the implementation of geophysical, geochemical, diamond drill core and metallurgical test work programmes as justified;
- Explore the three identified copper – gold belt prospects through the implementation of geophysical, geochemical, diamond core drilling, and metallurgical test work if justified; and
- Acquire further advanced projects.

2.2 Exploration Portfolio

FML's exploration portfolio in Kazakhstan comprises a 100% interest in three portions of the Naimanjal Licence, together covering an area of approximately 4,200 km^2 and located within the former nuclear test site "Polygon" in NE Kazakhstan, and a 100% interest in the Baltemir Licence which covers an area of approximately 150 km^2 and is located to the NE of the Naimanjal Licence (see Figure 1).

2.3 Licence Status

The Naimanjal Licence area (#1166DD) as originally issued in June 1998 to Polygon Resources LLP covered an area of 8,108.8 km^2. This licence was valid for a period of five years. Several amendments to the licence conditions were negotiated including the re-assignment of the licence to Frontier Mining Kazakhstan LLP in February of 2000. The licence was subsequently renewed for a period of two years in 2001 and again for a similar period in 2003. Following the relinquishment of selected areas, the current licence now comprises three separate areas totalling 4,200 km^2 which are referred to in this report as; "Naimanjal", "Cu-Au Belt", and "Koskuduk" respectively.

The minimum work commitment for the original five year licence was renegotiated to US$1.4 M, appears to have been met and has been certified by the LKU. FML are in possession of documents issued by the Kazakh authorities confirming that the licence is in good standing.

The Baltemir Licence (#1256D) was issued in March 1997 to Autas LLP and covered an area of 153.6 km^2. The original licence was valid for a period of six years but was renewed for a period of two years to March 2005. The minimum work commitment for the original licence of US$ 312,400 has been fulfilled and verified by the LKU.

3 KAZAKHSTAN

3.1 Country Profile

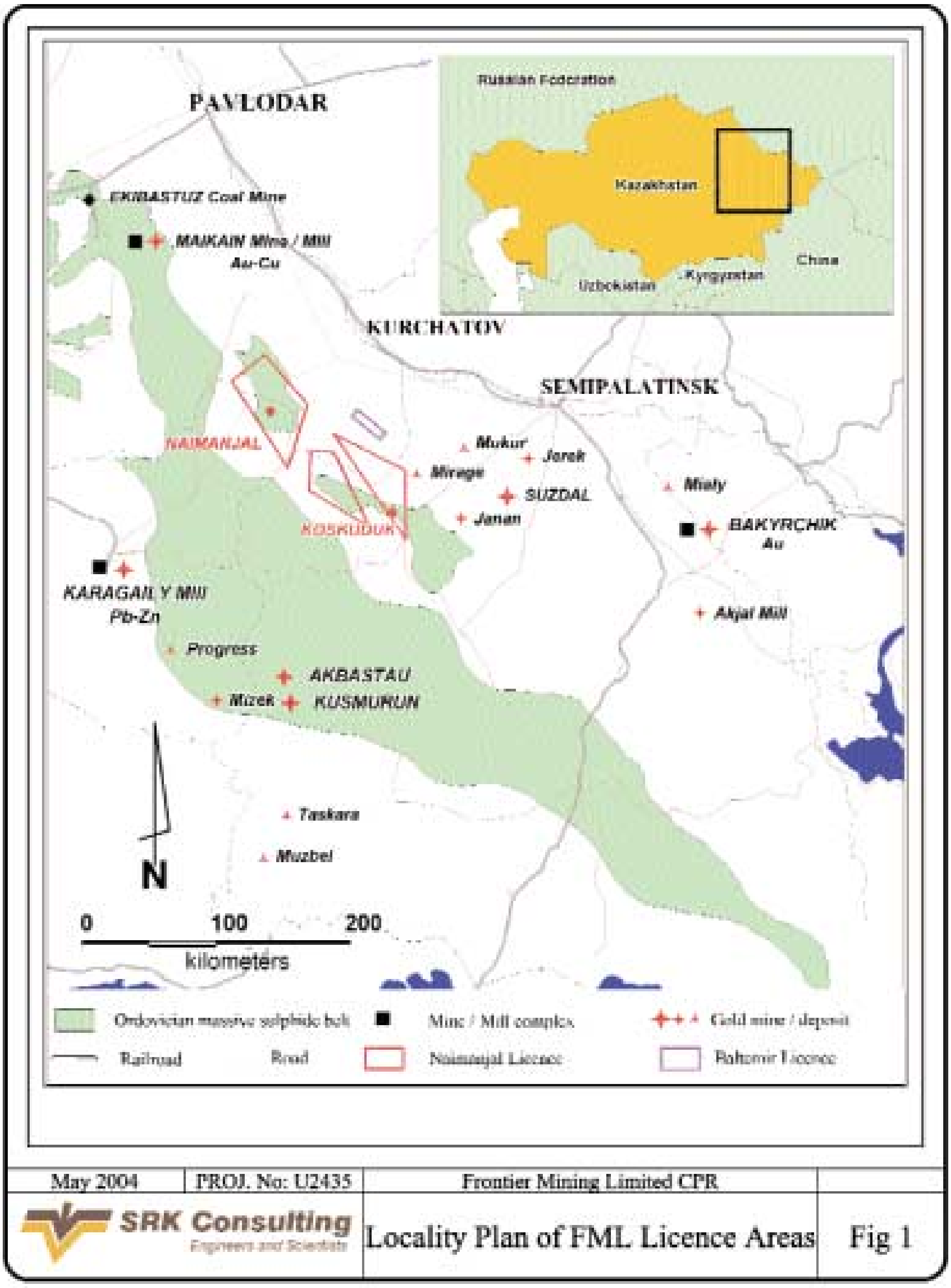
Although exploration and mining activity in Kazakhstan is still at a low level, Kazakhstan's standing in terms of exploration risk, along with that of some other former Soviet Union countries, has improved over the past few years. The Kazakhstan government is actively encouraging foreign investors and foreign investment has been aided by the establishment of a securities market, a developed Civil and Tax Code and banking and insurance infrastructures.

While the exploration industry in general is still a little unsure about investment in former Soviet Union countries, SRK considers that there is currently substantial renewed interest in the region and that the current level of exploration activity in Kazakhstan is above average. This level of exploration activity reflects the perception of Kazakhstan as a low risk area to conduct business and as a prospective region for the mining industry. Given these comments, SRK has assigned a "Low" country risk factor for the purpose of the valuation given in this report.

3.2 Regional Geology of Kazakhstan

The geology of North-Central Kazakhstan comprises a series of accretionary terrains, located between the Tien Shan and Ural mountains. Ongoing subduction processes have produced large volumes of magmatic fluids and metamorphism throughout the region. The mineral deposits of Kazakhstan are related in space and time to various lithologies. Gold-rich volcanogenic massive sulphide (VMS) deposits are associated with Ordovician submarine volcanic rocks. Porphyry gold-copper deposits are associated with altered Ordovician, sub-volcanic dioritic intrusives. Epithermal gold deposits commonly associated with quartz veins and quartz-sulphide stockworks are hosted in Ordovician, Devonian and Permian intrusives of diorite to granite composition. Porphyry copper-gold-molybdenum deposits are associated with syenitic and granitic intrusives of Devonian, Carboniferous and Permian age. Lead-zinc mineralisation is associated with Silurian-Devonian siltstone and carbonate beds. Coal deposits are related to Carboniferous marine and deltaic sedimentary rocks. Titanium and zirconium-rich sands are observed in Late Carboniferous beach sands. Bauxite and nickel laterite deposits formed from modern weathering of Paleozoic limestones and Cambrian ultramafic rocks.

Figure 1: Locality Plan of FML Licence Areas

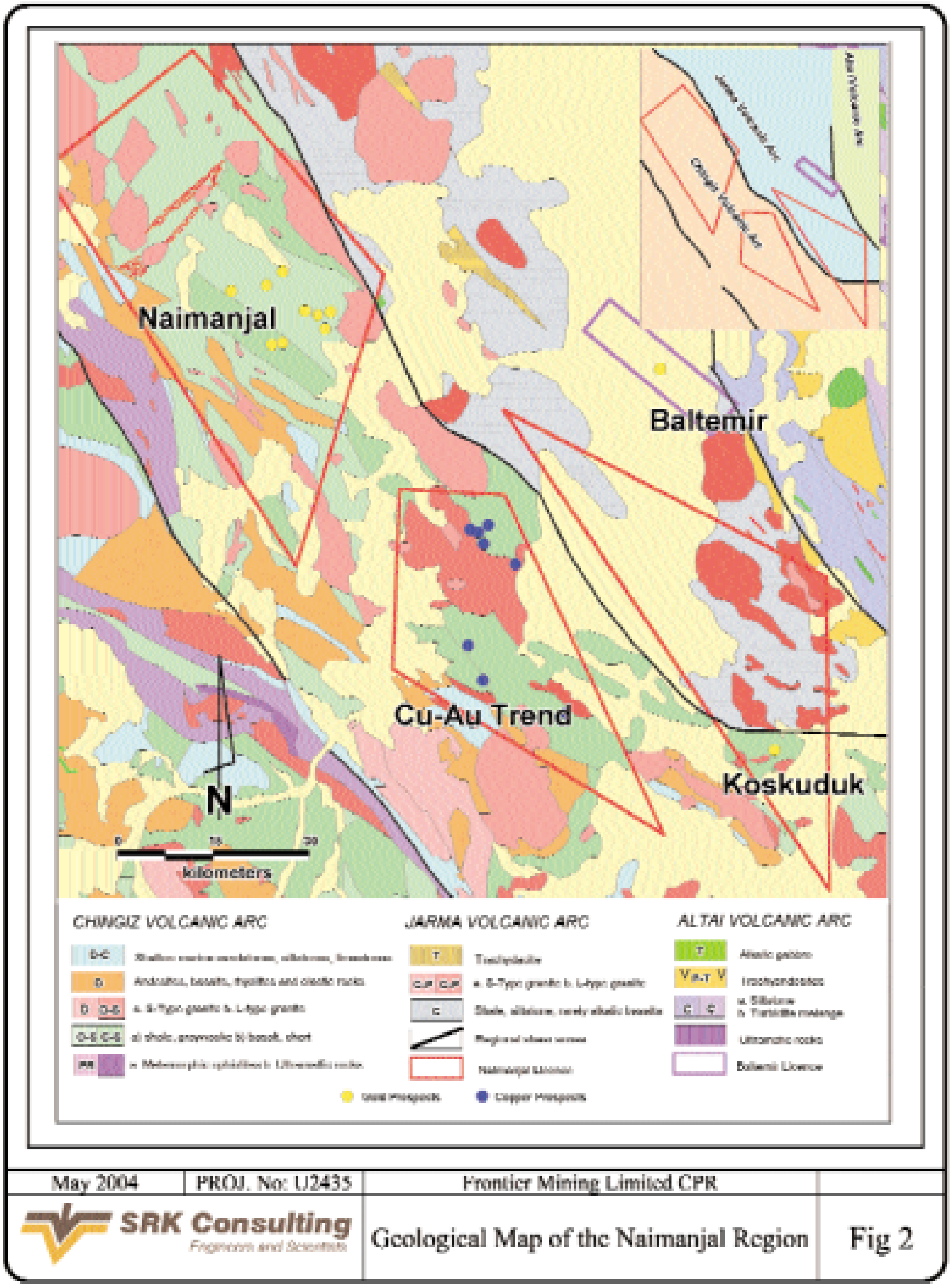


4 NAIMANJAL LICENCE

4.1 Overview

FML's three licence areas are located within a major northwest trending, deep-seated structural system dominated by the Palaeozoic Chingiz volcanic terrain, a 200 km wide zone which strikes 900 km southeast-northwest and consists primarily of Ordovician subaqueous basalts, volcaniclastic turbidites, conglomerates, and cherts. The Ordovian lithological units are underlain by a metamorphosed Pre-Cambrian basement composed of schists, garnet amphibolites, and ophiolites (see Figure 2). The Chingiz terrain is interpreted as a primary volcanic arc. It is complicated by syn- and post-subduction folds and faults and hosts a belt of Ordovician gold-bearing volcanogenic massive sulphide deposits including those already identified by FML and commented on in this report.

Figure 2: Geological Map of the Naimanjal Region



The varied geology of the region is conducive to many types of mineral deposit, and there are numerous recorded occurrences of, quartz lode-gold mineralisation, metasomatic gold associated with polymetallic mineralisation, porphyry copper-molybdenum mineralisation, volcanogenic massive sulfide lead-zinc-copper-precious metal mineralisation, and greissen-type tin-tungsten mineralisation.

While the area has a history of mineral exploration dating at least from pre-revolutionary times, coal and tungsten are the only major products, along with some minor placer gold, to have been exploited to date. Coal deposits and indeed coal mining, to feed local power plants, is the only current mining activity in proximity to the licence areas.

The establishment of the nuclear testing site in the early 1950s, led to the closure of the "Polygon" to any further exploration development. Various state agencies did however continue geological mapping and some limited prospecting activities.

A compilation of geological data undertaken by SEMTECH in 1996 identified more than 148 mineralised occurrences. Large volumes of data, including geological maps and the original core logs, for all work performed within the Polygon are available at the Ministry of Natural Resources.

Certainly the Polygon as a whole contains a remarkable concentration of precious and base metal prospects though each of these requires further exploration and development so as to determine their economic potential. The prospects which appear, given the data currently available, to be the most promising are commented on in turn below, though additional prospects may prove to be equally or more promising following further data collection.

4.2 Naimanjal

4.2.1 General Description

The Naimanjal prospect is FML's principal project and is located in the eastern part of the Republic of Kazakhstan in Karkaralinsky district of the Karaganda Oblast, some 150 km southwest of the Maikain Complex. The nearest gold producer is Celtic Resources' Suzdal operation.

Karaganda, the largest city of this region, is located 300 km west of the deposit and Kurchatov, the nearest large town, and the location of FML's regional exploration office and the railroad station, is located 90 km to the northeast of the deposit.

At least seven gold-bearing deposits are known to exist in the environs of the Naimanjal area (see Figure 3). These all contain near surface oxide mineralisation which become sulphidic in character with increasing depth. All of these are hosted by Ordovician or earlier rock assemblages locally intruded by Carboniferous-age granitic rocks and all are associated with geochemical and geophysical anomalies. FML hope to combine the resources of several of these deposits in to a single project. While only one of these deposits has already been progressed to the stage where resources have been delineated, there is sufficient geological evidence to support the continuation of this along strike and down dip and also for the delineation of further resources in the nearby deposits. In-fill drilling and extension drilling is underway to increase the confidence in the areas of known oxide resources and to delineate the limits of the oxide potential. Subsequent to the completion of the evaluation of the global oxide potential within the Naimanjal area, the deeper sulphide mineralisation will be drilled and the outlying potential of the satellite deposits examined with regard to both oxide and sulphide potential.

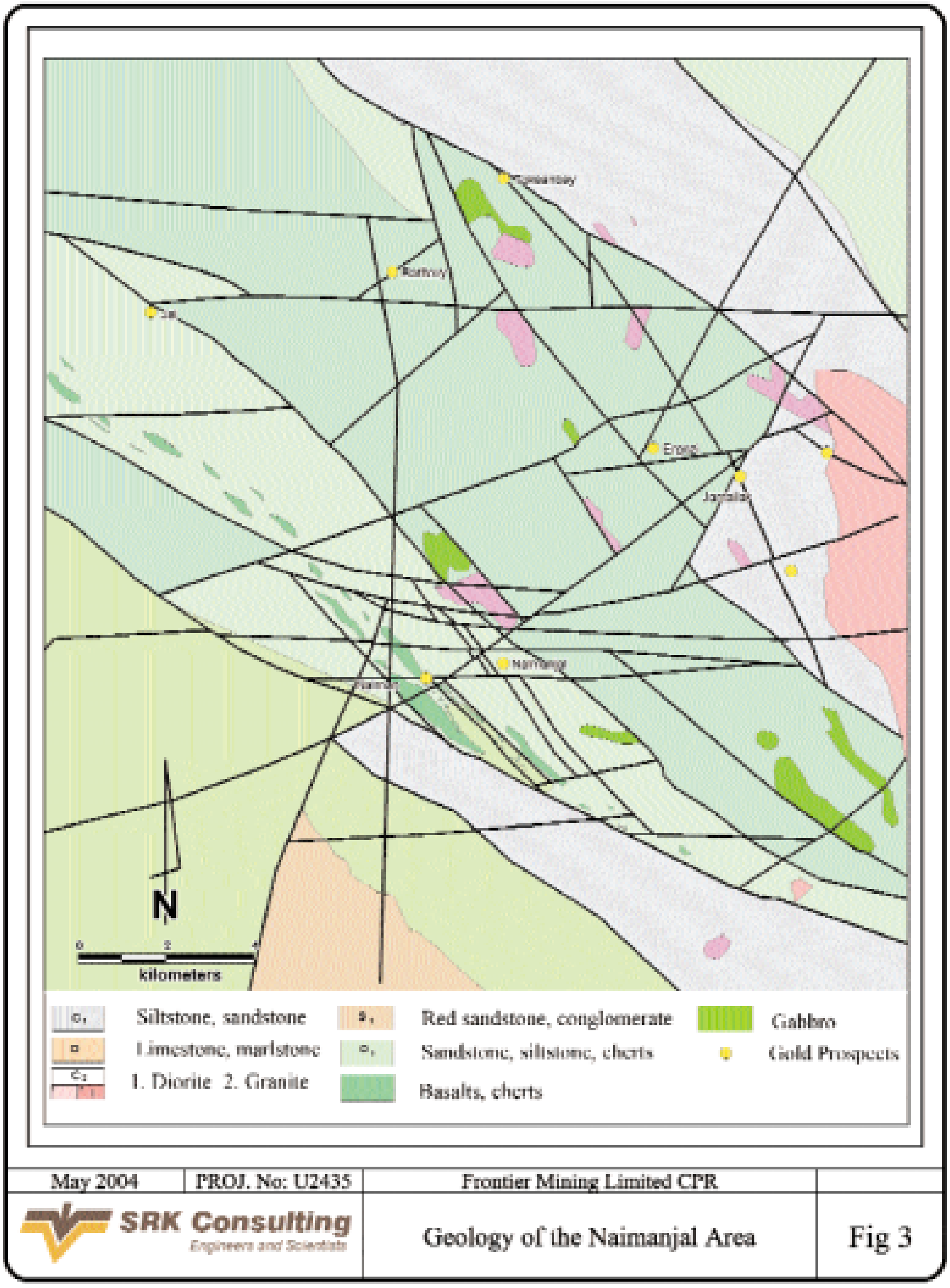
4.2.2 Geology

The Naimanjal deposits are located on the northeastern flank of an ancient volcanic island arc system of oceanic crust comprising Ordovician subaqueous basalts, volcanoclastic turbidites, conglomerates, and cherts which are underlain by metamorphosed mafic basement composed of schists, garnet amphibolites, and ophiolites. This system is 200 km wide and has a strike length of 900 km in a southeast – northwest direction.

The regional structure is considered to have been influenced by two major tectonic events. The first was an Early Paleozoic compression that generated a narrow antiformal structure referred to as the Naimanjal anticline. This event is marked by northwest trending, left lateral, strike slip faults and associated isoclinal folds. In the environs of the deposit, the isoclinal folds display both shallow and steeply dipping limbs. The second tectonic event is a Late Permian – Triassic extension (post subduction) which was accompanied by local alkaline magmatism. This extensional phase is expressed as east – west and northeast striking faults that crosscut and displace the main northwest striking structural trend.

The mineralisation at Naimanjal is considered to have occurred in two phases, followed by substantial supergene modification. The first phase comprised the emplacement of syngenetic volcanogenic massive sulphide mineralisation while the second comprised epigenetic hydrothermal mineralisation thought to be related to Permian-Triassic tectonism. The hydrothermal processes are considered to have both remobilised gold from the massive sulphides and introduced additional gold within the hydrothermal fluids, as evidenced by the discordant nature of the resulting deposits relative to the older and regionally dominating northwest structural trend. Figure 4 is a simplified geological map and cross section of the Naimanjal deposit.

Figure 3: Geology of Naimanjal Area



The supergene modification of the mineralisation began in the Eocene, when the climate of the area changed from humid tropical to arid and comprised the development of both saprolite and oxidation which liberated the gold from the host sulphides.

4.2.3 Historical work

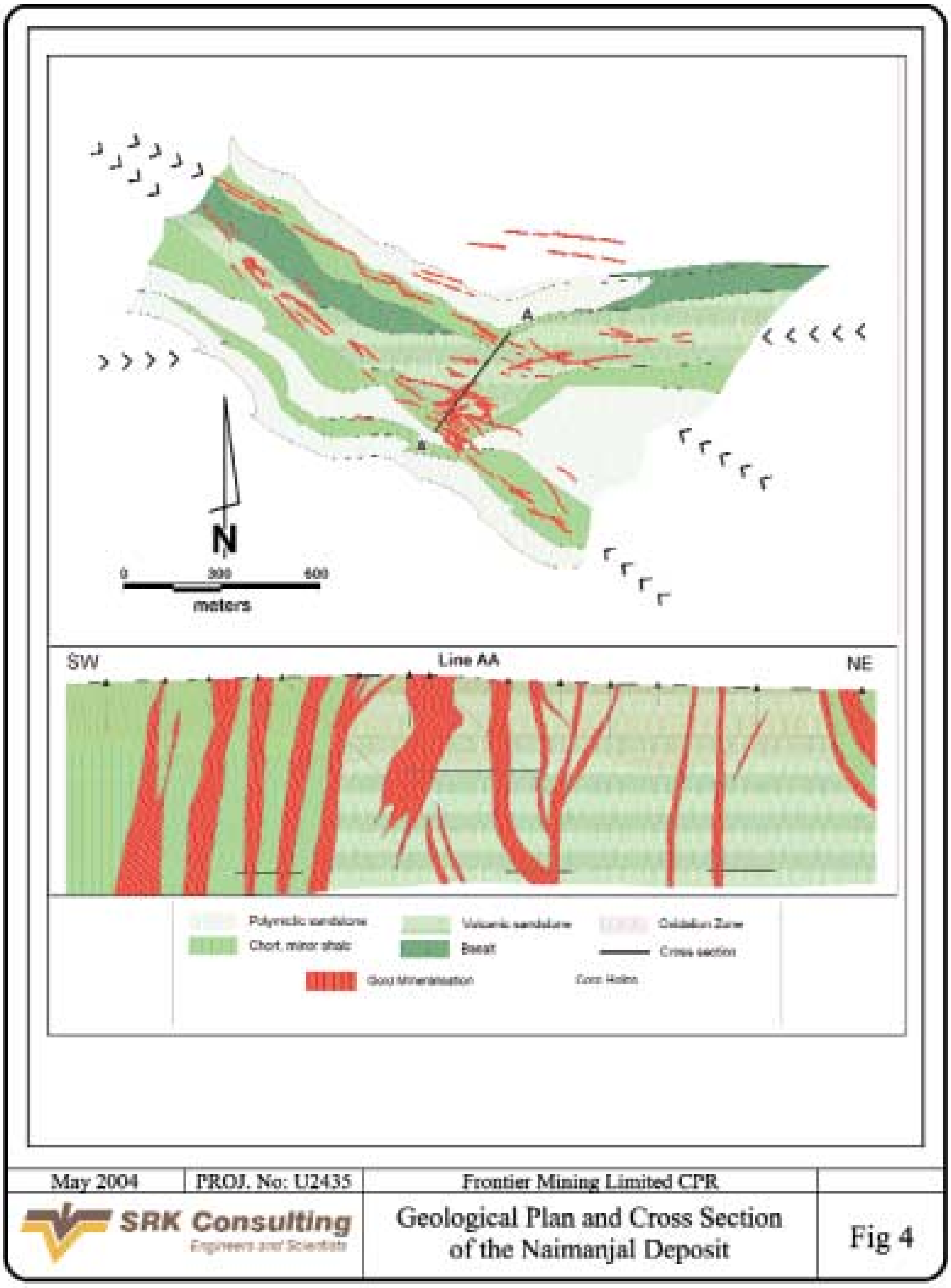
The Naimanjal deposit has been subject to several phases of fairly intense exploration comprising trenching, pitting and core drilling. Prior to FML's acquisition of the property, Maikain completed 41 diamond core drill holes (up to 400 m in length) targeting the deep sulphide potential of the southwest area of the Naimanjal project area and also collected bulk samples for metallurgical analysis. Limited surface mining of exposed oxide mineralisation was also conducted and the material was stockpiled adjacent the small pits that had been excavated.

Subsequent to acquisition, FML continued exploration of the property with its primary focus on the oxide mineralisation located at the surface. This included geophysical surveying, percussion and core drilling and metallurgical test work to confirm the amenability of the oxidised portion of the mineralisation to heap leach processing. The drilling of three diamond core holes also confirmed the previously unknown presence of mineralised sulphides below an area of known oxide mineralisation.

4.2.4 Current work

FML is currently undertaking a resource and in fill diamond core drilling campaign and will be in a position to prepare updated oxide resource estimates later this year. This drilling is targeting both potential down dip and strike extensions to the near surface oxide mineralisation as well as providing infill drilling to increase the confidence levels in the main mineralised zone which had been previously drilled by FML. Once the oxide drill programme is completed, diamond core drilling will be continued to in fill and confirm the extent of the deep sulphide potential.

Figure 4: Geology and Cross Section of the Naimanjal Deposit



4.2.5 Resources

The State certified resource estimate for Naimanjal is 2.5 Mt at a mean grade of 2.1 g/t Au for a contained gold content of some 160,000 ozs. All of this is within the oxidised portion of the deposit and the majority has been classed by the State Committee as C1 and the remainder as C2. This estimate includes all the resource outlined not just that which may fall with a potentially economic pit.

SRK considers that this resource has the potential to be mined economically but that further resources would need to be delineated to justify the required capital expenditure. SRK considers that there is a good potential for this and, given this, has, for the purpose of the valuation given here, assigned a moderate value to this resource of US$10-15/oz valuing this at between US$1.6 M and US$2.4 M.

The above valuation excludes the potential of the underlying sulphide mineralisation. Some 44 deep holes have been drilled into this by both precursor license holders and FML many of which have confirmed the down dip extension of the gold mineralisation below the oxide – sulphide interface.

Finally, there are also three additional areas located along strike from known mineralisation which contain anomalous geochemical and geophysical results and remain untested but will be drilled in the near term.

4.3 Naiman

The Naiman deposit is located 1.5 km southwest of Naimanjal (see Figure 3) and was first identified in 1977 by a 1:200,000 geological survey.

The host rocks at Naiman are Ordovician interstratified basalts and basaltic tuffs which strike north-northwest and dip northeast at 60-70º. The rocks of the northeastern and eastern parts of the prospect are unconformably overlaid by the Upper Ordovician strata represented by green sandstones and conglomerates.

Mineralisation primarily comprises disseminated sulphides becoming massive in some areas and the main sulphide minerals are pyrite, sphalerite, galena, pyrrhotite, and arsenopyrite. Gold, silver, and stibnite are all present along with alteration minerals including carbonates, sericite, and fluorite (see Figure 5).

The prospect was explored between 1981 and 1986 by six trenches and seven diamond drill holes drilled to depths of over 250 m. This work identified seven mineralised lenses hosted by sericitized basalts. These lenses are steeply dipping (60-65º NE), have variable thicknesses of up to 14 m and have been traced to a depth of 200 m and for 1600 m along strike. The near surface mineralisation is oxidised and is being explored as potential additional feed for the heap leach plant proposed for Naimanjal. There is also potential for deeper sulphide mineralisation.

4.4 Ergozy

The Ergozy prospect is located 6 km northeast of Naimanjal (see Figure 3) and seems to be characterised by a similar style of mineralisation to that seen at Naimanjal and is hosted by Ordovician basaltic debris flows and mudstones.

Geological mapping has demonstrated the mineralisation to be surrounded by a zone of intense sericitisation and silicification which is elongated northwest-southeast and is up to 5 km long and 500 m wide.

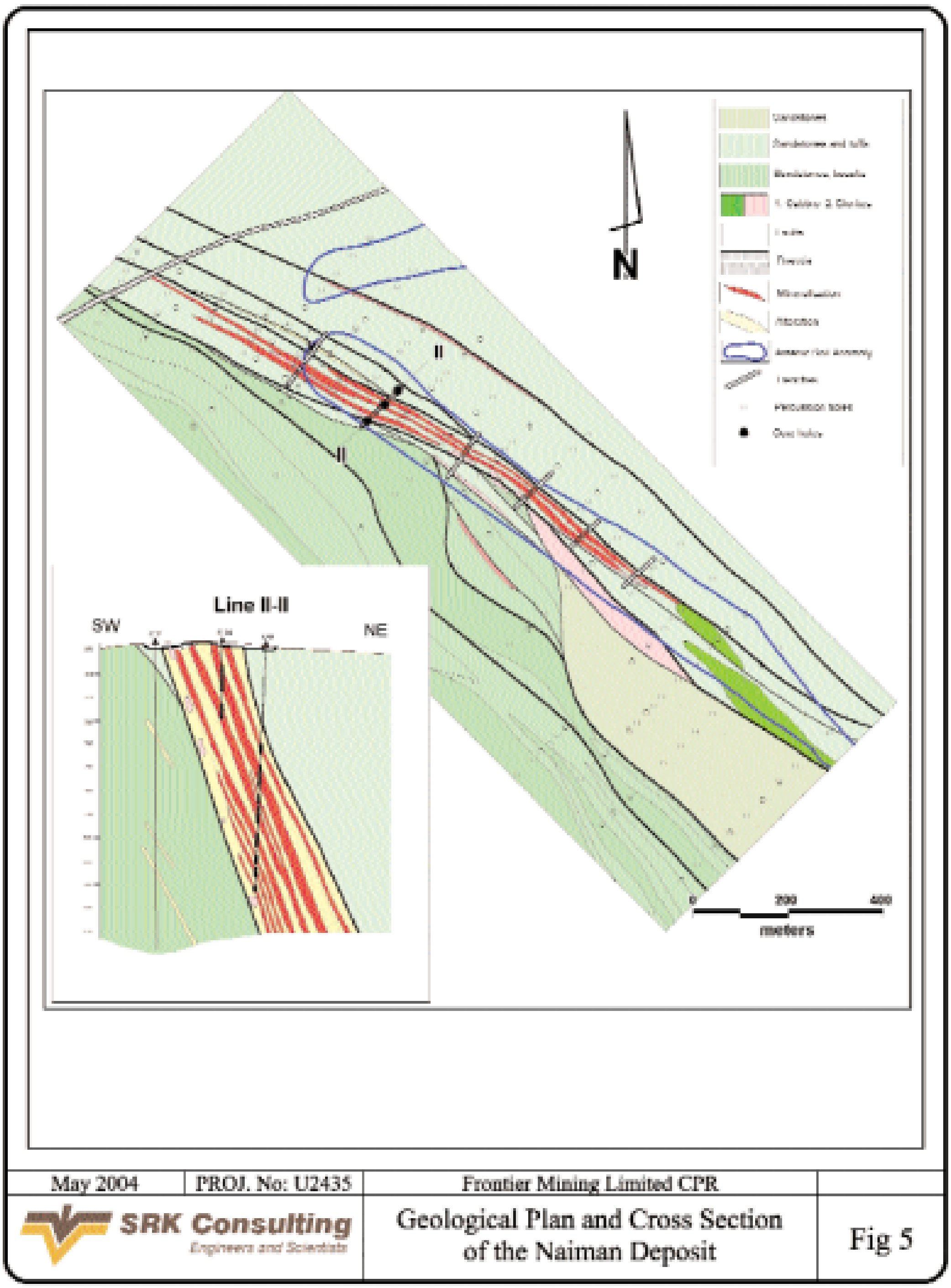
The original soil geochemical survey at Ergozy was conducted on a 400 × 50 m grid and highlighted several zinc and copper anomalies that appear to relate to the zone of sericitisation and silicification.

Further exploration comprised pitting and trenching and this was followed by the drilling of four vertical diamond holes to depths of approximately 50 m, and a series of shallow RC holes.

Gold values returned from the drilling were erratic reaching a peak of 14.8 g/t Au and oxidised. Widespread sulphide mineralisation was also noted.

FML plan to conduct a detailed IP survey over the anomalous area and to drill test any anomalous areas to a depth of 200 m. The drill programme will be designed to test the oxide and sulphide potential, if warranted by the results of the IP survey, and to determine whether or not it has the potential to provide additional feed for the heap leach plant proposed for Naimanjal.

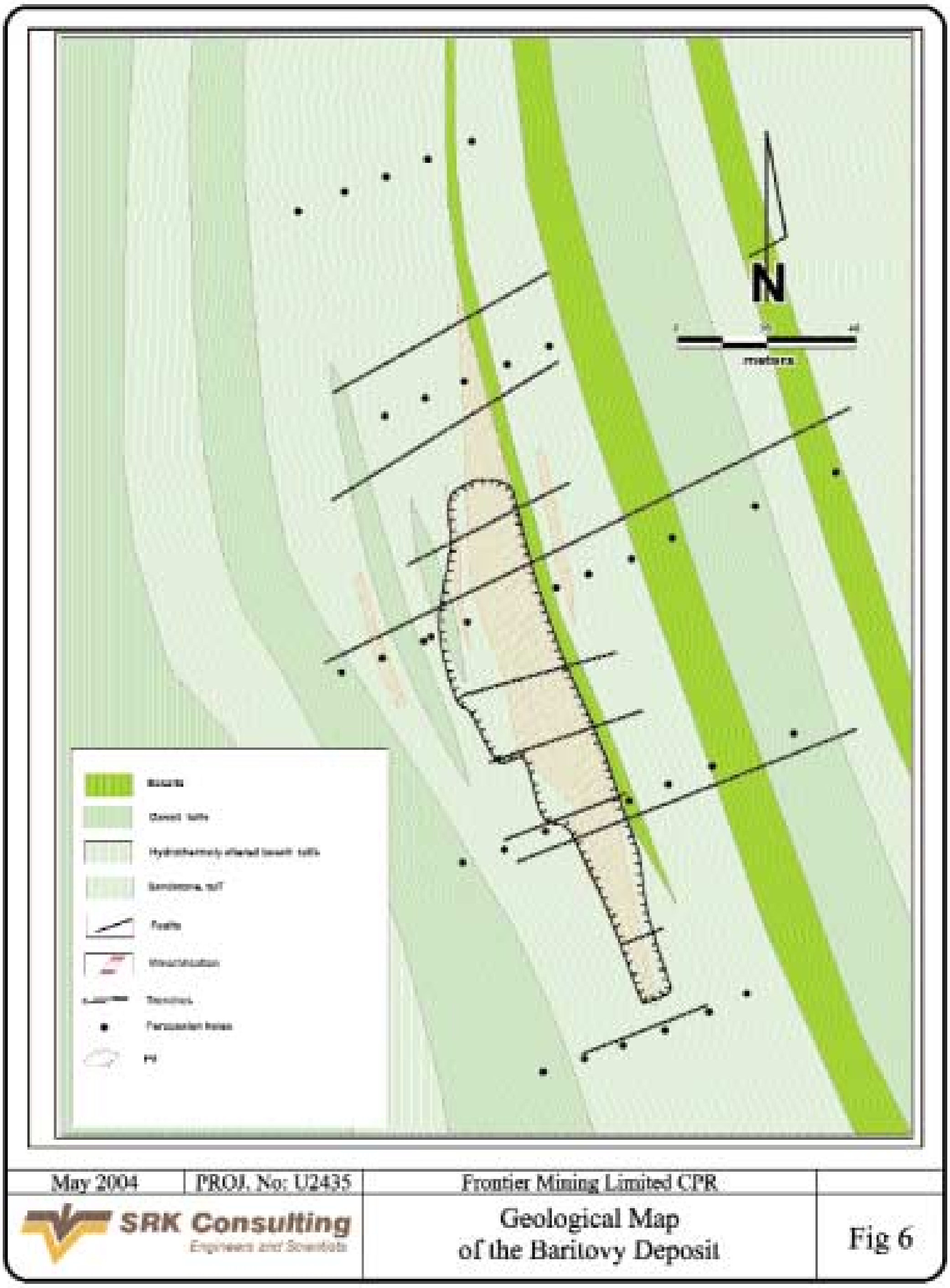
Figure 5: Geology and Cross Section of the Naiman Deposit



4.5 **Baritovy**

The Baritovy prospect is located approximately 10km to the north-northwest of Naimanjal (see Figure 3). The gold mineralisation appears to be hosted by sericitised basalts and quartz-barite veins and to occur within a zone which trends northwesterly for over 100 m, dips at 60-65º to the SW and has an average thickness of 12 m (see Figure 6). The host rocks are saprolitised to a depth of 11 m and oxidation is projected to a depth of 20-30 m. Gold values returned from surface trenches range from 1.67 to 9.42 g/t Au with the average being 4.81 g/t. Silver values are also elevated and range from 99.6 to 135.8 g/t with the average being 119.2 g/t. A shallow pit was excavated by Maikain on an outcrop of oxide mineralisation. The excavated material has been stockpiled adjacent the pit, however, neither the results nor the grade of the extracted material are known.

Figure 6: Geological Map of the Baritovy Deposit



FML has recently completed a geochemical augering program wherein 510 holes were completed to the base of the saprolitised zone. The results of this programme were not available to SRK for review or comment. The samples collected from the collar of the hole and at the saprolite base have been submitted for analysis. The results will be used to assist in the definition of a reconnaissance diamond drill core programme to be completed once the oxide drill program is completed at Naimanjal. The drill programme will also test the sulphide potential at depth.

4.6 Jal

The Jal prospect lies 13 km to the northwest of Naimanjal (see Figure 3) and is hosted by basalts and subaquaous tuffs similar to those at Naimanjal. The host rocks are oxidised, and saprolitised and there is a NW trending intense arsenic anomaly of more that 200 ppm covering an area of 5.7 km^2. FML plans to conduct trenching, geophysical survey work and diamond drilling during the summer of 2004.

4.7 Jantailak

The Jantailak prospect is located 7 km to northeast of Naimanjal (see Figure 3) and 1.5 km to the southeast of Ergozy in a geological similar terrane to both Naimanjal and Ergozy. The predominant feature of the Jantailak prospect is a northwesterly trending zone of hydrothermally altered rocks 400 m wide and 2 km long.

A geochemical survey conducted on a 400 × 50 m grid delineated extensive copper and arsenic anomalies that follow the northwesterly trend.

A single core hole and 15 shallow RRC holes have also been drilled. The core hole returned several anomalous gold values between 0.5 and 1.2 g/t Au as well as extensive silicification. A single grab sample from an 8 m wide silicified zone identified at surface returned a value of 4.4 g/t Au.

FML plan to conduct further alteration mapping, trenching, IP geophysical survey and core drilling of anomalous areas during the second half of 2004.

4.8 Toksanbay

The Toksanbay prospect is located 11 km northwest from Naimanjal (see Figure 3) near the Toksanbay hill. The mineralisation appears to be hosted in quartz breccias, with prolific limonite, that occur as NW trending vein systems. These vein systems are poorly exposed over a strike length of 50-70 m.

Only limited alteration mapping and grab sampling has been conducted at Toksanbay to date. The highest gold value returned was 0.5 g/t Au whilst the whole area returned anomalous values for antimony, arsenic and molybdenum.

4.9 Koskuduk Region

Three target areas have been delineated within the Koskuduk area; Koskuduk East, Koskuduk West and Koskuduk South (see Figure 7). Koskuduk East and Koskuduk West have been extensively explored by trenching and drilling (63 diamond drill and 96 RC holes) to depths of more than 300 m. The available drill results indicate that the gold mineralisation is oxidised near surface and is also present at depth in association with sulphides. The southern zone remains essentially untested.

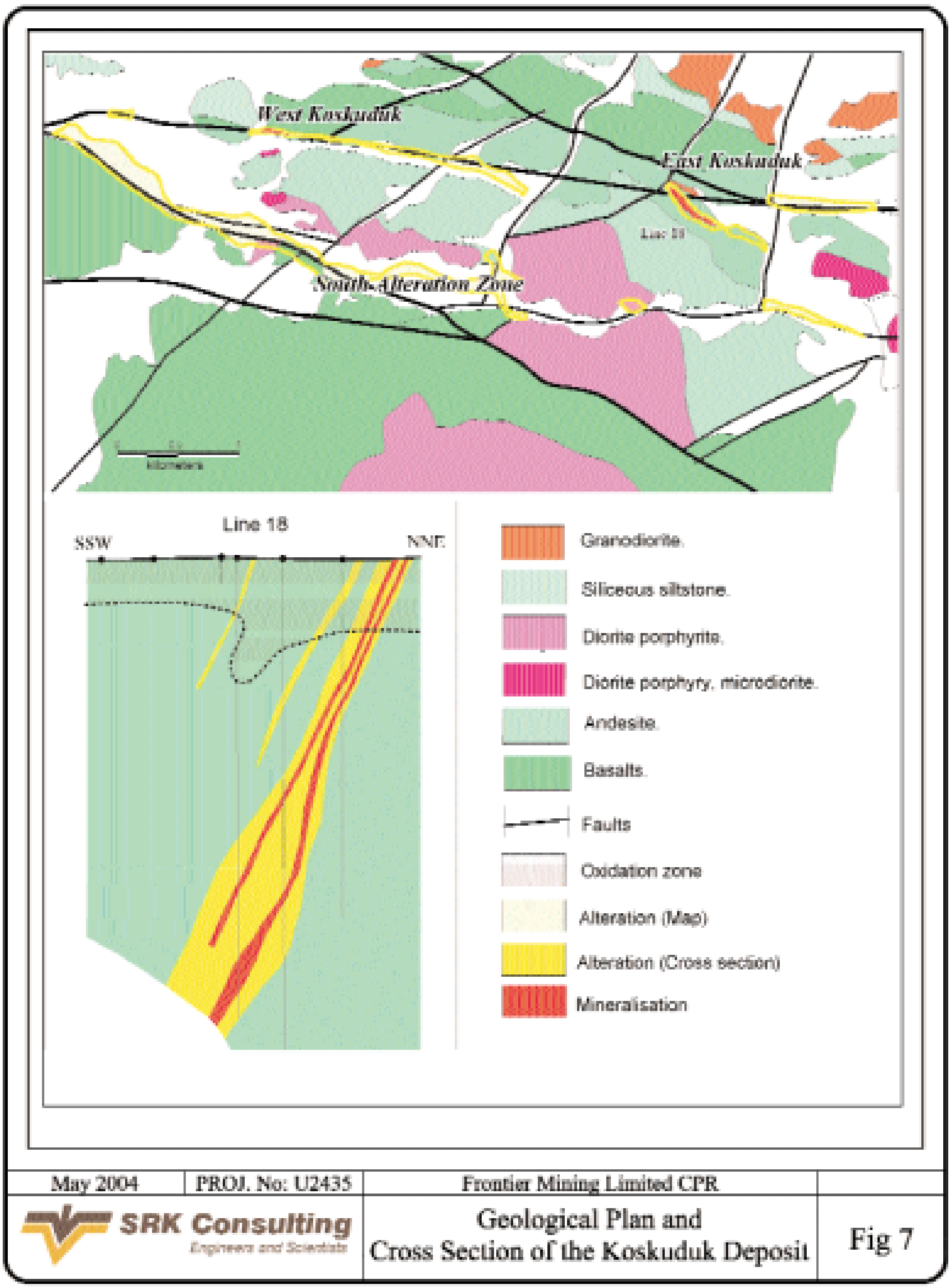
All three zones occur in Lower Palaeozoic volcanics that are strongly altered by silification, sericification and chloritisation associated with Carboniferous intrusions.

The prospect is characterised by alteration zones which strike 300-310ºNW and dip to the southwest at between 60º and 70º and which have been demonstrated by drilling and a land geophysical survey to extend for some 1.5 km and to have a width of 90-120 m as seen in Figure 7. Geochemical sampling within the hydrothermally-altered zone has defined areas of pyritisation and zinc and lead contents in excess of 1%. According to preliminary data, the sulphide-enriched zone contains 250 × 13 m lenses of disseminated-veinlet style of mineralisation within which are sections of massive sulphides containing 60-80% sphalerite and 35% galena.

A state expedition derived resource estimate of 180,000 ozs, classed as C2, has been reported for Koskuduk by FML. SRK has not reviewed this estimate. A VostKazNedra Territorial document reports the average grade of the mineralisation to be 2.0 g/t Au at a 0.5 g/t Au cut-off grade.

For the purpose of the valuation given in this report, SRK has assigned a low value to this resource of US$2-10/oz. This values this resource at between US$0.4 M and US$1.8 M.

Figure 7: Geology and Cross Section of the Koskuduk Deposit



FML plans to conduct an extensive exploration and drill confirmation programme in the Koskuduk area. This work will include additional detailed geological mapping, geophysical analyses, geochemical sampling, and diamond drilling. The first phase of drilling will be focused on the near surface oxide potential which is exposed within the trenches and reported to be present within historical drill holes not completed by FML. Dependent upon the results of this work, metallurgical test work and a feasibility study will then be commissioned with a view to determining the economic potential of the oxidised near surface mineralisation at Koskoduk. Concurrent with this evaluation, drilling will be continued to explore the underlying sulphide mineralisation.

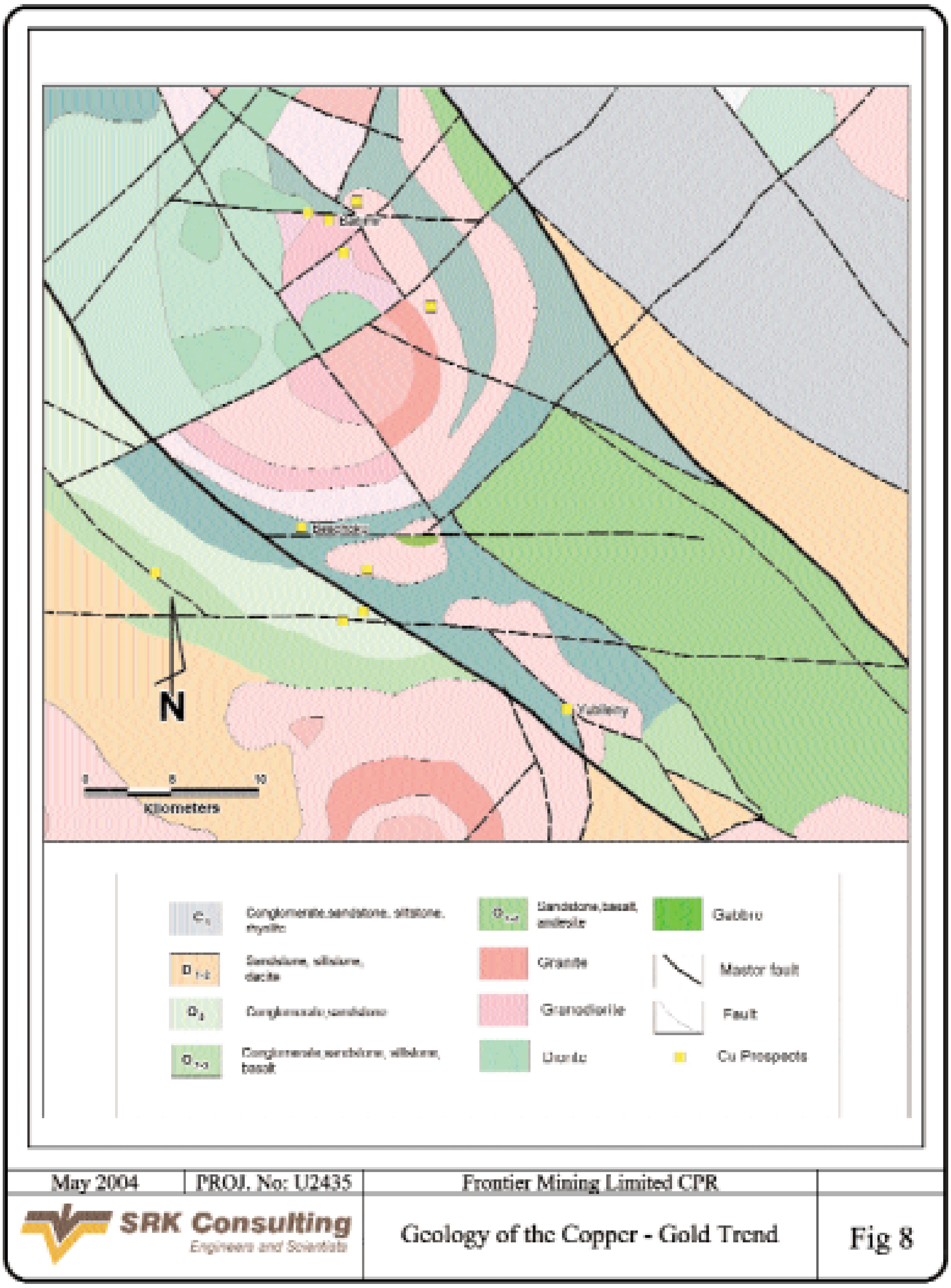
4.10 Copper – Gold Mineralisation

4.10.1 Overview

The licence area contains two large intrusive bodies that dominate the geology of the area and a 25 km long belt of mafic volcanic rocks which host a number of copper occurrences.

Two of these, Beschoku, located at the intersection of NW and EW lineaments, and Yubileiny 25 km to the SE (see Figure 8) are commented on here. In both cases the mineralisation appears to be developed in Ordovician basalts and Devonian felsic volcanic rocks, and copper oxides consisting of azurite, malachite and cerrusite are abundant in surface outcrops and trenches.

Figure 8: Geology of the Beschoku Cu-Au Trend



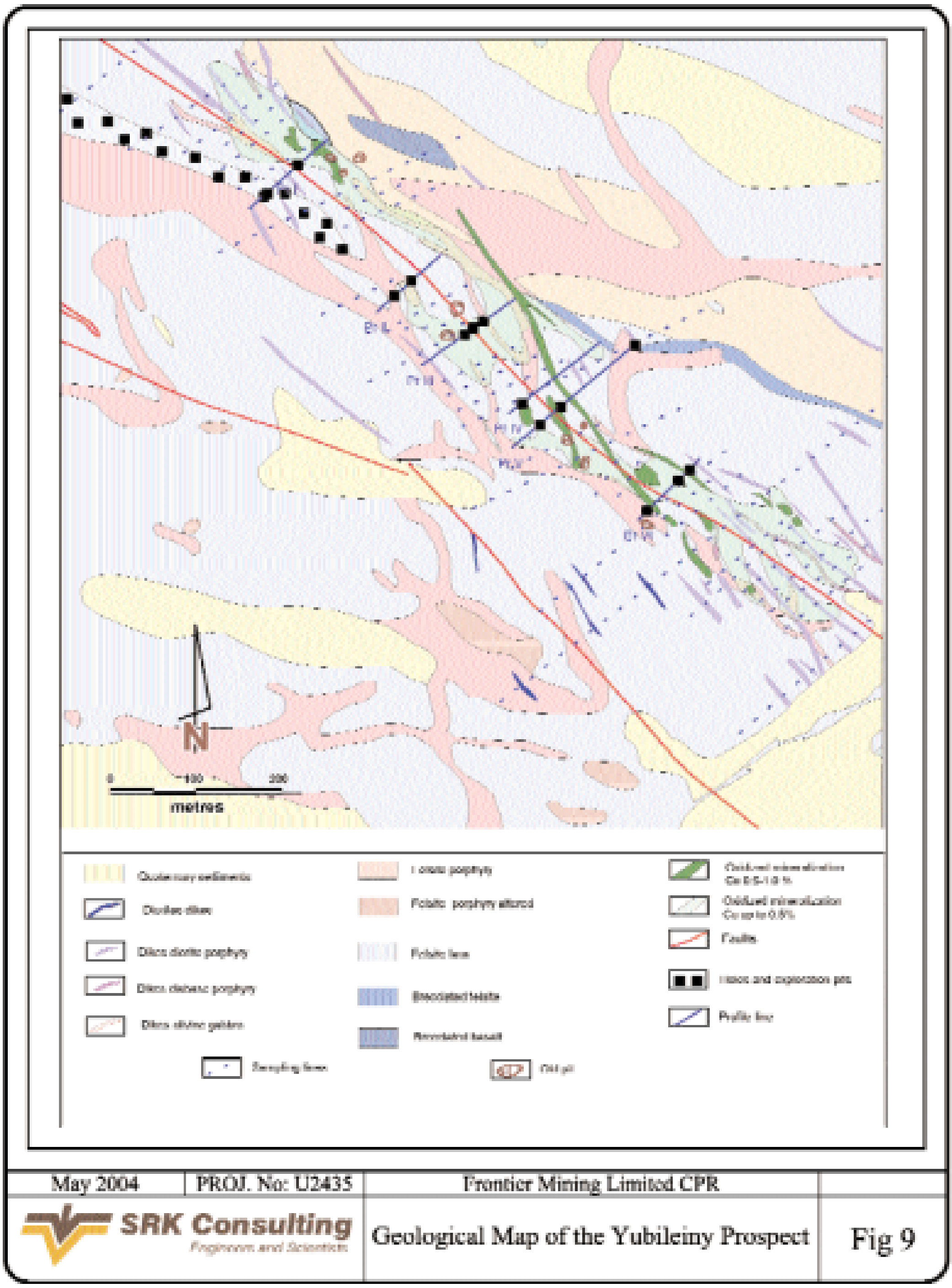
A third prospect, Baitimir, is situated in the north of the area, and appears to comprise a more porphyry style of mineralisation.

4.10.2 Yubileiny

The Yubileiny deposit was first discovered and developed in the second half of 19th century. Records show that about 1,000 t of copper was extracted during the 1870's with oxide copper grades ranging from 5% to 10%.

In 1947 the estimated copper resource above a depth of 100m was reported to be 150 000 t of copper, and this prompted further work during the period between 1948-1951. During this phase, 3 exploration shafts, 308 m of shallow exploration pits and 1,000 m^3 of trenches were excavated followed by 914 m of drilling distributed in eight diamond core drill holes (see Figure 9).

Figure 9: Geological Map of the Yubileiny Prospect



The copper mineralistion is hosted by felsites located within a NW-trending shear zone which dips steeply to southwest. Copper mineralistion in felsites that intrude or overly basaltic sequences is a characteristic of some copper rich VMS deposits. Copper mineralisation at the surface is typically oxidised and is comprised of malachite and azurite. At depth, chalcopyrite becomes predominant.

The width of the mineralised zone varies from 100 to 200 m, and the total mineralised area covers 3.5 km^2. Total copper values in outcrops and pits vary from 0.5% to 1.0% Cu, and, in places, up to 30% Cu, and can be assumed to be related to a zone of secondary copper enrichment. Gold values vary from 0.1 g/t to 1.4 g/t.

FML estimates this deposit to have the potential to contain in the order of 150,000 t of copper. This is primarily based on analogies with other VMS-hosted copper deposits in the region namely Mizek, Abyz, Maikain, Nikolaevsky and Artemovsky. In all of these other deposits the majority of the mineralisation occurs in the underlying basalts at depths in excess of 100 m.

FML plans to conduct a detailed geophysical IP survey over the area, a technique FML has been particularly successful with. Following this a detailed core drilling programme is planned to confirm the existing resource potential with regard to the oxide – sulphide distribution as well as investigate the mineralisation at depth. Metallurgical test work is also planned. If justified by the results, a pre-feasibility study will be completed to determine the potential of the project area.

4.10.3 **Beschoku Copper-Gold Deposit**

Beschoku is located at the intersection of two major lineaments outlined by geophysical techniques and between two major intrusive bodies. The majority of the Beschoku area is underlain by Ordovician basaltic lavas and tuffs similar to those at Naimanjal. There are also small isolated shale outcrops intercalated with the basalt. The regional strike is to the NW, however an EW trending shear zone has been identified in many outcrops and pits. There is also a small gabbro intrusion in the centre of the anomalous area.

A geochemical soil survey on a 1,000 × 200 m grid was carried out at Beschoku in July 2002. Grab samples were also taken from individual outcrops and old pits where alteration and mineralisation was recorded. A total of 278 rock samples were collected. On the basis of this survey, FML identified the most prospective area of anomalous copper, gold and arsenic which covered an area of 15 km^2.

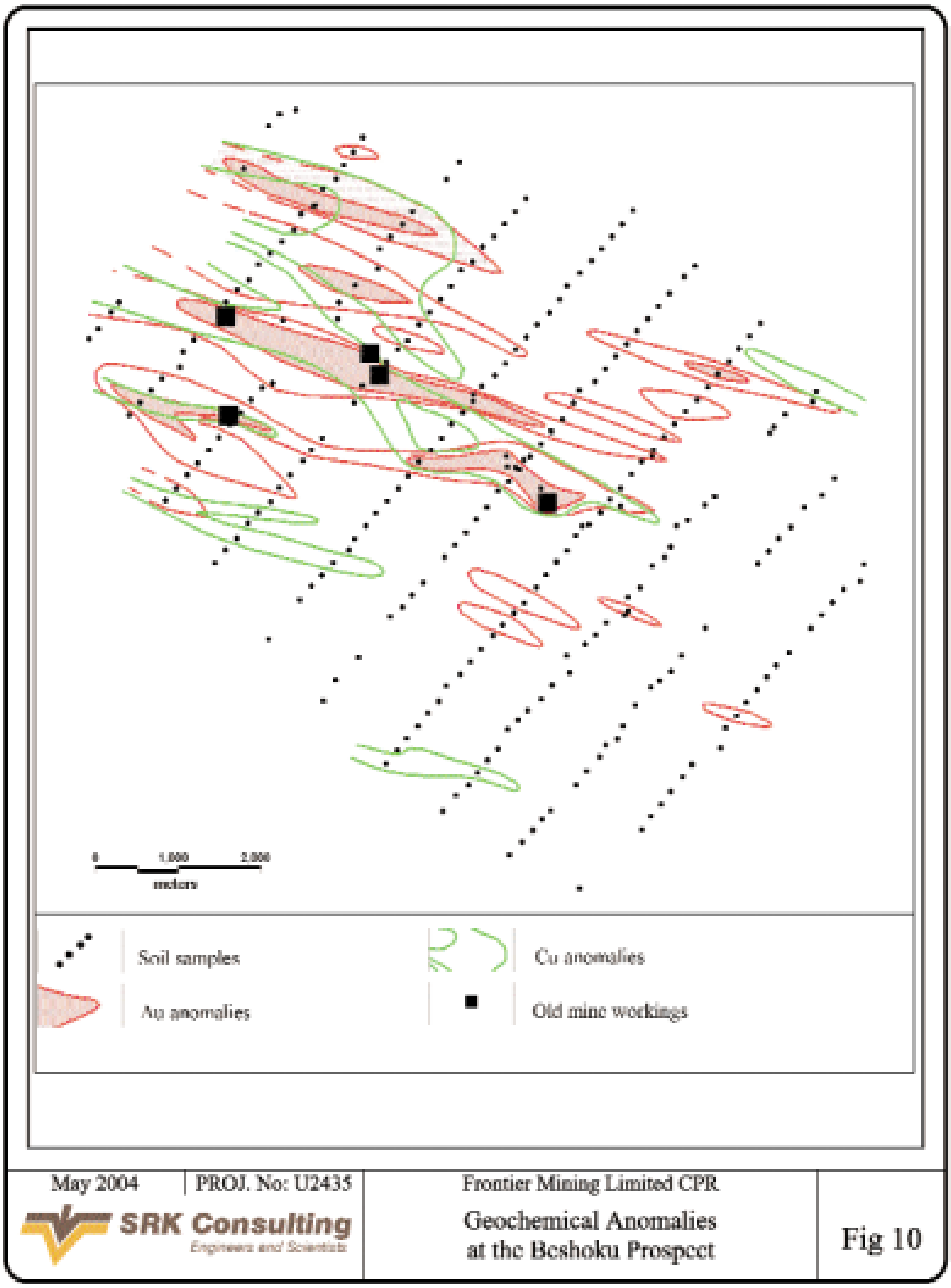
The predominant style of alteration noted was silicification, which is often accompanied by sericitisation, and intense chloritisation. Copper mineralisation was always associated with linear shear zones.

An analysis of the geochemical data shows that copper, gold, molybdenum and, to a lesser extent, arsenic, form linear anomalies trending north-west and associated with shear zones (see Figure 10).The correlation of quartz veins with surface Cu-Au mineralisation of significant width may be considered as indications of VMS type mineralisation.

FML estimate, by analogy with other deposits of this style in eastern Kazakhstan, this prospect to have the potential to host in the order of 300,000 t of copper.

An extensive geophysical and in fill geochemical programme is planned within the areas of anomalous copper – gold mineralisation. The results of these efforts will be followed up with diamond core drilling. If appropriate, the results will be used to compile a pre-feasibility study to determine the potential of the project and to define any additional exploration work that may be required.

Figure 10: Geochemical Anomalies at the Beschoku Prospect



4.10.4 **Baitimir**

The state regional mapping programme outlined the Malikapinsky area as the most prospective area for discovery of large scale copper mineralisation. Within this zone there are a number of copper occurrences the most noteable of which is the Baitamir prospect located proximal to the contact with the Kizilshokinski granitoid and to the north of Beschoku.

Mineralisation at Baitimir is hosted by altered volcanic and clastic rocks that trend to the NW. The mineralisation has been outlined by a series of shallowly excavated pits and trenches returning elevated gold and copper values over an 8 km long zone.

FML plans to conduct a grass roots exploration programme to identify the presence of any areas requiring follow-up exploration trenching and drilling. The results will be summarised in a conceptual study assessing the potential of the area and future exploration requirements.

5 BALTEMIR

The Baltemir licence covers an area of 153.6 km^2 and is located to the NE of the Naimanjal concessions (see Figure 1). The host rocks are predominantly volcanogenic and clastic and the gold appears to occur in a series of quartz veins within a zone 1 km wide and extending for 7 km along strike. The trend of the mineralisation is parallel to the regional northwesterly structural fabric.

A geochemical soil survey conducted on a 500 × 50 m grid delineated numerous anomalies with elevated gold and silver values. Preliminary plan view maps indicate that elevated gold values are primarily associated with the quartz veins but it does also occur disseminated within the host rocks. A total of 19 diamond core drill holes have been drilled by previous licence holders and while these have intersected gold mineralisation, this data has not yet been transferred to sections and adequately interpreted.

The existing information highlights the Baltemir prospect as very interesting but is insufficient to allow any detailed assessment of possible resources in the area.

The work planned by FML comprises the assembly of all existing historical information and the analysis of this so as to define the extent and continuity of the better mineralised targets. Subsequently, FML plan to conduct further detailed geochemical soil sampling, trenching, a close spaced geophysical IP survey and core drilling of anomalous targets and outcropping vein structures that have not yet been drilled. Metallurgical test work will be conducted and if justified a preliminary feasibility study will be compiled to determine the potential of the area.

6 ACQUISITIONS

FML have an aggressive acquisitions strategy that puts to good use its expertise of the geology of the region and experience with regard to reprocessing of old geological data. FML is focussing on advanced projects that could be brought into production quickly. Given the large areas involved, the overall prospectivity of this part of Kazakhstan and the large volumes of existing geological data, FML's ability to review and process this data will give it a competitive advantage in the area.

FML board members also have experience in a number of other FSU countries and it is also giving consideration to acquisitions outside of Kazakhstan.

7 EXPLORATION PROGRAMME AND BUDGETS

FML has prepared an extensive exploration programme for each of its properties. This work ranges from grass roots level exploration to in fill diamond core drilling within areas of known mineralisation. The programmes are is designed and phased to allow for an orderly evaluation and progression of each area towards key decision points. For budgeting and planning purposes, FML has designed each programme on the basis that each decision point will result in a positive assessment warranting the continued advancement of each project toward production. SRK has reviewed FML's programmes and considers these to be reasonable and justified by the information available to date. If, however, any property does not successfully pass a key decision point, expenditures on that property will be halted and the monies reallocated to other preferred targets or used in acquisitions.

8 VALUATION

8.1 Approach

The valuations derived by SRK are based on field visits carried out in March 2004, information provided by FML regarding the status of the assets in question and SRK's experience in undertaking valuations of this nature.

SRK has combined several valuation methods to provide a range of technical values. The potential value of those assets with delineated resources has been based on assigning a value per ounce to these to reflect SRK's opinion regarding the proportion of these resources that may be converted to reserves in due course and the potential profit margin of any operation established to exploit these.

In this case resource estimates have been derived for oxidised portions of the Naimanjal and Koskuduk prospects, respectively. The Naimanjal estimate was compiled by FML and subsequently certified by the State Committee on Mineral Reserves of the Republic of Kazakhstan. The Koskuduk estimate was compiled prior to FML's acquisition of the license and has not yet been verified in the same manner.

The potential value of those assets without delineated Mineral Resources has been assessed using a modified "Kilburn" approach in which an objective potential value is assigned to mineral assets based on the acquisition costs of the ground multiplied by the product of four factors, Company Fit, Country Risk, Location and Geological Character. The general factors SRK has assumed in this case, Location and Geological Character are asset specific, and the way SRK has used the Kilburn approach to determine minimum and maximum values and to then factor these for outstanding exploration risk, are presented below.

The resulting valuations represent SRK's view of the value these assets would add to a listed company with experience in Kazakhstan.

8.2 Kilburn Valuation Factors

8.2.1 Company Fit

The FML management team is a strong and dynamic team with considerable experience in both the mining industry in general and Kazakhstan in particular. SRK considers this to be a major asset. SRK believe that FML is well equipped to conduct exploration in Kazakhstan and that FML's Company Fit falls into the category of "very good".

8.2.2 Country Risk

The assessment of "country risk" is an attempt to quantify the risks involved in conducting exploration in a particular country. Although exploration and mining activity in Kazakhstan is still at a low level, Kazakhstan's standing in terms of exploration risk, along with that of some other former Soviet Union countries, has improved over the past few years. The Kazakhstan government is actively encouraging foreign investors and this has been aided by the establishment of a securities market, a developed Civil and Tax Code and banking and insurance infrastructures.

While the exploration industry in general is still a little unsure about investment in Former Soviet Union countries, SRK considers that there is currently a renewed interest in the region and that Kazakhstan is one of the favoured areas. Kazakhstan's location with regard to China, the prospective geology, historical data and relative transparency of the mining code are all plus factors in this regard. Given these comments, SRK have assigned a "Low" Country Risk factor for the purpose of this valuation.

8.2.3 Minimum values

Establishing minimum values for an exploration property is generally the simplest part of a valuation exercise. If a property is purchased then the purchase price is the minimum value assigned to that property by the purchaser. In this case SRK's minimum values also include the amount that FML intends to expend on exploration during the next phase of work, given that SRK considers this to be justified in all cases. By committing to spend this money FML is also effectively assigning this minimum value to these assets.

8.2.4 Maximum potential values

Philosophically the maximum value of an exploration property may be linked to the target mineralisation being sought but as all explorers are seeking the best possible deposit, this can prove problematic. SRK's modified Kilburn approach as used here seeks firstly to establish the maximum potential value of the properties based on the available geological data.

To arrive at this maximum value each area has been given a Kilburn factor based on the geology and potential for mineralisation and this has been applied to an acquisition cost based upon an estimate of the expenditure to date and where these funds have been concentrated.

The maximum potential value derived as described above reflects what the assets could be worth following ongoing exploration should this continue to prove to be successful. The current value of these assets, however, will be less than this as there is still a significant risk that this potential may not be realised.

The chances of successfully realising the maximum potential value are increased as exploration on the property progresses. During the early stages of exploration the possibility of success is lower than in latter stages.

The following bullet points list the five stages that an exploration property is progressed through as it is explored and evaluated and the work that SRK would normally expect to either be underway or completed during each of these stages.

- Grass-roots projects – Desk studies and target generation.
- Intermediate projects – Minor field work, trenching, geological drilling.
- Advanced projects – RC or Diamond drilling for geological modelling.
- Resource Definition projects – Drilling conducted specifically for resource purposes, preliminary economic evaluation.
- Feasibility Study projects – Analysis of all economic and technical parameters.

SRK applies an incremental scale to the possibility of attaining the maximum potential value, thus:

- Grass-roots projects – 0 – 10%
- Intermediate projects – 10 – 25%
- Advanced projects – 25 – 50%
- Resource Definition projects – 50 – 80%
- Full feasibility projects – 80 – 100%

The current developmental status of the Kazakhstan properties varies and it is SRK's opinion that substantial expenditure is still required to elevate many of these to full project status. Despite this it is also clear that the properties have good potential to host economic mineralisation. In deriving the valuation presented here therefore SRK has for each asset applied the above percentages to the maximum potential value derived as commented already to derive a current value range in each case.

8.3 Valuation Results

SRK's minimum value for FML's assets based on a combination of the minimum values assigned to delineated resources plus acquisition costs, expenses incurred and the estimated expenditure to take the primary asset to a decision point, where resources have not been delineated, is US$ 9 M.

The maximum potential value derived by SRK based on the maximum values assigned to delineated resources and the full potential of each asset where resources have not yet been delineated is US$53 M.

Having classified each prospect according to its exploration status and discounted the potential value of each one accordingly SRK has derived a current day value range for FML's assets of between US$16 M and US$20 M.

9 CONCLUDING REMARKS

SRK considers FML to have a portfolio of interesting exploration assets in Kazakhstan which justify as a minimum the next phase of exploration planned in each case by FML.

SRK considers these properties to have a current day value to a listed company with experience in Kazakhstan of between US$16 M and US$20 M. The wide value range derived reflects the large areas held under licence by FML and the uncertainty with regards their potential given the exploration stages these are currently at.

10 WARRANTY

The observations, comments and results of technical analyses presented in this report represent SRK's opinions as of March 2004 and are based on the information currently available and the work SRK has completed as described in this report. Any valuation of this nature is somewhat subjective. While SRK is confident that the opinions we present are reasonable, a substantial amount of data has been accepted in good faith. Although SRK has visited the majority of the sites, we have not conducted any verification or quality control sampling. SRK cannot therefore accept any liability, either direct or consequential, for the validity of such information accepted in good faith.

For and on behalf of Steffen, Robertson & Kirsten (UK) Ltd

Gareth O'Donovan	**Mike Armitage**
Principal Exploration Geologist	**Managing Director**

Part Four (A) – Consolidated Financial Statements of Frontier Mining Ltd.

Frontier Mining Ltd. (Development Stage Enterprise)
Consolidated Financial Statements

Years ended December 31, 2003, 2002 and 2001
with Independent Auditors' Report

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Frontier Mining Ltd.

We have audited the consolidated balance sheets of Frontier Mining Ltd. and its subsidiaries ("the Company") as of December 31, 2003, 2002, 2001 and the consolidated statements of operations, changes in shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present a true and fair view of the consolidated financial position of the Company as of December 31, 2003, 2002 and 2001 and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young Kazakhstan

1 September 2004

CONSOLIDATED BALANCE SHEETS
As of December 31,
(in US Dollars)

	Notes	*2003*	*2002*	*2001*
ASSETS				
Non-current assets				
Property and equipment	4	65,075	83,103	96,546
Exploration and development assets	5	1,308,658	1,273,470	1,235,147
Intangible assets	6	40,035	63,675	87,246
		1,413,768	1,420,248	1,418,939
Current assets				
Trade and other receivables	7	13,752	23,864	378,588
Cash and cash equivalents	8	882	3,190	10,996
		14,634	27,054	389,584
TOTAL ASSETS		1,428,402	1,447,302	1,808,523
SHAREHOLDERS' DEFICIENCY AND LIABILITIES				
Shareholders' deficiency				
Share capital	9	15,995	11,354	10,474
Additional paid-in-capital		3,931,766	2,056,408	1,675,866
Treasury stock		(67)	(67)	–
Accumulated deficit		(6,287,754)	(5,311,533)	(3,959,546)
		(2,340,060)	(3,243,838)	(2,273,206)
Minority interest		–	–	615
Non-current liabilities				
Site restoration provision	10	90,985	70,970	51,909
Current liabilities				
Short-tem debt	11	2,613,334	3,559,843	2,877,670
Notes payable	12	495,823	546,473	720,351
Trade accounts payable	13	208,594	205,129	151,584
Other current liabilities	14	359,726	308,725	279,600
		3,677,477	4,620,170	4,029,205
TOTAL SHAREHOLDERS' DEFICIENCY AND LIABILITIES		1,428,402	1,447,302	1,808,523

Signed and authorized for release on behalf of the Board of the Company:

Chairman & Chief Executive Officer	Chief Financial Officer
Brian Charles Savage	**Thomas Ian Sinclair**

1 September 2004

The accompanying notes on pages 58 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31,

(in US Dollars)

	Notes	*2003*	*2002*	*2001*
General and administrative expenses	15	(237,805)	(778,658)	(494,006)
Gain from disposal of investment in associate	16	706	15,294	400,000
Other income		14	–	1,857
Finance costs	17	(739,030)	(586,329)	(535,103)
Loss before taxation		(976,115)	(1,349,693)	(627,252)
Taxation	18	(106)	(2,294)	(60,000)
Net loss		(976,221)	(1,351,987)	(687,252)
Losses per share	19			
– basic		(1.01)	(1.46)	(0.81)
– diluted		(0.64)	(0.72)	(0.41)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For the years ended December 31, 2003, 2002 and 2001

(in US Dollars)

	Share capital	*Additional paid-in-capital*	*Treasury stock*	*Accumulated deficit*	*Total*
At December 31, 2000	10,207	1,602,498	–	(3,272,294)	(1,659,589)
Conversion of operating liabilities to equity (Note 9)	267	73,368	–	–	73,635
Net loss	–	–	–	(687,252)	(687,252)
At December 31, 2001	10,474	1,675,866	–	(3,959,546)	(2,273,206)
Conversion of operating liabilities to equity (Note 9)	146	48,625	–	–	48,771
Conversion of notes payable to equity (Note 9)	667	331,909	–	–	332,576
Capital contributions in cash (Note 9)	67	19,933	–	–	20,000
Treasury stock purchase (Note 9)	–	(19,925)	(67)	–	(19,992)
Net loss	–	–	–	(1,351,987)	(1,351,987)
At December 31, 2002	11,354	2,056,408	(67)	(5,311,533)	(3,243,838)
Conversion of short-term debt to equity (Note 9)	4,541	1,845,458	–	–	1,849,999
Capital contributions in cash (Note 9)	100	29,900	–	–	30,000
Net loss	–	–	–	(976,221)	(976,221)
At December 31, 2003	15,995	3,931,766	(67)	(6,287,754)	(2,340,060)

The accompanying notes on pages 58 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

(in US Dollars)

	2003	*2002*	*2001*
Cash flows from operating activities:			
Loss before income tax	(976,115)	(1,349,693)	(627,252)
Adjustments for:			
Depreciation and amortisation	32,710	34,071	36,388
Finance costs	739,030	586,329	535,103
Gain from disposal of investment in associate	(706)	(15,294)	(400,000)
Loss from disposal of property and equipment	8,958	3,039	27,856
(Reversal of)/provision for bad debts	(359,600)	158,720	–
Operating loss before working capital changes	(555,723)	(582,828)	(427,905)
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other receivables	369,712	(144,610)	33,232
Increase (decrease) in trade accounts payable	3,465	53,545	(93,821)
Increase (decrease) in other current liabilities	51,001	77,896	157,452
Net cash flows used in operating activities	(131,545)	(595,997)	(331,042)
Cash flows from investing activities:			
Exploration and development assets	(18,722)	(21,857)	(128,058)
Proceeds from disposal of associate	600	353,000	–
Purchase of property and equipment	–	(96)	–
Net cash flows from (used in) investing activities	(18,122)	331,047	(128,058)
Cash flows from financing activities:			
Capital contributions	30,000	20,000	–
Purchase of treasury stock	–	(19,992)	–
Proceeds received from short-term debt	238,128	170,645	496,306
Proceeds received from notes payable	10,000	189,011	94,143
Repayment of notes payable	(69,212)	(50,000)	(10,228)
Interest paid	(61,557)	(52,520)	(116,000)
Net cash flows from financing activities	147,359	257,144	464,221
Net change in cash and cash equivalents	(2,308)	(7,806)	5,121
Cash and cash equivalents at the beginning of the year	3,190	10,996	5,875
Cash and cash equivalents at the end of the year (Note 8)	882	3,190	10,996

The accompanying notes on pages 58 to 75 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In US Dollars)

1. General

Principal Activity

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

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

The Naimanjal licence No. 1166DD currently covers an approximate area of 4,172 square kilometers in North Eastern Kazakhstan. The licence was originally valid for a 5 year exploration period and replaced by a combined 30 year exploration and extraction contract on August 16, 1999. In accordance with the contract, the exploration period was extended twice for a further two years in accordance with the law of the Republic of Kazakhstan to June 15, 2005.

The Baltemir licence covers an area of approximately 154 square kilometers in North Eastern Kazakhstan and is valid for six year exploration period extended to March 2005.

At December 31, 2003, 2002 and 2001 the Company registered office was located at: 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA. At December 31, 2003, 2002 and 2001, the Company had three representative offices, which were located in the Republic of Kazakhstan and the USA.

On an annual average the Company employed a total of 9 employees in 2003, 9 employees in 2002 and 20 employees in 2001.

Organisation

On July 10, 1998, the founders of FML agreed that FML, upon its incorporation, would issue 280,000 shares of common stock at US$0.01 par value per share to its founders as compensation and acquire, from SEMTECH, 100% of Polygon Resources, 70% of Besshoky LLP (“Besshoky”) and 50% of Semgeo LLP in exchange for the assets and assumption of liabilities and the issuance of 200,000 shares of FML common stock at par value. The acquisition was accounted for as a purchase for accounting purposes and, accordingly, the assets acquired and liabilities assumed were recorded at their respective fair market values as of the acquisition date. Polygon Resources LLP was re-registered on October 31, 1998 in Kazakhstan as FML Kazakhstan (“FMLK”) to reflect the name change and the Company’s 100% ownership.

At the time of acquisition, Polygon Resources LLP held 2 licences: licence No. 1166, the “Najmanjal” licence and licence No. 1385, the “Balykty” licence. Due to financial constraints, the Balykty licence was relinquished in November 2003.

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

On September 17, 1999, FML acquired the remaining 30% of Besshoky LLP by issuing the owners 3,670 shares of FML common stock and a royalty to a third party. Due to financial constraints, the Besshoky licence was relinquished in August 2003.

On November 27, 1999, FML acquired 100% of Gold Land LLP, a company registered in Kazahkstan, for US$3,600. Gold Land LLP was granted two licences: No. 890 (the Novodneprovka Licence). The purpose of the licences was for the geological exploration and development of the Novodneprovka and Raigorodok gold ore deposits in the Akmola province, Kazakhstan. The licences were granted to Gold Land on May 23, 1996. The licences cover an approximate area of 200 square kilometers. The Novodneprovka licence is valid for a 25 year period: 5 years for exploration/development and 25 years for production. On September 2001, FML sold 51% interest in Gold Land LLP, to a strategic investor “Progress Financial LLP, a third party to the Company. The Company sold a further 14%, 5% and 30% on July 2002, December 2002 and August 2003, respectively, to Progress Financial LLP (Note 16).

Political and Economic Environment

The Kazakh economy while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market economy in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside of Kazakhstan. The continued success and stability of the Kazakh economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Meanwhile, the Company's operations and financial position will continue to be affected by Kazakh political developments including the application of existing and future legislation and tax regulations. The likelihood of such occurrences and their effect on the Company could have a significant impact on the Company's ability to continue operations. As of December 31, 2003, the Company does not believe that any material matters exist relating to the developing markets and evolving fiscal and regulatory environment in Kazakhstan, including current pending or future governmental claims and demands, which would require adjustment to the accompanying financial statements in order for those statements not to be misleading.

2. Basis of Preparation

Consolidated Subsidiaries

The consolidated financial statements include the following companies for the years ended December 31, 2003, 2002 and 2001:

Subsidiary	*Ownership*	*Domicile*	*Principal Business*	*Licence/Mine site*
Frontier Mining Ltd.	100%	Delaware, USA	Management of the Company	–
FML Kazakhstan LLP	100%	Semipalatinsk region, Kurchatov town	Exploration and development	Najmanjal
Baltemir LLP	100%	Semipalatinsk region, Kurchatov town	Exploration	Baltemir
Besshoky LLP	100%	Semipalatinsk region, Kurchatov town	Exploration and development (dormant)	Besshoky
Semgeo LLP	50%	Semipalatinsk region, Kurchatov town	Exploration and development (dormant)	Degelen

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

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements are presented in US Dollars ("US$"), unless otherwise indicated. The US Dollar is utilized as the majority of the Company's transactions are denominated, measured, or funded in US Dollars. Transactions in other currencies are treated as transactions in foreign currencies.

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

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore could differ from these estimates. The primary estimates relate to the recoverability of long-term and current assets and provisions for liabilities including site restoration provisions.

Going Concern

The company operates as a natural resources exploration company. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a net capital deficit of US$2,340,060, US$3,243,838 and US$2,273,206 as of December 31, 2003, 2002 and 2001 respectively and incurred losses of US$976,221, US$1,351,987 and US$687,252 for the years then ended. These factors, as well as other factors, raise doubt about whether the Company can continue as a going concern.

Additional financing will therefore, be required to fund any material expenditure relating to new mineral exploration projects or advancing its current projects, and this will influence the Company's ability to continue as a going concern. The Company has commenced the process of raising capital via a placement of ordinary shares in this respect and has obtained irrevocable commitment from various investors for additional capital contributions of £3 million to be introduced in 2004. Whilst the company has been successful in raising additional finance, there can be no assurance that the Company will be able to continue to raise such additional financing as may be required for future operations.

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

3. Summary of Significant Accounting Policies

The principal accounting policies which have been consistently applied in arriving at the financial information set out in these consolidated financial statements are as follows:

Cash and Cash Equivalents

Cash includes cash on hand and cash held with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Related Parties

Related parties include the Company's shareholders, directors, key management personnel, associates and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's shareholders or key management personnel.

Recognition of Financial Instruments

The Company recognizes financial assets and liabilities on its consolidated balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given or received, respectively, including or net of any transaction costs incurred, respectively. Any gain or loss at initial recognition is recognized in the current period's statement of operations. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of Financial Assets and Liabilities

The Company derecognises a financial asset or a portion of a financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Company loses such control if it has utilized the rights to the benefits specified in the contract, the rights expire, or the Company surrenders those rights.

The Company removes a financial liability (or a part of a financial liability) from its consolidated balance sheet when, and only when, it is extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. All assets under construction are classified as "Capital work in progress". Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

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

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

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

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

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Exploration and Development Assets

In the absence of specific relevant IFRS pronouncements in force with respect to accounting for exploration, development and mineral resources evaluation, the management of the Company believes that it would be appropriate to utilize the provisions of recently issued Exposure Draft "Exploration for and Evaluation of Mineral Resources". These provisions are generally in line with other internationally recognized accounting principles.

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property and the availability of financing.

Once the decision to proceed to development is made, development and other expenditures relating to the project are capitalized (either tangible or intangible assets) and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations.

Exploration and development assets are measured at cost and comprise prospecting and exploration costs in Kazakhstan.

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

- acquisition of rights to explore;
- 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.

Administration and other general overhead costs are expensed as incurred.

Upon commencement of production, exploration and development assets are depreciated using the unit of production method based on the volumes of proved and probable reserves of ore and are written off as the assets are abandoned.

Annually the net book value of exploration and development assets is compared with their estimated realizable value and any impairment is written off to the statements of operations. The estimate of net realizable value of the exploration and development assets is provided by reference to the State's reserve estimates, independent evaluations of mineral assets, and the directors' consideration of the valuations of all exploration and development assets.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Amortization is computed on a straight-line basis over the following estimated useful lives:

	Years
Licences	7
Computer software	7
Goodwill	6

Amortization is recorded within general and administrative expenses in the consolidated statement of operations in the period to which it relates.

Site Restoration Costs

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

The provision is reviewed on an annual basis for changes in cost estimates or lives of operations.

Trade and Other Receivables

Trade and other receivables are stated at the unpaid balance of receivables less specific and general allowance for doubtful accounts. In order to determine the allowance for doubtful accounts, the Company's management estimates amounts of possible losses on receivables and advances on a case-by-case basis.

Impairment of Assets

Property, equipment and intangible assets, including exploration and development assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Foreign Currency Translation

Monetary amounts denominated in Tenge are translated to US$ at the exchange rate in effect at the balance sheet date. Non-monetary amounts denominated in a foreign currency are translated at historical exchange rates. Revenues and expenses arising in Tenge or other foreign currencies are translated at the exchange rate in effect at the date the transaction occurs. Foreign exchange gains or losses resulting from the translation of Tenge into US$ are included in or charged to operations in the period to which they relate.

Revenue and Expense Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured.

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the consolidated financial statements in the period to which they relate.

Taxation

FML is subject to United States federal, state and foreign income taxes. For companies working under Kazakh legislation current taxes are calculated in accordance with the regulations of the Republic of Kazakhstan and are based on the companies' operating results determined in accordance with Kazakhstani Accounting Standards after adjustments for tax purposes.

Deferred income taxes are calculated using the liability method. Deferred taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

The Republic of Kazakhstan also has various operating taxes, which are assessed on activities of the Company's subsidiaries. These taxes are included as a component of general and administrative expenses in the consolidated statements of operations.

Share Capital

Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Gains and losses on sales of treasury stock are charged or credited to additional paid-in capital.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Loans and Borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortization process. Interest expense associated with loans and borrowings is recorded within finance costs in the consolidated statements of operations.

Employee Benefit Costs

The Company does not have any pension program. Subsidiaries also do not have any pension arrangements separate from the State pension scheme of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments. Such contributions (social tax payments) are charged to operations as incurred.

Provisions

A provision is recognized when, and only when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. 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 a provision is the present value of the expenditures expected to be required to settle the obligation.

Equity Compensation Benefits

The Company does not have any equity compensation plans but offers certain of its employees equity shares in settlement of salaries due and business expenses paid by the employees on behalf of the Company. These are expensed when incurred.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Contingencies

Contingent liabilities are recognized in the consolidated financial statements when they are considered probable and a reliable estimate of the obligation can be made. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

4. Property and Equipment

The movements on property and equipment for the years ended December 31, 2003, 2002 and 2001, were as follows:

	Buildings & constructions	*Machinery & equipment*	*Other*	*Capital work in progress*	*Total*
Cost:					
At December 31, 2000	1,900	73,938	83,105	–	158,943
Disposals	–	(33,700)	(2,656)	–	(36,356)
Transfers	(1,900)	–	–	1,900	–
At December 31, 2001	–	40,238	80,449	1,900	122,587
Additions	–	–	96	–	96
Disposals	–	(2,319)	(8,179)	–	(10,498)
At December 31, 2002	–	37,919	72,366	1,900	112,185
Disposals	–	–	(16,322)	–	(16,322)
At December 31, 2003	–	37,919	56,044	1,900	95,863
Accumulated Depreciation:					
At December 31, 2000	–	(9,080)	(12,772)	–	(21,852)
Charge for the year	–	(1,656)	(11,033)	–	(12,689)
Disposals		7,100	1,400	–	8,500
At December 31, 2001	–	(3,636)	(22,405)	–	(26,041)
Charge for the year	–	(1,358)	(9,142)	–	(10,500)
Disposals	–	248	7,211	–	7,459
At December 31, 2002	–	(4,746)	(24,336)	–	(29,082)
Charge for the year	–	(1,328)	(7,742)	–	(9,070)
Disposals	–	–	7,364	–	7,364
At December 31, 2003	–	(6,074)	(24,714)	–	(30,788)
Net Carrying Amount:					
At December 31, 2001	–	36,602	58,044	1,900	96,546
At December 31, 2002	–	33,173	48,030	1,900	83,103
At December 31, 2003	–	31,845	31,330	1,900	65,075

5. Exploration and Development Assets

The movement on the exploration and development assets for the years ended December 31, 2003, 2002 and 2001, was as follows:

Cost:	
At December 31, 2000	1,090,623
Additions	144,524
At December 31, 2001	1,235,147
Additions	38,323
At December 31, 2002	1,273,470
Additions	35,188
At December 31, 2003	1,308,658

In the directors' opinion, the estimated net realizable value of the exploration and development assets exceeded their book value at December 31, 2003, 2002 and 2001.

6. Intangible Assets

The movement on intangible assets for the years ended December 31, 2003, 2002 and 2001 was as follows:

	Licences	*Computer software*	*Goodwill*	*Total*
Cost:				
At December 31, 2000, 2001, 2002 and 2003	2,847	30,761	124,907	158,515
Accumulated Amortisation:				
At December 31, 2000	(542)	(5,400)	(41,628)	(47,570)
Charge for the year	(195)	(2,686)	(20,818)	(23,699)
At December 31, 2001	(737)	(8,086)	(62,446)	(71,269)
Charge for the year	(187)	(2,566)	(20,818)	(23,571)
At December 31, 2002	(924)	(10,652)	(83,264)	(94,840)
Charge for the year	(192)	(2,630)	(20,818)	(23,640)
At December 31, 2003	(1,116)	(13,282)	(104,082)	(118,480)
Net Carrying Amount:				
At December 31, 2001	2,110	22,675	62,461	87,246
At December 31, 2002	1,923	20,109	41,643	63,675
At December 31, 2003	1,731	17,479	20,825	40,035

Goodwill arose at the acquisition of FML Kazakhstan LLP and Baltemir LLP in 1998 and 1999, respectively.

7. Trade and Other Receivables

As of December 31, trade and other receivables comprised:

	2003	*2002*	*2001*
Accounts receivable relating to the sale of investment in associate (Note 16)	–	–	340,000
Prepayments for works and services	–	4,448	13,168
Due from employees	7,000	7,000	3,000
Refundable deposit	2,468	2,468	2,468
Other	4,284	9,948	19,952
	13,752	23,864	378,588

As of December 31, 2003, 2002 and 2001, trade and other receivables were mainly denominated in US Dollars.

8. Cash and Cash Equivalents

As of December 31, cash and cash equivalents comprised the following:

	2003	*2002*	*2001*
KZT current accounts with Kazakhs banks	169	46	539
US Dollar current accounts with US banks	6	3,127	10,417
Cash on hand	707	17	40
	882	3,190	10,996

As of December 31, 2003, 2002 and 2001 current bank accounts were interest free.

9. Share Capital

As of December 31, 2003, 2002 and 2001, the Company's authorized share capital comprised 2,000,000 common shares of US$0.01 par value each.

Movements on the share capital for the years ended December 31, 2003, 2002 and 2001 were as follows:

	Number of shares issued and outstanding	*Nominal amount, US Dollars*
December 31, 2000	1,020,700	10,207
Conversion of operating liabilities to equity	26,700	267
December 31, 2001	1,047,400	10,474
Conversion of operating liabilities to equity	14,600	146
Conversion of notes payable to equity	66,700	667
Capital contributions in cash	6,700	67
December 31, 2002	1,135,400	11,354
Conversion of short-term debt to equity	454,100	4,541
Capital contributions in cash	10,000	100
December 31, 2003	1,599,500	15,995

During 2002 the Company purchased 6,700 treasury shares at US$0.01 par value each.

Shareholders are permitted one vote per share. All common shares rank equally with regard to the Company's residual assets.

The Company issued share options, which at December 31, 2003 comprised options to acquire 153,665 shares at US$3 per share and 60,000 shares at US$3.30 per share, respectively (at December 31, 2002: 208,999 shares at US$3 per share and 30,000 shares at US$3.30 per share; at December 31, 2001: 191,000 shares at US$3 per share and 60,000 shares at US$3.30 per share).

During the years ended December 31, 2002 and 2001, in accordance with the agreements with the creditors, the Company converted certain liabilities to equity. Those liabilities comprised notes payable and other liabilities incurred in respect of salaries and certain services provided by subcontractors.

10. Site Restoration Provision

As of December 31, 2003, 2002 and 2001, environmental restoration provisions relate to obligations to repair and make safe mines after use and the estimated costs of cleaning up any chemical leakage. Most of these costs are expected to be incurred at the end of the mines' useful operations, approximately between 2025-2026. The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the estimated lives of the mines, the scale of any possible contamination and the timing and extent of corrective actions. The provision has been estimated using existing technology, current prices, and prudent interpretations of the relevant legislation and discounted at 5%.

The movements on the site restoration provision were as follows for the years ended December 31:

	2003	*2002*	*2001*
At the beginning of the year	70,970	51,909	33,755
Site restoration provision	16,466	16,466	16,466
Unwinding of discount	3,549	2,595	1,688
At the end of the year	90,985	70,970	51,909

11. Short-Term Debt

As of December 31, short-term debt, including accrued interest, comprised the following:

	2003	*2002*	*2001*
Loan from Voyager Fund	–	1,378,995	1,022,122
Loans from directors and management	1,725,695	1,310,151	1,001,793
Debt to Degelen Company	412,106	412,106	412,106
Loans from Small World Associates Company (“SWA”)	135,533	118,591	101,649
	2,273,334	3,219,843	2,537,670
Debt to the Trade Development Agency of the United States of America (“TDA”)	340,000	340,000	340,000
	2,613,334	3,559,843	2,877,670

As of December 31, 2002 and 2001, the loan from Voyager Fund of US$650,000 was taken for the development of Novodneprovka gold mine site that was wholly owned by Gold Land LLP. The loan carried interest at an effective rate of 37.85% per annum and was payable on demand. Interest charges incurred on this loan included commissions of US$255,000 paid to a Principal of Voyager Fund for services rendered in connection with the loan in the form of equity shares in the Company (85,000 shares at US$3 per share). Excluding these commissions, the loan carried interest at 33% per annum. Under this loan agreement Voyager had the option to convert all or a portion of the unpaid principal amount of the loan totaling US$650,000 into common shares of Frontier Mining Ltd. at US$3 per share and all or a portion of the unpaid interest on the principal amount of the loan totaling US$975,000 into common shares at US$6 per share. In addition, Frontier Mining Ltd. pledged its 100% ownership interest in FML Kazakhstan LLP to Voyager as a security for the loan.

As of December 31, 2003, 2002 and 2001, loans from employees bear interest at rates ranging from 10% to 20% per annum for officers and at 5% for Kazakhstani employees. The loans are denominated in US Dollars and payable on demand.

As of December 31, 2003, 2002 and 2001, the debt to Degelen LLP, the former shareholder of Baltemir LLP, comprised payables for technical services related to geological works and was denominated in US Dollars. These payables are interest free and payable on demand.

As of December 31, 2003, 2002 and 2001, loans from SWA comprised payables for surveyor and geochemical sampling services provided by SWA. The loans are denominated in US Dollars with interest at 20% per annum and payable on demand.

As of December 31, 2003, 2002 and 2001, the grant from the Trade Development Agency of the USA was interest free and denominated in US Dollars. In accordance with the terms of the grant, the grant is refundable to the TDA when the Company succeeds in obtaining funding for the Naimanjal Project based on the feasibility study that the grant was provided to finance. Management expects that the repayment of the grant will commence in 2004.

12. Notes Payable

As of December 31 notes payable, comprised:

	2003	*2002*	*2001*
Notes payables to legal entities	297,942	322,942	322,942
Interest accrued on notes payable	109,089	96,873	67,408
Notes payables to individuals	88,792	126,658	330,001
	495,823	546,473	720,351

As of December 31, 2003, 2002 and 2001, notes payable were denominated in US Dollars and carried interests rates ranging from 5% to 20% per annum. Notes payable do not have a stated maturity date and are payable on demand. As of December 31, 2003 certain notes amounting to US$327,536 (December 31, 2002: US$357,246; December 31, 2001:US$273,893) are convertible to 88,151 common shares at US$3 per share and 10,514 common shares at US$6 per share.

13. Trade Accounts Payable

As of December 31, 2003, 2002 and 2001, trade accounts payable comprise payables for geological, topographical and geophysical studies and general and administrative expenses which were denominated in US Dollars.

14. Other Current Liabilities

As of December 31 other current liabilities comprised the following:

	2003	*2002*	*2001*
Taxes other than on income	19,960	11,543	7,196
Tax penalties	305,618	265,618	234,430
Due to employees	13,596	13,213	15,686
For audit services provided	20,552	–	–
Other	–	18,351	22,288
	359,726	308,725	279,600

Included within other current liabilities are provisions for management's estimates of potential tax compliance penalties and/or income tax liabilities in the jurisdictions within which the group has legal entities, including the Republic of Kazakhstan and the United States of America. Management does not believe that the ultimate settlement of those liabilities will be materially different.

15. General and Administrative Expenses

The composition of general and administrative expenses for the years ended December 31 was as follows:

	2003	*2002*	*2001*
Payroll and related staff costs	333,326	389,438	278,615
Business trips	42,508	57,082	35,047
Taxes other than income tax	47,112	39,365	47,898
Audit and accounting fees	36,969	30,831	2,370
Rent and office expenses	33,733	17,472	28,739
Depreciation and amortization	32,710	34,071	36,388
Telecommunication services	19,473	14,065	13,793
Loss from disposal of property and equipment	8,958	3,039	27,856
Office suppliers and miscellaneous	8,006	1,539	2,496
Insurance	6,209	6,838	8,470
Transportation expenses	2,937	782	892
Bank charges	1,041	611	1,114
Technical and consulting services	60	24,117	7,021
(Recovery of)/provision for bad debts	(359,600)	158,720	–
Other expenses	24,363	688	3,307
	237,805	778,658	494,006

As of December 31, 2002, the bad debt provision comprised the provision for the loan granted to Gold Land LLP, an associated company. The loan was denominated in US Dollars, interest free and without specific repayment terms.

As of December 31, 2003 the recovery of the provision for bad debts comprised the satisfaction of the remaining loan from Gold Land LLP.

These movements were related to the disposal of the investment in Gold Land LLP in a series of transactions as outlined in note 16.

16. Gain from Disposal of Investment in Associate

In 2003, 2002 and 2001 the Company sold its investment in Gold Land LLP representing 30%, 19% and 51% of the share capital of Gold Land LLP, respectively, to Progress Financial LLP, an unrelated party.

The carrying amount of this investment at December 31, 2000 amounted to NIL and the total proceeds from the disposal of this investment received in 2001, 2002 and 2003 amounted to US$775,600 and included the following:

	$
Proceeds received and gain recognized in 2001	400,000
Proceeds received and gain recognized in 2002	15,294
Proceeds received and gain recognized in 2003	706
Recovery of the provision for doubtful loan receivable from Gold Land LLP in 2003	359,600
	775,600

17. Finance Costs

The composition of finance costs for the years ended December 31 was as follows:

	2003	*2002*	*2001*
Interest on the loan from Voyager Fund	521,005	386,873	308,105
Interest on loans from employees	130,285	108,584	99,654
Interest on notes payable	67,249	71,335	108,714
Interest on loans from SWA	16,942	16,942	16,942
Unwinding of discount for site restoration provision	3,549	2,595	1,688
	739,030	586,329	535,103

18. Taxation

The corporate income tax expense as of December 31comprises:

	2003	*2002*	*2001*
Current tax charge	106	2,294	60,000

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows for the years ended December 31:

	2003	*2002*	*2001*
Loss before income tax	(976,115)	(1,349,693)	(627,252)
Statutory tax rate	30%	30%	30%
Theoretical income tax benefit at the statutory rate	(292,835)	(404,908)	(188,176)
Income on sale of investment in associate taxed at different rate (15%) and withheld at source	106	2,294	60,000
Expenditures incurred by FML not allowable for income tax:			
Payroll and related staff costs	90,285	111,583	83,585
Business trips	21,905	17,045	15,314
Taxes other than income tax	13,633	8,872	364
Telecommunication services	4,047	2,763	4,138
Rent and office expenses	5,414	2,574	8,622
Depreciation and amortization	7,246	7,246	9,358
Audit and accounting fees	8,264	9,406	681
Loss from disposal of property and equipment	2,687	912	8,357
Insurance	1,855	2,047	2,541
Office suppliers and miscellaneous	2,053	397	749
Bank charges	179	163	334
Technical and consulting services	593	40,667	9,651
Transportation expenses	589	234	268
Bad debt provisions	(107,880)	47,616	–
Other expenses	12,376	7,060	270
Change in unrecognized deferred tax assets	229,589	146,323	43,944
Income tax expense	106	2,294	60,000

Deferred tax assets and liabilities as of December 31 comprise:

	2003	*2002*	*2001*
Tax effect of deductible temporary differences:			
Exploration and development costs capitalised in tax books	1,289,856	1,060,267	913,944
Unrecognized deferred tax assets	(1,289,856)	(1,060,267)	(913,944)
Deferred tax asset, net	–	–	–

As of December 31, 2003, 2002 and 2001, deferred tax assets were not recognized due to management's prudence and the uncertainty surrounding the realization of those deferred tax assets.

19. Losses per Share

Basic losses per share are calculated by dividing the net losses for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

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

The following reflects the losses and share data used in the basis and diluted losses per share computations:

	2003	*2002*	*2001*
Net losses attributable to common shareholders for basic earnings per share	(976,221)	(1,351,987)	(687,252)
Net losses attributable to common shareholders for diluted earnings per share	(908,972)	(1,280,652)	(578,538)
Weighted average number of common shares for basic earnings per share	961,897	924,522	852,888
Effect of dilution:			
Convertible debt	461,699	851,470	479,667
Warrants	–	–	85,840
Adjusted weighted average number of common shares for diluted earnings per share	1,423,596	1,775,992	1,418,395

20. Related Party Transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions with related parties for the years ended December 31, 2003, 2002 and 2001, and balances as of those dates were carried out at market terms and were as follows:

	2003		*2002*		*2001*	
	Related party transactions	*Total category*	*Related party transactions*	*Total category*	*Related party transactions*	*Total category*
Trade and other receivables	7,000	13,752	7,000	23,864	8,582	378,588
Short-term debt	2,273,334	2,613,334	3,219,843	3,559,843	2,537,670	2,877,670
Notes payable	343,791	495,823	394,440	546,473	580,318	720,351
Trade accounts payable	98,913	208,594	94,722	205,129	88,618	151,584
Finance cost	723,481	739,030	571,734	586,329	521,415	535,103

At December 31, 2003, related parties primarily include the directors and management of the Company who own the majority of the Company's share capital.

21. Financial Commitments and Contingent Liabilities

Licence Commitments

In 2003 the Company prolonged its contracts for exploration and production for Naimanjal and Baltemir fields. Each contract includes a work program defining the Company's obligations for investment into research and exploration of the fields. The total amount of contractual commitments are US$600,000 over the period from 2004 to 2005.

In accordance with the Najmanjal Exploration Contract, FMLK is obligated to reimburse the Government of the Republic of Kazakhstan in the amount of US$1,436,000 in respect of historical expenses incurred by the Government of the Republic of Kazakhstan with respect to the project prior to the issuance of the exploration licence. These historical expenses should be paid in equal quarterly payments in the amount of US$35,551 beginning after FMLK begins commercial production. Also in accordance with the Najmanjal Exploration Contract, FMLK is obligated to pay a commercial discovery bonus with respect to any commercial discovery on the territory of the Najmanjal Licence in the amount equal to 0.05% of the value of confirmed reserves with respect to such discovery. Such bonus is payable within 30 calendar days after the date of confirmation of any such commercial discovery.

In accordance with the Baltemir Exploration Contract, in the event of commercial discovery, the amount of historical expenses subject to reimbursement to the Government of the Republic of Kazakhstan shall be recalculated with respect to the territory of any mining allotment. Also Baltemir LLP is obligated to pay a commercial discovery bonus with respect to any commercial discovery on the territory of the Baltemir Licence in an amount equal to 0.1% of the value of confirmed reserves with respect to such discovery. Such bonus is payable within 90 calendar days after the date of confirmation of any such commercial discovery.

Taxation

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

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's law, are severe. Penalties and fines, which are generally 50% of the taxes additionally assessed and interest assessed at 14% per annum. As a result, penalties and interest can amount to multiples of any unreported taxes.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning the tax application is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

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

The Company's operations and financial position may be affected by Kazakh political developments, including the application of existing and future legislation and tax regulations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Kazakhstan.

Environmental Matters

The Company 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 Company can be subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

22. Financial Instruments

The Company, in connection with its activities, is exposed to various financial risks associated with its financial instruments. Financial instruments are comprised primarily of cash, receivables, payables and borrowings.

Interest Rate Risk

The Company's only interest rate risk relates to interest payable associated with its loans and notes payables. The Company does not enter into any hedging instruments to mitigate any potential risk as management does not believe the interest rate risk associated with its obligations is significant.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, as the major part of the Company's business is transacted in US Dollar. The management of the Company believes that any possible fluctuations of foreign exchange rates will not have material impact on the financial position of the Company and the results of its operations.

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

Credit Risks

Credit risks or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the Company's credit exposure is represented by the balance of accounts receivable.

After considering provisions made for allowances for doubtful accounts, the Company does not expect any counterparties to fail to meet their obligations.

Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flow requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The management of the Company believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Company's operations.

23. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Company to estimate the fair value of these financial instruments:

Trade and Other Receivables and Payables

For assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

For the assets and liabilities maturing in over three months, the fair value represents the present value of estimated future cash flows discounted at the average year-end market rates.

Borrowings

The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

Substantially all the Company's monetary assets and liabilities are carried at values, which approximate their estimated fair values at December 31, 2003, 2002 and 2001. The fair value of TDA grant could not be practically estimated given the uncertainties with respect to the cash outflow associated with this liability.

24. Subsequent Events

Convertible Loan Notes

From January to March 2004 the company raised approximately US$2.35 million in a private placement, prior to its plan to seek admission to the Alternative Investment Market of the London Stock Exchange, through the issue of convertible loan notes. The loans notes are convertible to equity when the Company is traded on a public listed market within 6 months of issue. The proceeds from the placement will be used by the Company to enable it to finance anticipated expenses in relation to the AIM admission, repay minor outstanding debt, advancement of feasibility and engineering studies and limited drilling for reserve definition and for general working capital.

It is envisaged that the placement and admission to AIM will raise approximately up to 3 million British pounds sterling for the Company, before expenses, by the issue of new common shares. At the time of the flotation, the loan notes and a substantial portion of the Company's current outstanding debt would convert to equity.

It should be emphasized that neither the amount of this funding nor the pricing level can in any way be guaranteed at this stage.

The following terms and conditions apply to the convertible loan notes ("Notes"):

- The Notes are issued in £1,000 units. The maturity of the notes is within 6 months from the date of issue.
- The Notes carry no coupon.
- Each Note converts to Placing Units at the time of Admission at 67% of the price at which money is raised on Admission to AIM.
- For each Note so issued, a warrant to subscribe for the same number of common shares to which it converts at a price of 110% of the AIM Placing Price, exercisable at any time until December 31, 2005, will be issued to the Note Holder at the time of Admission to AIM.
- In the event that Admission to AIM is not substantially secured within 6 months of the issue of the Notes, the Note Holders have the right to convert the Notes to common shares of the Company at the rate of US$3.00 per share or to amend the terms of the Notes to be the same as then other outstanding convertible debt.

- Shares resulting from conversion of the Notes or the exercise of the warrants will be credited as fully paid and rank *pari passu* in all respects with the other common shares of the Company in issue at the time.
- The Company will undertake to the Note Holders that the funds raised by the issue of the Notes will not be used to retire existing convertible debt.

The Company cannot give any assurance or guarantee that the plans set out above will be brought to a successful conclusion.

Share Capital Increase

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

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

25. Segment Information

The Company's operations are highly integrated and constitute a single industry segment for the purposes of IAS No. 14 "Segment Reporting". The Company operates in one principal area of activity, that of exploration of gold and copper. It also operates within a single geographical market, being the Republic of Kazakhstan.

Part Four (B) – Consent Letter from Ernst & Young

ERNST & YOUNG

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The Directors
Frontier Mining Ltd.
3939 E. Arapahoe Road, Suite 225
Centennial, CO 80122,
Colorado, EC2V 6LH
United States

Dear Sirs

Prospectus issued on 1 September 2004 by Frontier Mining Ltd. (the "Prospectus")

For the purposes of paragraph 45(2)(a)(iv) of Schedule 1 to the Public Offers of Securities Regulations 1995 we consent to the inclusion of our audit report in respect of the consolidated financial statements of the Company for the three years ended 31 December 2003 in the Prospectus and accept responsibility for it and have not become aware, since the date of that report, of any matter affecting the validity of the report at that date.

Yours faithfully

Ernst + Young Kazakhstan

Part Five – Statutory and General Information

1. Company and Share Capital

(a) The Company was incorporated in Delaware, United States of America as a limited company on 5 August 1998 under the General Corporation Law of the State of Delaware. The liability of the members of the Company is limited.

(b) The principal legislation under which the Company operates is the Delaware Code Annotated.

(c) The registered office of the Company is currently 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA. The Company's principal place of business in the UK is 12 St James's Square, London SW1Y 4RB.

(d) The Company was incorporated with an authorised share capital of 2,000,000 shares of common stock, each having a par value of one cent ($0.01) per share. On 27 February 2004, by a vote of its shareholders, the Company increased its share capital from 2,000,000 to 100,000,000 divided into 100,000,000 shares of common stock, having a par value of one cent ($0.01) per share. On 2 August 2004 each of the existing Ordinary Shares of $0.01 each in the capital of the Company was subdivided into 10 Ordinary Shares of $0.01 each.

(e) The Directors were authorised under the Company's Certificate of Incorporation and Bylaws to issue and allot up to the authorised share capital of 2,000,000 shares of common stock. Pursuant to a resolution of the Board of 29 December 2003 and following the increase in the share capital set out in paragraph 1(d) above the Directors are authorised to issue and allot up to 100,000,000 shares of common stock. There are no pre-emption or anti-dilutional provisions in respect of any of the Company's Ordinary Shares.

(f) Immediately following completion of the Placing the authorised and issued share capital of the Company will be as follows:

Authorised		*Issued and fully paid following the Placing*	
Number	*Amount*	*Number*	*Amount*
100,000,000	£1,000,000	60,570,911	£605,709.11

(g) The Company has issued a warrant to Numis conditional on Admission to subscribe for up to 605,709 Ordinary Shares at 15p per share prior to 2 September 2009.

(h) The Company has issued options to subscribe for a total of 343,310 Ordinary Shares pursuant to the Frontier Share Option Scheme, details of which are summarised below:

Employee Name	*Number*	*Issue Date*	*Expiry Date*	*Issue Price per share*
Vyacheslav Bukhryakov	30,000	31/12/00	31/12/05	$0.30
	30,000	31/12/01	31/12/06	$0.30
Igor Nedbaev	40,000	31/12/99	31/12/04	$0.30
	30,000	31/12/01	31/12/06	$0.30
Alexandra Timofeeva	90,000	31/12/00	31/12/05	$0.30
	80,000	31/12/01	31/12/06	$0.30
Alexander Tsipursky	33,330	22/10/02	31/12/04	$0.30
Boris Gill	9,980	07/03/03	31/12/04	$0.30

(i) Save as disclosed in paragraph 1(h) above, no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.

(j) Save for the warrant referred to in paragraph 1(g) above, the Frontier Share Option Scheme referred to in paragraph 1(h) above and New Share Option Plan referred to in paragraph 7 below, no share capital of the Company is under option and there is no conditional or unconditional agreement to put any such capital under option.

(k) The Company has the following subsidiary companies:

Name	*Country of Incorporation*	*Directly or Indirectly owned*	*Percentage Ownership*
FML Kazakhstan LLP	Republic of Kazakhstan	Directly	100%
Baltemir LLP	Republic of Kazakhstan	Directly	100%

2. Directors and other Interests

(a) The Directors of the Company are:

Mr. Brian Charles Savage (*Chairman and Chief Executive Officer*)
Dr. Edward Isaac Bloomstein (*Exploration Director*)
Mr. Thomas Ian Sinclair (*Chief Financial Officer*)
Mr. Boyd Warrington Bishop (*Non-executive*)
Mr. Michael John Short (*Non-executive*)
Dr. Shamil Talibulovich Tukhvatulin (*Non-executive*)
Mr. Naum Voloshin (*Non-executive*)
Mr. Robin Jay Young (*Non-executive*)

(b) Other directorships held by the Directors currently or in the five years preceding the date of this document other than in the Company are as follows:

Mr. Brian Charles Savage, 44 years old

Current Directorships	*Previous Directorships*
Sokol Holdings Inc.	None
Frontier Charities	

Dr. Edward Isaac Bloomstein, 66 years old

Current Directorships	*Previous Directorships*
None	None

Mr. Boyd Warrington Bishop, 64 years old

Current Directorships	*Previous Directorships*
Bishop Associates USA	None
Sintagma Group	
SEMTECH	

Mr. Michael John Short, 52 years old

Current Directorships	*Previous Directorships*
GBM Mineral Engineering Consultants Ltd	None
GBM Consulting Ltd	
GBM Projects Ltd	
GBM Ltd	
Austin GBM Pty Ltd.	
RAC Ashford Ltd.	

Mr. Thomas Ian Sinclair, 35 years old

Current Directorships	*Previous Directorships*
Sokol Holdings Inc.	None

Dr. Shamil Talibulovich Tukhvatulin, 56 years old

Current Directorships	*Previous Directorships*
National Nuclear Centre for Republic of Kazakhstan	None

Mr Naum Voloshin, 40 years old

Current Directorships	*Previous Directorships*
San Francisco Securities Inc.	Voyager Fund LP
Pinnacle Securities LP	

Mr Robin Jay Young, 50 years old

Current Directorships	*Previous Directorships*
Western Services Engineering, Inc.	None

(c) None of the Directors has:

(i) any unspent convictions relating to indictable offences;

(ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;

(iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

(v) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

(vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(d) At the date of this document and immediately following the Placing, the interests (all of which are beneficial unless otherwise stated) of the Directors and persons connected with the Directors (within the meaning of section 346 of the Companies Act 1985) in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and is expected to be immediately following the Placing are as follows:

Name of Director	*Current Share Holding*	*Share Holding Following the Placing*
Mr. Brian Savage	2,818,340 (15.29%)[1]	5,811,866 (9.60%)
Dr. Edward Bloomstein	1,818,330 (9.87%)	4,818,330 (7.95%)
Mr. Thomas Sinclair	350,000 (1.90%)	508,984 (0.84%)
Mr. Boyd Bishop	787,560 (4.27%)[2]	787,560 (1.30%)
Mr. Michael Short	100,000 (0.54%)	100,000 (0.17%)
Dr. Shamil Tukhvatulin	405,000 (2.20%)	405,000 (0.67%)
Mr. Naum Voloshin	63,340 (0.34%)	63,340 (0.10%)
Mr. Robin Young	Nil	Nil (0.00%)

1 100,000 of these Ordinary Shares are registered in the name of Dana Savage, Mr Savage's wife. 133,330 Ordinary Shares are registered in the name of Brian Savage as custodian for his daughter, Hannah E Savage and 133,330 Ordinary Shares are registered in the name of Brian Savage as custodian for his son, Nowlan T Savage.

2 754,220 of these Ordinary Shares are registered in the name of the Intertech Group.

(e) Save as disclosed in paragraph 2(d), no Director has or has had any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, the Company since the date of its incorporation or which is proposed to be so acquired, disposed of or leased.

(f) The following are particulars of the Directors' service agreements with the Company:

(i) *Brian Savage*

Brian Savage will enter into a service agreement with the Company with effect from and subject to the ordinary shares of the Company being admitted to AIM. Mr. Savage will be appointed as the Chairman and Chief Executive Officer and as an Executive Director of the Company or in such comparable position as may from time to time in its absolute discretion be specified by the Board. The appointment will continue for a fixed term period of 12 months whereupon it will expire. Mr. Savage will work for the Company on a full time basis, for such hours as are necessary for the proper performance of his duties. He will receive a salary of US$180,000 per annum payable monthly in arrears (which will be subject to all appropriate deductions by the Company). His salary will be reviewed by the Remuneration Committee within three months of Admission. He is also entitled to participate in the Company's discretionary bonus scheme. He will receive 30 days holiday per annum. He will receive private medical insurance cover, permanent health insurance cover and life assurance cover and be entitled to participate in any Company profit sharing scheme to be established. The service agreement includes provision for early termination of the agreement by payment in lieu of the unexpired period of the fixed term. It also includes a garden leave clause. The Company will be entitled to second Mr. Savage's services to any company within the Group. Mr. Savage's place of work will be in the US but he will be required to travel extensively to the UK and Kazakhstan in order to perform his duties. He will be subject to the provisions which protect the Company's intellectual property and confidential information. Mr. Savage will also be subject to various post-termination restrictions. The agreement will be governed by the relevant state and federal law in the US.

(ii) *Edward Bloomstein*

Edward Bloomstein will enter into a service agreement with the Company with effect from and subject to the ordinary shares of the Company being admitted to AIM. Mr. Bloomstein will be appointed as the Exploration Director and as an Executive Director of the Company or in such comparable position as may from time to time in its absolute discretion be specified by the Board. The appointment will continue for a fixed term period of 12 months whereupon it will expire. Mr. Bloomstein will work for the Company on a full time basis, for such hours as are necessary for the proper performance of his duties. He will receive a salary of US$160,000 per annum payable monthly in arrears (which will be subject to all appropriate deductions by the Company). His salary will be reviewed by the Remuneration Committee within three months of Admission. He is also entitled to participate in the Company's discretionary bonus scheme. He will receive 30 days holiday per annum. He will receive private medical insurance cover, permanent health insurance cover and life assurance cover and be entitled to participate in any Company profit sharing scheme to be established. The service agreement includes provision for early termination of the agreement by payment in lieu of the unexpired period of the fixed term. It also includes a garden leave clause. The Company will be entitled to second Mr. Bloomstein's services to any company within the group. Mr. Bloomstein's place of work will be in Kazakhstan but he will be required to travel extensively within and outside Kazakhstan and elsewhere in order to perform his duties. He will be subject to the provisions which protect the Company's intellectual property and confidential information. Mr. Bloomstein will also be subject to various post-termination restrictions. The agreement will be governed by the relevant state and federal law in the US.

(iii) *Thomas Sinclair*

Thomas Sinclair will enter into a service agreement with the Company with effect from and subject to the ordinary shares of the Company being admitted to AIM. Mr. Sinclair will be appointed as the Chief Financial Officer and as an Executive Director of the Company or in such comparable position as may from time to time in its absolute discretion be specified by the Board. The appointment will continue for a fixed term period of 12 months whereupon it will expire. Mr. Sinclair will work for the Company on a full time basis, for such hours as are necessary for the proper performance of his duties. He will receive a salary of US$120,000 per annum payable monthly in arrears (which will be subject to all appropriate deductions by the Company). His salary will be reviewed by the Remuneration Committee within three months of Admission. He is also entitled to participate in the Company's discretionary bonus scheme. He will receive 30 days holiday per annum. He will receive private medical insurance cover, permanent health insurance cover and life assurance cover and be entitled to participate in any Company profit sharing scheme to be established. The service agreement includes provision for early termination of the agreement by payment in lieu of the unexpired period of the fixed term. It also includes a garden leave clause. The Company will be entitled to second Mr. Sinclair's services to any company within the group. Mr. Sinclair's place of work will be in the UK but he will be required to travel extensively within and outside the UK, to Kazakhstan and elsewhere in order to perform his duties. He will be subject to the provisions which protect the Company's intellectual property and confidential information. Mr. Sinclair will also be subject to various post-termination restrictions. The agreement will be governed by English law.

(g) Save as disclosed below there are no non-executive directors' letters of appointment existing or proposed with the Company:

(i) Boyd Warrington Bishop will be appointed as a Non-executive Director with effect from and subject to Admission. His appointment will continue until the next Annual General Meeting of the Company or until earlier resignation or his removal pursuant to the bylaws of the Company. He will receive an annual fee of £12,000 per annum to be paid quarterly in arrears, for his appointment. He will receive travel and other expenses incurred in connection with his duties and be covered by directors and officers' liability insurance. He will not be entitled to any other benefits. Mr Bishop will be a member of the Remuneration and Nomination Committees.

(ii) Michael John Short will be appointed as a Non-executive Director with effect from and subject to Admission. His appointment will continue until the next Annual General Meeting of the Company or until earlier resignation or his removal pursuant to the bylaws of the Company. He will receive an annual fee of £12,000 per annum to be paid quarterly in arrears, for his appointment. He will receive travel and other expenses incurred in connection with his duties and be covered by directors and officers' liability insurance. He will not be entitled to any other benefits. Mr Short will be a member of the Remuneration and Nomination Committees.

(iii) Dr Shamil Talibulovich Tukhvatulin will be appointed as a Non-executive Director with effect from and subject to Admission. His appointment will continue until the next Annual General Meeting of the Company or until earlier resignation or his removal pursuant to the bylaws of the Company. He will receive an annual fee of £12,000 per annum to be paid quarterly in arrears, for his appointment. He will receive travel and other expenses incurred in connection with his duties and be covered by directors and officers' liability insurance. He will not be entitled to any other benefits. Mr Tukhvatulin will be a member of the Nomination Committee.

(iv) Robin Young will be appointed as a Non-executive Director with effect from and subject to Admission. His appointment will continue until the next Annual General Meeting of the Company or until earlier resignation or his removal pursuant to the bylaws of the Company. He will receive an annual fee of £12,000 per annum to be paid quarterly in arrears, for his appointment. He will receive travel and other expenses incurred in connection with his duties and be covered by directors and officers' liability insurance. He will not be entitled to any other benefits. Mr Young will be a member of the Audit Committee.

(v) Naum Voloshin will be appointed as a Non-executive Director with effect from and subject to Admission. His appointment will continue until the next Annual General Meeting of the Company or until earlier resignation or his removal pursuant to the bylaws of the Company. He will receive an annual fee of £12,000 per annum to be paid quarterly in arrears, for his appointment. He will receive travel and other expenses incurred in connection with his duties and be covered by directors and officers' liability insurance. He will not be entitled to any other benefits. Mr Voloshin will be a member of the Remuneration and Audit Committees.

(h) Save as referred to in paragraph 2(f) above, there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within 1 year.

(i) The aggregate remuneration for the Directors of the Company, for the financial period ended 31 December 2003 amounted to US$280,000. It is estimated that under the arrangements currently in force the aggregate remuneration to be paid to the Directors for the financial period ending 31 December 2004 will be approximately US$510,000.

(j) The Company entered into a professional services agreement on 30 August 1998 with Small World Associates ("SWA") whereby SWA agreed to supply certain services to the Company in connection with the Company's mining business in Kazakhstan for a monthly fee of $10,000. Dr. Edward Bloomstein and his wife together own 100 per cent of SWA. Save as disclosed under this paragraph 2(j) and elsewhere in this document, there is no contract or arrangement to which the Company is a party and which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.

(k) At 31 August 2004, (the latest practicable date prior to the Placing) other than interests disclosed in paragraph 2(d) above, the Directors are aware of or expect the following holdings which represent an interest within the meaning of Part VI of the Companies Act 1985, directly or indirectly, in 3 per cent or more in the issued share capital of the Company:

Name of Shareholder	*Number of Shares Held*	*Percentage of Issued Share Capital Held*
Voyager Fund	4,841,670	26.62%
Degelen LLP	935,120	5.07%
Mr Boris Gill	706,670	3.83%

(l) Following the completion of the Placing, other than interests disclosed in paragraph 2(d) above, the Directors are aware of or expect the following holdings which represent an interest within the meaning of Part VI of the Companies Act 1985 directly or indirectly in holding of 3 per cent or more in the issued share capital of the Company:

	After the Placing	
Name of Shareholder	*Number of Shares Held*	*Percentage of Issued Share Capital Held*
RAB Special Situations LP	8,636,818	14.26%
Framlington Investment Management	6,666,666	11.01%
Fidelity Investments	5,333,333	8.81%
Voyager Fund	4,841,670	7.99%
Meridian Capital CIS Fund	2,666,666	4.40%
BTR Global Prospector Trading Ltd	2,487,562	4.11%

3. Certificate of Incorporation, Bylaws of the Company and the Delaware General Corporation Law

(a) The Certificate of Incorporation of the Company contains (*inter alia*) a provision to the effect that the purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

(b) The Bylaws of the Company and the Delaware General Corporation Law (the "DGCL")(which applies in the absence of anything to the contrary in the Bylaws of the Company) contain (*inter alia*) provisions to the following effect:

(i) *Transfer of Shares*

Shares of capital stock of Frontier are represented by share certificates unless explicitly exempted from such certification by the Board of Directors. The DGCL allows the Company to delegate to the Board the authority to make rules and regulations to govern the transfer of shares, including the determination of whether a transfer agent or registrar will be employed to effect such transfers, which delegation Frontier has elected to do. These transfer rights and restrictions are typically stated in the private placement memorandum, share purchase agreement and/or shareholders' agreement which the purchaser enters into upon his or her purchase of shares in the Company. Transfer restrictions are also stated on the back of the certificate representing the shares. Pursuant to the DGCL, in order for a transfer to be reflected on the books of the Company, the current holder of shares, or authorized power of attorney thereof, must surrender the properly endorsed certificate(s) for the number of shares to be transferred.

(ii) *Redemption and Purchase of Own Shares*

Pursuant to the DGCL, Frontier may redeem or purchase its own shares, as long as it does not enter into such actions when: (1) the capital of the Company is impaired or would be impaired by such transaction, unless such transaction is the purchase or redemption of shares with a liquidation preference, which shares are to be distributed upon a dividend or liquidation event (or any of its own shares, if no shares with a liquidation preference are outstanding), and such shares are retired upon such purchase or redemption; (2) if a redemption, the Company has properly authorized the redemption beforehand; and (3) if a purchase, the purchase price is not greater than the redemption price of such shares. The DGCL permits purchased and redeemed shares which have not been retired to be resold by the Company.

(iii) *Reduction of Capital*

Under the DGCL, as long as there is sufficient capital to pay the outstanding debts of Frontier after any reduction of capital of the Company, the Board may pass a resolution to reduce the capital of the Company by: (1) reducing or eliminating the capital represented by shares of retired stock of the Company; (2) applying to an authorized purchase or redemption of outstanding shares of stock of the Company, all or a portion of the capital of such to-be-purchased or redeemed stock, and/or of capital that has not been allocated to any particular class of its capital stock; (3) applying to an authorized conversion or exchange of outstanding capital stock of the Company, all or a portion of the capital of such to-be-converted or exchanged stock, and/or of capital that has not been allocated to any particular class of its capital stock, as long as such capital exceeds the aggregate par value of any previously unissued shares issuable upon such conversion or exchange; or (4) by transferring to surplus some or all of the capital not represented by any class of stock, or capital represented by issued shares of its capital stock. The certificate of incorporation and bylaws of the Company do not contain any modifications of these Board powers provided under the DGCL.

(iv) *Return of Capital*

Liquidation preference rights with respect to each class of stock are typically set forth in the private placement memorandum, share purchase agreement and/or shareholders' agreement which the purchaser enters into upon his or her purchase of shares in the Company, and are not defined or otherwise restricted in the DGCL or the certificate of incorporation or bylaws of the Company.

(v) *Voting Rights*

Each share of Common Stock of the Company is entitled to one vote on all matters submitted to a shareholders' vote. Except as otherwise required by law, only persons whose names are on the stock records of the Company on the applicable record date are entitled to vote at any shareholder meeting. Except as provided below, voting rights may be exercised either in person or by agents authorized by a written proxy. If voting by proxy, the proxy must be filed with the Secretary of the Company before the meeting at which the vote is to be taken, and proxies have a maximum duration of three years from the date of creation unless the proxy explicitly provides for a longer period. The Company's Bylaws require that all director elections shall be by written ballot only.

(vi) *Dividends*

Pursuant to the DGCL, dividends may be declared by the Board at any meeting of the Board, and are payable in cash, property and shares of capital stock of the Company.

(vii) *Dividend Reserve*

Before the payment of any dividend, the Board may decide at its sole discretion to set aside, out of Company funds available for dividends, funds which it thinks proper as a reserve against contingencies, for equalizing dividends, for repair and maintenance of Company property, or for any other purpose which the Board believes is in the interests of Frontier. The Board also has the power to modify or abolish any such reserves in the same manner in which it was created.

(viii) *Variation of Rights*

In accordance with the DGCL, the operating documents of Frontier provide the Board the power to determine and adjust the rights and obligations of the Company.

(ix) *Pre-emption Rights*

Neither the DGCL nor the certificate of incorporation or bylaws of Frontier set forth any pre-emption rights with respect to each class of stock of the Company.

(x) *Borrowing Powers*

Under the DGCL, the borrowing powers of a Delaware corporation do not have to be limited or defined in the operating documents of the Company, and Frontier has not articulated any restrictions or other parameters thereon in its operating documents. Thus by default, the Board has the authority to determine the scope and restrictions on such powers, as well as to amend such rights and restrictions from time to time as it sees fit.

4. Material Contracts

The following contracts, being contracts outside the ordinary course of business, have been entered into by companies within the Group in the two years prior to the date of this document and are or may be material.

(i) *Loan Note Instrument (Private Placement)*

On 16 February 2004 the Company executed a Loan Note Instrument in respect of up to £2,000,000 Unsecured Convertible Loan Notes in denominations of £1,000. Following the execution of the Loan Note Instrument, a total of £1,271,994 was received by the Company from subscribers for the Loan Notes executed pursuant to the Loan Note Instrument. The Loan Note Instrument provides that such Loan Notes shall be automatically converted into common stock of the Company if the Company's shares are admitted to trading upon AIM on or before 16 August 2004. Such conversion shall occur at a subscription price equal to 67 per cent of the flotation price. In addition, the Loan Note Instrument provides that each Noteholder (as defined therein) shall receive Warrants to subscribe for shares of the Company at a price equal to 110 per cent of the Company's AIM flotation price, such warrants being valid until 31 December 2005.

(ii) *Placing Agreement*

On 1 September 2004 the Company entered into a Placing Agreement with the Directors and Numis. Under the agreement, Numis undertook as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares, failing which itself to subscribe for the Placing Shares, at the Placing Price ("the Placing"). Under the Placing Agreement the Company agreed to pay to Numis a commission of five per cent on the value (at 15p per share) of the Placing Shares issued pursuant to the Placing, together with any applicable VAT. The Placing Agreement provides that the fee payable to Numis shall be satisfied partly in cash and partly by the issue to Numis of Ordinary Shares at the Placing Price. The Placing Agreement contains warranties given by the Company and Directors to Numis and an indemnity given by the Company to Numis, with the liability of the Directors being subject to individual limits.

(iii) *Nominated Adviser and Broker Agreement*

On 1 September 2004 the Company and the Directors entered into an agreement with Numis pursuant to which Numis has agreed to act as the Company's Nominated Adviser and Broker for a period of 12 months from the date of execution of the agreement and thereafter unless terminated, on at least 90 days' prior written notice by Numis or the Company (the "Nominated Adviser Agreement"). Under the Nominated Adviser Agreement the Company has agreed to pay Numis, for its services, an annual fee of £50,000 (plus VAT) per annum.

(iv) *Numis Warrant Instrument*

On 1 September 2004 the Company, in connection with the Placing, executed a warrant instrument conditional upon Admission under which the Company granted to Numis warrants to subscribe for up to 605,709 Ordinary Shares at 15 p per share, exercisable (in whole or in part) at any time and from time to time prior to 2 September 2009.

(v) *Lock-in Agreements*

Pursuant to Lock-in Agreements executed on or before 1 September 2004 between Numis, the Company and the Directors, the Directors have each agreed with Numis and the Company not to dispose of any Ordinary Shares held by them or persons connected with them for a period of 24 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules. The Lock-in Agreements also contain certain orderly market provisions which apply after expiry of the lock-in periods.

(vi) *Commission Agreement*

On 15 January 2004 the Company entered into an agreement with Loeb Aron & Company Ltd ("Loeb Aron") pursuant to which Loeb Aron agreed to act as Industry and Corporate Adviser to the Company in respect of its AIM flotation. Under the terms of the agreement, the Company agreed to issue and allot to Loeb Aron 400,000 shares in the Company and agreed to pay to Loeb Aron a commission of six per cent for equity and three per cent on debt or structural finance; 1.5 per cent payable on arrangement and 1.5 per cent payable at the time of draw down. The Company also agreed to pay Loeb Aron 3.25 per cent on private equity sourced by the Directors.

(vii) *Anti-dilution Agreements*

Pursuant to Anti-Dilution Agreements dated on or around 27 August 2004 between the Company and each placee, the Company has agreed that, if during the period of eighteen months from the date of Admission there is a further issue of Ordinary Shares at a price per share less than the Placing Price, the Company will issue to each placee such number of Ordinary Shares at par value as will result in each placee holding the lower of: (a) the percentage in the capital of the Company held by the placee and its associates pursuant to the Placing; and (b) the percentage in the capital of the Company held by the placee and its associates at any time prior to the further issue of Ordinary Shares.

5. Group's Litigation

No member of the Group has engaged in, nor is currently engaged in, any litigation or arbitration proceedings nor, so far as the Directors are aware, is any litigation or claim pending or threatened by or against the Company or any member of the Group which has, has had or may have a significant effect on the Group's financial position.

6. Taxation

(a) *UK Tax Considerations*

The comments below are of a general nature and are based on the current UK law and Inland Revenue practice published at the date of this document, all of which are subject to change, possibly with retroactive effect. This summary: (i) only addresses certain UK tax consequences for shareholders who hold the Ordinary Shares as capital assets and does not address the tax consequences which may be relevant to certain other categories of shareholders, for example, dealers in securities; (ii) assumes that the shareholder is not a company which either directly or indirectly controls 10 per cent or more of the share capital or the voting power or the profits of the Company; and (iii) assumes that the shareholder does not hold the Ordinary Shares in trust. Special rules, not covered here, apply to individual shareholders who are not domiciled in the UK.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular shareholder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including the consequences under UK law and practice, of acquisition, ownership and disposition of Ordinary Shares in their own particular circumstances, by consulting their own professional advisers.

Dividends

A shareholder who is a UK resident individual or company, or an individual or company who is not resident in the UK but carries on a trade, in the UK through a branch or agency (in the case of an individual) or a permanent establishment (in the case of a company) in connection with which the Ordinary Shares are held, will generally be subject to UK income tax or corporation tax, as the case may be, on the gross amount of any dividend paid. The rates of tax applicable to dividends received by individuals will, depending on the amount of the individual's overall taxable income, be 10 per cent (in 2004–2005) or 32.5 per cent (in 2004–2005). Generally, a credit would be available for any withholding tax suffered in respect of the dividend against the UK tax due on the gross dividend.

Capital and Chargeable Gains

A disposal or deemed disposal of Ordinary Shares by an individual or company shareholder who is resident in the UK may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of capital gains, depending on the circumstances of the shareholder. In the case of a shareholder who is a company, an indexation allowance may be available to reduce or eliminate a chargeable gain. For an individual shareholder a tapering relief may be available to reduce a capital gain.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to capital gains tax in respect of gains realised whilst they are not resident in the UK.

Stamp Duty

No UK stamp duty will be payable on the issue of the Ordinary Shares. UK stamp duty will also not be payable on a transfer of the Ordinary Shares provided that the instrument of transfer is executed outside the UK and there is no matter or occurrence in the UK.

No UK stamp duty reserve tax should be payable on the issue or transfer of the Ordinary Shares.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own appropriate professional adviser.

(b) ***US Federal Tax Considerations***

The following is a general discussion of US federal income and estate tax consequences of the ownership and disposition of Ordinary Shares by Non-US Holders, as defined below. This discussion does not address all US federal tax matters that may be important to special types of Non-US Holders, such as a dealer in securities, a Non-US Holder who owns Ordinary Shares through a partnership or other fiscally transparent entity, a financial institution, bank, insurance company, retirement account, tax-exempt organization or a US expatriate. This discussion is based on the Internal Revenue Code of 1986, as amended, judicial opinions, and guidance issued by the Internal Revenue Service (the "IRS"), all as in effect on the date of hereof. **POTENTIAL NON-US HOLDERS SHOULD CONSULT THEIR TAX ADVISERS ABOUT FOREIGN, STATE, LOCAL AND US FEDERAL TAX CONSEQUENCES OF OWNING AND DISPOSING OF ORDINARY SHARES.**

A "Non-US Holder" is any individual or entity who owns Ordinary Shares and is not a US person. The term "US person" refers to citizens and residents of the US; corporations and partnerships (and entities treated as such for federal income tax purposes) created or organized in the US or any political subdivision thereof; estates whose income is subject to federal income taxation regardless of its source; and any trust if its administration is subject to the primary supervision of a US court and one or more US persons have the authority to control all of its substantial decisions, or that has elected to be treated as a US person.

Dividends

If distributions were paid on Ordinary Shares, they would be taxed as dividends for federal income tax purposes to the extent paid out of the Company's current or accumulated earnings and profits, and then as a non-taxable return of the holder's adjusted tax basis in Ordinary Shares, and then as gain from the sale of the shares (See "Gain on Disposition" below). Dividends paid to a Non-US Holder generally would be subject to withholding tax at a 30 per cent rate or lower applicable treaty rate. A 15 per cent withholding rate generally would apply if the Non-US Holder qualifies for a reduced withholding rate under the US/United Kingdom income tax treaty. A lower withholding rate may be available under such treaty if additional requirements are satisfied. Different tax rules apply to dividends that are effectively connected with a Non-US Holder's conduct of a trade or business in the US. To claim a treaty benefit or a withholding exemption, a Non-US Holder must timely provide applicable certifications to the Company.

Gain on Disposition

A Non-US Holder generally will not be subject to US federal income tax on gain from a sale or other disposition of Ordinary Shares unless:

- the gain is effectively connected with the Non-US Holder's conduct of a trade or business in the US and, if a tax treaty applies, attributable to the Non-US Holder's US permanent establishment;
- the Non-US Holder is a nonresident individual present in the US for 183 or more days in the taxable year and other requirements are met; or
- the Company is a "US real property holding corporation", or a "USRPHC", at any time during the 5-year period before the disposition, and other requirements are met.

The Company is not, and does not expect to become, a USRPHC. A gain described in the first or third bullet point above generally would be subject to tax taxed on the same basis that applies to US persons, and, under certain circumstances, would also be subject to a branch profits tax if the Non-US

Holder is a corporation. Gains described in the second bullet point will be taxed at a flat 30 per cent federal income tax rate, subject to offset by US source capital losses.

US Federal Estate Taxes

If an individual who is a Non-US Holder owns or is treated as owning Ordinary Shares at the time of death, the individual's Ordinary Shares will be included in the individual's estate for US federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

The Company must report annually to the IRS and to each Non-US Holder the amount of dividends paid to the Non-US Holder and any tax withheld on those dividends. Under an applicable tax treaty, that information may also be made available to tax authorities in the Non-US holder's country of residence. Backup withholding generally will not apply to dividends made by the Company or its paying agents to a Non-US Holder who has provided its taxpayer identification number or the required certification that it is not a US person.

Payments of the proceeds from a disposition effected outside the US, or through a foreign office of a broker generally will not be subject to backup withholding, but information reporting will apply in certain circumstances. Payment of the proceeds of a sale made by or through the US office of a broker is generally subject to information reporting and backup withholding (currently imposed at a rate of 28 per cent) unless the Non-US Holder certifies under penalties of perjury that it is not a US person, or otherwise establishes an exemption. Backup withholding is not an additional tax. Rather, any amounts withheld as backup withholding will be refunded or credited against the Non-US Holder's federal income tax liability if required information is furnished to the IRS.

7. New Share Option Plan

The Company established a share option plan on or about 27 August 2004 under which the directors are entitled to grant directors and employees of the Company options over up to 10 per cent of the Company's issued share capital from time to time. The following is a summary of the main features of the New Share Option Plan:

(a) *Constitution*

The New Share Option Plan will be constituted by a set of Rules and administered under the direction of the Remuneration Committee.

(b) *Eligible Employees*

All full time executive and non-executive directors (being directors who are required to work at least 25 hours per week) and employees of the Company or of any subsidiaries or jointly owned companies, will be eligible at the invitation of the board of directors. The Remuneration Committee, after consultation with the board of directors, has an absolute discretion in selecting the persons to whom options are to be granted and (subject to the limits set out below) in determining the number of options to be granted.

(c) *Grant of Options*

Options may only be granted following listing or Admission during the following periods:

(i) within 42 days of the fourth dealing day of the New Share Option Plan being adopted; and

(ii) within 42 days of the announcement of the Company's final and interim results for any financial period.

If it is not possible to grant options as a result of the Model Code for Securities Transactions by Directors of Listed Companies (or any code performing the same function as that Model Code), options may be granted within 42 days of the end of the relevant close period. No options may be granted more than 10 years after the adoption of the New Share Option Plan.

(d) *Option Term*

The options shall expire on five years from the date of grant, unless sooner terminated in accordance with the rules of the New Share Option Plan ("the Rules"), and in no event later than 10 years of Admission.

(e) *Performance Targets*

The Remuneration Committee may include in any option such objective performance targets and other conditions as it, in its absolute discretion, thinks fit. The Remuneration Committee may amend or waive these performance targets in whatever way is fair and reasonable to take account of later events, provided that any amended condition is not more difficult to achieve.

(f) *Exercise Price*

Options will entitle the recipient to subscribe for Ordinary Shares at a price determined by the Remuneration Committee which shall not be less than the Placing Price.

(g) *Overall Limit on Grant of Options*

The number of Ordinary Shares over which options may be granted under the New Share Option Plan on any date shall not exceed 10 per cent of the Company's issued ordinary share capital from time to time.

(h) *Limited Transferability*

Except as otherwise provided in the Rules, the option(s) shall be neither transferable nor assignable by the recipient other than by will or under the laws of inheritance following the recipient's death or, in certain circumstances, pursuant to a domestic relations order, and may be exercised, during the recipient's lifetime, only by the recipient. If the option is designated as a Non-Statutory Option (as defined in the Rules) in the Grant Notice (as defined in the Rules), then the option may be assigned in whole or in part during the recipient's lifetime to one or more of the recipient's family members (as such term is defined in the instructions to Form S-8), or to the recipient's former spouse through a gift or pursuant to a domestic relations order. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

(i) *Dates of Exercise*

The option shall become exercisable for the option shares as specified in the Grant Notice. If this option is exercisable in instalments, then as the option becomes exercisable for such instalments, those instalments shall accumulate, and the option shall remain exercisable for the accumulated instalments until the expiration date or sooner termination of the option pursuant to the Rules.

(j) *Cessation of Service*

Should the recipient's service be terminated for misconduct or should the recipient otherwise engage in any misconduct while this option is outstanding, then this option shall terminate immediately with respect to all option shares.

Should the recipient's service cease for any reason (other than death, permanent disability or misconduct) while any option is outstanding, then the option shall be exercisable for the number of Option Shares for which the option was exercisable at the time the recipient's service ceased and shall remain outstanding and exercisable until the earlier of (i) the close of business on the three month anniversary of the date recipient's service ceased or (ii) the expiration date.

Should the recipient's service cease due to death or permanent disability while the option is outstanding, then the option shall be exercisable for the number of option shares for which the option was exercisable at the time the recipient's service ceased and shall remain outstanding and exercisable until the earlier of (i) the close of business on the twelve month anniversary of the date the recipient's service ceased or (ii) the expiration date.

(k) *Other Transactions*

Should any change be made to the ordinary shares of the Company by reason of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding ordinary shares as a class without the Company's receipt of consideration, appropriate adjustments shall be made to: (a) the number and/or class of securities subject to the option and (b) the exercise price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

(l) *Shareholder Rights*

The holder of the option shall not have any shareholder rights with respect to the option shares until such person shall have exercised this option, paid the exercise price and all applicable income and employment tax withholding requirements, and become the holder of record of the purchased option shares.

(m) *Manner of Exercising Option*

In order to exercise the option with respect to all or any part of the option shares for which the option is at the time exercisable, the recipient (or any other person or persons permitted to exercise this option) must:

(i) execute and deliver to the Company a notice of exercise for the option shares for which this option is exercised and pay the aggregate exercise price for the purchased shares in accordance with the Rules;

(ii) furnish to the Company appropriate documentation that the person or persons exercising the option (if other than the recipient) have the right to exercise this option;

(iii) make appropriate arrangements with the Company (or Subsidiary employing or retaining the recipient) for the satisfaction of all income and employment tax withholding requirements applicable to the option exercise; and

(iv) as soon as practical after the Exercise Date, the Company shall issue to or on behalf of the recipient (or any other person or persons exercising this option) a certificate for the purchased option shares, with the appropriate legends affixed thereto.

In no event may the option be exercised for any fractional shares.

(n) *No Right to Continued Service*

Nothing in the Grant Notice or in the New Share Option Plan shall confer upon the recipient any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining the recipient) or of the recipient, which rights are hereby expressly reserved by each, to terminate the recipient's service at any time for any reason, with or without cause.

(o) *Compliance with Laws and Regulations*

The exercise of the option and the issuance of the option shares upon such exercise shall be subject to compliance by the Company and the recipient with all applicable requirements of law relating thereto and with all applicable regulations of any applicable stock exchange or quotation system on which the ordinary shares may be traded at the time of such exercise and issuance. The option cannot be exercised if doing so would violate the Company's internal policies, including, but not limited to, its insider trading policy.

The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any ordinary shares pursuant to the New Share Option Plan shall relieve the Company of any liability with respect to the non-issuance or sale of the ordinary shares as to which such approval shall not have been obtained.

8. Working Capital

In the opinion of the Directors, having made due and careful enquiry, and taking into account the anticipated proceeds of the Placing, the working capital available to the Company and its subsidiaries is sufficient for the Company's present requirements, that is for at least twelve months from the date of Admission.

9. Minimum Amount Required to be Raised

The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide sums required in respect of the matters specified in paragraph 21(a) to Schedule I of the POS Regulations is £1,000,000 as set out below:

		£
(i)	Purchase of property	nil
(ii)	Expenses of the Placing (including commissions)	778,000
(iii)	Repayment of borrowings in respect of (i) and (ii) above	nil
(iv)	Working capital	222,000

10. Miscellaneous

(a) The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses for procuring placees are estimated to amount to approximately £778,000. The gross proceeds of the Placing are expected to be £3.5 million and the net cash proceeds to the Company of the Placing are expected to be approximately £2.7 million.

(b) The Company has entered into an agreement for services dated 24 June 2004 with Grant Thornton whereby Grant Thornton will provide tax compliance services for an estimated fee of US$25,000 to US$30,000. Save as disclosed in paragraph 2(h) above and in this paragraph (b) no person (other than the Company's professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the Placing Price or any other benefit with a value of £10,000 or more at the date of this document.

(c) Save for the issue of convertible loan notes as disclosed in paragraph 4(i) above there has been no significant change in the trading or financial position of the Company since 31 December 2003, being the date to which the audited consolidated financial statements of the Company, as set out in Part Four, are made up.

(d) Save as disclosed, no exceptional factors have influenced the Company's activities.

(e) The period within which placing participations may be accepted pursuant to the Placing and arrangements for the payment and holding of monies payable thereunder pending Admission are set out in the Placing Agreement and in the placing letters sent to prospective Placees (the "Placing Letters").

(f) The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. The Placing Shares have been conditionally placed.

(g) Other than the proposed application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, and the Directors do not intend to make any other arrangements for dealing in the Ordinary Shares on any such exchange.

(h) Save for the Naimanjal and Baltemir Contract, and the Baltemir and Naimanjal Licences, the Company is not dependent on patents or other intellectual property rights, licences or particular contracts and which are of fundamental importance to the Company's business.

(i) The Company's accounting reference date is 31 December.

(j) No underwriter is involved with the Placing. No paying agents are involved with the Placing.

(k) Save as disclosed, the Company has no significant investments in progress.

(l) No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.

(m) Ernst & Young Kazakhstan has given and not withdrawn its written consent to the inclusion in Part Four of this document of their audit report in respect of the consolidated financial statements of the Company for the three year period ended 31 December 2003 and references thereto in the form and context in which it is included for the purposes of paragraph 13(1)(g) of the POS Regulations and paragraph 45(2)(a)(iv) of Schedule 1 to the POS Regulations.

(n) SRK has given and not withdrawn its written consent to the issue of this document with their name included in it and with inclusion therein of its report and references thereto in the form and context in which it is included for the purposes of paragraph 13(1)(g) of the POS Regulations.

(o) Numis has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. Numis is authorised and regulated by the Financial Services Authority and is registered in England and Wales with registered number 2375296.

11. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (excluding public holidays) at the Company's London office, 12 St. James's Square, SW17 4RB from the date of this document until the fourteenth day after Admission.

(i) Certificate of Incorporation of the Company;

(ii) Bylaws of the Company;

(iii) The Competent Person's Report, a copy of which appears in Part Three of this document;

(iv) The audited consolidated financial statements of the Company for the three years ended 31 December 2003, 2002 and 2001, a copy of which appears in Part Four of this document;

(v) The service contracts for the executive directors referred to in paragraphs 2(f)(i) to 2(f)(iii) above;

(vi) The letters of appointment of the non-executive directors referred to in paragraphs 2(g)(i) to 2(g)(v);

(vii) The rules of the New Share Option Plan referred to in paragraph 7 above;

(viii) Copies of the material contracts referred to in paragraph 4 above; and

(ix) The letters of consent referred to in paragraphs (m) to (o) above.

Copies of this document will be available for collection only, free of charge, from the offices of Stringer Saul, Fifth Floor, 17 Hanover Square, London W1S 1HU, the offices of Numis Securities Limited, Cheapside House, 138 Cheapside, London EC2V 6LH and from the Company, 12 St James's Square, London SW1Y 4RB during normal office hours on any weekday (Saturdays and public holidays excepted) for a period of not less than one month from the date of Admission.

Dated 1 September 2004

APPENDIX: GLOSSARY OF TECHNICAL TERMS

The following expressions in this document have the following meaning unless the context otherwise requires or unless otherwise provided.

adit	horizontal passage to access mineralisation, usually in the side of a hill
Ag	chemical symbol for silver
alteration	changes in the chemical or mineralogical composition of a rock, generally produced by weathering or hydrothermal solutions
andesite	a variety of volcanic rock
anomalous	value of a given element that is deemed to be above the background or normal value
anticline	an inverted "U" shaped fold or structure in stratified rocks with the oldest rocks in the centre
arsenopyrite	a mineral containing arsenic, sulphur and iron
Au	chemical symbol for gold
basalt	a dense dark volcanic rock
base metal	non-ferrous, non-precious metal, including copper, lead and zinc
category C1	Kazakhstani reserve category, where blocks are delineated by mine workings above and below
category C2	Kazakhstani reserve category, extrapolated from category C1 but with more complex geology or limited mine workings
channel sample	a means of taking a sample from a rock face by collecting the cuttings from a small channel
country rock	term used to describe the rocks surrounding an ore body
Cu	chemical symbol for copper
deposit	an anomalous occurrence of a specific mineral or minerals within the Earth's crust
diamond drilling	drilling method, which obtains a cylindrical core of rock by drilling with an annular bit set with diamonds
dilational structure	geological structure which results in an opening in the rock which can subsequently be filled by ore bearing material such as veins
diorite	an intrusive igneous rock with a mixture of dark and light minerals
dip	inclination of a geological feature/rock from the horizontal (perpendicular to strike)
disseminated	fine grained material scattered quite evenly throughout the rock
dore	unrefined gold, usually in bar form and consisting primarily of gold with smaller amounts of other previous and base metal, which will be further refined to high purity gold bullion

epithermal	a hydrothermal ore deposit formed at lower temperatures (50-200 °C) and depths (1 km)
fault	a fracture in a rock along which there has been relative displacement
Fe	chemical symbol for iron
feasibility study	a detailed study of the economics of a project based on technical calculations and specific mine designs undertaken to a sufficiently high degree of confidence to justify a decision on construction
fire assay	assaying method commonly used for the determination of precious metal content
flexure	a fold or bend in rock strata
flotation	a mineral processing method used to concentrate the economic minerals from the ore prior to further processing
footwall	the underlying side of a fault, ore body or mine working
g	gram
galena	lead sulphide, PbS, principal mineral of lead ores
geochemical	prospecting technique, which measures the content of specific metals in soils and rocks, geochemical sampling defines anomalies for further testing
geophysical	prospecting technique which measures the physical properties (chargeability, resistivity, magnetism etc) of rocks and define anomalies for further testing
grade	the concentration of metals and their chemical compounds within a body of rock
granite	medium to coarse-grained igneous rock usually light coloured
g/t	unit of grade for precious metals: grams per tonne (= parts per million)
hangingwall	the overlying side of a fault, ore body or mine working
heap leaching	a process whereby gold is extracted by "heaping" ore on sloping impermeable pads and applying to the heaps, a weak cyanide solution which dissolves the gold content. The dold-ladden solution is collected for gold recovery and recycled to the heaps
hydrogeology	branch of geology associated with the study of underground water
hydrothermal	the name given to geological processes associated with heated or relating to heat derived from within the Earth, commonly related to igneous intrusions
Inferred Mineral Resource	Grade and mineral content which can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
In-situ	in place

intrusion	body of igneous rock that invades older rocks
Lower Ordovician	a period of geologic time spanning from 425 to 500 million years ago and a system of rocks
limonite	a hydrous oxide of iron of a brown color and yellowish brown powder
Measured Mineral Resource	Grade and mineral content which can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
massive sulphide	reatively dense, fine grained,sometimes bedded, sulphide mineralisation,commonly lens shaped and stratiform, i.e. restricted to a particular geologic horizon
mesothermal	a hydrothermal ore deposit formed at intermediate temperatures (200-300 °C) and depths (1,200-4,500 m)
metallurgical test	studies pertaining to the production, purification and properties of metals and their extraction
mineralised	an area of ground considered worthy of investigation with respect to mineral potential
oxidized	a soft, weathered rock having undergone a chemical reaction with oxygen by oxidation of such elements as sulphur, iron and carbon
Paleozoic	the first three eras of the Phareozoic, spanning 570 to 428 million years ago
Pb	the chemical symbol for the element lead
percussion drilling	a drilling method in which the drilling bit falls with force into rock
permian	the final period of the Paleozoic era, spanning 290 to 248 million years ago
pull-apart	a structure produced in beds that have been disrupted and separated during extensional deformation
pyrite	iron sulphide mineral
quartz	a common rock-forming mineral (SiO2)
saprolite	a soft, clay-rich, decomposed rock formed near the surface by chemical weathering
sericite	a fine-grained white micaceous mineral often the product of alteration
silicification	introduction of silica into a non siliceous rock via groundwater or fluids of igneous origin by either filling pore spaces or replacing pre-existing minerals
stockwork	mineral deposit formed of a network of small, irregular veins; control on the deposition of ore minerals by rocks of a particular sequence or age
stockpile	an accumulated stock of ore or materials held in reserve
stratigraphic units	arrangement of rock strata

strike	direction taken by a structural surface such as a fault or bedding plane as it intersects a horizontal plane
strike-slip fault	a fault where the component of movement occurs parallel to the strike of the fault
sphalerite	a zinc sulphide, a primary zinc ore mineral
sulphide	metalliferous minerals formed with sulphur and often iron
supergene	mineral deposit formed near surface by descending solutions
trenching	a means of exposing and sampling near-surface geology by digging a trench
tuff	rock formed from volcanic ash fall deposits
terrigenous	sedimentary rock derived from land by erosive action
vein	a tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle
VMS deposit	a mineral deposit of metallic massive sulphides formed directly through processes associated with volcanism, commonly in a submarine setting
volcanic	pertaining to igneous rocks which have been erupted from volcanoes
weathering	degradation of rocks at the Earth's surface by climatic forces
Zn	the chemical symbol for the element zinc