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ASX Limited  
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Announcement

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## **Excellent Strategic Alliance Initiated With World Class Copper Producer**

- ❖ **Frontier Resources Ltd has entered into 2 farm-in joint ventures with Ok Tedi Mining Limited (OTML) on 3 Exploration Licences and 2 EL Applications, covering 2,763 km<sup>2</sup>, in Papua New Guinea.**
- ❖ **OTML's total earn-in is US\$60 million over 6 years (US\$12 million/project).**
- ❖ **Frontier is then deferred carried to completion of any Bankable Feasibility Study on each tenement.**
- ❖ **Frontier will retain a 42% interest in the Bulago and Leonard Schultz ELs (up to the completion of a Bankable Feasibility Study) and a 19.9% interest in the Likuruanga EL and the Central and East New Britain Applications.**
- ❖ **OTML's minimum exploration commitment is US\$0.5 million/project, totalling US\$2.5 million if both applications are granted.**
- ❖ **OTML will subscribe US\$1 million (A\$1.14 million) for Frontier shares at a premium to the market of 7.5 cents and reimburse exploration costs of approximately US\$235,000.**
- ❖ **OTML is the best joint venturer for these projects and the excellent terms of the farm-in JVs demonstrate the projects have World-Class, sought after copper-gold, gold and base metal potential.**
- ❖ **The Australian Government's recent proposal for a 40% resource industry 'Super Profits Tax' will have no effect on Frontier's PNG exploration projects.**
- ❖ **Frontier will remain an active explorer in PNG, owning 100% of the Andewa gold Exploration License and the Sudest high-grade gold EL Application.**
- ❖ **Chairman and Managing Director Peter McNeil, M.Sc. stated:**

*Frontier Resources is very pleased to announce that a strategic alliance was initiated today with Ok Tedi Mining Limited. Two Farm-In Joint Venture Agreements were signed covering 3 of Frontier's Exploration Licences and 2 EL Applications in Papua New Guinea. The alliance is an excellent outcome for both companies, their shareholders, landowners in those regions and Papua New Guinea.*

*The \$60 million US dollar potential total earn-in and the 'Deferred Carried to Completion of Bankable Feasibility Study' commitments from OTML provide fantastic future upside potential for Frontier on all these projects.*

*Frontier's shareholders will view these agreements as extremely favourable because if major deposits are discovered by the OTML /Frontier JVs, there will be no significant requirement to dilute shareholder equity in order to fund either our 42% or 19.9% retained equities until Bankable Feasibility Studies are completed.*

*The farm-in joint ventures supply OTML with a large and highly prospective portfolio for systematic exploration with the goal of defining and developing 'World Class' and major mineral deposits that are located within their 'corridor of influence' in western PNG and on the Island of New Britain. OTML have indicated that they intend to vigorously pursue exploration on the properties commencing with detailed, high-resolution helicopter borne aeromagnetic and radiometric surveys on each Exploration Licence.*

*The A\$1.14 million placement from OTML introduces them as a long-term shareholder to Frontier's register and injects capital into the Company at an above market share price of 7.5 cents for future exploration on our remaining projects.*

*Frontier's Board of Directors warmly welcome Ok Tedi Mining Limited as a significant shareholder and believe they are the best joint venturer for our projects. OTML has the in-country PNG geological – exploration - human resources expertise and experience, combined with the financial, corporate and political capability necessary to optimise exploration and future development success in Papua New Guinea.*

*The excellent terms of the farm-in joint ventures demonstrate that Frontier's projects have World-Class, highly sought after copper-gold, gold and base metal potential. Frontier will work with all stakeholders to produce the best outcomes from this alliance.*

*Frontier now has approximately \$1.9 million available for cost effective and targeted exploration on our remaining projects to create additional shareholder value.*

## **DETAILS**

Frontier Resources Ltd is very pleased to announce that Ok Tedi Mining Limited has today entered into binding term sheets pursuant to which OTML has agreed to establish exploration joint venture arrangements with wholly-owned subsidiaries of Frontier on 2 Exploration Licences (ELs) in the Highlands of Papua New Guinea (PNG) and an EL and 2 Exploration Licence Applications (ELAs), if and when granted, in New Britain Island.

OTML is the largest copper/gold mining company in PNG and is a significant and successful copper and gold producer on a world scale. It is presently owned by the PNG Sustainable Development Program Limited (52%) and the Independent State of Papua New Guinea (30%) and Inmet Mining Corporation (18%). OTML has entered into these arrangements on behalf of its holding company, PNG Sustainable Development Program Limited. It is the intention that PNGSDPL will transfer its beneficial ownership in these arrangements to OTML once the publicly announced share exchange with Inmet Mining Corporation have been completed, giving OTML a full legal and beneficial interest in the arrangements.

See Appendix 1 for additional information on OTML.

The first joint venture arrangement relates to the Bulago (EL 1595) and Leonard Schultz (EL 1597) tenements held by Frontier Gold PNG Limited. The second joint venture arrangement relates to the Likuruanga, West New Britain (EL 1351) tenement and two ELAs [Central New Britain (ELA 1598) and East New Britain (ELA 1592)], all located on New Britain Island and held by Frontier Copper PNG Limited.

### **The terms of farm-in and joint venture arrangement for the Bulago/Leonard Schultz ELs are as follows:**

- Frontier's PNG Highlands ELs cover a total area of approximately 894 km<sup>2</sup> and have excellent geological prospectivity for various types of mineral deposits, including World Class porphyry copper-gold+/-molybdenum, high-tonnage moderate-grade gold and moderate-tonnage very high-grade gold

deposits, plus base and precious metal skarns.

- OTML has the right to earn 58% participating interest in each of EL 1595 – Bulago and EL 1597 – Leonard Schultz, by spending US\$12 million in exploration on each licence within 6 years. If the right is exercised on both ELs, the total spend by OTML will be US \$24 million over 6 years. OTML will conduct a preliminary exploration program on each licence in the first year before deciding if it wishes to exercise its right to earn the 58% participating interest.
- Upon OTML completing the earn-in requirement, Frontier Gold can elect to defer payment of its 42% share of ongoing project expenditure costs incurred up to the date of a Bankable Feasibility Study to be reimbursed from 50% of its share of future mine revenue.
- Either party may elect not to contribute to project expenditure and dilute their participating interest.
- OTML will have an automatic and immediately exercisable option to purchase an additional 14% participating interest in the relevant tenement upon completion of a Bankable Feasibility Study. The price for the exercise of this option is the relevant percentage of net present value of the Project (as determined by the relevant Bankable Feasibility Study).
- OTML will subscribe for 7.62 million fully paid ordinary shares in Frontier at a subscription price of A\$571,232.70, representing just over 4% of the Company's issued share capital. The placement price is A\$0.075 per share and OTML must not transfer those shares until it completes its earning requirement. However, it may sell the shares if it withdraws from the joint venture arrangement and, in that event, Frontier will have an option to buy-back the shares at the current market price.
- OTML will reimburse Frontier Gold costs for the 2010 Leonard Schultz exploration program, estimated at US \$200,000. In addition, OTML will reimburse Frontier Gold US\$ 35,000 for the assay /sample preparation costs for the 2009 Bulago exploration program. These amounts will be deemed exploration expenditure for the purpose of the earning requirement.
- OTML has committed to a minimum expenditure of US \$1 million (total) within the first year and prior to any possible withdrawal from the joint venture arrangement. OTML has also committed to drilling the greater of 5 holes or 500m within year 2 at Bulago.
- OTML will not retain any interest in the ELs if it withdraws prior to completing earning requirements.
- If the Independent State of PNG exercises its right to participate in a development project on one or both of the ELs, and if OTML has not already exercised its option to acquire a further 14% participating interest, OTML has an option to acquire up to a further 9.5% participating interest to ensure it holds a participating interest of 50.1%. The price for the exercise of this option is the relevant percentage of net present value of the Project (as determined by the relevant Bankable Feasibility Study).

**The terms of the farm-in and joint venture arrangement in respect of the New Britain Island EL/ELAs are as follows:**

- Frontier's EL and 2 ELAs cover a total area of 1,870 km<sup>2</sup> on the island of New Britain Island, with EL 1351 -Likuruanga covering 127 km<sup>2</sup>. The areas have excellent geological prospectivity for various types of mineral deposits, including World Class porphyry copper+/-gold+/-molybdenum, moderate to high-tonnage and moderate to high-grade epithermal gold /silver deposits, moderate and higher grade base / precious metal skarns.
- OTML has the right to earn an 80.1% participating interest in each of EL 1351– Likuruanga, ELA 1598 – Central New Britain and ELA 1592 – East New Britain, by spending US\$12 million in exploration on each granted licence within 6 years. If the right is exercised on all licences, the total spend by OTML will be US \$36 million over six years. OTML will conduct a preliminary exploration program on each EL in the first year before deciding if it wishes to exercise its right to earn the 80.1% participating interest.
- Upon OTML completing the earn-in requirement, Frontier Copper can elect to defer payment of its 19.9% share of ongoing project expenditure costs incurred up to the date of a Bankable Feasibility Study to be repaid from 50% of its share of future mine revenue.

- OTML will subscribe for a further 7.62 million fully paid ordinary shares in Frontier, at a subscription price of A\$571,232.70, being A\$0.075 per share and representing just over 4% of the Company's issued share capital. OTML must not transfer those shares until it completes its earning requirement. However, it may sell the shares if it withdraws from the joint venture arrangement and, in that event, Frontier will have an option to buy-back the shares at the current market price.
- OTML has committed to a minimum expenditure of US\$1.5 million (total) on the initial phase of exploration and prior to any possible withdrawal from the joint venture arrangement. This commitment includes US\$0.5 million within the first 12 months and the remainder within 12 months of the granting of EL 1598 and EL 1592.
- If the Independent State of PNG exercises its right to participate in a development project on one or more of the licences, OTML's participating interest will be diluted and Frontier will retain a 19.9% participating interest.
- OTML will not retain any interest in the ELs if it withdraws prior to completing earning requirements
- The joint venture arrangement in respect of ELA 1598 – Central New Britain and ELA 1592 – East New Britain is conditional on ELs being granted in respect of each of those tenements.

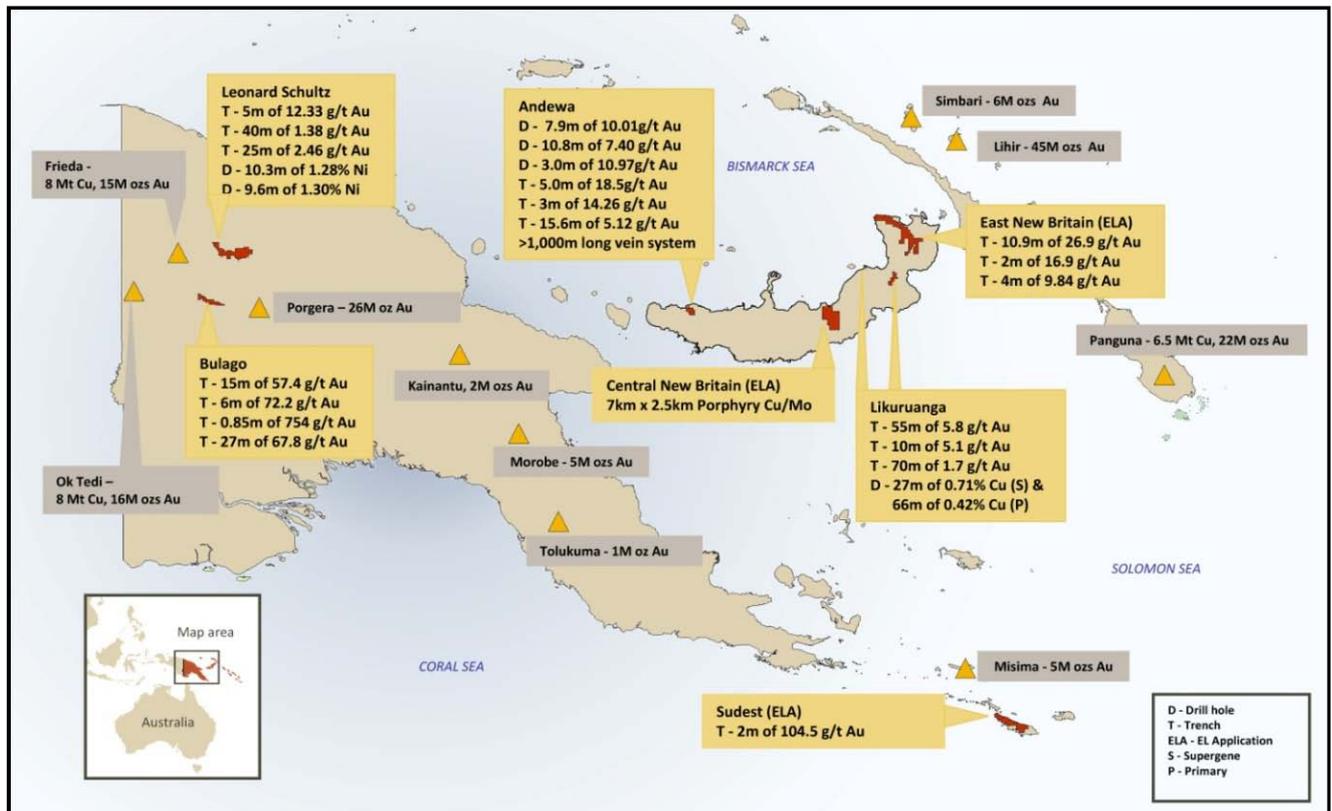
For additional information relating to Frontier Resources please visit our website at [www.frontierresources.com.au](http://www.frontierresources.com.au) or feel free contact me.

#### FRONTIER RESOURCES LTD



P.A. McNeil, M.Sc.  
MANAGING DIRECTOR

The information in this report that relates to Exploration Results is based on information compiled by, or compiled under the supervision of Peter A. McNeil - Member of the Aust. Inst. of Geoscientists. Peter McNeil is the Managing Director of Frontier Resources, who consults to the Company. Peter McNeil has sufficient experience which is relevant to the type of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting Exploration Results. Peter McNeil consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## **Appendix 1:**

### **About Ok Tedi Mining Limited:**

Ok Tedi Mining Limited is a major producer of copper concentrate for the world smelting market. It currently has a single operation, the Ok Tedi mine, situated in the remote Star Mountains of PNG's Western Province, where it extracts and exports copper, gold and silver concentrate to customers throughout Europe and the Asia-Pacific region.

OTML's headquarters are in the town of Tabubil in the Western Province of PNG with the mine site located on Mount Fubilan, 18 kilometres from the PNG/Indonesian border. OTML also operates milling facilities at the mine site and shipping facilities at the port of Kiunga on the Fly River, 750 kilometres upstream from the Gulf of Papua.

The Ok Tedi mine started operations in 1984, and has become the single largest business contributor to the economies of both the Western Province and PNG. In 2009, OTML's export earnings were K4 billion, which represents approximately 33 per cent of PNG's total export earnings. OTML profit in 2009 was K1.6 billion. However, the contributions of the mine to the Western Province are not simply economic, with employment in spin off business on-going, provision of education and training facilities and programs, establishment and on-going maintenance of infrastructure such as roads, airstrips, water and communications systems and health services, all facilitated by the mine.

OTML's shareholders are PNG Sustainable Development Program Limited (PNGSDPL) (52 per cent), Inmet Mining Corporation (Inmet) (18 per cent) and the Independent State of PNG (30 per cent).

In 2002, PNGSDPL accepted a transfer of BHP Billiton Limited's 52 per cent shareholding in OTML. The OTML dividends paid to PNGSDPL are used to generate sustainable development projects for the benefit of the people of the Western Province and Papua New Guinea.

Inmet has announced that it intends to exchange its shareholding in OTML for a net smelter return royalty on revenue of product from the Ok Tedi mine. Pending Inmet's exit as a shareholder in OTML, OTML has entered into the farm in and joint venture arrangements as trustee for PNGSDPL as beneficiary. It is intended that PNGSDPL will transfer its beneficial ownership in those arrangements to OTML once the Inmet share exchange has completed, giving OTML a full legal and beneficial interest in the arrangements.

OTML directly employs 2,000 people. 95 per cent of employees are PNG nationals and 36 per cent are from the Western Province. In addition, businesses that work under contract to OTML are substantial employers in the region.

OTML has strong mining operations and technical capability as well as strong, community and government relations and environmental management skills developed over 30 years of operations in PNG. Using the strong skills base of its highly regarded workforce the company is looking to expand into other mines. Expansion of the exploration program into the regions outside of the immediate mine area through joint venture with junior exploration companies is a key strategy to provide opportunities for development of new mining operations. OTML aims to engage in exploration programs that are well resourced, efficient and safe. It aims to complete exploration programs in a timely manner so that mine development opportunities are presented as quickly as practical.

Further information on Ok Tedi Mining Limited can be found at [www.oktedi.com](http://www.oktedi.com)

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