

Frontier Rare Earths and Korea Resources Corporation sign definitive strategic partnership agreement

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FRONTIER AND CONSORTIUM CONSISTING OF KORES, SAMSUNG, HYUNDAI, GS GROUP, DAEWOO SHIPPING & MARINE ENGINEERING, AND AJU GROUP TO COOPERATE IN DEVELOPMENT OF ZANDKOPSDRIFT RARE EARTH DEPOSIT AND PURSUE DOWNSTREAM OPPORTUNITIES

TORONTO, Dec. 5, 2011 - [Frontier Rare Earths Limited](#) (TSX: FRO) (TSX: FRO.WT) ("Frontier") announced today that it signed a definitive agreement with Korea Resources Corporation ("KORES"), the Korean Government-owned mining and natural resource investment company, to form a strategic partnership designed to accelerate the development of Frontier's Zandkopsdrift rare earth project ("Zandkopsdrift") in South Africa. Kores also announced that it intends to form a consortium comprised of a number of leading Korean companies to join the Frontier joint venture (the "KORES Consortium"), including Samsung Group, Hyundai Motors Group, GS Group, Daewoo Shipbuilding & Marine Engineering Group (DSME), and AJU Group.

The definitive agreement involves an investment in both Zandkopsdrift and Frontier and an off-take arrangement that could commit up to 31% of future production. Under the terms of the agreement, the KORES Consortium will acquire an initial 10% interest in Zandkopsdrift and with such acquisition secure off-take rights for 10% of rare earth production from Zandkopsdrift. The agreement provides that the KORES Consortium can also acquire a further 10% interest in Zandkopsdrift and up to a 10% share ownership of Frontier, which, if acquired, would give Kores off-take rights for an additional 21% of rare earth production from Zandkopsdrift. The definitive agreement follows the heads of agreement signed by Frontier and KORES in July 2011.

"The signing of this definitive strategic partnership agreement is a compelling endorsement of Frontier Rare Earths' Zandkopsdrift project," said James Kenny, President and CEO of Frontier Rare Earths. "We are proud that the KORES together with a consortium of leading Korean companies, such as Hyundai Motors and Samsung, have identified Zandkopsdrift as a key source of future rare earth supply. The consortium companies have combined annual sales of approximately US\$300 billion, so their willingness to partner with Frontier is a strong statement about the economic potential of the Zandkopsdrift project, and the capabilities of our management team."

Mr. Kenny added, "Korea has an international reputation for world-class manufacturing, technological and financial capabilities. KORES is at the forefront of Korean industry's drive to secure stable supplies of natural resources, of which rare earths are considered to be one of the most critical. Working together with our Korean partners, we are confident that Frontier will achieve its objective of becoming one of the first new large-scale rare earth producers outside of China."

Frontier's flagship asset is the Zandkopsdrift rare earth project, which is located in the Northern Cape Province of South Africa and is one of the largest undeveloped rare earth deposits worldwide. After Molycorp's Mountain Pass and Lynas' Mount Weld projects, the Zandkopsdrift B Zone has the highest TREO(1) grade and the highest grade of high value HREOs(2) of significant advanced deposits(3) outside China.

Shin-Jong Kim, President and CEO of KORES said, "KORES on behalf of the Korean Government and our Korean consortium partners is very pleased to have concluded a definitive agreement with Frontier to cooperate on the development of the Zandkopsdrift rare earth project. In order to support Korea's high technology, automotive and other industries, the development of Zandkopsdrift will be a strategic priority project for the KORES Consortium and a critical element of KORES' efforts to secure a long term, stable source of rare earth supply for Korean industry. KORES and Frontier management have developed a strong working relationship and we look forward, together with our Korean consortium partners, to assist in Zandkopsdrift's development as well as pursuing rare earth related downstream business opportunities."

AGREEMENT HIGHLIGHTS

- Definitive agreement signed with Frontier under which KORES will form and lead a consortium of major Korean industrial and corporate groups to partner with Frontier in the development of Zandkopsdrift (the "KORES Consortium").
- KORES Consortium to include Samsung Group, Hyundai Motors Group, GS Group, Daewoo Shipbuilding & Marine Engineering Group and AJU Group.
- KORES Consortium will acquire an initial 10% interest in Zandkopsdrift on completion of the Preliminary Economic Assessment, which is currently scheduled for Q1 2012.
- KORES Consortium may acquire an additional 10% interest in Zandkopsdrift and up to a 10% ownership interest in Frontier upon completion of a Definitive Feasibility Study, which is currently scheduled Q1 2013.
- KORES Consortium to enter into a long term off-take agreement for up to 31% of production from Zandkopsdrift at prevailing international market prices.
- KORES Consortium to provide Frontier with financial, technical and operational assistance in relation to the development of the Zandkopsdrift project.
- Frontier and the KORES Consortium to investigate the development of downstream rare earth related businesses including the production of rare earth metals, alloys and magnets.

Conference Call and Webcast

Frontier will host a conference call and audio webcast on Monday 5th December at 11.30 a.m. ET to provide further information in relation to this announcement. During the call CEO, James Kenny will review the highlights of the agreement with KORES and comment on the outlook for the KORES Consortium and for Zandkopsdrift. A moderated question and answer session will follow.

The conference call can be accessed by dialling 1 888 231-8191 (Toll Free) or 1 647 427 7450, where you will be prompted to provide either the Company Name: Frontier Rare Earths or the Conference ID #: 32076033. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

A live webcast can be monitored at <http://bit.ly/s61x0K> where it will be later archived.

AGREEMENT DETAILS

Following a period of extensive due diligence and commercial negotiations over the last 12 months, and subsequent to the signing of a heads of agreement with KORES in July 2011, Frontier and KORES have entered into a definitive agreement (the "Agreement") under which Frontier, KORES and a consortium of leading Korean companies, to be lead managed by KORES, have formed a strategic partnership to develop Frontier's Zandkopsdrift rare earth project in South Africa. Together with Frontier, the KORES Consortium will also investigate other rare earth related downstream businesses including rare earth metals, rare earth alloys and rare earth magnets.

The proposed members of the Kores Consortium are Samsung Group, Hyundai Motors Group, GS Group, Daewoo Shipbuilding & Marine Engineering Group (DSME) and AJU Group. The combined annual turnover of the Kores Consortium is approximately US\$300bn and their interests span global, market-leading positions in the automotive, telecoms, energy, ICT and heavy industry sectors.

The principal commercial terms of the Agreement are as follows:

- Acquisition of an initial 10% interest in Zandkopsdrift

The KORES Consortium will acquire an initial 10% interest in Zandkopsdrift from Frontier following the filing by Frontier of a positive NI 43-101 compliant report containing the results of a Preliminary Economic Assessment (the "PEA Report") on Zandkopsdrift. The PEA is currently at an advanced stage and is scheduled for completion in Q1 2012. The consideration for this acquisition will be payable to Frontier in cash and will be based on a Zandkopsdrift project valuation that will be calculated using Frontier's enterprise value ("EV") and Frontier's 74% direct shareholding in Zandkopsdrift. The EV will utilise the volume weighted average share price for Frontier for the 15 trading days following the filing by Frontier of the PEA Report, subject to a minimum share price of C\$2.39 per share. EV is calculated as market capitalisation less cash

and cash equivalents.

- Acquisition of further 10% interest in Zandkopsdrift

The KORES Consortium will have an option to acquire an additional 10% interest in Zandkopsdrift following the filing by Frontier of a NI 43-101 compliant report containing the results of a Definitive Feasibility Study (the "DFS Report") on Zandkopsdrift, which is currently scheduled for completion in Q1 2013. The consideration for this acquisition will be based on the valuation of Zandkopsdrift as set out in the DFS Report and will be payable to Frontier in cash.

- Acquisition of 10% interest in Frontier

The KORES Consortium will also have an option to acquire up to a 10% share ownership of Frontier following the filing of the DFS Report based on the prevailing market price for Frontier's shares on the Toronto Stock Exchange at that time.

- Off -take Agreement

The KORES Consortium will enter into a definitive off-take agreement with Frontier under which it will have the right and obligation to purchase a share of rare earth production from Zandkopsdrift proportionate to its direct interest in Zandkopsdrift, which is a maximum of 20%. In addition, if the KORES Consortium fully exercises its option to acquire a 10% shareholding in Frontier, it shall have the right and obligation to purchase up to an 11% additional share of rare earth production from Zandkopsdrift. All of the rare earth production to be purchased by the KORES Consortium will be based on the prevailing international rare earth market prices at the time of purchase. Frontier will have full flexibility to seek other customers for the balance of production.

- Technical and Operating Assistance

KORES will provide such technical, operating and other assistance relating to the design, planning, construction and operation of a rare earth mining and processing operation at Zandkopsdrift on terms to be agreed between KORES and Frontier.

- Downstream Opportunities

Frontier and the KORES Consortium have also agreed to investigate and jointly pursue rare earth related downstream business opportunities including, but not limited to, rare earth metals, rare earth alloys, rare earth magnets and related products.

- Project Finance

The KORES Consortium will use its best endeavours to arrange debt finance from Korean and other international lenders to cover the capital requirements for the construction and development of a rare earth mining and processing operation at Zandkopsdrift as well as Frontier's downstream rare earth separation activities. The KORES Consortium will also contribute to all costs and expenses incurred in the development and operation of Zandkopsdrift pro rata to its interest in Zandkopsdrift.

The signing ceremony for the Agreement took place in Johannesburg, South Africa and was attended by several senior representatives of KORES including Mr Shin-Jong Kim, President and CEO of KORES and Mr Jong Pal Kim, Director General of KORES and Head of Investment Management Department. The Korean Government was also represented by Mr Yoon Lee, Embassy of the Republic of Korea. In attendance from Frontier were Mr James Kenny, President and CEO of Frontier, Mr Paul McGuinness, CFO of Frontier, and Mr Derick de Wit, Vice President-Project Development of Frontier. In addition, senior representatives from Samsung C&T Corporation, Hyundai Motors, GS Group, Daewoo Shipbuilding & Marine Engineering Group and AJU Group attended the signing ceremony. To see pictures of the signing ceremony please visit http://frontierrareearths.com/Signing_Ceremony_Dec_2011.php

For further information:

For further information visit www.frontierrareearths.com, e-mail the Company at IR@frontierrareearths.com or contact James Kenny, CEO, at +352 208 80249 or Joe Racanelli, TMX Equicom, at 416 815 0700 x243.

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For further information on KORES visit www.KORES.or.kr or for the KORES Consortium members' please see the websites listed below.

About Frontier Rare Earths Limited (TSX: FRO) (TSX: FRO.WT)

Frontier Rare Earths Limited (www.frontierrareearths.com) is a mineral exploration and development company exclusively focused on the development of rare earths projects in Africa. Frontier's flagship asset is the Zandkopsdrift rare earth project, which is located in the Northern Cape Province of South Africa and is one of the largest undeveloped rare earth deposits worldwide. After Molycorp's Mountain Pass and Lynas' Mount Weld projects, the Zandkopsdrift B Zone has the highest TREO(1) grade and the highest grade of high value HREOs(2) of significant advanced deposits(3) outside China. Zandkopsdrift's favourable location is expected to provide significant advantages in relation to capital costs and development time compared to other rare earth projects currently being evaluated, and makes it well positioned to become one of the first significant new producers of rare earths outside China after Molycorp and Lynas. Frontier has a direct 74% interest and a 95% economic interest in Zandkopsdrift.

Frontier filed a NI 43-101 report on Zandkopsdrift in October 2010, which included a resource estimate of circa 43m tonnes at an average grade of 2.2% containing 950,000 tonnes TREO applying a 1% cut-off, of which 56% is in the Indicated Resource category. A revised resource estimate is expected to be published in early 2012 in conjunction with a Preliminary Economic Assessment on Zandkopsdrift. Frontier is well funded with approximately \$40m cash and no debt and this strong working capital position will finance the proposed work programme of the Company and the expected completion of a PEA (Q1 2012), Preliminary Feasibility Study (Q3 2012) and Definitive Feasibility Study on Zandkopsdrift (Q1 2103). Frontier plans to commence production of separated rare earths from Zandkopsdrift in 2015 at a rate of 20,000 tonnes per annum. Frontier is listed on the main board of the Toronto Stock Exchange and currently has 89,562,781 shares outstanding.

Notes:

(1)TREO = total rare earth oxides and includes the elements lanthanum to lutetium expressed as trivalent oxides

(2)HREOs = heavy rare earth oxides; high value HREOs are Europium, Terbium and Dysprosium

(3)Significant advanced deposits are those with >200,000 tonnes TREO under SAMREC, JORC, CIM or equivalent international codes

About Kores (www.KORES.or.kr)

Korea Resources Corporation ("KORES") is wholly-owned by the Korean government and has a stated objective of becoming a global top 20 mining company by 2020 principally through international investments and joint ventures. KORES is charged with a policy mandate to further Korea's access to strategically important mineral resources. KORES exclusively carries out the Korean government's mineral resources policy objectives by engaging directly, or indirectly through joint ventures or in the form of investments, in overseas exploration, development and production of strategically important mineral resources, and managing Korea's stockpile of rare mineral resources. KORES works closely with all major Korean industry groups and plays an active role in assembling consortia of Korean companies to selectively participate with KORES in commercial ventures. The Korean government has designated rare earths as a strategic raw material for Korea's future economic growth and has undertaken considerable work to identify the most prospective sources of future rare earth supply worldwide.

About Samsung Group (www.samsung.com)

Samsung is a multinational conglomerate whose subsidiaries include Samsung Electronics (the world's largest information technology company by revenue and the largest manufacturer of smartphones ahead of Apple), Samsung Heavy Industries (the world's second largest shipbuilder) and Samsung Life Insurance (the world's 14th largest insurance company). Samsung's innovative and top quality products and processes are world recognized. The Samsung Group's interests span electronics to financial services, from chemicals and heavy industries to trade and services. In 2010 the company had turnover of over US\$134 billion and generated profit before tax of approximately US\$17 billion.

About Hyundai Motors (www.hyundai.com)

Hyundai is the world's fourth largest car manufacturer by volume. In 2010, Hyundai Motor Company increased global sales by 16.3 per cent, selling 3.61 million vehicles, and has set the goal of reaching 3.9 million in vehicle sales in 2011 across 193 countries. Hyundai is ranked 65th amongst the world's top 100 brands. In 2010 the company achieved revenues of over US \$98 billion and operating income of US\$8 billion.

About GS Group (www.gs.co.kr)

GS Group is a Korean holding company focusing on oil refining and retail. Its main asset is a 50% interest in GS Caltex, Korea's second largest refiner, which is a joint venture with Chevron Corporation. Its principal business activities consist of petroleum refining and marketing, the production of petro-chemicals and the blending of lubricant oils. The remainder of the CS Group business is focused on retail through various retail and sports related subsidiaries. In 2010 the CS Group reported revenue of over US\$36 billion and an operating profit of approximately US\$1 billion.

About Daewoo Shipbuilding & Marine Engineering (www.dsme.co.kr)

Daewoo Shipbuilding & Marine Engineering Co. operates as a shipbuilder and offshore contractor that builds various vessels, offshore platforms, drilling rigs, floating oil production units, submarines, and destroyers and is the second largest shipbuilder in the world. In 2010 the Company had turnover of over US\$11 billion and net income of approximately US\$666 million. The Company's commercial vessels include tankers such as crude oil tankers, shuttle tankers, product tankers, and chemical carriers; LNG and LPG carriers; container carriers; roll-on roll-off carrier, chemical carrier, product tanker, and passenger ferry. Naval Ships include various products such as submarines, destroyers, submarine rescue ship, and supporting vessels. Daewoo Shipbuilding & Marine Engineering Co. is also active in the wind turbine sector.

About AJU Group (www.aju.co.kr):

AJU Group is a privately owned Korean business which has business activities spanning energy, resource development, construction materials, finance, tourism and leisure and real estate development. In 2010 the company reported assets of US\$4.1 billion, sales of approximately US\$800 million and operating profits of US\$33 million.

Forward-looking Information:

Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, including, but not limited to the impact of general economic conditions, industry conditions, commodity prices, availability of financing, results of feasibility studies and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statement.

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