



4 June 2010

Kentor Gold Limited (ASX: KGL) is an Australian-based company formed in 1998 as a specialist gold explorer. The Company was listed on the Australian Securities Exchange in 2005 and has diversified into exploration and development of gold, geothermal energy and base metals in Central Asia where it has highly regarded, established local management. Kentor Gold owns 80% of the Andash Gold-Copper Project which is under development is targeted to annually produce 70,000 oz gold and 7,400 tonnes copper in concentrate. At Savoyardy, Kentor Gold plans further intensive exploration to increase an existing high grade gold Resource for future mine development.

Issued capital:

393 million ordinary shares
56.6 million unlisted options

Market Capitalisation

(4 June 2010): \$33 million

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ANDASH GOLD-COPPER PROJECT UPDATE

Highlights

- **Improved Gold Recovery and Concentrate grade**
- **Increased throughput from larger ball mill**
- **Reduction in capital cost**
- **Gold cash costs reduced to US\$29/oz**
- **Average annual production increased to 70,000oz gold and 7,400 t copper**

Kentor Gold Limited (Kentor Gold or the Company) is pleased to announce improved Andash Project economics following an update to the project financial model.

Further metallurgical test work that was conducted after the Definitive Feasibility Study (DFS) was completed resulted in projected improvements of 3.5% in gold recovery and an increase in concentrate grade from 22% Cu to 24.5% Cu and from 60 g/t Au to 72 g/t Au.

The higher concentrate grades also result in a reduction of unit concentrate transport costs and concentrate treatment charges.

The 6MW ball mill that has been secured is 10% larger than anticipated in the DFS and will therefore result in increased plant throughput. The mining and processing schedules have thus been revised to increase the plant throughput by 6% compared to the DFS.

In addition to the improved economics, the capital cost estimate to complete the Project has also been reduced to US\$96m (including contingency) compared to US\$102m in the DFS as announced on 31 March 2010.



The reduction in capital is due to the following points:-

- US\$3m has been spent to date on the engineering design and the project development
- The ball mill has been ordered which resulted in a saving of US\$1m compared with the amount budgeted in the DFS
- The additional metallurgical test work has also shown that the regrind mill is not required at start up and can be deferred until the expansion in year three when the Project is treating a high proportion of primary ore. This results in a deferment in capital of US\$1m
- Optimisation of the mining schedule has also reduced pre-production costs.

Kentor Gold Managing Director, Simon Milroy, commented:

“It is pleasing to see that the capital cost estimate has been reducing as the Project development advances. This gives a high degree of confidence that we have a robust estimate and the Project can be completed within the budget.”

“Our engineers are doing an excellent job of completing the detailed design and have been able to improve the operability of the plant within the existing budget. An example of this is that they have designed an on-ground stockpile and reclaim tunnel which gives a vastly improved live capacity of the crushed ore stockpile without adding significant capital cost.”

“The increased recovery of gold and copper translates to additional revenue with very little increase in cost. This has resulted in the projected gold cash cost falling from US\$38/oz down to US\$29/oz.”

“Using our base case assumptions of a gold price of US\$1000/oz, the project now generates US\$223m of free cash flow over the 6 year initial mine life.”

“The base case NPV (after tax) has increased to US\$130m whilst at current metal prices, the NPV has increased to over US\$200m.”

The following is a summary of the key Project parameters:

Mining Inventory:	16Mt grading 1.05g/t Au and 0.40% Cu
Mining Method:	Two stage open pit with an average waste to ore ratio of 0.72:1
Processing:	Crush, grind, float
Mill Throughput:	1.6 Mtpa Phase 1, 3.2 Mtpa Phase 2
Annual Production:	Average 30,000 tpa concentrate containing 70,000 oz gold and 7,400 t copper
Initial Mine Life:	6 years
Gold Cash Cost:	US\$29/oz including TC/RC and Royalties

The project is now forecast to produce an average of 70,000 oz of gold and 7,400 tonnes of copper per annum.



Financial Model

Using the same base case metal prices as the DFS (US\$1,000/oz Au, US\$2.75/lb Cu), the Project NPV including tax has increased by US\$23m or 21% to US\$130m.

The following is a summary of the estimated (after tax) Project NPV (US\$m) using a range of metal prices:

Gold Price (US\$/oz)	Copper Price (US\$/lb)					
	2.25	2.50	2.75	3.00	3.25	3.50
800	56	69	83	97	110	124
900	79	93	107	120	134	148
1,000	103	116	130	144	157	171
1,100	126	140	154	167	181	194
1,200	150	163	177	191	204	218
1,300	173	187	200	213	228	241

If the project life is extended by just two years at similar grades due to the definition of additional reserves, the base case NPV increases from US\$130m to US\$198m (43%).

Development Schedule

Despite the recent political upheavals negatively affecting the timing of the project financing, none of the banks with which we are talking with have withdrawn their interest and we anticipate mandating a bank in the September quarter of 2010 to provide the debt finance.

The short delays in the project financing are likely to lead to a delay in the development of the project by up to 6 months. The revised time table is shown below:

Off take Agreement September Quarter 2010

Commence Site Development September Quarter 2010

Commence Mining June Quarter 2011

Commissioning March Quarter 2012

AMEC Minproc is well advanced on the detailed engineering and procurement activities.

Kentor Gold and Andash Mining Company have begun to assemble a strong owner's team to manage the project's development. Potential contractors are currently being assessed to perform the major construction activities.

Re-commissioning of the mining fleet has been completed with all equipment now ready for use except for the 120 tonne excavator which will be commissioned at the site when needed for production.



Political Update

- A draft constitution that will go to a referendum on the 27th of June has now been published.
- Parliamentary elections have been scheduled for the 10th of October 2010.
- The powers of the President have been reduced in the new constitution.
- A second question on the ballot paper will be the ratification of Rosa Otunbaeva as President for a limited term, until January 2012 providing stability and continuity ahead of new Presidential elections scheduled for November 2011.

Overall, the actions of the interim government appear to be working to stabilise the situation in the country and they have set out a clear path forward to putting in place a democratically elected government.

For further information, visit the Kentor website at www.kentorgold.com.au or contact:

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