



Kentor Gold Limited (KGL) General Meeting : Andash moving

Strong flow of good news is expected

Important: For Disclosures, refer to the back page under "Important Information".

Recommendation

BUY

Price

12.5c

Indicative Valuation

55.6c

ASX / S&P Sector

Metals & Mining

KGL held a General Meeting on 24 January. The agenda item was 10 for 1 share consolidation to take effect from 10 February. The Chairman emphasised that a strong flow of good news is expected to support the price.

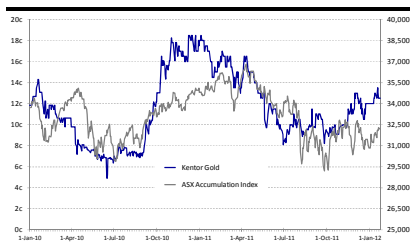
From the CEO's presentation on operations :

- **Andash is moving positively, but it is important to take the time to do things properly**
- **Bekbulaktor is very encouraging**
- **Burnakura will produce first gold by June 2012**
- **Gabanintha's geophysics showed large hot spots**
- **Jervois is the prime asset of Jinka Minerals, and a Definitive Feasibility Study will start after the Scoping Study is completed in April.**

Snapshot

Last Price	\$0.125
Market Cap.	\$133 million
Shares on Issue	1,062m
options	14.3m at 14.3c – 14.4c 11m at 11.7c – 28c
52 Week High	\$0.185
52 Week Low	\$0.081

Price Chart



KGL is currently re-developing the Burnakura gold mine in WA. These operations will be supplemented by high grade ore from Gabanintha.

Construction of its Andash copper-gold project will begin in early 2012.

KGL is developing a Cu-Ag project at Jervois in NT.

KGL expects to get to over 110koz/yr of gold by 2015, at an average net cash cost of under \$300/oz.

See www.kentorgold.com/

Analyst: Pieter Bruinstroop :

Share Consolidation

The Chairman, in his address, acknowledged that the evidence for the value of share consolidations is, at best, equivocal.

- The Board feels that the KGL share price is held back by day traders, who are less likely at higher prices;
- Some US investors are not able to invest in companies with share prices of under \$1.00;
- There are many cases of share prices falling upon consolidation;
- The Board's conclusion is that a strong flow of good news is important to support the share price.

Andash

The CEO emphasised that there is now considerable political support for the project, but also that, while KGL could now start, his judgement is that, for longer term gain, it is best to get everyone on side and work through all of the processes.

A community meeting has been called to support the project, but a date has yet to be set.

The CEO will be in Kyrgyz in February.

Conclusions

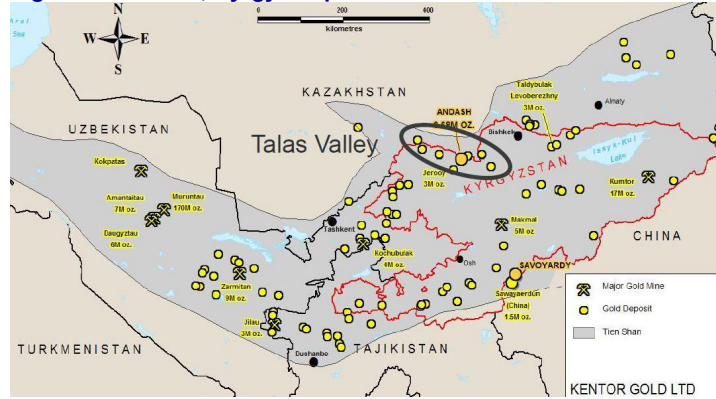
Intersuisse's risk valuation is 56c. KGL trades only marginally above the prices to which it fell after Andash was deferred, while Jinka Minerals (see out notes of 7 July, 29 September and 3 October) is a very valuable acquisition.

Intersuisse endorses our BUY recommendation on KGL.

Andash

Andash is in the Kyrgyz Republic, in a region with many gold occurrences, as shown in Figure 1.

Figure 1 : Andash, Kyrgyz Republic



Source : Kentor Gold, ASX presentation, December 2012

The political processes to be able to being development of Andash are being worked through.

Development of Andash, which was originally expected to being in January 2011, has been delayed by local political issues. In particular, the development has been opposed by a group of 4 to 5 families that have acquired significant wealth in the area of the mine. This group sees little benefit in the mine proceeding as it will provide the 4,000 local people with financial means outside of the dominant group.

In April 2011, a new Parliament was democratically elected. A Government was formed from a 3 party coalition.

While equity markets may be impatient, it is best to work though these processes in order to achieve a result that is sustainable in the long term.

In October 2011, a new President was elected. The new President was previously the Prime Minister, but who had stood down from the PM position in order to contest the Presidential election.

During this period, the Government was, effectively, in caretaker mode, with the only decisions being made of an administrative nature.

Subsequent to the Presidential elections, the President’s party withdrew from the governing coalition.

In December 2011, a new Government was formed, this time a 4 party coalition. The only party now not in Government was one of the original coalition and which had been aligned with the interests of the rulers before the democratic elections and did not support the development of Andash.

The final step is the granting of a works permit. A village meeting is being organised to grant this permit, but a date for the meeting has yet to be set.

New ministerial appointments have since been made. The new mines Minister has written to the KGL asking why development of Andash has not yet begun.

To being construction, KGL require a works permit from the local council. Previously, the members of the local council had been intimidated by the families that opposed its development. The new national Government has now restored law and order and the “thugs for hire” have either been arrested or gone to ground and the locals are no longer being intimidated.

The local village is in the process of organising a formal village meeting to consider the grant of a works permit. KGL is not able to give a timetable for this as yet.

KGL’s Executive Director, Hugh McKinnon, lives in Kyrgyz and speaks fluent Russian (the official / educated language). He has had many discussions with the Government, and the CEO will be Kyrgyz during February to progress these further.

The CEO will be in Kyrgyz in February.

The Government is supportive of the development of Andash as

- Kyrgyz is a poor country and is seeking jobs and development
- Andash will provide export income; and
- Andash is seen as “can do” project to attract more foreign interest.

Bekbulaktor

KGL originally went into Kyrgyz, in 1998, as an explorer, and listed in March 2005 on the back of the interest in its exploration. When Simon Milroy joined, in May 2007, he looked for development projects, and acquired Andash from the AIM listed AUR Resources in the wake of the GFC, in July 2009.

The only exploration project retained by KGL has been in the Bekbulaktor region, as shown in Figure 2, near the Kumtor Gold Mine, in eastern Kyrgyz.

Figure 2 : Bekbulaktor in Kyrgyz



Source : Kentor Gold, ASX announcement, 7 November 2011

KGL also has a very high potential Cu-Au exploration project in eastern Kyrgyz, at Bekbulaktor, which is along trend, 50km from the Kumtor Gold Mine.

Bekbulaktor is on trend from the Kumtor Gold Mine, operated by Centerra Gold Inc (CG.TSX), which was spun out of Cameco (CCJ.TSX), the world's largest uranium producer.

Initial trenching results are very high grade, and drilling is expected to commence soon.

Bekbulaktor has a mineralised surface expression, 2km by 1km in area. KGL has done geological mapping, geophysics and trenching, achieving trench results of

- 12m at 14.07g/t gold and 1.83% copper;
- 37m at 2.65g/t gold;
- 8m at 5.65g/t gold and 0.6% copper; and
- 13m at 4.9g/t gold

KGL will begin a drill program when weather permits (probably March).

Burnakura

This project has been described in detail in earlier notes by Intersuisse (see our note of 29 September 2011 and also our notes of 7 July and 3 October).

Burnakura has a 500koz JORC Resource.

An RC rig was mobilised to site last week-end for a 20,000m drill program :

The Feasibility Study for Burnakura is expected by the end of January.

- Initially for infill and grade control drilling, as a prelude to the commencement of mining; and
- Subsequently drilling for resource extension.

KGL expect to announce the results of the Feasibility Study by the end of January and first gold is expected by June.

A 20,000m drill program has commenced, starting with infill and grade control drilling so that mining can start

KGL is currently undertaking metallurgical testwork for Heap Leach operations to supplement the milling circuit. In the 1990s, gold was produced from Burnakura by heap leaching, so a positive outcome is expected, though the parameters still need refining.

Gabanintha

Gabanintha is about 20km from Burnakura, within easy trucking distance.

In the 1990s, oxide gold resources were exploited by Dominion Mining (DOM.ASX). Resources were mined only down to the base of the oxide ore so sulphide and Cu-Au ore is exposed at the floor of the pits.

No exploration drilling was carried out to any depth.

On 4 January, 2012, KGL announced the results of a HeliTem survey which had been carried out over Gabanintha in September 2011, at the time of Intersuisse’s site visit.

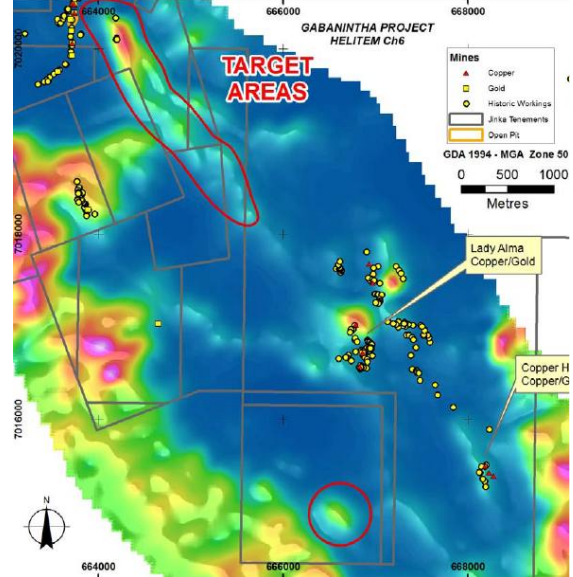
Gabanintha is a high potential exploration target near Burnakura

The nearby tenement holders have previously carried out HeliTem surveys and Figure 3 shows the results of these surveys.

The areas within the grey lines are the tenements held by KGL. Lady Alma and Copper Hills are held by Silver Swan (SWN.ASX), which reported the following intercepts from drilling at its Yagahong EL

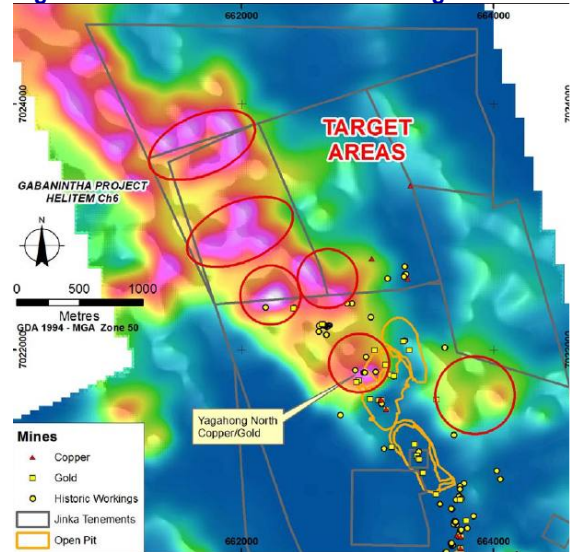
- 2m @ 1.3% Cu
- 7m @ 1% Cu, 2m @ 2.6% Cu
- 1m @ 3g/t Au, 1m @ 1.4% Cu
- 3m @ 1.4% Cu, 1m @ 1.8g/t Au
- 5m @ 1.2g/t Au
- 2m @ 1.3% Cu, 3m @ 1.4% Cu, 5g/t Au,
- 3m @ 1% Cu, 1m @ 2g/t Au, 1m @ 1.9% Cu, 2.3g/t Au
- 3m @ 2.5% Cu, 1m @ 1.4g/t Au
- 7m @ 1.3% Cu, 3m @ 2% Cu
- 4m @ 2.4% Cu, 1.6g/t Au

Figure 3 : Gabanintha regional Heli-Tem survey



Source : KGL ASX announcement, 4 January 2012

Figure 4 : KGL's Heli-Tem identified targets



Source : KGL ASX announcement, 4 January 2012

Figure 3 suggests that the “hot spots” in KGL’s areas are more intense.

Geophysically identified targets will be drilled as part of the 20,000m RC program that has started at Burnakura.

Figure 4 shows more detail of the survey results over KGL’s ground, highlighting some very intense “hot spots” for sulphides.

KGL is modelling these targets to estimate size and orientation to facilitate follow-up drilling which will be done as part of the 20,000m RC program for Burnakura.

The lack of signature over the historic mines is due to the pit floor depth, as the extra 60m of air acts as an insulator of electro-magnetic signals.

Jervois

The Jervois project has been described in detail by Intersuisse previously (see our notes of 7 July 2011 especially, and also 16 August and 26 October).

The CEO stated that the Jervois project was the primary motivator behind the acquisition of Jinka Minerals; Intersuisse endorses this view.

The scoping study is due in April 2012, and KGL will begin a Definitive Feasibility Study very soon after.

Jervois is a high potential project, with results of a scoping study due in April 2012

Conclusions

Figure 5 shows the asset by asset detail of Intersuisse's base case valuation of KGL. It shows that Intersuisse has :

- A value for each of KGL's 3 major projects that is either in line with or greater than the current share price; and
- Not allowed for any further equity, as the MD has stated that no further equity will be issued.

Figure 5 : Intersuisse's base valuation of KGL, of 56c a share

discount rate =	12%	31-Dec-10		25-Jan-12	
		100%	Product	per share	
Andash, Reserves	75 %	\$A 204m	\$A 153m	14.1 c	16.3 c
Andash Extension	60 %	\$A 63m	\$A 38m	3.5 c	4.0 c
Aktash	0 %	\$A 30m	\$A 0m	0.0 c	0.0 c
Burnakura high grade	80 %	\$A 152m	\$A 121m	11.2 c	14.5 c
franking credits	48 %	\$A 54m	\$A 26m	2.4 c	2.8 c
Burnakura heap leach	80 %	\$A 55m	\$A 44m	4.0 c	4.7 c
franking credits	48 %	\$A 28m	\$A 13m	1.2 c	0.0 c
Jevois	50 %	\$A 174m	\$A 87m	8.0 c	9.2 c
franking credits	30 %	\$A 86m	\$A 26m	2.4 c	2.7 c
Gabanintha	50 %	\$A 0m	\$A 0m	0.0 c	0.0 c
franking credits	30 %	\$A 0m	\$A 0m	0.0 c	0.0 c
Exploration					
Corporate	100 %	(\$A 17m)	(\$A 17m)	(1.6c)	(1.5c)
Net Cash	100 %	\$A 71m	\$A 71m	6.6 c	3.1 c
Options exercised	100 %	\$A 0m	\$A 0m	0.0 c	0.0 c
TOTAL		\$A 900m	\$A 562m	51.9 c	55.8 c
Shares on issue		1,061.6m	FPO shares	22.2m	options issued

Intersuisse's risk weighted base case valuation of KGL is 56c a share

Source : Intersuisse estimates

Intersuisse's note of 3 October indicated that KGL would require further funds, either debt or equity, than that which it had available.

However, if the Andash project is delayed and construction does not commence until April, which is looking a more likely outcome, then KGL will not require any additional funding in 2012.

In Intersuisse's view, the share price reflects only the delay and the risk to Andash and gives no value for the Jinka Minerals assets.

The Chairman has stated that a strong flow of good news is expected to be soon, starting with the feasibility study on Burnakura, commencement of development at Andash and then the scoping study at Jervois, with drilling from Burnakura, Gabanintha and Bekbulaktor.

Intersuisse believes that KGL is an outstanding BUY.

Intersuisse expects a strong flow of good news to help boost the share price.

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