



**29 April 2011**

*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 in the Kyrgyz Republic and is targeted to produce annually 70,000 oz gold and 7,400 tonnes copper in concentrate.*

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**Issued capital:**

*1,061.6 million ordinary shares  
58.6 million unlisted options*

**Market Capitalisation**

*(28 Apr. 2011): \$154 million*

## **Quarterly Activities Report**

### **Period ending 31 March 2011**

#### **HIGHLIGHTS**

##### **Andash Gold-Copper Project Development**

- Preparation continued towards development of Andash as one of the world's lowest cost gold mines
- Project financing completed with acceptance of US\$50M debt component
- Kentor Board completes in-country visit

##### **Andash Gold-Copper Project Expansion**

- Drilling planned for Andash and nearby high grade Aktash deposit to increase gold-copper Resources

##### **Exploration**

- Next phase exploration planned for Bekbulaktor Gold Prospect at Bashkol, Kyrgyz Republic, following encouraging 2010 results

##### **Jinka Minerals Limited**

- Agreed takeover offer made for Jinka Minerals Limited – includes advanced gold and copper projects in Australia
  - Early gold production targeted
- As at 27 April 2011, Kentor held a relevant interest of 68% in Jinka.
- The offer for Jinka Mineral is now unconditional and the closing date has been extended to 13 May 2011.



## Quarterly Overview

During the quarter, Kentor Gold Limited (Kentor or the Company) prepared to proceed with the full-scale development of the low cost, high grade Andash Gold-Copper Project. On-site works are now expected to commence mid-year. Andash will transform Kentor into a gold-copper producer operating one of the lowest cost gold mines in the world.

Kentor accepted an offer of US\$50M in debt finance from Macquarie Bank Limited. This followed a successful \$65.2M equity raising in the previous quarter, providing more than sufficient financing to fund the estimated US\$96M capital cost of developing Andash.

While the development of Andash remains Kentor's priority, the Company announced, on 1 April 2011, an agreed off-market takeover offer for Jinka Minerals Limited. A public, unlisted Australian company with advanced gold and copper projects in Australia, Jinka offers Kentor a strong new growth option and geographic diversification outside central Asia.

### Andash Gold-Copper Project (Kentor Gold 80%)

The pre-construction phase of the Andash Gold-Copper Project neared completion during the quarter. Work proceeded on the final stages of the detailed design of the mine and processing plant, procurement of equipment and materials, negotiation of construction contracts and training of staff. Local contractors are now being sourced to conduct the site works.

The Company suspended locally based activities during the quarter while a Commission of Inquiry established by the Kyrgyz Government considered environmental concerns expressed by some local people. On the Commission's advice, the Company is now re-engaging with the community before commencing project development work at the mine and processing plant sites. Over the past year, the Company has introduced community support tailored to the local circumstances, including microfinance loans to stimulate small businesses, the provision of coal and flour to needy families and sporting sponsorship. The project which will create 450 full time jobs and will pay royalties and taxes including a specific, local community royalty estimated at US\$1M a year.

The Directors of Kentor completed an in-country visit during April. The visit was aimed at providing Kyrgyz government leaders and officials an opportunity to meet with the Board and gain an appreciation of the issues being dealt with.



Kentor Chairman Mr Barr meets with representative of the Kopuro Bazar community



Increases in the price of gold and copper during the quarter improved the economics of Andash even further. The project was forecast last year to produce 70,000 oz gold and 7,400 tonnes copper in a single concentrate over an initial six years at a total cost of US\$29 an ounce gold after copper credits and including treatment, transport and refining charges, and royalties. At current metal prices, a negative cash cost for gold production is now being forecast for the project.

#### Proceedings in Krygyzstan

In the case between the General Prosecutor and Invest-center Talas LLC (ICT), the Supreme Court of the Kyrgyz Republic has considered the appeal by the former minority participants in the Andash Mining Company (AMC). The former participants were appealing the finding of the Talas Inter-district court that invalidated the holdings of Aurum Mining Company plc (Aurum) and ICT in AMC.

The Supreme Court did not adopt a decision on the appeal but instead has ruled that the case should be retried in the Chui Inter-district court at a date yet to be determined. The Supreme Court will not publish its findings for 10-15 days at which time the rationale for the ruling will be known.

This case has no impact on Kentor's 80% holding in AMC.

In a separate case brought by ICT against Kentor, alleging improper conduct by Kentor, the case has been left without consideration. This has resulted from the failure of ICT to appear at the hearing on 2 occasions despite having been served with the proper notification. Kentor considers the fact that the court case was left without consideration to be a favourable development.



**Explosives Truck arrives at Andash staging Site**



## Andash Resource Expansion/Aktash Deposit

The Company advanced the strategy of increasing the mineral Resources available to expand and extend the mine life of the Andash Project well beyond the initial six years.

Detailed drilling programs were developed for the Andash Zone 1 which contains the current mining Reserve and Resource, and also for the adjoining Zones 2 and 3 and at the nearby Aktash Gold-Copper Project. Kentor Gold has signed a binding option agreement giving the Company the exclusive right to acquire the Aktash project after completing a 1,500m drilling program.

During the quarter, plans were prepared to start drilling this summer season with two rigs at Andash and another two rigs at Aktash. The commencement of exploration drilling at Aktash and Andash will occur in conjunction with the access to the site to commence construction.

Mine development at Andash is based on a JORC Reserve at Andash Zone 1.

Hellman & Schofield has established an Exploration Target\* for Zones 2 and 3 under JORC guidelines of 5 to 10 million tonnes of ore with a gold grade range of 1 to 1.5 g/t. The target lies only one kilometre from the proposed initial open pit in Andash Zone 1.

Grades of gold and copper at Aktash are higher than at Andash. The Company regards Aktash, 8 km from the site of the proposed Andash processing plant, as a satellite mine with the potential to increase the overall feed grade to the plant. The injection of Aktash ore would, therefore, reduce cash costs even further, increase annual gold production and extend the life of the total Andash operation.

Helman & Schofield has also established an Exploration Target\* for the Aktash deposit under JORC guidelines of 2 to 5 million tonnes of ore grading 2 to 3.5 g/t gold, 0.3 to 0.7% copper and 8 to 12 g/t silver.

\*The potential quantity and grade of the Exploration Target are conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.



Kentor Board on site at Andash



## Other Exploration

### Bashkol Exploration Licence (Kentor Gold 80%)

Plans were prepared during the quarter for a further exploration program at the Bekbulaktor gold prospect on the Bashkol Exploration Licence, in the east of the Kyrgyz Republic.

This follows encouraging results during 2010 when the discovery of high grade gold and copper mineralisation on the northern side of the Bekbulaktor stream was confirmed, resulting in an increase in the size of the Bekbulaktor prospect.

A program of geological and geophysical exploration was developed for this year, and is expected to lead to the identification of clear drill targets.

### Kurgan Licence Area (Kentor Gold 80%)

The results of the 2010 drilling program at the Kurgan 1 gold prospect on the Kurgan Licence Area continued to be analysed. There was widespread presence of gold but the results did not justify further exploration in 2011 given Kentor Gold's other priorities, and it was decided to relinquish the Kurgan tenement.

## Geothermal

Limited activity took place on the company's geothermal tenements during the quarter.

## Takeover offer for Jinka Minerals Limited



**Jervios Site looking North**

On 1 April 2011, Kentor Gold announced an agreed, off-market takeover offer for the Australian gold and base metals company Jinka Minerals Limited (Jinka).

The acquisition will provide Kentor Gold a strong new growth option and additionally, geographic diversification from central Asia.



Jinka is a public, unlisted company with approximately 1,400 shareholders. Kentor Gold has made an all cash offer for shares and options to all shareholders of Jinka.

The offer is now planned to close on 13 May 2011 and has recently be declared unconditional by Kentor. As at 27 April 2011, Kentor had a relevant interest of 68% in Jinka Minerals.

The total acquisition cost will be \$12.8 million, to be sourced from Kentor Gold's cash reserves, comprising \$7.8 million if 100% of all securities are acquired and approximately \$4.9 million for debt owing to related parties of Jinka.

Jinka's major assets comprise:

- The Bumakura Gold Project, located 50km south of Meekatharra in Western Australia
- The Gabanintha Copper-Gold Project, 45km south-east of Meekatharra and 20km from Bumakura
- The Jervois Base Metals Project, 280km north-east of Alice Springs in the Northern Territory.

Bumakura and Gabanintha are advanced gold and copper projects with the potential for early gold production. Both are former gold mines. Bumakura produced 216,250 oz gold from open cut operations at a head grade of 3.8 g/t and 50,637 oz gold from underground at an average of 5.95 g/t. Gabanintha produced over 180,000 oz gold from an open pit at 3.23 g/t.

The priorities are to establish JORC compliant Resources for Burnakura and Gabanintha, and then prepare feasibility studies for open pit mining. A processing plant at Bumakura can be re-commissioned and expanded to process ore from both projects.

At Jervois, it is proposed to undertake RC and diamond drilling to enable a JORC compliant Resource to be calculated and a pre-feasibility study prepared to examine the economics of developing an open pit copper project.

The project team are currently on site and are preparing the pads for the upcoming drilling programme which will consist of approximately 11 diamond holes and 30 RC holes. Drilling will commence as soon as a rig can be secured.



Rock face at the Jervois Site



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## Corporate

During the quarter, Macquarie Bank Limited provided Kentor Gold with a Committed Letter of Offer for a US\$50M debt facility which the Company accepted. The debt facility completes the major funding for the construction of the Andash Gold-Copper Project. The project funding was structured as a combination of debt and equity, with the debt facility complementing the \$65.2M equity raising late last year. This provides more than sufficient financial resources to cover the US\$96M capital cost of the Andash project.

Macquarie Bank has not required metal price hedging under the terms of the facility, so that Kentor Gold will have maximum exposure to any future upside in gold and copper prices.

Kentor Gold's strong cash position means that the Company is also able to source from its cash reserves the total cost of the acquisition of Jinka Minerals

An increase in the market capitalisation of Kentor Gold resulted in the Company being included in the S&P/ASX All Ordinaries index as one of the 500 largest companies listed on the Australian Securities Exchange.

## Outlook

Kentor Gold expects to commence site works at Andash mid-year as full-scale development of the project is commenced.

Exploration drilling is planned for Andash and Aktash and geological and geophysical work at Bekbulaktor, commencing in the spring.

The Company anticipates completing the agreed takeover of Jinka Minerals and proceeding with the establishment of JORC compliant Resources at the Bumakura and Gabinantha project with a view to early gold production.

## For further information contact:

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The Exploration Targets in this report is based on information compiled by Simon Tear, who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Hellman and Schofield. Mr. Tear has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Tear has consented to the inclusion of this information in the form and context in which it appears in this report.

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Kentor Gold Limited

ABN

52 082 658 080

Quarter ended ("current quarter")

31 March 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration and evaluation	(102)	(102)
(b) development	(2,037)	(2,037)
(c) production		
(d) administration	(546)	(546)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	266	266
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Foreign Exchange differences	-	-
	<b>(2,419)</b>	<b>(2,419)</b>
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) purchase options	-	-
(c) other fixed assets	(54)	(54)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	-	-
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	<b>(2,473)</b>	<b>(2,473)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly**

1.13	Total operating and investing cash flows (brought forward)	<b>(2,473)</b>	<b>(2,473)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	(300)	(300)
	<b>Net financing cash flows</b>	<b>(300)</b>	<b>(300)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,773)</b>	<b>(2,773)</b>
1.20	Cash at beginning of quarter/year to date	71,364	71,364
1.21	Exchange rate adjustments to item 1.20	(422)	(422)
1.22	<b>Cash at end of quarter</b>	<b>68,169</b>	<b>68,169</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	193
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration and expenses paid to executive and non-executive directors for the quarter.

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	772
4.2 Development	21,133
4.3 Admin	829
<b>Total</b>	<b>22,734</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	40,969	35,464
5.2 Deposits at call	27,200	35,900
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>68,169</b>	<b>71,364</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	1,061,592,950			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	59,611,358	Unlisted Options	Exercise price	Expiry date
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).
- 2 This statement does ~~/does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

*Anderson.*

Sign here: ..... Date: 29/04/2011.....  
(~~Director~~/Company secretary)

Print name: ...Kylie Anderson.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.