



## FINAL STUDY CONFIRMS ROBUST ANDASH GOLD-COPPER PROJECT

### 31 March 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. The Andash Gold-Copper Project (Kentor Gold 90%) is targeted to commence production in late 2011 at an annual rate of 60,000 oz gold and 5,000 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  
59.1 million unlisted options

### Market Capitalisation

(30 Mar. 2010): \$51 million

### Contact

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- On track for late 2011 production start
- Site development works to commence next month (April)
- Key points from Definitive Feasibility Study:
  - Technically and economically robust project
  - Average annual production of 60,000 oz gold and 6,800 t copper over an initial six and a half year life
  - Initial capital cost USD\$102.36 million
  - Very low cash costs (gold US\$38/oz including royalties after copper credits)
  - Project NPV USD\$107 at gold \$1000/oz and copper US\$2.75/lb
  - Strong market demand for Andash gold-copper concentrate
  - Study expects further exploration will extend mine life

Kentor Gold Limited (Kentor Gold or the Company) is pleased to announce the results of the Definitive Feasibility Study (DFS) for the Andash Gold-Copper Project located in the Kyrgyz Republic.

Kentor Gold Managing Director, Simon Milroy, commented:

“The DFS confirms that the Andash Project is both technically and economically robust. The mining and processing methods are well proven and comfortably within industry standards.

“The project is on track for the commencement of production late in 2011.

“The DFS shows that while the project has a base case NPV of US\$107M, at current prices of US\$1,100/oz gold and US\$3.50/lb copper the NPV increases to US\$171M.

“Looking beyond the initial mining project, we are particularly pleased with the high potential for early expansion and the favourable positioning of Andash.



“Adding additional Reserves of 6 million tonnes at similar grades of ore to current Reserves – a reasonable expectation from exploration drilling – will increase the NPV by 56%.

“We are planning to commence exploration drilling at some of the other known prospects within the Exploration Licence in May with the aim of increasing the Resources.

“Because Andash will be the first operating gold-copper mine in the Talas Valley, we will be ideally positioned to acquire other known Resources in the region.”

. \*Last night, Kentor Gold signed an agreement to acquire a further 10% in Andash from Aurum Mining plc, thus increasing Kentor Gold’s ownership in Andash to 90% with the remaining 10% held by a local Kyrgyz company. Kentor Gold has issued a separate announcement on the transaction today.

The DFS, conducted over the past six months, is a compilation of work performed by a number of engineering organisations and Kentor Gold’s owner’s team. The DFS includes important contributions from:

Wardell Armstrong International	Resource Estimation, Mine Planning, Environmental Assessment and Permitting
Australian Mine Design and Development Pty Ltd	Mining Operations
AMDEL Limited	Metallurgical Test Work
AMEC Minproc Limited	Process Plant Design
Knight Piésold Pty Ltd	Tailings Storage Facility Design
Enthalpy Limited	Risk Assessment.

The DFS includes design, engineering, cost estimates and implementation plans for an open pit mine and crush-grind-float processing plant with capacity of 1.5Mtpa increasing to 3 Mtpa in year 3. The plant will produce a high quality gold-copper concentrate for sale to third party smelters.

The following is a summary of the project fundamentals:

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:	1.5 Mtpa Phase 1, 3 Mtpa Phase 2
Annual Production:	Average 31,000 tpa concentrate containing 60,000 oz gold and 6,800 t copper
Initial Mine Life:	6.5 years
Cash Cost:	US\$38/oz including TC/RC and Royalties



## Reserves and Mine Design

The mine design for the Andash deposit is based on an open pit, using contemporary mine planning techniques encompassing an optimised open pit with high grade material mined as early as possible. The life of mine material movement is 27.38Mt, with waste comprising 11.39Mt. This gives an overall stripping ratio of 0.72 waste to ore.

The mineable reserves are based on a dilution of 5% (internal and external) and a mine recovery figure of 97% (ore losses).

The ore reserves derived from the mine design are shown in the table below.

	Tonnage (kt)	Au (g/t)	Cu (%)	Au (oz)	Cu (t)
<b>Proven Reserves</b>					
Oxide	1,129	0.77	0.43	27,995	4,867
Sulphide	2,921	1.17	0.46	110,210	13,408
<b>Sub-total</b>	<b>4,050</b>			<b>138,205</b>	<b>18,275</b>
<b>Probable Reserves</b>					
Oxide	1,389	0.68	0.31	30,155	4,315
Sulphide	10,559	1.09	0.39	371,370	40,896
<b>Sub-total</b>	<b>11,948</b>			<b>401,525</b>	<b>45,211</b>
<b>Total Reserves</b>					
Oxide	2,519	0.72	0.36	58,150	9,182
Sulphide	13,480	1.11	0.40	481,580	54,304
<b>Total</b>	<b>15,999</b>			<b>539,730</b>	<b>63,486</b>

Information in this announcement relating to Resources and Ore Reserves is based on information compiled by Dr Phil Newall who is a Chartered Engineer and Fellow of the Institute of Materials, Minerals and Mining. Dr Newall is a full-time employee of WAI and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken 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. Dr Newall has consented to the inclusion of this information in the form and context in which it appears in this report.

## Mining

Mining operations will involve drill and blast of all excavated material, with blast hole sampling being utilised as part of grade control management. Blasts will be surveyed and laid out for excavation by excavators in back hoe configuration.

Excavated material will be segregated by cut-off grade. High grade sulphide ore will be sent to the intermediate run-of-mine pad ("ROM") and oxide and low grade ore will be stockpiled. Ore will be transported to the mineral processing plant located approximately 6km away. The oxide ore is planned to be processed after all sulphide material is exhausted from the pit and stockpiles.

Waste will be dumped on a waste dump adjacent to the open pit or hauled to the tailings storage facility for use in construction.

Total mine operating costs average US\$1.92 per tonne, or US\$5.15 per bcm, of ore and waste over the mine life. Expressed as a cost per ore tonne, mine operating costs average US\$3.08 per tonne of ore processed.



## Processing

The processing facility will include all ore processing activities from crushing through to loading of concentrate onto road transport for transport to the rail yard. The process plant design incorporates a three stage crushing circuit, crushed ore stockpile, reclaim, ball milling in closed circuit with cyclone classification, sequential copper flotation, concentrate regrind, high rate thickening of concentrate, pressure filtration of concentrate and concentrate load-out facilities.

The Andash copper-gold concentrate will be an attractive feed, very suitable for all smelters. The concentrate is a good, clean lower grade copper concentrate, without any significant deleterious elements.

## Capital Cost Estimates

Description	Phase 1 (US\$)	Phase 2 (US\$)	Sustaining Capital (US\$)	Total (US\$)
Process Plant	\$ 63,503,648	\$ 25,676,609		\$ 89,180,257
Mining	\$ 5,660,035			\$ 5,660,035
Tailings Management Facilities	\$ 3,051,586		\$ 14,979,074	\$ 17,848,660
Owner's (including Infrastructure)	\$ 24,320,865			\$ 24,320,865
Contingency	\$ 5,826,753	\$ 2,763,538		\$ 8,590,291
<b>Total Capital Cost Estimate</b>	<b>\$ 102,362,887</b>	<b>\$ 28,440,147</b>	<b>\$ 14,979,074</b>	<b>\$ 145,600,108</b>

Phase 1 of the estimate covers works required to bring the process plant to a throughput capacity of 1.5Mtpa.

Phase 2 of the project covers the expansion of the project to a plant capacity of 3.0Mtpa from year 3 of operation.

## COMPARISON OF PRE-PRODUCTION CAPITAL COSTS AT ANDASH

Description	Previous Estimate Jan 2007 2mtpa (US\$ million)	Kentor Gold Limited March 2010 Phase 1, 1.5mtpa (US\$ million)
Process Plant – direct and indirect	\$22.8	\$63.5
Mining – direct and indirect	\$4.7	\$5.7
Tailings management facilities	\$7.4	\$3.1
Owner's and Infrastructure	\$15.6	\$24.3
Contingency	\$5.0	\$5.8
<b>Total</b>	<b>\$55.5</b>	<b>\$102.3</b>

The previous capital cost estimate for Andash assumed second hand equipment for crushing, milling, and flotation, the new estimate assumes the purchase of all new equipment, which is expected to perform better and be more reliable. A second reason for the increase in the capital cost for the Process Plant is that some of the capital cost for the Phase 1 processing plant is actually pre-investment in the 3mtpa Phase 2 plant. The power supply, the primary crusher, the concrete, the buildings and all of the infrastructure is being installed in preparation for the expansion to 3 mtpa.

**Operating Cost Estimates****Average Unit Cost of Production – US\$/oz basis**

<b>Parameter</b>	<b>US\$/oz</b>
Mining	130
Processing	306
G&A	92
Total Site Operating Costs	529
Transport	51
TC/RC	46
Other Offsite Costs	4
<b>Total Operating Cash Costs</b>	<b>629</b>
Copper credits	(656)
<b>Total Operating Cash Costs less Credits</b>	<b>(27)</b>
Royalties	65
<b>Total Production Costs</b>	<b>38</b>

**Concentrate Marketing**

The Andash project will produce approximately 30,000 tpa of concentrate grading 22% copper and 60 g/t gold. A range of potential concentrate offtake parties have been canvassed, including Western smelters, major trading houses and a major Chinese smelter. Overall, the concentrate is keenly sought, and can be readily placed at competitive terms, and with secure, creditworthy parties.

**Project Finance**

The financial model shows a robust project producing strong cash flows.

The following is a summary of the 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	35	49	62	76	90	104
900	57	71	85	99	113	126
1,000	79	93	107	121	135	149
1,100	102	115	129	143	157	171
1,200	124	138	152	165	179	193
1,300	146	160	174	188	201	215

Kentor is engaged in negotiations with financiers and is considering a range of funding options for the development of the project. It is the intention to have all project finance in place by mid 2010.



### Exploration upside

The DFS is based on mining Andash Zone 1 only. Further drilling on the Exploration Licence with the aim of increasing the Resources is scheduled to commence in May 2010. Exploration success will have a major impact on the overall project. As an example, adding an additional 6Mt of similar grade ore to the current reserves increases the project NPV by 56%.

### Development Schedule

An overall schedule has been developed covering all phases of the project and key dates are listed below:

Project Go-Ahead Decision	April 2010
Off take Agreement	2nd Quarter 2010
Project Finance	Mid 2010
Commence Mining	1st Quarter 2011
Commissioning	4th Quarter 2011

AMEC Minproc has already commenced 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. The industrial base in the Kyrgyz Republic is well developed and all services expected to be required during construction are readily available.

Re-commissioning of the mining fleet has commenced at the rail siding where they are currently located, 150km west of Andash.

For further information, visit the Kentor website at [www.kentorgold.com.au](http://www.kentorgold.com.au) or contact:

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