



## Kentor Gold Ltd

### Highlights of interview....

- Company Strategy Including Jinka Acquisition
- Attraction of Jinka Assets
- Progress at Andash
- Funding & Value Creation

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“MD Explains Jinka Minerals Takeover”

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#### [companyinsight.net.au](http://companyinsight.net.au)

Kentor Gold Limited (ASX code: KGL) has announced an off-market take-over offer for the Australian gold and base metals company Jinka Minerals Limited. At the same time, you noted in your announcement that the development of the Andash gold-copper project in Kyrgyzstan remains Kentor Gold's priority. Can you elaborate on your company's strategy here?

#### **Managing Director, Simon Milroy**

Our strategy is to acquire advanced projects and progress them through exploration and development to production. That's what we are doing with Andash. We acquired it as an advanced project and it has our first priority as we prepare to go to the full-scale development stage of what we expect will be one of the world's lowest cost gold producers.

Whilst Andash is the first project ready for development, we don't plan to be a one mine company. Rather, we see real benefits for shareholders by building and operating numerous mining projects commensurate with our skills base. The Jinka acquisition gives Kentor a strong new growth option and being in Australia diversifies the geographical location of our operations. We believe we will be able to leverage off the cash we have paid and through our proposed resource drilling and definition create real value for shareholders. We believe Jinka will be a source of quality future cash flows which will contribute to the long term growth of the Company.

Jinka's assets include advanced gold and copper projects with the potential for early development.

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The Jinka assets include two former gold mines. Just how advanced are they towards renewed production? What are your immediate plans?

**Simon Milroy**

We are aiming for early gold production at Burnakura and Gabanintha. They are within 20 km of each other and about 50 km south of Meekathara in Western Australia. Burnakura 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 grade of 5.95 g/t. Gabanintha produced over 180,000 oz gold from an open pit at 3.23 g/t.

Our first task is to establish JORC Resources and then prepare feasibility studies for open pit mining. Burnakura has a processing plant which is under care and maintenance and can be re-commissioned and expanded to process Burnakura and Gabanintha ore. There is also a refurbished camp, workshops, offices and all of the normal mine site infrastructure.

We also propose to do some drilling at Jervois, Jinka's base metals project in the Northern Territory, with the aim of calculating a Resource and preparing a feasibility study.

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Last month you advised that you were waiting for the outcome of a Government Commission of Inquiry into Andash. You have emphasised that Andash is the priority project. Can you provide an update?

**Simon Milroy**

We are waiting for the Commission's determination. In the interim, they have asked us to resume our dealings with the local people. We have a lot of local understanding and support for the benefits that the operation will bring, but these very benefits – hundreds of new jobs locally and higher levels of wages – can cause concern in the minds of some people about change. Members of our Board and the management team have deep and valuable experience in mining projects in foreign countries. We are aware of the local issues and are working with the communities to address any concerns.

I am confident that we will reach agreement with the local community and once we are on the ground, the construction of Andash will take 12 months to complete.

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The offer for Jinka is all cash, and Kentor Gold has to fund the development cost of Andash. Can you do this from existing resources?

**Simon Milroy**

Yes. We have some \$71 million in cash from which to finance the \$12.8 million total cost of the Jinka acquisition. The cash reserve, together with the US\$50 million debt facility we accepted last month from Macquarie Bank, is more than enough to fund the development cost of Andash which is estimated at US\$96 million.

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Andash is being set up for an initial annual production of 70,000 oz gold and 7,400 tonnes copper per year for six years, with a gold cash cost of US\$29/oz after copper credits and royalty. Presumably the rising price of gold and copper are improving the economics of Andash even further?

**Simon Milroy**

Yes, the calculation above assumes a copper price of \$2.75/lb for copper. At current copper prices, we will have negative cash costs for gold production.

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What are the conditions attached to the Jinka Minerals takeover and what needs to be done to finalise the transaction?

**Simon Milroy**

The offer is conditional, amongst other matters, on 90% minimum acceptance by each class of Jinka Minerals security holders, although the conditions can be waived at Kentor's discretion.

We have a pre bid acceptance for 19.9% of the shares in Jinka. Offer documents are now being sent out to Jinka shareholders and they will have one month to accept the bid. Jinka shares are not listed, hence we expect the shareholders to rapidly accept the bid as it provides liquidity to their shares.

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Thank you Simon.

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