



### 3 July 2012

Australian-based Kentor Gold Limited (ASX: KGL) is entering the ranks of operating gold mining companies in 2012. The Company is progressing a pipeline of advanced projects in Australia and the Kyrgyz Republic.

The **Murchison Gold Project** in Western Australia -scheduled to commence high grade gold mining at the Burnakura plant in mid-2012, with the potential to add gold-copper production from the neighbouring Gabanintha deposit.

The high grade, very low cost **Andash Gold-Copper Project** in the Kyrgyz Republic – development-ready, awaiting site access and targeting 2013 to commence production at 70,000 oz gold and 7,400 tonnes copper pa for an initial six years, with high potential for expansion.

The **Jervois Copper-Silver-Gold Project** in the Northern Territory – targeting 2014 start-up following current studies into developing the high grade copper-silver resource with potential for gold, magnetite and other base metals.

#### Issued capital:

106.2 million ordinary shares

5.8 million unlisted options

#### Market Capitalisation

2 July 2012: \$71 million

## Update on Heap Leach potential of the Murchison gold project

As part of the ongoing evaluation of Kentor's established resources at Burnakura (see Table 1), large tonnages of low grade material, adjacent to high grade resources that are being targeted as potential ore for Kentor's Burnakura CIL Gold Plant, have been identified.

**Table 1 Burnakura Inferred Resource estimates May 2011**

	0.5 g/t Au cut off			1.0 g/t Au cut off			1.5 g/t Au cut off		
	Mt	Au g/t	Au koz	Mt	Au g/t	Au koz	Mt	Au g/t	Au koz
NOA	5.3	1.8	307	3.4	2.4	262	2.2	3.0	212
Alliance	1.9	1.3	79	0.8	2.0	51	0.4	2.7	35
Lewis Reward	1.2	1.1	42	0.4	1.8	23	0.2	2.3	15
Authaal	1.2	1.2	46	0.4	2.0	26	0.2	2.8	18
Federal City	0.4	1.7	22	0.2	2.7	17	0.1	3.7	12
Banderol	0.6	1.0	19	0.2	1.5	10	0.1	2.1	7
<b>Total</b>	<b>10.6</b>	<b>1.5</b>	<b>516</b>	<b>5.4</b>	<b>2.2</b>	<b>390</b>	<b>3.2</b>	<b>2.9</b>	<b>298</b>

Table from ASX announcement of 30<sup>th</sup> May 2011

The large Alliance (New Alliance) and Authaal resources were not included in the Stage 1 mining schedule that is focussed on feeding Kentor's existing CIL plant, currently being commissioned.

Historical drilling at Alliance included 586 RC and diamond holes and at Authaal it included 405 RC and diamond holes. These formed the basis for the current resource estimate. Kentor has this year drilled a further 52 RC and 6 diamond holes at Alliance and is planning further validation drilling at Authaal to upgrade the resource. Exploration potential also exists to the north of Authaal and south of Alliance.

Preliminary pit designs have been created to assess the mineable potential of the two resources. (Figure 1)

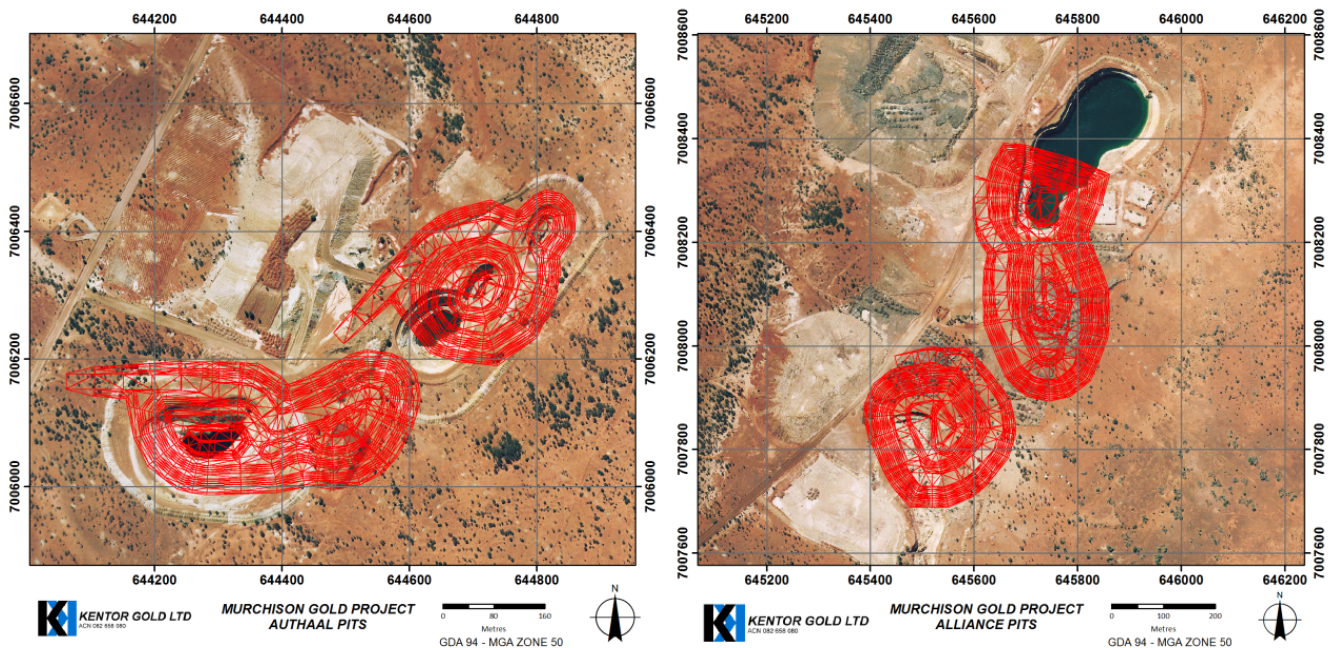


Figure 1 Preliminary Mine designs for Authaal and Alliance pits

Mining at both the Lewis and Reward pits is well advanced with the Reward pit anticipated to be completed this week. In the process of mining high grade ore from these two pits, substantial stockpiles of low grade ore are being established. This low grade material has been tested in the metallurgical test work program.

Heap Leach column and coarse bottle roll test work has been completed at Ammtec's Perth laboratory on samples from the NOA, Lewis, Reward, Authaal and Alliance pits. The results showed that most ore would benefit from being crushed to minus 12.7 mm with the exception of Alliance that is achieving good recoveries at a much coarser minus 50mm. Many more tests are planned to analyse the variability within the resource but these initial results offer the potential for direct tipping of the ore. Test work is also suggesting that Lewis and Reward ore could benefit from further crushing and this will be optimised as part of the current test work program.

Natural percolation results were good to very good for all samples except Authaal that benefitted from cement agglomeration. Testing at several cement addition rates suggests that 6 kg/t of ore is required to achieve good percolation.

All column test work results also showed good correlation with Intermittent Bottle Roll (IBR) tests hence going forward, greater advantage can be taken in future test work using more IBR and percolation tests which are faster and cheaper than running leaching columns.

Recoveries predicted for the various pits for both oxide and transitional ore types ranged from 44% through to 91% gold recovery. The primary ore tested gives poor recoveries as expected. The poorest performing low grade material from the Reward pit totals only 40kt. Importantly, samples from deposits where the bulk of the low grade resources are contained are achieving recoveries of 60% or better (Figure 2).

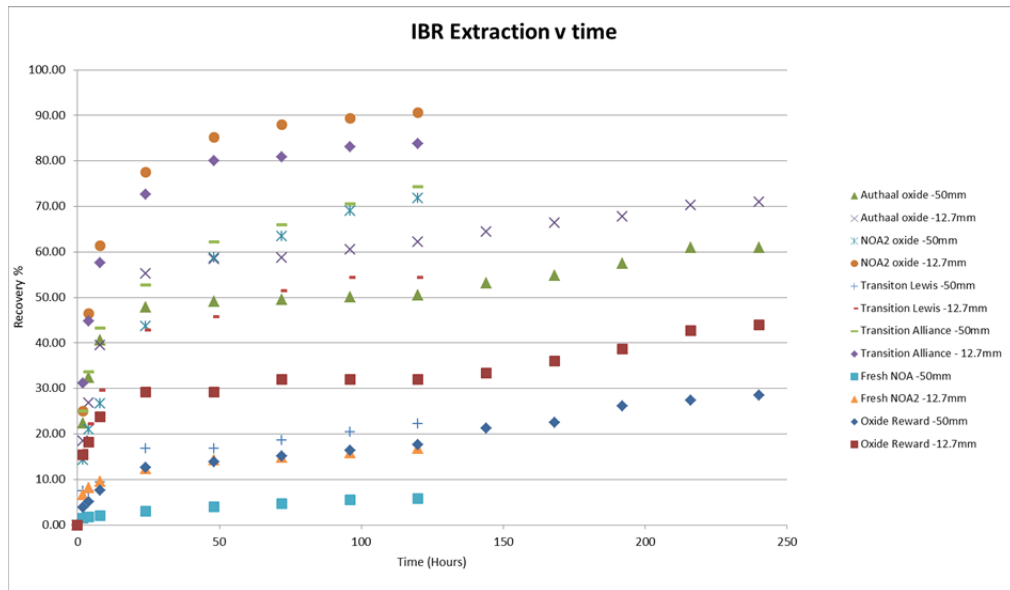


Figure 2 IBR Extraction v's Time curves

The designed heap leach pad has a footprint of 400m x 200m and consists of eight cells each eight metres high on the lower lift and a further five, eight metre high cells on the second lift. The current design prepared by Knight Piesold will accommodate approximately 2 million tonnes of ore (Figure 3).

The planned production rate when crushing and agglomerating ore is being targeted at 150 tph and the annual material anticipated to be stacked is 450-500ktpa. It is further proposed that the crushing circuit will have sufficient additional capacity to meet the anticipated future requirements for the phase 3 expansion of the Burnakura CIL plant, doubling its capacity to 500ktpa.

Kentor Gold purchased a complete heap leaching circuit from the Indee gold project last year for \$1.1m. This equipment has been dismantled and transported to the Murchison Gold Project site in preparation for construction of a heap leach operation. The gold room, stripping plant and RO plant from Indee have already been installed in the Burnakura CIL gold plant. This installation has more than enough excess capacity to strip additional loaded carbon from the heap leach operation.

The capital cost to complete the heap leach project is estimated to be \$7.5m which is broken down in Table 2.

Table 2 Capital Cost Estimate

Heap Leach Capital Cost	\$
Refurbishment and New Equipment	\$ 2,300,000
Installation of Equipment	\$ 2,400,000
EPCM	\$ 450,000
Other Directs	\$ 100,000
Indirects	\$ 50,000
Initial Pad and Pond Construction	\$ 2,000,000
Contingency	\$ 200,000
<b>Total Estimate</b>	<b>\$ 7,500,000</b>

A further \$1.1m is required to complete resource drilling, geotechnical drilling, metallurgical drilling, resource and reserve estimation, metallurgical analysis and detailed plant design.



Processing costs for the heap leach is estimated to average \$11.27/t of ore treated (see Table 3). This cost will vary depending on whether the ore needs to be agglomerated. The cost of agglomerating Authaal ore (which is factored into the cost estimated above) including the cement addition of 6kg/t is approximately \$2/t of ore. Heap Leach processing costs are targeted to be in the range \$500-550/oz.

**Table 3. Heap Leach Operating Costs**

<b>Heap Leach Pad Operating Costs</b>	<b>\$/t ore</b>
Workforce	\$ 1.32
Crushing and Agglomeration	\$ 5.85
Stacking and Irrigation	\$ 2.03
Adsorption and Stripping	\$ 2.07
<b>Total</b>	<b>\$ 11.27</b>

All of the test work to date is indicating that the oxide gold resources and some of the transitional gold resources are performing well, achieving good percolation and recoveries. The benefits of leveraging off established administrative and maintenance support, power station, gold room and camp help keep the operating costs low. With the existing heap leach plant ideally suited for this operation requiring only refurbishment and installation Kentor will be able to keep the capital cost contained.

### **Further Work**

Environmental surveys are underway and it is anticipated that the permitting process can commence next month. Further drilling for metallurgical-geotechnical test work and to further define additional heap leach resources will continue in parallel with the permitting process.

It is anticipated that construction of the heap leach can commence later in 2012 with first production of gold from the heap leach currently expected in mid-2013.

The addition of a heap leaching circuit to the Murchison gold project will increase the annual gold production. A lot of the low grade ore to be treated by the heap leach circuit needs to be mined anyway to access the high grade ore feed to the CIL plant, hence the additional production from the heap leach will substantially reduce the cash costs for the site.

Resource updates for a number of the pits at the Murchison Gold project are currently underway following completion of the 20,000m drilling program. Pit optimisation and design work will then be completed to come up with a revised mining schedule for the operation. This work is expected to be completed in October.

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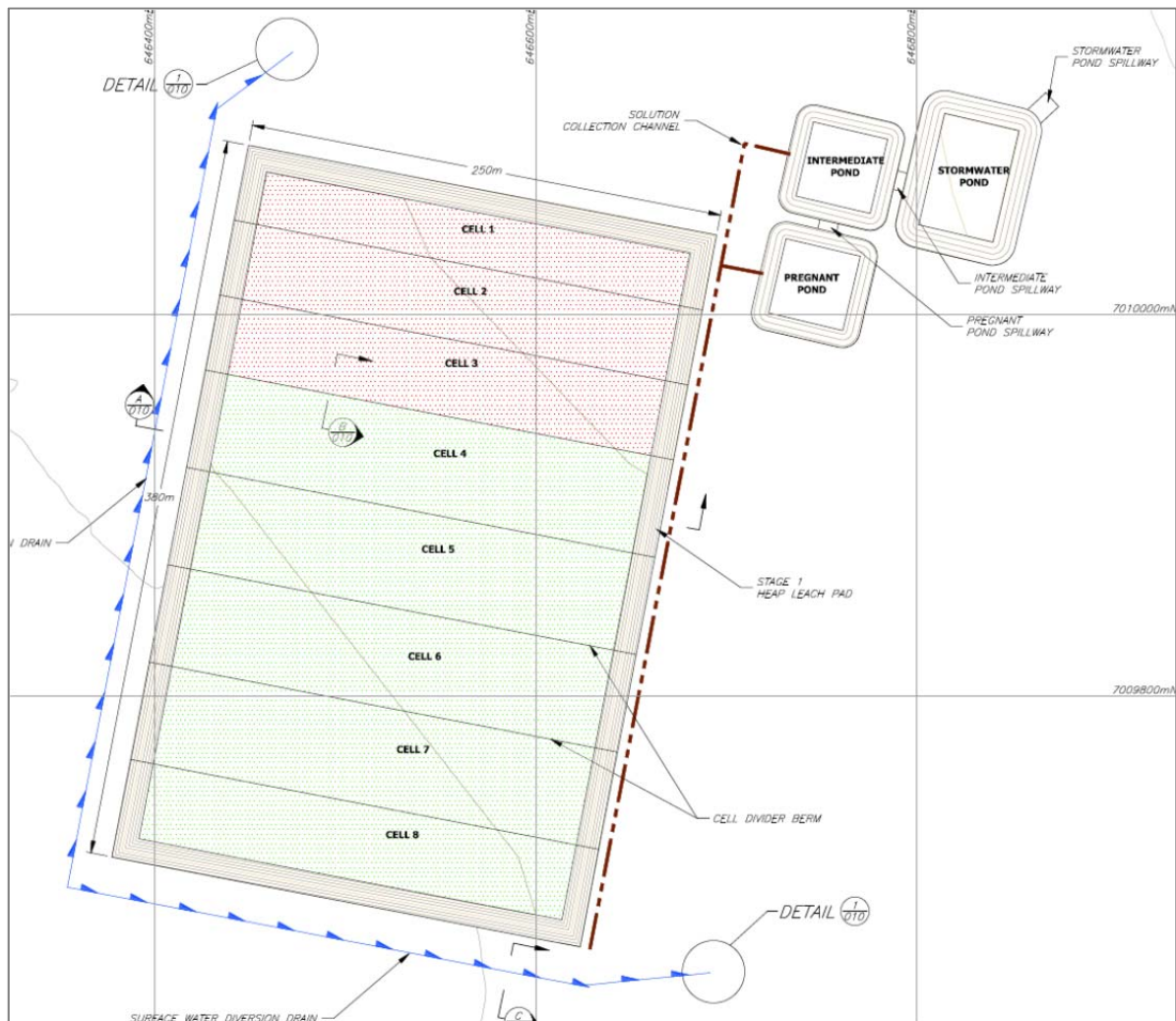


Figure 3 Heap Leach Pad Layout

**Competent Person Statement**

The information in this report that relates to metallurgical testwork is based on information compiled by Phil Hunt who is a full time employee of PR Hunt and Associates Pty Ltd. Mr Hunt is a member of the Australasian Institute of Mining and Metallurgy. Mr Hunt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Hunt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mineral resource estimation for Burnakura is based on work completed by Mr Jonathon Abbott. Mr Abbott is a full-time employee of MPR Geological Consultants Pty Ltd and a member of the Australian Institute of Geoscientists. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





Note: Photographs of equipment on site at the Indee mine site