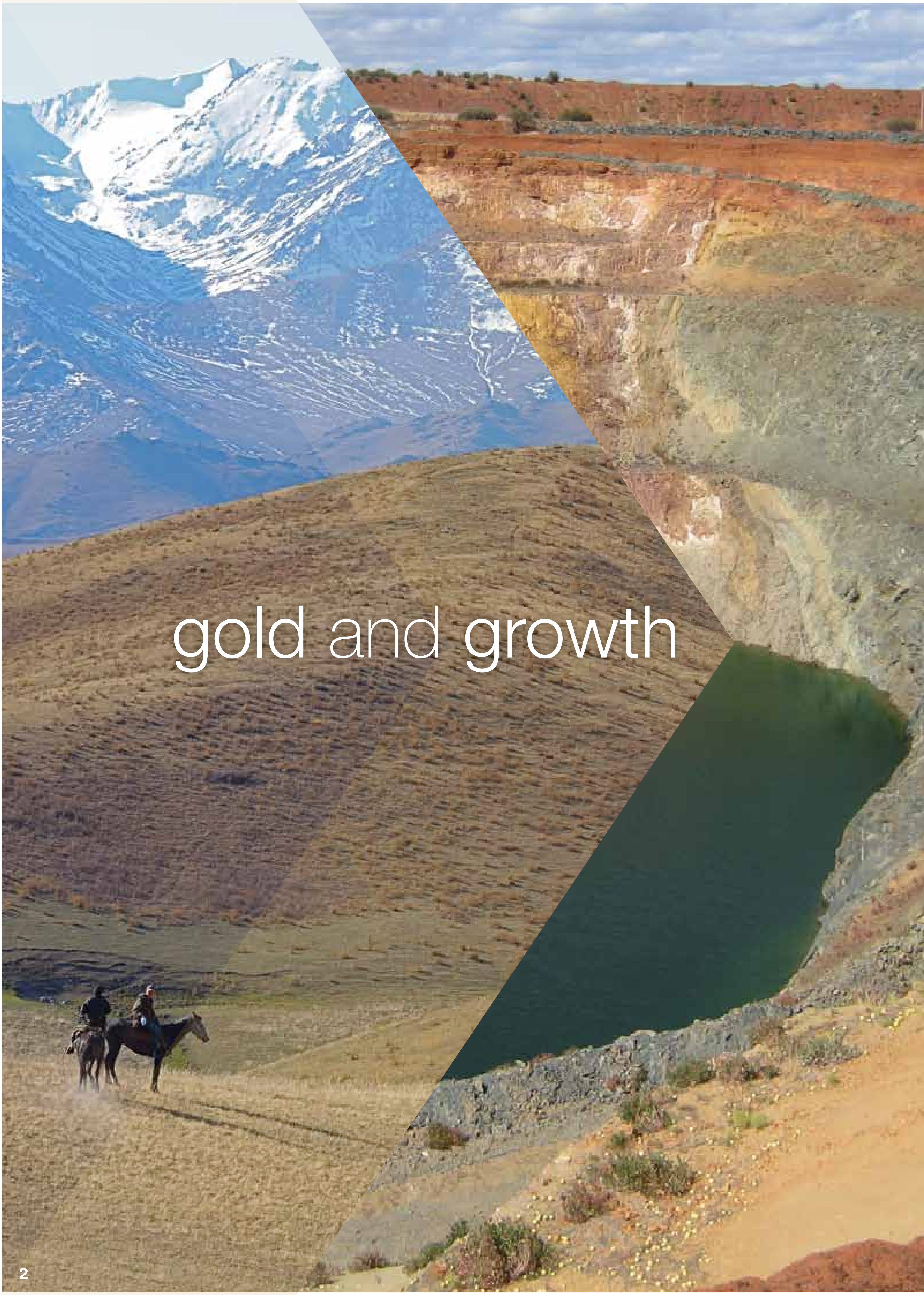

Annual Report 2011 Into Production 2012
Kentor Gold

Into Production

2012

In 2011, Kentor Gold Limited

- advanced towards first gold production at the Murchison Gold Project, Western Australia, in 2012
  - the first in a three-project pipeline over three years
- more than doubled total gold-copper Resources
- diversified geographically in Australia and central Asia


gold and growth

Highlights of the Year

In the Kyrgyz Republic

- The Andash Gold-Copper Project approached development phase
  - Progressed towards local approval to give site access for development to proceed
  - Confirmed as one of world's lowest cost gold projects
  - Production planned at an average 70,000 oz gold and 7,400 tonnes copper per year for an initial six years, at estimated production cost of US$29/oz gold after copper credits and royalties
  - Pre-construction work completed
- Exploration at Bashkol produced high grade gold and copper results over a large area.

In Australia

- Acquired advanced Australian projects through the purchase of Jinka Minerals Limited
- More than doubled Kentor Gold's global Resources to 1.4 million oz gold, 0.23 million tonnes copper and 9.7 million oz silver
- Advanced Jervois Copper-Silver-Gold Project
  - Scoping study for multi-metal mine progressed
  - Intensive exploration drilling across 12km strike
  - Increased Resource to 150,500 tonnes copper and 9.7 million oz silver with significant additional exploration potential including gold assays
  - High metallurgical recoveries (94% copper) and concentrate grades achieved
- Prepared Murchison Gold Project to commence production mid-2012
  - Established 700,000 oz gold Resource with strong copper potential
  - Undertook feasibility for first phase of planned four-phase development
  - Re-activated existing plant and acquired additional plant
  - First phase production to be 24,000 oz gold pa
  - High grade gold intercepts in drilling in Lewis pit shell
  - Studies are underway for a low cost heap leach expansion in 2013

Chairman's Letter

Dear Shareholder,

Shortly after you receive this report, Kentor Gold is scheduled to produce its first gold.

The first of your Company's pipeline of projects is planned to be in production in Western Australia in mid-2012, marking the beginning of Kentor Gold as a gold and base metals miner.

This is the result of the sustained application of a clear and consistent strategy to acquire advanced projects and progress these through exploration and development to production.

In 2011, Kentor Gold acquired Jinka Minerals Limited, not only adding to our project pipeline, but also diversifying the Company's interests geographically to encompass Australia as well as central Asia.

During the year, we continued to give high priority to the development of the high grade, exceptionally low cost Andash Gold-Copper Project in the Kyrgyz Republic. Having acquired a majority interest in Andash in 2009, we completed pre-construction planning and design work during 2011 with only geotechnical investigations for foundation design remaining, thus advancing the project to development-ready status.

Andash experienced unfortunate delays following the political upheaval of 2010 in the Kyrgyz Republic. However, in 2011, the country enjoyed increasingly stable parliamentary democratic government. In that environment, we are now working towards achieving sustainable agreement with the local community. If, as a consequence, we are able to proceed with development in 2012, Andash should commence production in 2013.

Needless to say, the Board is disappointed we have not as yet been able to announce a firm date for the development of the Andash project. We are working toward this.

The acquisition of Jinka gave us 100% ownership of the Jervois Copper-Silver-Gold Project in the Northern Territory and the Murchison Gold Project in Western Australia.

We moved quickly to establish Resources at both projects and to advance them to development.

At Jervois, exploration and metallurgical testing in 2011 have indicated the potential for a major multi-metal mine based on what is emerging as one of Australia's significant copper Resources with valuable silver and gold and the additional presence of lead and zinc. Jervois is now demonstrating high grade and amenable metallurgical characteristics. Further exploration drilling and feasibility studies have high priority in 2012.

The Murchison gold project will be in production in June 2012, commencing at a modest rate of 24,000 oz gold a year. This is expected to increase rapidly over the ensuing two years for minimal capital requirement so that increasing gold output will be accompanied by reduced unit production costs. Recent high grade drilling results in one of the initial mining pit shells has the potential to accelerate the production increase and cost reduction.

Kentor Gold retained a strong financial position during 2011. This has enabled the Company to fund the acquisition of Jinka Minerals and all exploration, development and corporate activities from cash reserves.

I would like to thank my fellow directors for their work on behalf of shareholders during the year, as well as recognise the much valued efforts of the Company's management and staff, led by Managing Director Simon Milroy and our Executive Director in the Kyrgyz Republic, Hugh McKinnon. The 2011 year has required skill and judgement in sensitive environments, in identifying and acquiring assets, in advancing projects to development and production and all the time in adding value.

The directors thank shareholders for their continuing support through this period of growth and transition to producer, and assure them of our best efforts on their behalf.

John Barr

WH John Barr AM, MAICD
Chairman

Managing Director's Report

Kentor Gold ended 2011 with a pipeline of high quality projects, the first of which, the Murchison Gold Project, is planned to be in production by mid-2012.

Each project is being progressed through exploration and development with a view to building the value of Kentor Gold as a rapidly increasing producer of gold, copper and silver over the next three years.

Having acquired the Andash Gold-Copper Project in the Kyrgyz Republic in late 2009, Kentor Gold brought the project to the point of development by late 2011. The project has readily available infrastructure, and the operation will comprise straightforward open pit mining of high grade ore that is amenable to conventional crush, grind and flotation processing. This will clearly be one of the world's lowest cost gold mines, the definitive feasibility study indicating an extraordinary low US$29/oz gold after copper credits and royalty payments, assuming a conservative copper price of US$2.75/lb.

The Company has benefited from its long presence in the Kyrgyz Republic and the in-country experience of its management to progress Andash during the last two politically sensitive years. Our aim is to secure the final approval at the local level during 2012 to enable the 12-month construction period to commence.

In May, 2011, Kentor Gold acquired Jinka Minerals Limited, an Australian unlisted public company. The Jinka assets comprised the Burnakura gold and Gabanintha gold-copper projects, now combined as the Murchison Gold Project in Western Australia, and the Jervois Copper-Silver-Gold Project in the Northern Territory. They fit well with Kentor Gold's commodity focus and provide geographic diversification outside of central Asia.

Within two months of acquisition, Resource estimates were produced for the new Australian projects. At Murchison, gold Resources totalling more than 700,000 oz were established, including 500,000 oz at the Burnakura site where work began on re-activating the existing mine, mine services and processing plant, supplemented by plant acquired from the former Indee mine. The Company developed a four-phase expansion plan for both gold and copper, and committed to the initial start-up phase to commence production in June 2012. The key to success at Murchison lies with the rapid cost reduction that will be achieved with increased production for minimal capital through the introduction of heap leaching in 2013 and beyond. Early in 2012, drilling at Burnakura intercepted high grade gold in the middle of one of the pit shells where initial mining will commence. This provides the potential to increase gold production and reduce costs even in the first year of operation

Jervois has shown the potential to become a significant copper deposit. As soon as it was acquired, a scoping study was initiated. The exploration drilling component of the study was so successful in encountering high grade intersections that the initial mid-2011 Resource estimate was increased within six months by some 30% to a high grade Inferred Resource containing 150,500 tonnes copper and 9.66 million ounces silver, with the potential for further increases. The exploration drilling expenditure has been well justified by the results. Particularly exciting are the higher grades being encountered at depth, including gold which is yet to be included in Resources.

The comprehensive scoping study is examining the economics of a 1.5 million tonnes per year flotation concentrator producing a copper concentrate with significant gold and silver credits. The production of a magnetite concentrate from the flotation tailings is also being investigated.

In addition to progressing the three major pipeline projects, the Company stepped up exploration at the Bashkol Exploration Licence in the Kyrgyz Republic, with encouraging outcomes. Channel sampling produced high grade gold and copper at the Bekbulaktor Prospect, and widespread gold and copper occurrences over a 15-kilometre belt on the Licence area. A drilling program is being planned for Bekbulaktor.

Early in 2012, the Company was awarded a geothermal prospecting licence in the Solomon Islands with a view to generating volcanic-related geothermal energy to produce electricity for the country's capital city, Honiara.

Following the $73 million equity raising in late 2010, the Company has been in a position to fund all activities from cash reserves. Jinka Minerals was acquired for a consideration of $12.8 million, comprising $7.8 million in cash payments to equity holders and $4.95 million in loan repayments, excluding acquisition costs and statutory charges. The Company is also internally funding the estimated $14.8 million capital cost of bringing the Murchison Project into production. At the 31st of December 2011, the company had cash reserves of $34.1 million.

Simon Milroy
Managing Director

Andash gold-copper project, Kyrgz Republic

(Kentor Gold 80%)

Andash has a JORC Ore Reserve of 539,730 oz gold and 63,486 tonnes copper, included within a Resource of 19.2 million tonnes @ 1.1 g/t gold and 0.4% copper for 679,023 oz gold and 77,300 tonnes copper.

The Andash Gold-Copper Project is located in the north-west of the Kyrgyz Republic, within the great Tien Shan gold belt, one of the world's major gold provinces, that extends across central Asia. Well situated topographically for open cut mining and well served by infrastructure, it is 280km by sealed road from the capital, Bishkek, and 45km from the regional centre, Talas. The town of Kopuro Bazar is 2.5km away. Water is available on site and a major power line passes within 8km. A rail line is 150km by road from Andash with connections to Kazakhstan, China and Europe.

The conventional open pit and flotation operation is planned to produce 70,000 oz gold and 7,400 tonnes copper a year in a single concentrate for an initial six years, with strong potential for expansion and extension.

The project is forecast to have an extremely low cash cost of US$29 an ounce gold after copper credits and including transport, treatment and refining charges and royalty payments, based on a copper price of US$2.75 a pound.

During 2011, Kentor Gold completed preparations for the full-scale development of the Andash Project subject to final local approval.

Engineering design work for the mine and processing plant were completed. The necessary equipment and materials were either acquired or sourced ready for procurement. Key contracts were arranged. The near new fleet of construction and mining was acquired as part of the initial purchase and is now ready to use in the project's development and operation.

The Company moved towards final local approval at a time when central Asia's first genuinely democratic government was being established following a period of political upheaval in early 2010. Increasing stability was achieved during 2011; presidential elections were held successfully in October and a new coalition government formed.

While the national government maintained its support for the development of Andash by Kentor Gold, a small minority of local people opposed the project on misinformed environmental concerns that were reflected in a parliamentary resolution.

An independent survey of community attitudes to mining development in the Talas Oblast now shows strong support despite intransigent opposition from less than 10% of the population. As community support for the project is formalised and site access is gained, the Company will proceed with the 12-month construction program. In these circumstances, first production is targeted for 2013.

During the year, Kentor Gold decided not to take up the option to acquire the Aktash copper-gold project, a potentially high grade satellite mine to feed Andash, due to higher funding priorities than the exploration expenditure that would have been required at Aktash. High potential opportunities for Resource expansion exist adjacent to the proposed mine site at Andash.

Jervois copper-silver-gold project, Northern Territory

(Kentor Gold 100%)

Inferred Resource of 11.9 million tonnes @ 1.3% copper and 25.2 g/t silver for a total of 150,500 tonnes copper and 9.66 million oz silver. Resource includes 1 million tonnes @ 2.6% lead, 2.2% zinc and 73 g/t silver contained within the copper mineralisation at Green Parrot and Bellbird North deposits.

Kentor Gold acquired the Jervois Copper-Silver-Gold Project assets as part of the purchase of Jinka Minerals Limited in May 2011.

As a result of exploration drilling and other studies undertaken by the Company since Kentor Gold took ownership, Jervois is emerging as a potenitally significant copper deposit with gold and silver credits.

Mineralisation at Jervois extends along a 12km strike. The Inferred Resources are located at four deposits all of which are open at depth and along strike, providing the potential for expanding the Resource base throughout the strike length.

The initial Resource, announced in July 2011, was updated in January 2012 following the success of exploration drilling at the Reward and Bellbird deposits when a 33% increase in contained copper to 150,500 tonnes and a 27% increase in contained silver to 9.66 million ounces were announced. At the same time, an additional Exploration Target for the Reward and Bellbird deposits was given as 5 to 10 million tonnes @ 0.75% to 1.25% copper and 10 to 25 g/t silver at a 0.5% copper cutoff for 50,000 to 100,000 tonnes copper and 3 to 5 million ounces silver. This exploration potential relates to areas peripheral to the current Inferred Resources at Reward. There are additional possibilities at depth and along strike from the deposits.

The potential quantity and grade of the Exploration Target is 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.

Exploration drilling during 2011 was part of a scoping study undertaken by the Company into the development of an open pit multi-metal mine the results of which have been lifting Jervois in both scale and quality. The initial development potential has been enhanced by the increased Resource being concentrated at one deposit, Reward.

Significant gold assays have been recorded in the drilling at Reward. The gold grades appear to be increasing with depth, the deeper, high grade copper zone at Reward showing consistently high gold grades. With the additional drilling planned in 2012, it is anticipated that gold will be included in future Resource upgrades.

Metallurgical testing at Reward produced outstanding results. Testing was undertaken on a drill hole that assayed 72m @ 3.27% copper, 51.33 g/t silver and 1.16 g/t gold plus 0.25% lead and 0.11% zinc from 414m down hole. This achieved a best overall response indicating the production of a concentrate with a grade of 26% copper for a 94% recovery.

The updated Resource estimate took account only of the late 2011 drilling at Reward and Bellbird. The total Resources for Jervois also include the deposits at Bellbird North and Green Parrot where drilling reported in October 2011 produced individual assays of more than 8% copper and 20% lead.

The scoping study also encompasses mining of each Resource deposit, water management, engineering design, process flows, plant layout and infrastructure requirements. Under consideration is a 1.5 million tonnes per year concentrator to produce a copper concentrate with significant gold and silver credits. The production of a magnetite concentrate from the flotation tailings is also being considered.

Murchison gold project, Western Australia

(Kentor Gold 100%)

The Murchison Project has initial Inferred Resources at the Burnakura and Gabanintha sites totalling 15.1 million tonnes @ 1.5 g/t gold for a total of 719,000 oz gold at a 0.5 g/t cutoff.

At the Burnakura site: Initial Inferred Resource of 10.6 million tonnes @ 1.5 g/t gold for a total of 516,000 oz gold at a 0.5 g/t cufoff. Includes a high grade component of 3.2 million tonnes @ 2.9 g/t for 298,000 oz gold at a 1.5 g/t cut off.

At the Gabanintha site: Initial Inferred Resource of 4.5 million tonnes @ 1.4 g/t gold for a total of 203,000 oz gold at a 0.5 g/t cutoff. Includes a high grade component of 1.3 million tonnes @ 2.9 g/t for 121,000 oz gold at a 1.5 g/t cut off. Resource also included 450,000 tonnes @ 0.5% copper.

Kentor Gold acquired the Murchison Gold Project assets as part of the purchase of Jinka Minerals Limited in May 2011.

The Burnakura and Gabanintha sites that comprise the Murchison project are located 20 km apart, approximately 50 km south of Meekatharra, and have good road access and other infrastructure. Both are former gold mines, Burnakura having 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, and Gabanintha over 180,000 oz gold from open pit mining at 3.23 g/t.

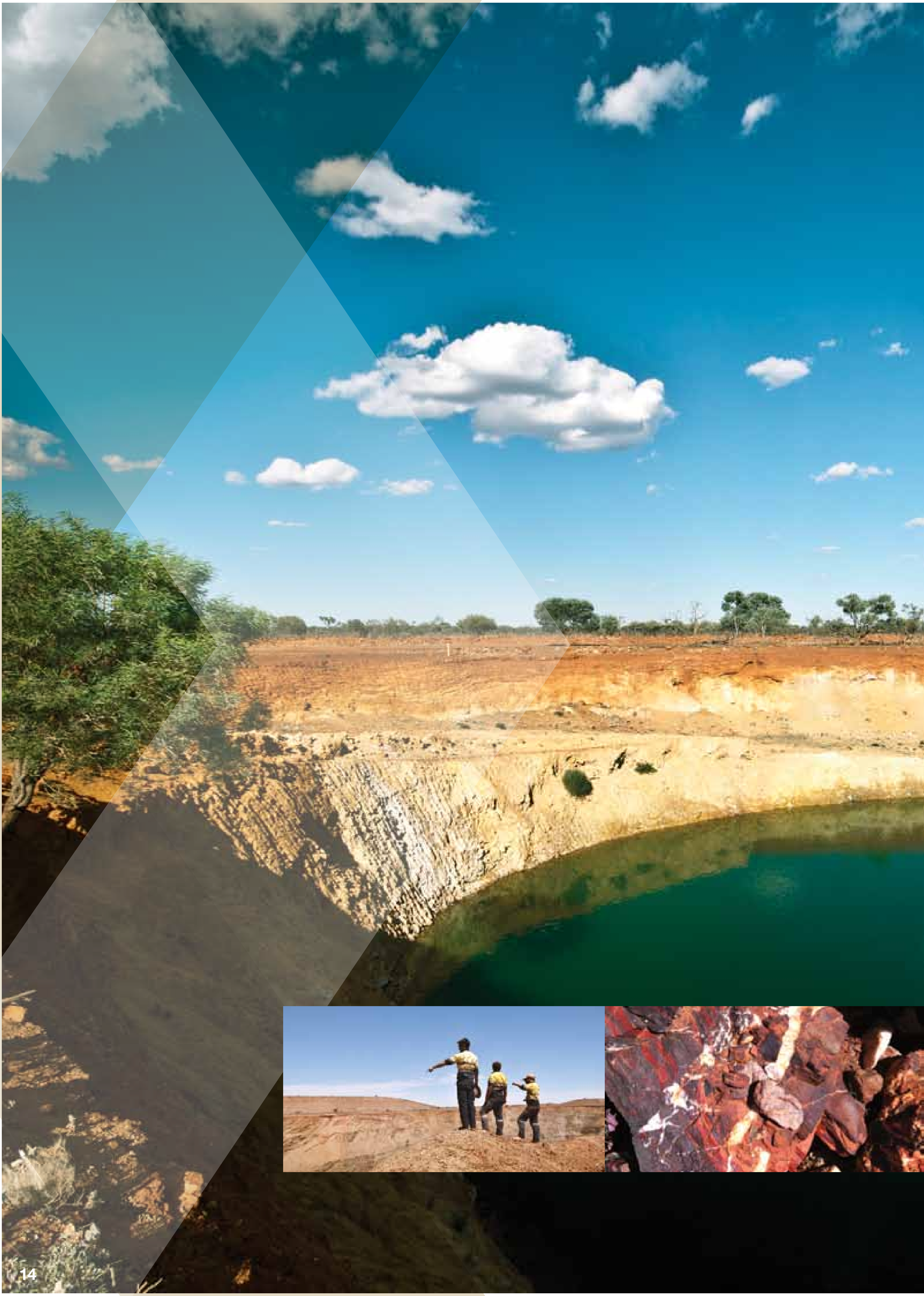
Burnakura came with a processing plant on care and maintenance, a camp, offices and workshop.

Kentor Gold immediately established an initial Inferred Resource and set in train planning for the re-activation of gold mining in mid-2012. This comprised the re-commissioning of the existing processing plant, the installation of additional plant acquired from the closed Indee mine and transported to Burnakura, a feasibility study including mine planning, and an exploration drilling program.

A four-phase plan for the development of the Murchison Project was adopted.

In Phase 1, the operation at the Burnakura site is being re-activated and the CIP plant expanded to a throughput of 260,000 tonnes per year. Initial production is scheduled at 24,000 oz gold per year from a combination of open pit and underground mining over three and a half years. Good metallurgical performance is expected, the previous operation having achieved 94% gold recoveries from the on site processing of underground ore.

The first phase has an estimated capital cost of $14.8 million and a forecast cash operating cost of US$1223 per ounce. While high due to the low throughput rate of the processing plant, the cost is expected to reduce significantly in the second phase with the small additional capital cost, and in the subsequent phases.



Murchison gold project, Western Australia
continued

Phase 2, targeted to commence in 2013, will be the addition of a parallel heap leaching operation which will increase the production for minimal additional capital from equipment already acquired from the Indee mine and reduce operating costs.

Phase 3 will be an expansion of the CIP plant to 500,000 tonnes per year. Initial Phase 1 plans have only included mining from four of the 20 open pits at Burnakura, and additional Resources and extended mine life are expected as the results of current exploration drilling become available.

Phase 4 will be the flotation of copper-gold ore to be mined at Gabanintha to produce a copper concentrate.

Previous mining at Gabanintha was largely confined to six open cut gold operations to a depth of 60 metres. Drilling targeted only oxide gold resources and was mostly terminated when copper mineralisation was encountered. With mineralisation open down dip in all of the old pits, Kentor Gold is now planning a drilling program to target gold and copper below the pits. A HeliTEM survey was undertaken during the year to identify drilling targets.

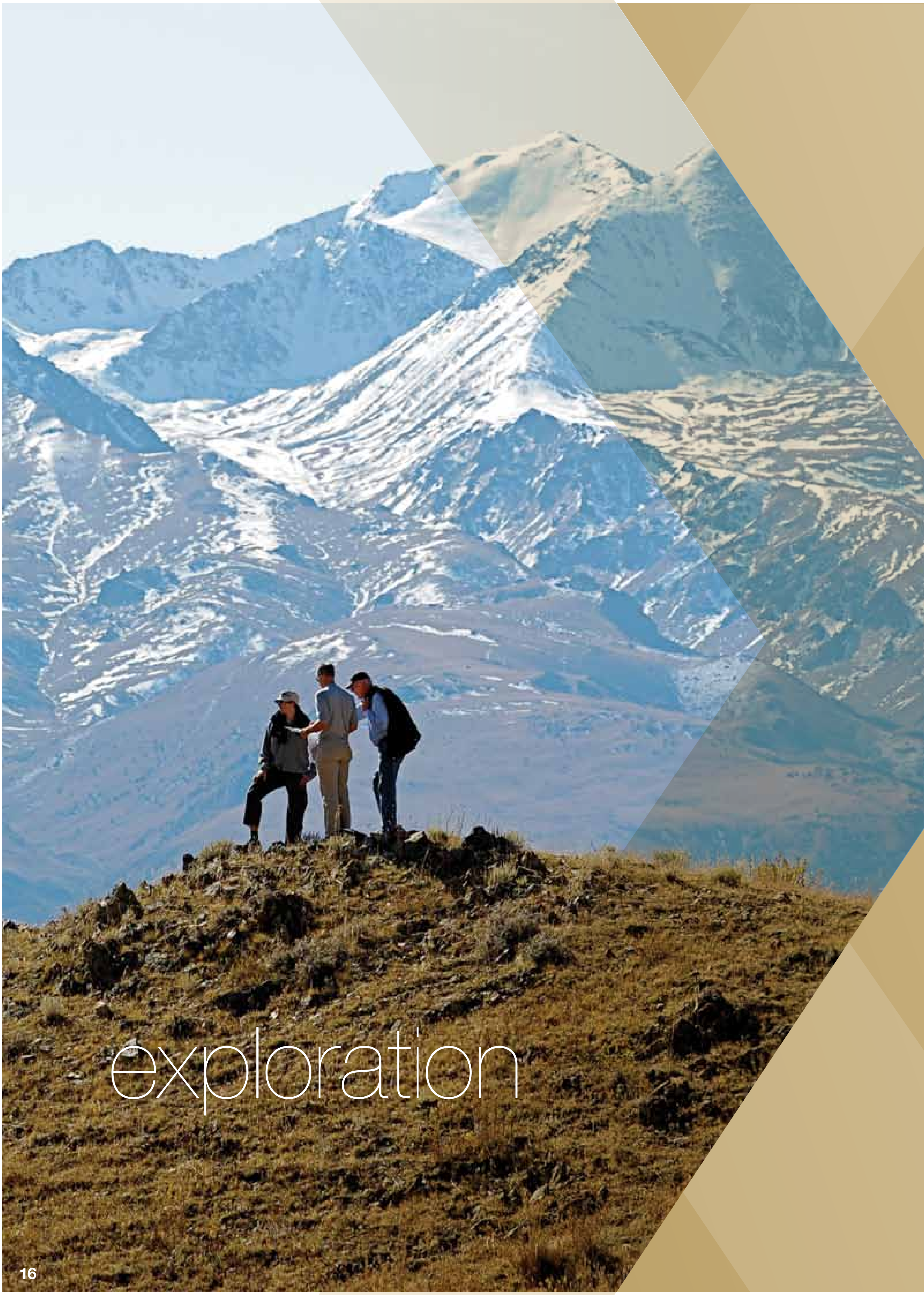
High grade gold intersected in planned pit

In early 2012, the company commenced a 20,000 metre exploration drilling program at the Murchison Project, comprising drilling around the initial mining areas at Burnakura to increase confidence and expand the Resource, and also at Gabanintha to test the gold-copper targets identified in the HeliTEM survey.

At Burnakura, high grade gold was intersected within the planned Lewis pit shell (initial production will come from the Lewis and Reward pits). The results from two diamond drill holes 50 metres apart included:

- 5m @ 102.2 g/t gold from 43m (including 1m @ 474.5 g/t gold)
- 17m @ 9.6 g/t gold from 43m (including 1m @ 103 g/t gold).

The extraordinary drill results suggest that the Lewis pit may be of significantly higher grade than the current resource model indicates, and that there is the potential to achieve higher gold production with lower cost per ounce than currently scheduled and forecast for the Phase 1 operation.



exploration

Bashkol exploration licence, Kyrgyz Republic

(Kentor Gold 80%)

Following the discovery of widespread gold and copper mineralisation at the Bekbulaktor Prospect within the Bashkol Exploration Licence area in 2010, Kentor Gold embarked on a program of channel sampling, geophysics and soil sampling in 2011.

The results further increased the mining potential of Bekbulaktor, and exceeded expectations over a wider part of the licence area.

Bekbulaktor is 80 km north-east of the 500,000/oz a year Kumtor gold mine and within 7 km of a major road.

Channel sampling over a large area at Bekbulaktor returned high grade gold and copper results. The best result was 12m @ 14.07 g/t gold and 1.83% copper from channel sampling of outcropping granite. The program established the presence of widespread gold and copper mineralisation over an area 2 km long and 1 km wide. The potential for additional mineralisation is open in three directions.

The Company also undertook a reconnaissance program of geological traverses, chip sampling and a channel sample to assess the overall potential of the area following the success at Bekbulaktor. The primary focus was a belt of mineralised granite extending 15km from Bekbulaktor to Sharkratma. In 2008, Kentor Gold geologists sampled Sharkratma and recorded gold assays of up to 12 g/t gold from channel sampling.

The 2011 reconnaissance program found widespread gold and copper in numerous locations, with a continuous channel sample reporting 14m @ 5.74 g/t gold, 1.03% copper and 97 g/t silver in the valley of the Molo Stream.

A drilling program is being planned for Bekbulaktor in the 2012 summer, and a geological and geophysical program between Bekbulaktor and Sharkratma.

Geothermal Energy, Solomon Islands

(Kentor Energy 100%)

During the year, Kentor Energy applied to the Government of the Solomon Islands for a geothermal prospecting licence which was awarded early in 2012.

The Company plans to investigate developing a conventional volcanic geothermal energy project on Savo Island with a view to supplying geothermal power to the nation's capital, Honiara, 34km away, at much lower cost than the current diesel generation.

Having discontinued the pursuit of geothermal energy in central Asia due to the low power prices in the region, Kentor Gold reviewed conventional, volcanic related projects in the South Pacific in regions with high cost diesel generation, and identified Savo Island as the best project available. The retail price of electricity in the Solomon Islands is one of the highest in the world (approximately A$0.62).

Tenements

Tenement	Project	Area	Holding
M51/116	Burnakura Gold	1000ha	100%
M51/117	Burnakura Gold	639.2ha	100%
M51/177	Burnakura Gold	842.2ha	100%
M51/178	Burnakura Gold	725.7ha	100%
M51/252	Burnakura Gold	755.1ha	100%
M51/478	Burnakura Gold	790ha	100%
P20/2156	Reedy	76ha	100%
P20/2157	Reedy	173ha	100%
P51/2714	Gabanintha	39ha	100%
P51/2715	Gabanintha	13ha	100%
E51/1444	Gabanintha	259ha	100%
E51/1030	Gabanintha	611ha	100%
E51/1415	Gabanintha	3948ha	100%
M51/836	Gabanintha	589ha	100%
M51/868	Gabanintha	2ha	100%
P51/2332	Gabanintha	117ha	100%
P51/2395	Gabanintha	109ha	100%
P51/2438	Gabanintha	195ha	100%
P51/2439	Gabanintha	78ha	100%
P51/2600	Gabanintha	20ha	100%
P51/2601	Gabanintha	35ha	100%
P51/2602	Gabanintha	4ha	100%
P51/2656	Gabanintha	188ha	100%
P51/2661	Gabanintha	12ha	100%
P51/2662	Gabanintha	198ha	100%
P51/2663	Gabanintha	169ha	100%
P51/2690	Gabanintha	114ha	100%
P51/2691	Gabanintha	148ha	100%
P51/2692	Gabanintha	117ha	100%
P51/2693	Gabanintha	122ha	100%
P51/2694	Gabanintha	117ha	100%
P51/2695	Gabanintha	86ha	100%
P51/2700	Gabanintha	47ha	100%
EL 25429	Jervois	12 sub-blocks	100%
		(38.03sq.km)	100%
MLS10	Jervois	15ha	100%
MLS16	Jervois	15.86ha	100%
MLS17	Jervois	15.86ha	100%
MLS23	Jervois	8.09ha	100%

Tenement	Project	Area	Holding
MLS51	Jervois	16.18ha	100%
MLS52	Jervois	16.18ha	100%
MLS53	Jervois	16.18ha	100%
MLS54	Jervois	16.18ha	100%
MLS55	Jervois	16.18ha	100%
MLS56	Jervois	16.18ha	100%
MLS57	Jervois	16.18ha	100%
MLS61	Jervois	16.18ha	100%
MLS62	Jervois	16.18ha	100%
MLS90	Jervois	3.67ha	100%
MCS13	Jervois	32.4ha	100%
MCS14	Jervois	32.4ha	100%
MCS15	Jervois	32.4ha	100%
MCS16	Jervois	32.4ha	100%
MCS17	Jervois	32.4ha	100%
MCS18	Jervois	32.4ha	100%
MCS19	Jervois	32.4ha	100%
MCS20	Jervois	16.19ha	100%
MCS21	Jervois	30.67ha	100%
MCS22	Jervois	18.2ha	100%
MCS23	Jervois	26ha	100%
MCS24	Jervois	25.9ha	100%
MCS25	Jervois	24.28ha	100%
MCS26	Jervois	32.4ha	100%
MCS27	Jervois	1.2ha	100%
MCS28	Jervois	11.7ha	100%
HLDS19	Jervois	2.45ha	100%
HLDS20	Jervois	16.17ha	100%

Kyrgyz Republic

Name	Number	Entity	Location	Ownership
Bashkol	AP1602	CJSC Kentor	Issykkul Oblast, Aksuu Rayon	80%
Andash	ML No AE218	Andash Mining Company LLC	Talas Oblast	80%
Andash*	EL No AU-141-04	Andash Mining Company LLC	Talas Oblast	80%

* Under renewal

Group Resources and Reserves Statement

Resources	Tonnes (mt)	Grade Au g/t	Grade Cu%	Grade Ag g/t	Gold (oz)	Copper (t)	Silver (Oz)
Andash Sulphide	0.38	0.93	0.25		11,350	950	
Jervois	11.9		1.3	25.2		150,500	9,660,000
Murchison Project – Burnakura	10.6	1.5			516,000		
Murchison Project – Gabanintha	4.5	1.4			203,000		
Total Inferred Resources	**27.38**				**730,350**	**151,450**	**9,660,000**
Andash Oxide	0.81	0.85	0.43		22,136	3,510	
Andash Sulphide	14.31	1.11	0.38		510,507	54,260	
Total Indicated Resources	**15.12**				**532,643**	**57,770**	
Andash Oxide	0.923	0.88	0.5		26,114	4,638	
Andash Sulphide	3.16	1.21	0.47		122,932	14,900	
Total Measured Resources	**4.08**				**149,046**	**19,538**	
Total Resources	**46.58**				**1,412,039**	**228,758**	**9,660,000**

Gabanintha and Burnakurra Resources as quoted at a cut-off grade of 0.5g/t Au.
Jervois Resource is based on cut-off grades 0.2% to 0.5% Cu
Kentor Gold own 80% of the Andash project

Andash JORC Reserve Estimate

Category	Type	Tonnage	Grade		Metal	
		(kt)	Au (g/t)	Cu (%)	Au (oz)	Cu (t)
Proven	Oxide	1,129	0.77	0.43	27,995	4,867
	Sulphide	2,921	1.17	0.46	110,210	13,408
Probable	Oxide	1,389	0.68	0.31	30,155	4,315
	Sulphide	10,559	1.09	0.39	371,370	40,896
Total Reserves		**16,000**	**1.05**	**0.40**	**539,730**	**63,486**

Ore Reserve estimated using assumptions of US$525/oz gold and US$3,000/t copper.

Group Resources and Reserves Statement continued

Competent Persons Statement

The information in this report that relates to mineral resource estimation for Gabanintha and Burnakura is based on work completed by Mr Jonathon Abbott who is a full-time employee of Hellman & Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. 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.

The data in this report that relates to Mineral Resource Estimates and Exploration Potential for Jervois is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience 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 (the "JORC Code"). Mr Tear is a full-time employee of Hellman & Schofield Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The Resource and Ore Reserve Estimate for Andash in this report are based on information compiled by Dr. Phil Newall, who is a Chartered Engineer and Fellow of the Institute of Materials Minerals and Mining and a full time employee of Wardell Armstrong International. Dr. Newall 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. Dr. Newall has consented to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to exploration results for Burnakura is based on work completed by Mr Keith Mayes who is a full-time employee of Kentor Gold and a fellow of the Geological Society of London. Mr Mayes 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources." Mr Mayes has consented to the inclusion of this information in the form and context in which it appears in this report.

The exploration results in this report that relate to Bashkol and Bekbulaktor are based on information compiled by Simon Milroy who is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Kentor Gold. Mr Milroy has sufficient experience which is relevant to the style of 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 Resources. Mr Milroy has consented to the inclusion of this information in the form and context in which it appears.

The data in this report relating to Jervois exploration is based on information compiled by Rudy Lennartz, who is a member of the Australian Institute of Mining and Metallurgy and a full-time employee of Kentor Gold. Mr Lennartz 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 Exploration Results, Mineral Resources and Ore Resources. Mr Lennartz has consented to the inclusion of this information in the form and content in which it appears in this report.

Corporate Governance Statement

Principle 1 Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1 – Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

COMPLIANT

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives.

COMPLIANT

The Board of Directors has been charged by members to oversee the affairs of the Company to ensure that they are conducted appropriately and in the interests of all members. The Board defines the strategic goals and objectives of the Company, as well as broad issues of policy, and establishes an appropriate framework of corporate governance within which Board members and management must operate. The Board is proactively involved with management in key matters of strategic direction.

The Board has delegated to the Managing Director responsibility for the formulation of strategy and management of the day-to-day operations and administration of the Company, consistent with the objectives and policies set down by the Board. The Managing Director is directly accountable to the Board for the performance of the management team.

The company's Board Charter providing detail of the specific roles and accountabilities of the Board is detailed on the website **www.kentorgold.com.au**.

At the beginning of each of financial year, the Managing Director recommends Key Performance Indicators (KPI) for each of the senior executives. The Remuneration Committee approves the executive and sets the Managing Director's KPIs for the forthcoming year. At the end of the financial year the Managing Director and each executive's performance is assessed against the KPI's and a short term incentive is calculated using the measured performance and the performance of Kentor's share price for that period.

Further details on performance evaluation of senior executives can be found in the remuneration report.

Principle 2 Structure the Board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1 – A majority of the Board should be independent directors

COMPLIANT

Recommendation 2.2 – The chairperson should be an independent director

COMPLIANT

Recommendation 2.3 – The roles of chairperson and chief executive officer should not be exercised by the same individual

COMPLIANT

Recommendation 2.4 – The Board should establish a Nomination Committee

COMPLIANT

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

COMPLIANT

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report under the section headed "Directors". Also included is the period of time each director has held office.

Directors of Kentor Gold Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a director's exercise of judgment on behalf of the Company and its shareholders. In accordance with the definition of independence above, the following directors of Kentor Gold Limited are considered to be independent:

Mr W.J. Barr (Non-executive Chairman)

Mr A. Daley (Non-executive director)

Mr John Taylor (Non-executive director)

Corporate Governance Statement continued

Principle 2 Structure the Board to add value (continued)

Where a vacancy arises or it is considered appropriate to increase the size of the Board, the Remuneration and Nomination Committee considers suitable candidates and makes a recommendation to the Board.

All Directors of the Company have direct access to the management of the Company and, where necessary, to external advisers.

The Board reviews its performance on an informal basis in relation to significant decisions undertaken. Given the small size of the Board, this process is deemed suitable.

Directors are also entitled to seek independent professional advice, after appropriate consultation, at the expense of the Company, to assist them to carry out their duties as directors. Such advice would be made available to all directors.

Principle 3 Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision making.

Recommendation 3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code.
COMPLIANT

Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objective and progress in achieving them.
SEE EXPLANATION

Recommendation 3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
SEE EXPLANATION

Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.
COMPLIANT

The Board has adopted a Code of Conduct, which is posted on the Company's website at **www.kentorgold.com.au.**

Kentor Gold Limited recognises that a diverse and inclusive workforce is not only good for Kentor employees; it is also good for Kentor. It helps attract and retain talented people, create more innovative solutions and ultimately create value for Kentor stakeholders. Although Kentor is yet to develop a diversity policy, it believes that a gender diverse workplace is aligned with the strategic objectives of the company. A policy will be developed as Kentor develops other Human Resource polices as part of its ongoing growth and advancement of commodity projects.

As at the date of this report, Kentor employed 78 persons, 28 of these are women. There are 2 women in senior roles and no women on the board.

Principle 4 Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1 – The Board should establish an audit committee.
COMPLIANT

Recommendation 4.2 – The Audit committee should be structured so that it:

- Consists only of non-executive directors
- Consists of a majority of independent directors
- Is chaired by an independent chair who is not the chair of the board
- Has at least three members.

COMPLIANT

Recommendation 4.3 - The Audit Committee should have a formal charter.
COMPLIANT

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit & Risk Management Committee.

The Audit & Risk Management Committee comprises J Taylor (Chairman of the Committee and independent non-executive director), A E Daley (independent and non-executive director) and W H J Barr (independent and non-executive director), supported where necessary by appropriate external consultants and advisors.

Messrs Taylor, Daley and Barr each have had many years experience in the financial management of public companies. The Audit and Risk Management Committee is considered appropriate for the size of Kentor Gold and the skills of the members.

The Board has adopted an Audit & Risk Management Committee Charter, which is posted on the Company's website at **www.kentorgold.com.au**

Principle 5 Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1 – Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

COMPLIANT

The Board has adopted an ASX Disclosure Compliance Policy and Procedures document, which is posted on the Company's website. Compliance with this policy is considered at each board meeting and when issues arise that may involve matters of disclosure.

The Managing Director is accountable for ensuring that senior executives are aware of and comply with the policies.

Principle 6 Respect the rights of shareholders

Companies should respect the rights of shareholder and facilitate effective exercise of those rights.

Recommendation 6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

COMPLIANT

Recommendation 6.2 – Using electronic communications effectively

COMPLIANT

Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of the Annual Report, Half-Yearly Report, Quarterly Activities Reports, Appendix 5B cashflow reports, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. The Company also maintains a website **www.kentorgold.com.au** – where all of the Company's ASX announcements and media releases can be viewed at any time.

Principle 7 Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control

Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

COMPLIANT

Recommendation 7.2 – The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has report to it as to the effectiveness of the company's management of its material business risks.

COMPLIANT

Recommendation 7.3 – The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295AS of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

COMPLIANT

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the exploration for, development and mining of mineral deposits in foreign locations.

Corporate Governance Statement continued

Specifically, in relation to risk oversight the Board is conscious of its responsibilities to: ensure compliance in legal, statutory and ethical matters; monitor the business environment; identify business opportunities; and monitor the systems established to ensure proper and appropriate responses to member complaints and enquiries.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the consolidated entity to the Managing Director. For every major business decision, management provides a risk assessment of the proposal, rating each risk and detailing mitigating factors.

For the financial year ending 31 December 2011, the Managing Director and the Chief Financial Officer have provided a statement to the Board that, in their view: the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1 – The board should establish a remuneration committee.

COMPLIANT

Recommendation 8.2 – The remuneration committee should be structured such that it

- Consists of a majority of independent directors,
- Is chaired by an independent chair,
- Has at least three members

COMPLIANT

Recommendation 8.3 – Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

SEE EXPLANATION

The Board has established a Remuneration and Nomination Committee

The Board has adopted a Remuneration Committee Charter, which is posted on the Company's website at www.kentorgold.com.au

The Remuneration and Nomination Committee comprises three non-executive directors. Members of the Remuneration Committee are A E Daley (Chairman of the Committee and independent non-executive director) J Taylor (independent and non-executive director) and W H J Barr (independent and non-executive director).

The shareholders have approved the aggregate remuneration of all Directors, in their capacity as Directors, which must not exceed $500,000 per annum. This amount is to be apportioned amongst them in such manner as the Directors agree and, in default of agreement, equally. Non-Executive Directors who chair any of the Board committees do not receive additional remuneration for such duties.

There are no arrangements currently in place for payment of retirement benefits to Non-Executive Directors, other than statutory superannuation contributions.

The granting of options over ordinary shares has formed part of the remuneration structure of the non-executive directors. The board considers this form of remuneration appropriate for a company such as Kentor Gold, which at this stage of development, needs to preserve cash on hand to ensure the progress of the company's projects.

Financial Report
for the year ended 31 December 2011

Directors' report

The directors present their report on the consolidated entity (or the Group) consisting of Kentor Gold Limited and the entities it controlled at the end of, or during, the year ended 31 December 2011.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

John Barr AM MAICD

Non-Executive Chairman
Appointed 10 November 2004

Mr Barr has had a long involvement with the Australian minerals and metals industry having been Managing Director of Metallgesellschaft's Australian subsidiary since the Company's inception in 1974 until his retirement in 1994. He is a former Director of Iluka Resources Limited, Acacia Resources Ltd, Oxiana Limited, and Transurban City Link Ltd. In August 2005 he retired as Chairman of Utilities of Australia Pty Ltd, a major unlisted infrastructure investment fund. Mr Barr has been honoured by each of the Australian and German Governments for his services to international trade and industry.

Mr Barr is a member of the Audit and Compliance Committee and Remuneration Committee.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

Andrew Daley
BSc (Hons)(Mining) Grad Dip (GeoSc), C.Eng (UK), FAusIMM, MIOM3

Non-Executive Director
Appointed 10 November 2004

Mr Daley commenced his mining career in 1970 with Anglo American on the Zambian copper belt and later worked with Rio Tinto and Conoco Minerals also in Africa. He moved to Australia with the engineering group Fluor Australia in 1981 working on new project evaluation. In 1983 Mr Daley, moved into resource project finance with National Australia Bank, Chase Manhattan and from 1999 as a Director of the Mining Team at Barclays Capital in London.

From his return to Australia in 2003 until retiring from full-time work in mid 2009 he was Director of Investor Resources Finance Pty Limited, a Company based in Melbourne which provided financial advisory services to the resources industry globally.

Mr Daley is a member of the Audit and Compliance Committee and the Chairman of the Remuneration Committee

Other Current Directorships of Listed Companies
PanAust Limited (appointed August 2004).

Former Directorships of Listed Companies in last three years
In the past three years he has also been a director of:

- Dragon Mining Ltd (appointed March 2005, resigned 4 March 2010);
- AIM-listed Minerva Resources Plc (appointed July 2007, resigned 15 July 2009); and-
- Uranex NL (appointed November 2007, resigned 27 August 2010).

John Taylor
BEng (Chem), MBA
Non-executive Director
Appointed 28 July 2009

Mr Taylor has held senior positions in business and has had 40 years experience in the Australian and international engineering and construction industries; primarily in the resources sector. Previously, the Managing Director of Outotec (Australasia) Pty Ltd (retired 2010) and has held directorships in several ASX listed companies including Ticor Limited and privately held companies including Lurgi (Australia) Pty Ltd and Metallgesellschaft of Australia Pty Ltd.

Mr Taylor is Chair of the Audit and Compliance Committee and a member Remuneration Committee.

Other Current Directorships of Listed Companies
Heemskirk Consolidated Ltd appointed 9th May 2011.

Former Directorships of Listed Companies in last three years
In the past 3 years he has been a director of Ausmelt Limited (appointed 1 February 2010, resigned 15 December 2010).

Simon Milroy
BEng (Mining)
Managing Director
Appointed 14 May 2007

Mr Milroy is a mining engineer who previously spent nearly 4 years as General Manager – Project Development and Manager Technical Services for Pan Australian Resources Limited in Laos. In those roles he was responsible for scoping and feasibility studies, evaluations of projects and companies, ore reserves and technical support of the companies operations. During that period key achievements were managing the feasibility studies and environmental and social impact assessments for the Phu Bia gold mine and the Phu Kham copper-gold mine.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

Hugh McKinnon
BEng (Mining)
Executive Director
Appointed 28 May 1998

Mr McKinnon has been involved in the mining industry in Australia, Africa, and Asia for 30 years in activities ranging from exploration ventures to mine production. Since early 1996 he has worked on mining and exploration projects across Central Asia from Tajikistan to Mongolia, with a particular interest in the Kyrgyz Republic. Hugh speaks competent Russian and is Chairman of the International Business Council in the Kyrgyz Republic.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

Directors' report

Company secretary

Kylie Anderson

BSc. MBA (Int. Bus.) MPA, MAICD

Appointed 2 January 2008

Ms Anderson has held senior financial and company secretarial roles with a number of companies in the resources sector including Felix Resources and Rio Tinto.

Interests in the shares and options of the company and related bodies corporate

At the date of this report, the interest of the directors in the shares and options of Kentor Gold Limited are:

Director	Ordinary shares*	Options over ordinary shares*
W H J Barr	207,675	100,000
A Daley	247,302	100,000
H McKinnon	250,110	280,000
S Milroy	124,544	600,000
J Taylor	450,011	-

* These amounts are subsequent to a consolidation of shares that occurred on the 10 February 2012 of 1:10.

Meetings of Directors

The number of directors' meetings held during the financial year and the number of meetings attended by each director while they were a director were as follows:

Directors	Attended	Held
W H J Barr	13	13
A Daley	13	13
J Taylor	12	13
S Milroy	13	13
H McKinnon	13	13

Committee membership and meetings

The members of the Committees are the independent directors, Andrew Daley, John Barr and John Taylor. As of the 12 December 2009, Mr John Taylor was appointed as the Chairman of the Audit and Compliance Committee with Mr Andrew Daley appointed as the Chairman of the Nomination and Remuneration Committee.

Two meetings of the Audit and Compliance Committee were held during the year. Both meetings were attended by Mr Taylor, Mr Daley and Mr Barr. Two meetings were held by the Nomination and Remuneration Committee during the year, attended by Mr Daley, Mr Taylor and Mr Barr.

Corporate information

Principal activities

The principal continuing activity of the consolidated entity during the financial year was exploration and development of gold and base metals projects in the Kyrgyz Republic. In July 2011 Kentor Gold commenced exploration and development of gold and other base metals projects in Western Australia and the Northern Territory resulting from the acquisition of Jinka Minerals.

Employees

The consolidated entity employed 81 employees as at 31 December 2011 (2010: 54 employees).

Dividends

No dividends in respect of the current financial year have been paid, declared or recommended for payment.

Operating and financial review

Group overview

Kentor Gold Limited was established in May 1998 for the purpose of exploring for and developing gold properties in the Kyrgyz Republic and was listed with the Australian Securities Exchange on 17 March 2005.

During 2011, Kentor Gold acquired gold, copper and silver projects in Australia, and advanced one of the projects - the Murchison Gold Project – towards scheduled production in mid-2012. At the same time, the Andash Gold-Copper Project in the Kyrgyz Republic progressed towards the final local approval required to commence development.

The Australian projects were acquired through an off-market takeover of Jinka Minerals Limited in May 2011. The acquisition provided Kentor Gold with strong growth prospects in Australia including early gold production, the potential for larger scale projects and geographical diversification from central Asia.

Within two months, Kentor Gold established Inferred Resources of more than 700,000 oz gold at the Murchison Project (comprising Burnakura and nearby Gabanintha) in Western Australia and undertook a feasibility study. Gold production is scheduled to commence in mid 2012 at the initial rate of 24,000 oz a year.

The Jervois Copper-Silver-Gold Project, acquired through the Jinka takeover, is emerging as a potential major multi-commodity mine in the Northern Territory. Jervois currently comprises four deposits along a 12km strike. Initial Resource estimates were increased significantly through exploration during the year, lifting the total Inferred Resource to 11.9 Mt @ 1.3% copper and 25.2 g/t silver containing 150,500 tonnes of copper and 9.66 million ounces of silver. A further 50,000 to 100,000 tonnes of copper and 3 to 5 million ounces of silver are targeted through exploration.* The deposits are open at depth and along strike. Combining to make Jervois a strong project are the high copper grade and silver credits, good metallurgy, the highly encouraging exploration potential and the significant gold assays in recent drilling with gold appearing to increase at depth.

* Exploration potential for the Reward and Bellbird deposits in areas adjoining the current Inferred Resource is 5 – 10 Mt @ 0.75 to 1.25% copper and 10 to 25 g/t silver at a 0.5% copper cut off for 50,000 to 100,000 tonnes copper and 3 to 5 Moz silver. The potential quantity and grade of the Exploration Potential is 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.

Directors' report

Pre-construction work for the Andash Gold-Copper Project was completed during the year, other than geotechnical investigations that will be concluded when site access is obtained. At year end the OVOS remained the only outstanding approval required to commence construction. Upon receiving final approval and gaining site access, the Company will commence a 3 month geotechnical drill programme and proceed with the 12 month construction program.

Andash is expected to be one of the world's lowest cost gold mines, with an estimated total cost of US$29 an ounce, after copper credits and royalty payments, based on a copper price of US$2.75 a pound. The project is planned as a conventional open pit and flotation operation averaging production of a single concentrate containing 70,000 oz gold and 7,400 tonnes copper a year for an initial six-year mine life, with high potential to expand and extend the operation.

High grade gold and copper exploration results were reported at the Bekbulaktor Gold Prospect on the Bashkol Exploration Licence in the Kyrgyz Republic, and widespread gold and copper occurrences were discovered over a 15-kilometre belt in the Licence area. A drilling program at Bekbulaktor and a geological and geophysical program over the belt are planned for 2012.

Having discontinued the pursuit of geothermal energy in central Asia due to the region's low power prices, Kentor Gold applied to the Government of the Solomon Islands for a geothermal prospecting licence to investigate the development of a conventional volcanic geothermal energy project on Savo Island with a view to supplying geothermal power to the nation's capital, Honiara, at much lower cost than the current diesel generation.

Financial overview

Operating results for the period

The loss for the consolidated entity after income tax was $3,078,567 (2010: loss of $6,487,708). This result was in line with expectations of costs associated with managing exploration and development programmes.

Cash flows

The cash flows of the Group consist of, payments to employees, consultants and suppliers for the development of the Andash Gold-Copper project and Murchison Gold project, exploration activities on the Jervois Base metal project and tenements held in the Kyrgyz Republic; identification of various business development opportunities and the maintenance of the corporate head office which manages existing projects as well as costs involved in investigating new exploration opportunities.

Capital Raisings / Capital Structure

There were no capital raisings (other than share options exercised) during the year as a result of the $73,068,113 of equity (net of capital raising costs) raised in the 2010 year to fund the development of the Andash Gold-Copper project, on-going exploration programmes, various business development opportunities and to provide working capital for the Group. On 21 March 2011, Kentor announced that terms had been agreed with Macquarie Bank Limited on a Committed Letter of Offer for a US$50M debt facility to fund construction of the Andash Gold-Copper project. These terms lapsed at December 2011.

On 10 February 2012 there was a consolidation of shares in the ratio of 1:10.

Summary of shares and options on issue

As at the date of this report there were 106,209,295 ordinary shares on issue and 2,736,923 unissued ordinary shares in respect of which the options listed below were outstanding. On 10 February 2012 there was a consolidation in the ratio of 1:10. This has been reflected in the table below.

Expiry date/Duration	Number	Exercise price $
Unlisted options		
31 May 2012	10,000	5.808
31 May 2012	10,000	7.808
31 May 2012	10,000	9.808
16 Dec 2012	1,076,923	1.433
Total unlisted options	**1,106,923**	
Unlisted employee options		
30 days after ceasing employment	30,000	6.058
30 days after ceasing employment	30,000	7.308
30 days after ceasing employment	30,000	8.558
30 days after ceasing employment	100,000	1.808
30 days after ceasing employment	95,000	2.308
30 days after ceasing employment	95,000	2.808
Earlier of 14 Sept 2014 or 30 days after ceasing employment	150,000	1.176
Earlier of 14 Sept 2014 or 30 days after ceasing employment	350,000	1.449
Earlier of 04 June 2015 or 30 days after ceasing employment	50,000	1.688
Earlier of 04 June 2015 or 30 days after ceasing employment	50,000	1.378
Earlier of 04 June 2015 or 30 days after ceasing employment	50,000	1.408
Earlier of 04 June 2015 or 30 days after ceasing employment	50,000	1.728
Earlier of 30 May 2016 or 30 days after ceasing employment	50,000	1.455
Earlier of 30 May 2016 or 30 days after ceasing employment	50,000	1.746
Earlier of 31 May 2016 or 30 days after ceasing employment	50,000	2.078
Earlier of 31 May 2016 or 30 days after ceasing employment	50,000	2.493
Earlier of 31 May 2016 or 30 days after ceasing employment	100,000	1.218
Earlier of 31 May 2016 or 30 days after ceasing employment	100,000	1.462
Earlier of 01 July 2016 or 30 days after ceasing employment	50,000	1.256
Earlier of 01 July 2016 or 30 days after ceasing employment	50,000	1.507
Earlier of 25 July 2016 or 30 days after ceasing employment	25,000	1.137
Earlier of 25 July 2016 or 30 days after ceasing employment	25,000	1.365
Total unlisted employee options	1,630,000	
Total options granted	**2,736,923**	

The option holders have no rights to participate in any share or interest issue of the Company or any other entity under the options. 550,000 options over unissued shares of the Company were granted during the year, 3,724,213 options were forfeited and 50,000 options were exercised.

Directors' report

Significant changes in the state of affairs

During the year Kentor Gold acquired three advanced gold and base metals projects in Australia with the expectation of Murchison Gold Project commencing gold production in mid-2012, while the Andash Gold-Copper Project in the Kyrgyz Republic awaited local approval for site access.

The off-market takeover of Jinka Minerals Limited provided Kentor Gold with a significant diversification and expansion into Australia. The Jinka assets comprise the Murchison Gold Project at Burnakura and Gabanintha, both former gold mines in Western Australia, and the Jervois Multi-Commodity Project in the Northern Territory.

Significant events after the balance date

On 7 February 2012 the Board of Kentor Gold approved the development of Phase 1 of the Murchison Gold Project. The capital cost of phase 1 is $14.8m, initially producing 24,000 ounces of gold a year from a combination of open pit and underground mining over an initial three years with a forecast cash operating cost of $1,223 per ounce.

The Company is evaluating a second phase to commence during 2013 with the addition of a parallel heap leaching operation. Third and fourth phases were being evaluated to expand the CIP plant from 260,000 to 500,000 tonnes a year and the addition of a flotation circuit to produce a copper concentrate.

An open pit mining contract has been awarded to Minepower.. Mobilisation of mining equipment to the Burnakura site commenced in March 2012 with mining to commence in early April 2012 subject to final approval from the WA Department of Mines. Early termination requires three months notice on equipment and one month for Labour.

Network Aviation, has been awarded a 24 month contract to provide a charter services twice a week a Perth – Meekatharra – Perth. Early termination requires three months notice.

Action Catering, has been awarded a 24 month contract to provided catering and camp management services at the Burnakura site. Early termination 30 days notice is required.

The Company has been award a three year prospecting licence for geothermal energy granted by the Solomon Islands government.

On 10 February 2012 there was a consolidation of shares in the ratio of 1:10.

Likely developments and expected results

In the Kyrgyz Republic, the Board of Directors primary focus in FY2012 is to commence construction of a 1.5Mtpa Gold Copper concentrator plant "Andash" and continue exploration and development programmes on existing tenements including Andash and Bashkol.

On 24 June 2011, Kentor Gold advised that a resolution was adopted in the Kyrgyz Parliament calling for the suspension of all activities related to the development of the Andash gold-copper project, revocation of all permits and cancellation of land use permits. On 28 June 2011 the Department of Natural Resources wrote to Kentor stating that it "... has no information on and sees no causes for early cancellation of the Andash Licences". Mining licences and land use permits are the responsibility of the Executive Government through the Department of Natural Resources.

In March 2012, following a request made to a meeting of the Kyrgyz Parliamentary Committee on the Development of Economic Sectors including Andash, the Kyrgyz Parliamentary Committee has sought clarification of the Kyrgyz Government position by 10 April 2012.

Likely developments and expected results continued

Within Australia, the Kentor Board has been focusing on the successful assimilation of Jinka Minerals' assets into the Group and committing to significant exploration and capital development programmes on its tenements in Western Australia and the Northern Territory. The Board anticipates that the Murchison Gold Project will commence production of first gold in mid 2012. Exploration was commenced at both locations to increase Resources including copper at Gabanintha where the initial Resource included 450,000 tonnes at 0.5% copper.

At the Jervois copper-silver-gold mine, a scoping study being undertaken into the development of an open pit multi-metal mine is expected to be released in April of 2012. It is anticipated that this will lead to a full feasibility study later in 2012. Lycopodium are responsible for the definition of the engineering design to support the capital and operating cost estimates to an accuracy of ± 35%. On the completion of a successful feasibility the Group will look to commence a full Definitive Feasibility Study on the Jervois asset.

Environmental regulation

The Group's operations in Western Australia and the Northern Territory are now subject to significant environmental regulations under both Commonwealth and State legislation. In all instances there have been no breaches by Kentor Gold and its subsidiaries.

The Group's Kyrgyzstan based entities are subject to the relevant laws and regulations imposed by the Kyrgyzstan government. Additionally, the Kyrgyz Republic is a contracting party to a number of international environmental conventions.

Kentor's projects are subject to annual reviews by the Kyrgyz government inspectors and no breaches have been reported.

Remuneration report (audited)

Remuneration philosophy

The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Board has introduced a short term incentive programme which links executive officers' remuneration to the Group's financial and operational performance through a series of measurable key performance indicators.

The Board is also looking to introduce a formal long term incentive programme for senior executives which aligns executives' long term remuneration with overall group strategy.

Employment agreements are entered into with executive directors and other key management personnel. The current employment contract with the Managing Director has lapsed. The employment contract with the Executive Director, Hugh McKinnon, is automatically renewed for a 6 month period unless the Company gives notice of termination between 60 and 90 days prior to the expiry of the current extension period. Contracts do not provide for any additional termination benefits.

Remuneration committee

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and executives.

Remuneration report (audited) continued

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The current aggregate remuneration so determined is $500,000. An amount not exceeding $500,000 is divided between the directors as agreed.

The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors have long been encouraged by the Board to hold shares in the Company. Kentor considers it good governance for directors to have a stake in the Company on whose Board he or she sits.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of fixed and variable remuneration commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders.

Structure

In determining the level and make-up of executive remuneration, the Board obtains independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the all senior executives.

Variable remuneration – short and long term incentives

Objective

The primary objectives of short term incentives are to:

- provide cash or options incentives to key individuals to meet their stretched targets.
- provide an incentive to the employees to achieve the short term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company.

The primary objectives of long term incentives will be to:

- recognise the ability and efforts of the employees of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

Structure

Short term incentives are measured through the achievement of stretched key performance indicators (KPI's) which are agreed with each senior executive. These KPI's are based on safety, sustainability, financial management, business development governance and leadership.

All short term incentive payments for senior executives are approved at the discretion of the board based on the recommendation of the Nomination and Remuneration Committee.

An Employee Share Option Plan was approved by shareholders on 22 May 2008 which will be updated in 2012. Under this plan options have been issued to senior executives. The exercise prices of these options have been set in excess of the market price at the time of issue therefore aligning the executives' ability to achieve growth in shareholder value with the executives' remuneration.

The Company plans to introduce a revised long term incentive programme in 2012.

On a case by case basis some new senior executives are also provided with options as part of their remuneration package.

Employment contracts – Executive Directors

Simon Milroy – Managing Director

Mr Milroy's employment agreement with the Company was renewed as of 1 July 2009 and has since lapsed. The agreed terms of his employment includes inter alia:

- Mr Milroy is engaged to provide services in the capacity of Managing Director at an annual salary of $392,700, inclusive of superannuation effective 1 January 2012 (increased from $374,000 per annum effect 1 January 2011). The salary package is subject to periodic review.
- The Board will review in good faith bonuses for significant milestones having regard to the contribution of the employee to achieving such milestones and the then circumstances of the Company.
- A restraint for a period of 6 months after termination on Mr Milroy undertaking employment in the Kyrgyz Republic or within 5 kilometres of any mining tenements or applications in Uzbekistan, Kazakhstan, China or the Northern Territory of Australia in which the Company has any interest.
- Notice period of 3 months with no additional contractual obligations.

Remuneration report (audited) continued

Hugh McKinnon – Executive Director/Country Manager

Mr McKinnon's employment agreement with the Company was renewed as of 1 July 2009 as a rolling contract. The agreed terms of his employment includes inter alia:

- Mr McKinnon is engaged to provide services in the Kyrgyz Republic in the capacity of Executive Director and Country Manager. His place of employment is in the Kyrgyz Republic.
- Mr McKinnon's annual salary was increased to USD$278,250 effective 1 January 2012 (increase from USD$265,000 per annum effective 1 July 2011 and increased from USD$230,000 per annum effective 1 January 2011).
- Mr. McKinnon is also provided with USD$1,000 per month as rental allowance.
- A restraint on Mr McKinnon undertaking employment in the Kyrgyz Republic for a period of 6 months after termination.
- Notice period of 3 months with no additional contractual obligations.

Employment contracts – Other Executives

Gerard Kelly – Chief Financial Officer

Mr Kelly's employment agreement with the Company commenced as of 12 April 2010. The agreed terms of his employment includes inter alia:

- Mr Kelly is engaged as the Chief Financial Officer of the Company.
- Mr Kelly's total remuneration package, including superannuation, is $250,425 effective 1st January 2012 (increased from $238,500, per annum effect 1 January 2011).
- Notice period of 3 months with no additional contractual obligations.

Guy Cordingley – General Manager Operations

Mr Cordingley's employment agreement with the Company commenced as of 1 July 2010. The agreed terms of his employment includes inter alia:

- Mr Cordingley is engaged to provide services in the Kyrgyz Republic in the capacity of General Manager of the Andash Mining Company. His place of employment is in the Kyrgyz Republic.
- Mr Cordingley's total remuneration package is $265,000.
- Term is for 22 months, and has a notice period of 3 months with no additional contractual obligations.
- Mr Cordingley resigned on 18 March 2011.

Kelvin Russell – General Manager Corporate Finance

In June 2010, Mr Russell commenced engagement with the Company. He is employed as a consultant, with no formal employment agreement. The terms of the engagement consist of:

- Mr Russell is engaged as the General Manager Corporate Finance of the Company.
- Mr Russell total remuneration package, including superannuation, is $244,860 effective 1 January 2012 (increased from $233,200 per annum effect 1 January 2011).
- Notice period of 3 months with no additional contractual obligations.

Keith Mayes – Chief Operating Officer, Australia

Mr Mayes's employment agreement with the Company commenced as of 1 July 2011. The agreed terms of his employment includes *inter alia:*

- Mr Mayes is engaged as the Chief Operating Officer of Jinka Minerals Limited.
- Mr Mayes's total remuneration package, including superannuation, is $250,800 effective 1 January 2012 (increased from $220,000 per annum effect 1 July 2011).
- The term is for 3 years from the commencement date with the option to extend by mutual agreement on a year by year basis.
- Notice period of 3 months with no additional contractual obligations.

Remuneration of non-executive directors

John Barr

By mutual agreement approved by the Board, Mr John Barr is engaged to provide services as a Non-executive Director, with an annual fee of $120,000 plus $10,800 superannuation (increased from $80,000 plus $7,200 super) subject to annual review. The increase was approved and effective at the AGM on 26 May 2011.

Andrew Daley

By mutual agreement approved by the Board, Mr Andrew Daley is engaged to provide services as a Non-executive Director through his Company Dalenier Enterprises Pty Ltd, with an annual director's fee of $65,000, $10,000 for Chairmanship of a sub-committee, $5,000 for participation on a sub-committee plus $7,200 superannuation (increased from $54,500) subject to annual review. The increase was approved and effective at the AGM on 26 May 2011.

John Taylor

By mutual agreement approved by the Board, Mr John Taylor is engaged to provide services as a Non-executive Director with an annual directors fee of $65,000, $10,000 for Chairmanship of a sub-committee, $5,000 for participation on a sub-committee plus $7,200 superannuation (increased from $54,500) subject to annual review. The increase was approved and effective at the AGM on 26 May 2011.

Remuneration report (audited) continued

Remuneration of directors and executives

The directors and executives received the following compensation for their services during the year.

	Short-term benefits		Post-employment benefits					
Year ended 31 Dec 2011	Salary & fees $	Bonus $	Termination Payments $	Super-annuation $	Share-based Payment Options $	Total $	% total perform-ance related %	%total issued as options %
Directors								
W.H.J. Barr	64,625	-	-	44,375	-	109,000	-	-
S. J. Milroy	350,000	61,084	-	25,250	154,029	590,363	10.3	26.1
A.E. Daley*	80,369	-	-	-	-	80,369	-	-
H. McKinnon	254,249	17,533	-	-	-	271,782	6.5	-
J C Taylor	67,250	-	-	3,600	-	70,850	-	-
Other executives								
G Cordingley ***	19,812	-	70,225	-	-	90,037	-	-
G Kelly	223,367	24,928	-	17,400	-	265,695	9.4	-
K Russell **	233,200	30,468	-	-	-	263,668	11.6	-
K Mayes ****	113,939	14,187	-	10,255	51,682	190,063	7.5	27.2
	1,406,811	148,200	70,225	100,880	205,711	1,931,827		
Year ended 31 Dec 2010								
Directors								
W.H.J. Barr	-	-	-	87,200	-	87,200	-	-
S. J. Milroy	268,000	100,000	-	24,000	-	392,000	25.5	-
A.E. Daley*	54,500	-	-	-	-	54,500	-	-
H. McKinnon	184,405	60,000	-	-	-	244,405	24.5	-
J C Taylor	54,500	-	-	-	39,144	93,644	-	41.8
Other executives								
G Cordingley	207,160	-	-	-	36,896	244,056	-	15.1
G Kelly	148,509	-	-	13,366	39,818	201,693	-	19.7
K Russell	128,333	-	-	-	39,436	167,769	-	23.5
	1,045,407	160,000	-	124,566	155,294	1,485,267		

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a Company which is controlled by Mr Daley.

** Fees were paid to Dartmouth Capital Pty Ltd, a Company which is controlled by Mr Russell.

*** Mr Cordingley resigned on 18 March 2011.

**** Mr Mayes commenced on 1 July 2011.

Cash bonuses

Cash bonuses were granted to H McKinnon, K Russell, G Kelly, K Mayes, SJ Milroy on 10 February 2012 in relation to the 31 December 2011 financial year and have been included in the bonus column above. The quantum of the bonus reflected the individuals performance against key indicators, as well as the Company's performance overall. The Board provided employees with a choice as to how the bonus can be taken, namely 100% Cash; 50% Cash, 50% Options; or 100% Options. The amount reflected above is the amount should the employee elect to take the bonus in cash. These amounts will be paid in the 2012 financial year or the options will be issued in relation to them should the employee elect this option. Cash bonuses were determined based on an agreed percentage of annual salary package based on achieved of short term incentives incorporating the overall Company business factor.

Options granted as part of remuneration

Details of the terms and conditions of options granted to directors and other executives as compensation during the reporting period are as follows:

Year ended 31 Dec 2011	No. options granted	No. options vested	Fair value per option at grant date $	Exercise price $	Amount paid or payable	Expiry date	Date exercisable
Directors							
S.J. Milroy	1,000,000	1,000,000	0.0791	0.1218	-	31 May 2016	31 May 2011
S.J. Milroy	1,000,000	1,000,000	0.0750	0.1462	-	31 May 2016	31 May 2011
Other executives							
K Mayes	500,000	500,000	0.0533	0.1256	-	01 Jul 2016	08 Aug 2011
K Mayes	500,000	500,000	0.0500	0.1507	-	01 Jul 2016	08 Aug 2011
Total	**3,000,000**	**3,000,000**					

Options vest on the grant date. In the event of the cessation of employment, 30 days after the date of cessation of employment they will forfeit them.

The fair value of the options was determined using a binomial model.

Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the period to directors and other executives as a result of options exercised that had previously been granted as compensation.

Value of options to directors and other executives

Details of the value of options granted, exercised and lapsed during the year to directors and other executives as part of their remuneration are summarised below:

Year ended 31 Dec 2011	Value of options at grant date * $	Value of options exercised at exercise date** $	Value of options lapsed at date of lapse *** $
Directors			
S.J. Milroy	154,029	-	-
Other executives			-
K Mayes	51,682	-	-
Total	**205,711**	**-**	**-**

* The value of options granted during the period may differ to the expense recognised as part of each directors' or other executives' remuneration in the remuneration section above because this value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment.

** The value of options exercised at exercise date has been determined as the intrinsic value of the options at exercise date, i.e. the excess of the market value at exercise date over the strike price of the option.

*** Options lapsed due to vesting conditions not being satisfied. The value of options at date of lapse is determined assuming that the vesting condition has been satisfied.

This is the end of the audited remuneration report.

Directors' report

Indemnification and insurance of directors and officers

The Company has entered into Deeds of Indemnity with the directors and the company secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the directors and officers of the Company. Full details of the cover and premium are not disclosed in this report as the insurance policy prohibits the disclosure.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor independence and non-audit services

The auditor's independence declaration is attached to this report.

Non-audit services

No non-audit services were provided by the entity's auditor, BDO Audit (QLD) Pty Ltd.

This report is made in accordance with a resolution of the directors.

On behalf of the Board,

WH John Barr AM
Chairman

Melbourne
Dated 30th March 2012

Auditor's Independence Declaration

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Brisbane QLD 4000,
GPO Box 457 Brisbane QLD 4001
Australia

Declaration of independence by A J Whyte to the directors of Kentor Gold Limited

As lead auditor of Kentor Gold Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kentor Gold Limited and the entities it controlled during the period.

A J Whyte
Director

BDO Audit (QLD) Pty Ltd

Brisbane: 30 March 2012

Directors' declaration

Directors' declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in the directors' report (as part of the audited Remuneration Report), for the year ended 31 December 2011, comply with section 300A of the *Corporations Act 2001.*

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board

WH John Barr AM
Chairman

Melbourne
Dated 30th March 2012

Statement of comprehensive income

For the year ended 31 December 2011

	Note	Consolidated 2011 $	2010 $
Revenue and other income	2	**1,340,547**	662,204
Foreign exchange losses		**(3,073)**	(12,882)
Employee benefits expense		**(2,044,064)**	(1,277,139)
Depreciation and amortisation expense		**(91,948)**	(53,626)
Consultancy expense		**(1,240,430)**	(1,012,673)
Overseas administrative expense		**(543,386)**	(337,371)
Head office facility overheads expenses		**(328,189)**	(121,740)
Other expenses		**(644,013)**	(264,978)
Impairment of VAT receivable		**(400,100)**	-
Impairment of exploration and evaluation assets	2	**(37,204)**	(4,069,503)
Loss before income tax expense		**(3,991,860)**	(6,487,708)
Income tax expense	3	**-**	-
Net loss		**(3,991,860)**	(6,487,708)
Other comprehensive income			
Change in fair value of cash flow hedges		**(303,012)**	(434,483)
Reclassification cash flow hedge transferred to plant and equipment		**117,670**	-
Foreign currency translation differences		**531,668**	(2,233,986)
Other comprehensive income for the year		**346,326**	(2,668,469)
Total comprehensive income for the year		**(3,645,534)**	(9,156,177)
Net loss attributable to:			
Non-controlling interests		**(139,399)**	(91,267)
Owners of Kentor Gold Limited		**(3,852,461)**	(6,396,441)
		(3,991,860)	(6,487,708)
Total comprehensive income for the year attributable to:			
Non-controlling interests		**(33,694)**	(538,065)
Owners of Kentor Gold Limited		**(3,611,840)**	(8,618,112)
		(3,645,534)	(9,156,177)
Basic and diluted earnings per share (cents per share)	4	**(3.63)**	(12.06)

This financial statement should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Current assets			
Cash and cash equivalents	15(b)	**34,134,415**	71,371,022
Trade and other receivables	5	**605,814**	972,609
Prepayments		**422,787**	216,650
Inventory		**386,189**	380,484
Total current assets		**35,549,205**	72,940,765
Non-current assets			
Deposits	6	**747,000**	-
Property, plant and equipment	7	**40,763,227**	16,890,407
Exploration and evaluation assets	8	**24,367,065**	12,773,258
Other non-current assets	10	**164,306**	524,691
Total non-current assets		**66,041,598**	30,188,356
Total assets		**101,590,803**	103,129,121
Current liabilities			
Trade and other payables	11	**3,469,712**	1,984,116
Total current liabilities		**3,469,712**	1,984,116
Total liabilities		**3,469,712**	1,984,116
Net assets		**98,121,091**	101,145,005
Equity			
Parent entity interest			
Contributed equity	12	**122,404,505**	122,109,423
Reserves	13	**1,135**	(566,025)
Accumulated losses		**(26,166,592)**	(22,314,130)
Total parent entity interest		**96,239,048**	99,229,268
Non-controlling interests	14	**1,882,043**	1,915,737
Total equity		**98,121,091**	101,145,005

This financial statement should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 31 December 2011

	Note	Consolidated 2011 $	2010 $
Cash flows from operating activities			
Receipts in the course of operations		**673,163**	171,019
Payments to suppliers and employees		**(3,876,069)**	(3,217,971)
Interest received		**1,004,724**	497,959
Net cash used in operating activities	15(a)	**(2,198,182)**	(2,548,993)
Cash flows from investing activities			
Payment for exploration and evaluation assets		**(16,703,875)**	(1,207,412)
Payment for property, plant and equipment		**(17,676,732)**	(10,589,727)
Proceeds from sale of exploration and evaluation assets		**465,869**	-
Payment for deposits		**(747,000)**	-
Net cash used in investing activities		**(34,661,738)**	(11,797,139)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	77,843,611
Payment/(refund) of share issue costs		**(73,675)**	(4,773,681)
Net cash provided by financing activities		**(73,675)**	73,069,930
Net increase/(decrease) in cash and cash equivalents		**(36,933,595)**	58,723,798
Cash and cash equivalents at the beginning of the financial year		**71,371,022**	13,094,590
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(303,012)**	(447,366)
Cash and cash equivalents at the end of the financial year	15(b)	**34,134,415**	71,371,022

This financial statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2011

Consolidated	Contributed equity $	Accumulated losses $	Foreign currency translation reserves $	Share-based payments reserve $	Hedge reserve $	Total parent equity $	Non-controlling interests $	Total equity $
Balance at 1 January 2010	49,041,310	(15,917,689)	(1,518,956)	3,019,308	–	34,623,975	2,453,800	37,077,775
Loss for the year	–	(6,396,441)	–	–	–	(6,396,441)	(91,267)	(6,487,708)
Foreign currency translation	–	–	(1,787,188)	–	–	(1,787,188)	(446,798)	(2,233,986)
Cash flow hedge	–	–	–	–	(434,483)	(434,483)	–	(434,483)
Total comprehensive income for the year	**–**	**(6,396,441)**	**(1,787,188)**	**–**	**(434,483)**	**(8,618,112)**	**(538,065)**	**(9,156,177)**
Issue of share capital	77,843,611	–	–	–	–	77,843,611	–	77,843,611
Cost of share capital issue	(4,775,498)	–	–	–	–	(4,775,498)	–	(4,775,498)
Share-based payments	–	–	–	155,294	–	155,294	–	155,294
Balance at 31 December 2010	**122,109,423**	**(22,314,130)**	**(3,306,144)**	**3,174,602**	**(434,483)**	**99,229,268**	**1,915,737**	**101,145,005**
Loss for the year	–	(3,852,461)	–	–	–	(3,852,461)	(139,399)	(3,991,860)
Foreign currency translation	–	–	424,353	–	–	424,353	105,705	530,058
Reclassification – net gain/loss on cash flow hedge transferred to plant and equipment	–	–	–	–	117,670	117,670	–	117,670
Cash flow hedge	–	–	–	–	(303,012)	(303,012)	–	(303,012)
Total comprehensive income for the year	**–**	**(3,852,461)**	**424,353**	**–**	**(185,342)**	**(3,613,450)**	**(33,695)**	**(3,647,144)**
Issue of share capital	18,000	–	–	(18,000)	–	–	–	–
Cost of prior year share capital issue	(72,265)	–	–	–	–	(72,265)	–	(72,265)
Refund of GST on prior year share issue costs	349,348	–	–	–	–	349,348	–	349,348
Share-based payments	–	–	–	346,147	–	346,147	–	346,147
Balance at 31 December 2011	**122,404,505**	**(26,166,591)**	**(2,881,789)**	**3,502,749**	**(619,825)**	**96,239,048**	**1,882,043**	**98,121,091**

This financial statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 31 December 2011

Kentor Gold Limited is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial statements cover the consolidated entity, Kentor Gold Limited, and its subsidiaries. Separate financial statements for Kentor Gold Limited as an individual entity have not been presented. The registered office and principal place of business is Level 9, 40 Creek Street, Brisbane, Queensland, 4000, Australia. However, limited financial information for Kentor Gold Limited as an individual entity is included in Note 25.

The financial statements were authorised for issue by the directors on 30 March 2012.

1. Summary of significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars. The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Adoption of new and revised Accounting Standards

New and amended standards and interpretations that are mandatory for the first time for the financial year beginning 1 January 2011 have been adopted. The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

(b) New and amended Accounting Standards and Interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Notes to the financial statements

for the year ended 31 December 2011

1. Summary of significant accounting policies continued

(b) New and amended Accounting Standards and Interpretations not yet adopted continued

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards that are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 now only deals with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Amendments to AASB 101 Presentation of Financial Statements (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

(c) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements.* A list of subsidiaries appears in note 9 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to the parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. These business combinations will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase price.

(e) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the financial statements

for the year ended 31 December 2011

1. Summary of significant accounting policies continued

(e) Revenue and other income continued

Other income

Other revenue is recognised at the completion of the transaction when the Company's right to receive payment has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group has not adopted the tax consolidation legislation.

(g) Share-based payments

Equity settled share-based payments with employees and directors are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the share-based payments is expensed on a straight line basis over the vesting period with a corresponding increase in equity.

No expense is recognised for awards that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met. Where options are cancelled, they are treated as if it had vested on the date of cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement option are treated as if they were a modification.

Equity settled share-based payment transactions with other parties are measured at fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date goods or services were obtained.

(h) Goods and services tax (GST) and value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- where the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST and VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cashflows on a gross basis and the GST and VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the taxation authority.

(i) Foreign currency

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The subsidiaries domiciled in the Kyrgyz Republic have Soms as their functional currency. The majority of transactions in the subsidiaries are transacted in the Kyrgyz Som. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Notes to the financial statements

for the year ended 31 December 2011

1. Summary of significant accounting policies continued

(i) Foreign currency continued

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(j) Cash and cash equivalents

For the purposes of the statement of cashflows, cash includes cash on hand and in banks, and money market investments readily converted to cash, net of outstanding bank overdrafts.

The consolidated entity uses cash held in foreign currencies to hedge against foreign exchange risk arising on highly probably capital expenditure that will be settled in a foreign currency.

The consolidated entity documents at the time of acquiring the foreign currency the hedging relationship between hedging instrument and hedged item, including the risk management objectives and strategies for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at inception and periodically, of whether the hedging instruments have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The gains or losses in respect of hedge transactions which relate to future purchases are recognised in other comprehensive income and included in the measurement of the purchase to which they relate when the anticipated transaction occurs. Any gains or losses on the hedge transaction after that date are included in the profit and loss.

Hedge accounting is discontinued when the hedging instrument is sold or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity and is recognised as noted above when the forecast transaction is ultimately recognised. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is reclassified to the profit and loss.

(k) Financial assets and liabilities

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial assets and liabilities are measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets and liabilities are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity instruments, a significant or prolonged decline in the value of the instrument below its cost is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where there related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Exploration and evaluation assets

The consolidated entity applies AASB 6 Exploration For and Evaluation of Mineral Resources. Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notes to the financial statements

for the year ended 31 December 2011

1. Summary of significant accounting policies continued

(m) Impairment of assets

At the end of each reporting period, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses. The carrying amount of property, plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line or declining balance basis to allocate their cost, net of their residual values, over their estimated useful lives to the consolidated entity commencing from the time the asset is held ready for use, as follows:

Plant and equipment	3-6 years
Mine development	Life of mine

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(p) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(q) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(r) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(s) Earnings per share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(u) Significant accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities made within the next annual reporting period are:

Exploration and Evaluation

The directors determine when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The directors' decisions are made after considering the likelihood of finding commercially viable outcomes balanced with acceptable political and environmental assessments.

Notes to the financial statements

for the year ended 31 December 2011

1. Summary of significant accounting policies continued

(u) Significant accounting judgements, estimates and assumptions (continued)

Accounting for the acquisition of Jinka Minerals

AASB 3 Business Combinations identifies a 'business' as consisting of both inputs and processes, capable of creating outputs.

Through the Jinka Minerals acquisition (effective 6 May 2011), the Group acquired the rights to intangible assets (reserves and resources) as well as the physical assets of a former operating mine which meet the definition of 'inputs'.

However, there were no existing 'processes' which were purchased with the assets (e.g. operating systems, employees, OH&S systems, etc), as the former operating assets were on care and maintenance (Burnakura project) or were undeveloped exploration projects (Jervois and Gabanintha projects).

Therefore the directors have assessed that the acquisition of Jinka Minerals is not a business combination as defined, and is in fact an asset purchase. The consideration paid and the associated acquisition costs have been capitalised and allocated to the class of assets acquired, which are included in the financial statements in their respective categories at cost.

Continued recognition of non-controlling interest in relation to Andash Mining Corporation

In October 2010 the Talas Inter-district court ruled that Aurum Mining Plc and Invest-centre Talas LLC's (ICT) ownership interests in Andash Mining Company LLC (AMC) were invalid due to their failure to comply with the Strategic Objects legislation in the Kyrgyz Republic. On 19 January 2011, a subsequent appeal to the Talas Oblast Court by both parties was dismissed. In compliance with the court decision AMC was re-registered with Kaldora Company Limited, a subsidiary of the Group, as the sole participant, and an offer made by the Company to the Kyrgyz Government for their purchase of 20% of AMC for nil consideration. Before the transfer to the Kyrgyz Government could be effected, a further appeal to the Supreme Court of the Kyrgyz Republic was lodged on the 25 February 2011.

On the 22 April 2011, the Supreme Court of the Kyrgyz Republic sent the case to the Chu Inter-District Court, a court of first instance, for re-hearing. The Chu Inter-District Court upheld the original ruling of the Talas Inter-District Court. Subsequent to the ruling, Tryden International Limited, a wholly owned subsidiary of Aurum Mining plc, lodged another appeal.

The Talas court case was heard by Chu Oblast Court. The court found in favour of the General Prosecutor. This resulted in Kentor, through its holding Company Kaldora Company Limited, having its ownership of AMC increased from 80% to 100%. The former minority holders in AMC (Invest-center Talas and Aurum Mining plc) had 30 days to appeal the decision.

Kentor has offered 20% of the Andash project to the Kyrgyz Government. A parliamentary committee has recommended that the Kyrgyz Government take up this offer.

As a result of these on-going proceedings and in line with Kentor's intention to have the Kyrgyz Government as its strategic partner in Andash, the Group has continued to recognise a non-controlling interest of 20% of AMC's comprehensive income for the year and net assets, as the Group does not have the right to exercise control over the 20% which has been re-registered with Kaldora Company Limited and subsequently offered to the Kyrgyz Government.

Consideration of asset impairment for Andash mining project

On 4 February 2011, Kentor was advised that the Kyrgyz Government was to establish a Commission of Enquiry for the Andash mining project, with a view to expediting the approval process. Kentor agreed to suspend on-site activities whilst this review is undertaken. The Commission was due to deliver its final report to the Standing Committee on Energy and Minerals on 21 June 2011. The Standing Committee adopted a resolution to be put to the plenary session of parliament which recommended that the Andash deposit not be developed until an understanding was reached between the local population and Andash Mining Company LLC.

On 24 June 2011, the last day of parliament before the break for the northern summer, a private member put a motion to the house recommending to Government that the licences and rights of Andash Mining Company LLC be cancelled. The motion was adopted in controversial circumstances..

On 28 June 2011, the Minister for Natural Resources issued a letter that Andash Mining Company LLC's licences are, and remain, in good standing.

In March 2012, a Parliamentary Committee directed the government to complete a review of the environmental aspect of the Andash project by the 10th April 2012.

The Andash Exploration licence has expired as at 31st December 2011. All documents for the renewal of the licence have been filed.

A current obligation under the Andash Mining licence is that production commences by June 2012. In October 2011 Andash Mining Company applied for a two year extension of the production commencement date to June 2014.

The government department handing the exploration licence renewal and the application for the extension of the production commencement date under the current mining licence, was disbanded during the year. The Kyrgyz government has re-established the appropriate department in March 2012.

The directors have considered a detailed risk assessment of the project's likely development at the year end, considering the developments in the last twelve months, and are confident that the project is still very likely to proceed. Therefore, no impairment losses have been recognised at 31 December 2011.

In light of this the Group has continued to apply hedge accounting to effective cash flow hedges at the year end, recognising the unrealised net gain/loss on the hedges outstanding at reporting date through the hedge reserve in equity.

Notes to the financial statements

for the year ended 31 December 2011

2. Revenue and expenses

	Consolidated 2011 $	Consolidated 2010 $
(a) Revenue and other income		
Interest	**895,279**	653,961
Other operating revenue	**231,351**	8,243
Total revenue	**1,126,630**	662,204
Other income		
Profit on disposal of non-current asset	**213,917**	–
Total revenue and other income	**1,340,547**	662,204
(b) Loss before income tax		
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation	**(91,948)**	(53,626)
Operating lease payments – minimum lease payments	**(143,157)**	(66,171)
Defined contribution superannuation expense	**(87,869)**	(37,365)
(c) Significant items		
Impairment of exploration and evaluation assets	**(37,204)**	(4,069,503)

In the 2010 year, the Group recognised an impairment loss of $3,764,347 in relation to the Savoyardy Project (refer Note 8). The other impairment expenses related to other exploration expenditure previously capitalised on other interests in the Kyrgyz Republic

3. Income tax

	2011	2010
(a) The components of tax expense comprise		
Current tax expense	**–**	–
Deferred tax arising from origination and reversal of temporary differences	**–**	–
Total income tax expense in profit and loss	**–**	–
(b) Reconciliation		
Loss before income tax	**(3,991,860)**	(6,487,708)
Income tax expense/(benefit) calculated at 30% (2010: 30%)	**(1,197,558)**	(1,946,312)
Effect of expenses that are not deductible in determining taxable profit or loss	**106,996**	125,807
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**1,090,562**	1,820,505
Total income tax expense in profit and loss	**–**	–
(c) Unrecognised deferred tax assets		
Prior year tax losses brought forward	**22,779,493**	16,711,143
Current year tax losses	**3,635,207**	6,068,350
Unrecognised tax losses	**26,414,700**	22,779,493
Deferred tax assets not taken up	**5,124,410**	4,033,848

This future income tax benefit will only be obtained if:

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

(d) There are no franking credits available.

4. Earnings per share

	Consolidated	
	2011 $	**2010 $**
Loss attributable to the owners of Kentor Gold Limited	**(3,852,461)**	6,396,441
Basic and diluted loss per share (cents per share)	**(3.63)**	(12.06)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	**106,193,268**	53,016,968

At 31 December 2011, the Company had on issue 2,736,723 options (2010: 5,961,136 options) over unissued shares and has incurred a net loss. These options are anti-dilutive and therefore, the diluted loss per share is the same as the basic loss per share.

5. Trade and other receivables – current

GST receivable (net)	364,530	735,557
Other receivables	241,284	237,052
	605,814	972,609

Other receivables are non-interest bearing and have repayment terms between eight and ninety days.

No receivables are past due or impaired at year end.

6. Deposits – non-current

Term Deposits	747,000	–
	747,000	–

Rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines in Western Australia.

Notes to the financial statements

for the year ended 31 December 2011

7. Property, plant and equipment

	Consolidated		
	Plant & equipment	Mine development	Total property plant and equipment
	2011 $	2011 $	2011 $
Cost	**10,157,025**	**30,998,093**	**41,155,118**
Accumulated depreciation	**(391,891)**	**–**	**(391,891)**
Net carrying amount	**9,765,134**	**30,998,093**	**40,763,227**
At 1 January, net of accumulated depreciation	**5,601,713**	**11,288,694**	**16,890,407**
Additions	**1,734,237**	**13,859,335**	**15,593,572**
Transfers from exploration (*)	**–**	**4,616,429**	**4,616,429**
Transfers between classes of assets	**(1,101,475)**	**1,101,475**	**–**
Acquisitions through asset purchase (**)	**3,570,711**	**–**	**3,570,711**
Disposals	**(1,215)**	**–**	**(1,215)**
Reclassification from hedge reserve	**–**	**117,670**	**117,670**
Effect of movement in exchange rate	**53,111**	**14,490**	**67,601**
Depreciation	**(91,948)**	**–**	**(91,948)**
At 31 December, net of accumulated depreciation	**9,765,134**	**30,998,093**	**40,763,227**

(*) In the current period, exploration and evaluation assets of $4,616,429 relating to the Andash Mining project were transferred from exploration and evaluation assets to mine development (2010: $779,031).

(**) In the current period, Kentor Gold Limited acquired property, plant and equipment though the acquisition of Jinka Minerals Limited on the 27 April 2011, totalling $3,570,711 (2010: nil).

	Consolidated		
	Plant & equipment	Mine development	Total property plant and equipment
	2011 $	2011 $	2011 $
Cost	5,894,871	11,288,694	17,183,565
Accumulated depreciation	(293,158)	–	(293,158)
Net carrying amount	5,601,713	11,288,694	16,890,407
At 1 January, net of accumulated depreciation	6,462,791	–	6,462,791
Additions	343,861	10,509,663	10,853,524
Transfers from exploration	–	779,031	779,031
Effect of movement in exchange rate	(1,151,313)	–	(1,151,313)
Depreciation	(53,626)	–	(53,626)
At 31 December, net of accumulated depreciation	5,601,713	11,288,694	16,890,407

The transfer from exploration during the year ended 31 December 2010 of $779,031 relates to amounts capitalised in the prior year relating to the Andash feasibility study. Given the development of this project was approved during the 2010 year this balance was transferred to mine development.

8. Exploration and evaluation assets

	Consolidated 2011 $	2010 $
Deferred exploration and evaluation assets	**24,367,065**	**12,773,258**
Deferred exploration and evaluation assets		
Balance at beginning of the year	**5,515,999**	10,483,242
Effect of movement in exchange rate	**68,741**	(871,826)
Current year expenditure	**6,915,792**	753,117
Transfers to mine development (*)	**(4,616,429)**	(779,031)
Disposals	**(213,297)**	–
Acquisition through asset purchases (**)	**9,476,204**	–
Impairment of area of interest	**(37,204)**	(4,069,503)
Balance at end of the year	**17,109,806**	5,515,999
Exploration tenements		
Balance at beginning of the year	**7,257,259**	7,257,259
Movements	**–**	–
Balance at end of the year	**7,257,259**	7,257,259

(*) In the current period, exploration and evaluation assets of $4,616,429 relating to the Andash Mining project were transferred from exploration and evaluation assets to mine development (2010: $779,031).

(**) In the current period, Kentor Gold Limited acquired mining tenements and mining information through the acquisition of Jinka Minerals Limited on the 27 April 2011, totalling $9,476,204 (2010: nil)

Ultimate recovery of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The majority of the impairment expense recognised for the year ended 31 December 2010 represents a write-down of $3,764,347 of the Savoyardy project expenditure, which was discontinued in the 2010 year.

9. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c).

(i) Details of investment in foreign controlled entities are:

Name	Country of Incorporation	2011 % Held	2010 % Held
CJSC Kentor	Kyrgyz Republic	**80**	80
CJSC Kyldoo	Kyrgyz Republic	**–**	80
CJSC Epic	Kyrgyz Republic	**–**	80
Kaldora Limited BVI Company	British Virgin Islands	**100**	100
Tatianna Limited BVI Company	British Virgin Islands	**100**	100
Andash Mining Company LLC	Kyrgyz Republic	**80**	80
Kentor Gold Kazakhstan LLP	Kazakhstan	**100**	–

During the year Kentor Gold Limited incorporated Kentor Kazakhstan in Kazakhstan, in order to pursue potential business opportunities in country. This Company had minimal activities during the year.

During the year Kentor Gold Limited closed CJSC Kyldoo and CJSC Epic as they no longer aligned with the strategic objectives of the group.

Notes to the financial statements
for the year ended 31 December 2011

9. Subsidiaries continued

(ii) Details of investment in domestic controlled entities are:

Name	Country of Incorporation	2011 % Held	2010 % Held
Dunmarra Uranium Ltd	Australia	100	100
Jinka Minerals Ltd	Australia	100	–
Kentor Energy Pty Ltd	Australia	100	–

Kentor Gold Limited acquired control of Jinka Minerals Limited on 27 April 2011 (effective 6 May 2011) through an agreed off market takeover. Refer to Note 15 for details of the assets and liabilities purchased.

During the year Kentor Gold Limited incorporated Kentor Energy Pty Ltd to support the three year prospecting licence for geothermal energy granted by the Solomon Islands government.

10. Other non-current assets

	Consolidated 2011 $	Consolidated 2010 $
VAT paid	**164,306**	524,691
	164,306	524,691

VAT paid relates to value added tax (VAT) paid in the Kyrgyz Republic. Under the Kyrgyz Tax Code, the VAT paid can be claimed as an offset to VAT collected or other taxes such as taxes imposed on profit and service taxes. If sufficient VAT is not collected in the future or sufficient other taxes are not incurred in the Kyrgyz Republic, the VAT paid will not be recovered and will need to be written off. During the year $400,100 VAT paid was written off (2010: NIL).

11. Trade and other payables - current

Unsecured trade payables	**3,252,929**	1,816,744
Employee benefits	**216,783**	167,372
	3,469,712	1,984,116

(i) Trade payables are non-interest bearing and are usually settled on 30 day terms.

(ii) Contractual cashflows from trade and other payables approximate their carrying value.

12. Contributed equity

	Consolidated 2011	2010
(a) Issued and paid up capital		
Ordinary shares fully paid	**122,404,505**	122,109,423

(b) Movements in shares on issue

Details	2011 Number of shares issued	2011 Issued capital $	2010 Number of shares issued	2010 Issued capital $
Beginning of the financial year	**1,061,592,950**	**122,109,423**	393,011,481	49,041,310
Movements during the year:-				
Rights issue on 29 July 2010	–	–	127,989,487	8,319,317
Ordinary share issue on 4 August 2010	–	–	54,951,722	4,231,283
Share options exercised 6 October 2010	–	–	1,000,000	126,205
Rights issue on 15 November 2010	–	–	398,097,356	51,752,656
Ordinary share issue on 19 November 2010	–	–	86,542,904	13,414,150
Share options exercised 27 April 2011	**500,000**	**18,000**	–	–
(Costs)/refunds of costs of share issues	–	**277,082**	–	(4,775,498)
Closing balance	**1,062,092,950**	**122,404,505**	1,061,592,950	122,109,423

c) Terms and conditions of issued capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the financial statements
for the year ended 31 December 2011

12. Contributed equity continued

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 27,369,232 (31 December 2010: 59,611,358) unissued ordinary shares in respect of which the following options were outstanding:

Expiry date/Duration	Number	Exercise price $
Unlisted options		
31 May 2012	100,000	0.5808
31 May 2012	100,000	0.7808
31 May 2012	100,000	0.9808
16 Dec 2012	10,769,232	0.1433
Total unlisted options	**11,069,232**	
Unlisted employee options		
30 days after ceasing employment	300,000	0.6058
30 days after ceasing employment	300,000	0.7308
30 days after ceasing employment	300,000	0.8558
30 days after ceasing employment	1,000,000	0.1808
30 days after ceasing employment	950,000	0.2308
30 days after ceasing employment	950,000	0.2808
Earlier of 11 Sept 2014 or 30 days after ceasing employment	1,500,000	0.1176
Earlier of 11 Sept 2014 or 30 days after ceasing employment	3,500,000	0.1449
Earlier of 04 June 2015 or 30 days after ceasing employment	500,000	0.1688
Earlier of 04 June 2015 or 30 days after ceasing employment	500,000	0.1378
Earlier of 04 June 2015 or 30 days after ceasing employment	500,000	0.1408
Earlier of 04 June 2015 or 30 days after ceasing employment	500,000	0.1728
Earlier of 30 May 2016 or 30 days after ceasing employment	500,000	0.1455
Earlier of 30 May 2016 or 30 days after ceasing employment	500,000	0.1746
Earlier of 31 May 2016 or 30 days after ceasing employment	500,000	0.2078
Earlier of 31 May 2016 or 30 days after ceasing employment	500,000	0.2493
Earlier of 31 May 2016 or 30 days after ceasing employment	1,000,000	0.1218
Earlier of 31 May 2016 or 30 days after ceasing employment	1,000,000	0.1462
Earlier of 01 July 2016 or 30 days after ceasing employment	500,000	0.1256
Earlier of 01 July 2016 or 30 days after ceasing employment	500,000	0.1507
Earlier of 25 July 2016 or 30 days after ceasing employment	250,000	0.1137
Earlier of 25 July 2016 or 30 days after ceasing employment	250,000	0.1365
Total unlisted employee options	16,300,000	
Total options granted	27,369,232	

13. Reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of the foreign controlled entities.

Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees or service providers.

Hedge reserve

The hedge reserve records gains and losses on hedging instruments that are recognised as cash flow hedges. The gains and losses are recognised in other comprehensive income and are included in the measurement of the purchase to which they relate when the associated hedged transaction is recognised.

14. Non-controlling interests

	Consolidated 2011 $	Consolidated 2010 $
Non-controlling interest in:		
Share capital	**5**	5
Foreign currency translation reserve	**(341,093)**	(446,797)
Retained earnings	**2,223,131**	2,362,529
	1,882,043	1,915,737

15. Notes to the statement of cash flows

	2011 $	2010 $
(a) **Reconciliation of loss after tax to net cash flows from operations**		
Net profit/(loss) for the year	**(3,991,860)**	(6,487,708)
Non cash flows in operating result		
Depreciation expense	**91,948**	53,626
Impairment of exploration and evaluation assets	**37,204**	4,069,503
Share based payments	**346,147**	155,294
GST capital raising cost subsequently recovered	**349,348**	–
Gain on sale of property, plant and equipment	**(213,917)**	–
Other	**–**	12,882
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	**162,069**	(724,022)
Increase/(Decrease) in payables	**666,199**	793,886
(Increase)/Decrease in VAT paid	**360,385**	(197,929)
(Increase)/Decrease in inventory	**(5,705)**	(224,525)
	(2,198,182)	(2,548,993)
(b) Cash on hand and at call	**34,124,142**	35,411,403
Term deposits	**10,273**	35,959,619
	34,134,415	71,371,022

15. Notes to the statement of cash flows

	Consolidated 2011 $	Consolidated 2010 $
(c) Financing facility		
The group has no available finance facilities at balance date (2010: NIL).		
(d) **Acquisition of assets and liabilities of Jinka Minerals Ltd**		
Kentor Gold Limited acquired control of Jinka Minerals Limited on 27 April 2011 (effective 6 May 2011) through an agreed off market takeover.		
Cash consideration	12,851,564	–
Acquisition costs	816,298	–
Total acquisition costs	13,667,862	–
Represented by:		
Cash and cash equivalents	7,323	–
Trade and other receivables	14,542	–
Deposits	747,000	–
Plant and equipment	3,570,711	–
Exploration assets	9,476,204	–
Trade and other payables	(147,918)	–
Net assets	13,667,862	–

16. Share based payments

	2011	2010
Share based payment expense recognised during the financial year	346,147	155,294

	Number of options	Share price $
Value of shares on the date options exercised		
Options exercised 6 October 2010	1,000,000	0.15
Options exercised 27 April 2011	500,000	0.14

Employee options

Employee options are either granted at date of commencement or at the discretion of the Board based on a formal employee review process. 5,500,000 options over unissued shares of the Company were granted to employees during the year and 1,000,000 were forfeited. Information with respect to the number of options granted is as follows:

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	**11,800,000**	**$0.15**	8,800,000	$0.25
- granted	**5,500,000**	**$0.16**	4,000,000	$0.17
- forfeited	**(1,000,000)**	**$0.20**	–	–
- exercised	**–**	**–**	(1,000,000)	$0.13
Balance at end of year	**16,300,000**	**$0.23**	11,800,000	$0.15

Options held at the beginning and end of the reporting year:-

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price $	Fair value at grant date $
At 31 December 2011					
300,000	01 Dec 2004	01 Dec 2004	n/a*	0.6058	0.0294
300,000	01 Dec 2004	01 Dec 2004	n/a*	0.7308	0.0216
300,000	01 Dec 2004	01 Dec 2004	n/a*	0.8558	0.0162
1,000,000	30 May 2009	30 May 2009	n/a*	0.1808	0.0280
950,000	30 May 2009	30 May 2009	n/a*	0.2308	0.0200
950,000	30 May 2009	30 May 2009	n/a*	0.2808	0.0110
1,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.1176	0.0539
3,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.1449	0.0499
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1688	0.0415
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1378	0.0309
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1408	0.0412
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1728	0.0377
1,000,000	31 May 2011	31 May 2011	31 May 2016	0.1218	0.0791
1,000,000	31 May 2011	31 May 2011	31 May 2016	0.1462	0.0750
500,000	31 May 2011	31 May 2011	31 May 2016	0.2078	0.0667
500,000	31 May 2011	31 May 2011	31 May 2016	0.2493	0.0623
500,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	0.1256	0.0533
500,000	08 Aug 2011	08 Aug 2011	01 Jul 2016	0.1507	0.0500
500,000	08 Aug 2011	08 Aug 2011	30 May 2016	0.1455	0.0507
500,000	08 Aug 2011	08 Aug 2011	30 May 2016	0.1746	0.0474
250,000	08 Aug 2011	08 Aug 2011	25 July 2016	0.1137	0.0554
250,000	08 Aug 2011	08 Aug 2011	25 July 2016	0.1365	0.0522

Notes to the financial statements

for the year ended 31 December 2011

16. Share based payments continued

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price $	Fair value at grant date $
At 31 December 2010					
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.6058	0.0294
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.7308	0.0216
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.8558	0.0162
1,000,000	30 May 2009	30 May 2009	n/a*	0.1808	0.0280
950,000	30 May 2009	30 May 2009	n/a*	0.2308	0.0200
950,000	30 May 2009	30 May 2009	n/a*	0.2808	0.0110
1,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.1176	0.0539
3,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.1449	0.0499
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1688	0.0415
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1378	0.0309
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1408	0.0412
500,000	04 Jun 2010	04 Jun 2010	04 Jun 2015	0.1728	0.0377

* The options have no expiry date except, in the event of the cessation of employment, 30 days after the date of cessation of employment.

At year end all options were exercisable with the exception of those noted in Note 17(b).

The fair value of the options were determined using a binomial model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Key inputs used in the calculation of the value of options issued during the year ended 31 December 2011 are:

Spot price	$0.12 and $0.09
Grant date	31 May 2011 and 08 August 2011
Expiry date	31 May 2016, 1 July 2016 and 25 July 2016
Volatility	78%
Risk free rate	4.75%

Expected volatility was determined based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. All options vested at grant date.

17. Key management personnel

Information regarding the identity of Key Management Personnel and their compensation can be found in the audited Remuneration Report contained in the Directors' Report. The directors are the only key management personnel.

	2011 $	2010 $
(a) Key management personnel compensation		
Short-term employee benefits	**895,110**	721,405
Post employment benefits	**73,225**	111,200
Share-based payments	**154,029**	39,144
	1,122,364	871,749

(b) Option holdings of directors

31 December 2011	Opening balance 1 January	Granted as remuneration	Options exercised	Net change-other	Closing balance 31 December	Vested and exercisable at 31 December	Vested and un-exercisable at 31 December
Directors							
A.E. Daley	**1,000,000**	**–**	**–**	**–**	**1,000,000**	**1,000,000**	**–**
W.H. J Barr	**1,000,000**	**–**	**–**	**–**	**1,000,000**	**1,000,000**	**–**
H. McKinnon	**2,800,000**	**–**	**–**	**–**	**2,800,000**	**1,900,000**	**900,000**
S.J. Milroy	**4,000,000**	**2,000,000**	**–**	**–**	**6,000,000**	**4,000,000**	**2,000,000**
J Taylor	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**8,800,000**	**2,000,000**	**–**	**–**	**10,800,000**	**7,900,000**	**2,900,000**

31 December 2010	Opening balance 1 January	Granted as remuneration	Options exercised	Net change-other	Closing balance 31 December	Vested and exercisable at 31 December	Vested and un-exercisable at 31 December
Directors							
A.E. Daley	1,000,000	–	–	–	1,000,000	1,000,000	–
W.H. J Barr	1,000,000	–	–	–	1,000,000	1,000,000	–
H. McKinnon	2,800,000	–	–	–	2,800,000	1,900,000	900,000
S.J. Milroy	4,000,000	–	–	–	4,000,000	2,000,000	2,000,000
J Taylor	–	1,000,000	(1,000,000)	–	–	–	–
Total	8,800,000	1,000,000	(1,000,000)	–	8,800,000	5,900,000	2,900,000

(c) Shareholdings of directors

31 December 2011 Ordinary Shares	Balance 1 January 2011	Granted as remuneration	On exercise of options	Net change-other	Balance 31 December 2011	Held nominally at 31 December 2011
Directors						
W H J Barr	**2,076,837**	**–**	**–**	**–**	**2,076,837**	**–**
A E Daley	**2,473,018**	**–**	**–**	**–**	**2,473,018**	**–**
H McKinnon	**2,501,094**	**–**	**–**	**–**	**2,501,094**	**–**
S J Milroy	**1,245,428**	**–**	**–**	**–**	**1,245,428**	**–**
J C Taylor	**4,000,006**	**–**	**–**	**500,000**	**4,500,006**	**–**
Total	**12,296,383**	**–**	**–**	**500,000**	**12,796,383**	**–**

31 December 2010 Ordinary Shares	Balance 1 January 2010	Granted as remuneration	On exercise of options	Net change-other	Balance 31 December 2010	Held nominally at 31 December 2010
Directors						
W H J Barr	954,666	–	–	1,122,171	2,076,837	–
A E Daley	733,586	–	–	1,739,432	2,473,018	–
H McKinnon	2,064,627	–	–	436,467	2,501,094	–
S J Milroy	775,555	–	–	469,873	1,245,428	–
J C Taylor	1,076,666	–	1,000,000	1,923,340	4,000,006	–
Total	5,605,100	–	1,000,000	5,691,283	12,296,383	–

All equity transactions with directors and other key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the financial statements

for the year ended 31 December 2011

17. Key management personnel continued

(d) Other transactions and balances with key management personnel

In 2010, Kentor committed to purchase two 6MW Ball Mills from Outotec Pty Limited for €4,656,790 and €4,613,210 respectively. Mr John Taylor, a non-executive Director of Kentor was the Managing Director of Outotec (Australasia) Pty Ltd. Mr Taylor has now retired from this position. This transaction occurred based on normal commercial terms. The first ball mill was fully paid for during the year. At 31 December 2011, the commitment remains for the secondary mill of $4,695,977 (€3,690,568) to be paid in full by October 2012.

A loan of US$25,000 was granted to Mr Hugh McKinnon during the year. There are no outstanding amounts relating to this loan as at 31 December 2011. No interest was accrued for the period.

There were no other transactions with key management personnel (2010: nil)

At year end, there was no outstanding amounts payable to key management personnel (2010: nil)

18. Auditors' remuneration

	Consolidated	
	2011 $	2010 $
Amounts paid or payable to BDO Audit (QLD) Pty Ltd for:		
• audit or review of the financial statements of the entity and any other entity in the Group	**41,000**	56,853
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	**14,740**	6,682

No non-audit services were provided by the auditors.

19. Related party disclosures

(a) Information on transactions with key management personnel is disclosed in Note 17.

(b) Ultimate parent:

Kentor Gold Limited is the ultimate Australian parent Company.

20. Segment information

Description of Segments

Operating segments have been determined based on reports reviewed by the chief operating decision makers being the executive directors. This has resulted in the recognition of the following reportable segments:

<u>Development Projects – Kyrgyz Republic</u>

This segment consists of projects that are in the process of being developed. The Andash mining project was the only project in this reportable segment for the year end 31 December 2011.

<u>Development Projects – Australia</u>

This segment consists of projects that are in the process of being developed. The Murchison project was the only project in this reportable segment for the year ended 31 December 2011.

<u>Exploration Projects - Kyrgyz Republic</u>

This segment consists of projects in the Kyrgyz Republic that are still in the exploration and evaluation phase.

<u>Exploration Projects - Australia</u>

This segment consists of projects in Australia that are still in the exploration and evaluation phase.

Information Provided to the Executive Directors

Segment information provided to the executive directors is as follows:

Year ended 31 December 2011	Development Projects - Kyrgyz Republic $	Exploration Projects - Kyrgyz Republic $	Development Projects - Australia $	Exploration Projects - Australia $	Total $
Segment Revenue					
Total segment revenue	201,850	–	–	87,638	289,488
Result					
Segment result	(482,705)	83,758	–	(389,689)	(788,636)
Segment result contains:					
Interest revenue	–	–	–	69,718	69,718
Impairment expense	–	(10,507)	–	–	(10,507)
Depreciation and amortisation	–	(16,341)	–	(49,351)	(65,692)
Assets and Liabilities					
Segment assets	44,805,853	957,983	7,417,142	13,865,960	67,046,938
Segment liabilities	(63,398)	(9,597)	–	(1,889,427)	(1,962,422)
Acquisition of non-current assets	13,859,335	179,417	–	16,203,693	30,242,445

Year ended 31 December 2010	Development Projects - Kyrgyz Republic $	Exploration Projects - Kyrgyz Republic $	Development Projects - Australia $	Exploration Projects - Australia $	Total $
Segment Revenue					
Total segment revenue	–	7,907	–	–	7,907
Result					
Segment result	–	(4,262,110)	–	–	(4,262,110)
Segment result contains:					
Interest revenue	–	7,907	–	–	7,907
Impairment expense	–	–	–	–	–
Depreciation and amortisation	–	(16,952)	–	–	(16,952)
Assets and Liabilities					
Segment assets	29,280,629	1,480,678	–	–	30,761,307
Segment liabilities	(1,795,424)	(308)	–	–	(1,795,732)
Acquisition of non-current assets	11,134,984	253,968	–	–	11,388,952

20. Segment information continued

Other Segment Information

Segments assets and liability amounts provided to the executive directors are measured in the same way that they are measured in the financial statements. Assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.Segment revenue and result reconciles to total revenue and loss for the year as follows.

	2011 $	2010 $
Segment Revenue	289,488	7,907
Interest revenue	825,561	654,297
Other income	225,498	–
Total revenue per statement of comprehensive income	1,340,547	662,204
Segment result	(788,636)	(4,262,110)
Interest revenue	825,561	654,297
Other income	225,498	–
Impairment	(26,697)	–
Corporate expenses	(4,227,586)	(2,879,895)
Total loss for the year per statement of comprehensive income	(3,991,860)	(6,487,708)

Segment assets and liabilities reconcile to total assets and liabilities as follows.

	2011 $	2010 $
Segment assets	67,046,938	30,761,307
Cash	34,022,583	71,360,800
Trade and other receivables	217,152	947,318
Property, plant and equipment	186,460	59,696
Total assets per statement of financial position	101,473,133	103,129,121
Segment liabilities	(1,962,421)	(1,795,732)
Trade and other payables	(1,507,291)	(188,384)
Total liabilities per statement of financial position	(3,469,712)	(1,984,116)

21. Financial instruments

Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks. These risks include market risk (including interest rate risk, currency risk and commodity price risk), credit risk, and liquidity risk.

The primary responsibility for identification and control of financial risks rests with the Board. The Group's financial and commodity risk management program supports the achievement of the Company's objectives by enabling the identification and evaluation of risks, setting acceptable risk thresholds, identifying and mapping controls against these risks and implementing policies and procedures to manage and monitor the risks.

These written policies establish the financial and commodity risk management framework and define the procedures and controls for the effective management of the Group's risks that arise through the Company's current gold mining exploration and development activities and those risks which may arise through other mining activities in the future.

The policy ensures all financial and commodity risks are fully recognised and treated in a manner consistent with:

- The Board's management philosophy;
- Commonly accepted industry practice and corporate governance; and
- Shareholders expectations of becoming a gold and copper producer.

The policies are reviewed by the Board annually, at a minimum, as the Group's financial and commodity risks are likely to change over time.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period.

The Group's principle financial instruments comprise cash at bank, trade and other receivables, and trade and other payables.

Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments for speculative purposes.

(a) Capital risk management

The capital structure of the Group consists of equity as disclosed in the statement of financial position. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity.

There are no externally imposed capital requirements.

(b) Categories of financial instruments

	Consolidated	
	2011 $	2010 $
Financial assets		
Loans and receivables (including cash)	**35,487,229**	72,343,631
Financial liabilities		
Measured at amortised cost	**(3,252,929)**	(1,816,744)

(c) Credit risk exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from cash on deposit and trade and other receivables. The objective of the entity is to minimize risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, is the carrying amount of those assets, net of any impairments, as disclosed in the statement of financial position and notes to the financial statements.

There is no concentration of credit risk in trade and other receivables as the Group did not have customers during the year.

At balance date the Group has a material exposure of $34,023,819 to National Australia Bank Limited relating to funds on deposit and cash at bank (2010: $71,363,275). The Group manages its credit risk associated with funds on deposit and cash at bank by only dealing with reputable financial institutions.

Notes to the financial statements

for the year ended 31 December 2011

21. Financial instruments continued

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices (commodity price risk); foreign exchange rates (foreign exchange risk) or interest rates (interest rate risk).

The objective of market risk management is to manage and control risk exposure within acceptable parameters whilst optimising returns.

i) Foreign currency risk

Foreign currency risks arise from two areas:-

- The Group's investment in foreign controlled subsidiaries. The currencies in which these transactions are primarily denominated are Kyrgyz Soms and US Dollars. The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.
- The Group's development of the Andash copper-gold project in the Kyrgyz Republic. As a result of development activities, the parent entity enters into contracts for goods and services denominated in Euro and USD.

It is the policy of the Group to manage the foreign currency risk on highly probable forecast capital expenditure by utilising foreign currency hedging. To hedge its exposure to foreign currency risk on highly probable forecast capital expenditure, the Group purchases Euro and USD to match the currencies in which the Group expects to settle the highly probable forecast capital expenditure.

The cash flows associated with the highly probable forecast capital expenditure are expected to occur at various dates within eighteen months from the end of the reporting period. At the end of the reporting period, the foreign currency that was being held as a hedging instrument was:

	2011		2010	
	USD/Euro	$	USD/Euro	$
USD	**31,687,927**	**31,145,987**	5,000,000	4,919,807
Euro	**–**	**–**	4,000,000	5,215,804
Total		**31,145,987**		10,135,611

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the hedge reserve. When the highly probable forecast capital expenditure occurs, the amount of capital expenditure recognised is adjusted for the related amount deferred in the hedge reserve.

During the year ended 31 December 2011 there was a loss from a decrease in the fair value of the foreign currency held as hedging instruments of $303,012 (2010: $434,483).

During the year ended 31 December 2011 no amount was reclassified from the hedge reserve and included in the acquisition cost of capital equipment (2010:Nil). There was no hedge ineffectiveness in the current or prior year.

The Group's exposure to foreign currency risk at reporting date is as follows:

	2011				
	AUD	USD	EUR	Kyrgyz SOM	KZT
Consolidated					
Cash at bank	**2,958,788**	**–**	**2,621**	**1,204,369**	**128,002**
Cash set aside as hedging instrument	**–**	**31,687,927**	**–**	**–**	**–**
Trade and other receivables	**584,441**	**–**	**–**	**1,000,548**	**1,381**
Trade and other payables	**(3,202,690)**	**–**	**–**	**(2,374,818)**	**(132,000)**

	2010				
	AUD	USD	EUR	Kyrgyz SOM	KZT
Consolidated					
Cash at bank	61,066,635	160,653	366	552,736	–
Cash set aside as hedging instrument	–	5,000,000	4,000,000	–	–
Trade and other receivables	947,318	–	–	25,291	–
Trade and other payables	(1,717,426)	–	–	(283,239)	–

The following significant exchange rates were applied during the year:-

Currency	Average Rate		Reporting Date Spot Rate	
	2011	2010	2011	2010
USD	**1.033**	0.928	**1.0174**	1.0163
EUR	**n/a**	n/a	**0.7856**	0.7669
Kyrgyz SOM	**47.611**	43.132	**47.2703**	47.892

A +/-10% change in the USD and EURO exchange rate at reporting date would have increased/decreased the loss and other comprehensive income as follows:-

	Increase / (decrease) in net loss		Increase / (decrease) in other comprehensive income	
	2011	2010	2011	2010
USD – 10%	**–**	–	**3,460,665**	564,209
USD + 10%	**–**	–	**(2,831,453)**	(461,626)
EUR – 10%	**–**	–	**371**	579,587
EUR + 10%	**–**	–	**(303)**	(474,207)

The effect of a 10% change in the other significant exchange rates were not material in the either the current or prior year.

Notes to the financial statements

for the year ended 31 December 2011

21. Financial instruments continued

(e) Interest rate risk

The Group has established a number of policies and processes for managing interest rate risk. These include monitoring risk exposure continuously and utilising fixed rate facilities where required.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out in the following table:

			Fixed interest maturing in:				
Consolidated	Weighted average interest rate	Floating interest rate $	1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	Total $
31 December 2011							
Financial assets							
Cash and deposits	0.39%	**461,532**	**33,672,883**	**–**	**–**	**–**	**34,134,415**
Deposits	5.75%	**–**	**747,000**	**–**	**–**	**–**	**747,000**
Trade and other receivables	N/A	**–**	**–**	**–**	**–**	**605,814**	**605,814**
		461,532	**34,419,883**	**–**	**–**	**605,814**	**35,487,229**
Financial liabilities							
Trade and other payables	N/A	**–**	**–**	**–**	**–**	**(3,259,929)**	**(3,259,929)**
		461,532	**34,419,883**	**–**	**–**	**(2,654,115)**	**32,227,300**

			Fixed interest maturing in:				
Consolidated	Weighted average interest rate	Floating interest rate $	1 year or less $	over 1 to 5 years $	5 years or more $	Non-interest bearing $	Total $
31 December 2010							
Financial assets							
Cash and deposits	5.99%	35,411,403	35,959,618	–		–	71,371,022
Trade and other receivables	N/A	–	–	–		972,609	972,609
		35,411,403	35,959,618			972,609	72,343,631
Financial liabilities							
Trade and other payables	N/A	–	–	–		(1,984,116)	(1,984,116)
		35,411,403	35,959,618	–		(1,011,507)	70,359,515

N/A – not applicable for non-interest bearing financial instruments.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net loss and other comprehensive income would have been affected as follows:

	Net loss Higher/(Lower)		Other comprehensive income Higher/(Lower)	
Consolidated	**2011 $**	**2010 $**	**2011 $**	**2010 $**
+0.5% (50 basis points)	**68,859**	177,057	**–**	–
-0.5% (50 basis points)	**(68,859)**	(177,057)	**–**	–

(f) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

Working capital primarily comprises of cash. The Group has established a number of policies and processes for managing liquidity risk:

- Monitoring actual against budgeted cashflows;
- Regularly forecasting long term cashflows and stress testing; and
- Regularly monitoring the availability of equity capital and current market conditions.

Maturity Analysis

Consolidated	<6 Months $	6-12 Months $	1-5 Years $	>5 years $	Total $
31 December 2011					
Financial assets					
Cash and deposits	**34,134,415**	**–**	**–**	**–**	**34,134,415**
Trade and other receivables	**605,814**	**–**	**–**	**–**	**605,814**
	34,740,229	**–**	**–**	**–**	**34,740,229**
Financial liabilities					
Trade and other payables	**(3,259,929)**	**–**	**–**	**–**	**(3,259,929)**
	(3,259,929)	**–**	**–**	**–**	**(3,259,929)**
Net maturity	**31,480,300**	**–**	**–**	**–**	**31,480,300**

Consolidated	<6 Months $	6-12 Months $	1-5 Years $	>5 years $	Total $
31 December 2010					
Financial assets					
Cash and deposits	71,371,022	–	–	–	71,371,022
Trade and other receivables	972,609	–	–	–	972,609
	72,343,631	–	–	–	72,343,631
Financial liabilities					
Trade and other payables	(1,984,116)	–	–	–	(1,984,116)
	(1,984,116)	–	–	–	(1,984,116)
Net maturity	70,359,515	–	–	–	70,359,515

Notes to the financial statements
for the year ended 31 December 2011

21. Financial instruments continued

(g) Fair values

The Directors consider that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value at balance date.

22. Commitments

	Consolidated 2011 $	2010 $
Capital expenditure commitments		
No longer than 1 year	**5,640,906**	12,535,935
Between 1 and 5 years	**2,544,868**	–
Greater than 5 years	**6,961,068**	–
	15,146,842	12,535,935
Operating lease commitments		
No longer than 1 year	**264,990**	24,623
Between 1 and 5 years	**817,850**	–
Greater than 5 years	**–**	–
	1,082,840	24,623

Capital Commitments

In 2010, Kentor committed to purchase two 6MW Ball Mills from Outotec Pty Limited for €4,656,790 and €4,613,210 respectively. Mr John Taylor, a non-executive Director of Kentor was the Managing Director of Outotec (Australasia) Pty Ltd. This transaction occurred based on normal commercial terms.

The first ball mill was fully paid for during the year. At 31 December 2011, the commitment remains for the secondary mill of $4,695,977 (€3,690,568) to be paid in full by October 2012.

During the period, the Group acquired interests in various mining and exploration tenements in WA and NT as part of the Jinka Minerals Limited acquisition. There are capital and rental commitments on these tenements ranging from $4,360 to $100,000 per annum with expiry terms of between 1 to 19 years.

Operating lease commitments

Operating lease commitments comprise leases over a rail siding storage facility and office space in the Kyrgyz Republic, the corporate office operating lease rental in Brisbane Australia, and the office space in Perth Australia. The annual rental commitments on these leases range from $13,686 to $154,560 per annum with expiry terms of between 1 month to 5 years.

23. Contingent liabilities and contingent assets

(a) On 24 June 2011, a private member put a motion to the house recommending to Government that the licences and rights of Andash Mining Company LLC be cancelled. The motion was adopted in controversial circumstances.

On 28 June 2011, the Minister for Natural Resources issued a letter that Andash Mining Company LLC's licences are, and remain, in good standing.

In March 2012 a Kyrgyz Parliamentary committee has recommended that the Government take up the 20% interest offered by Kentor Gold and cancel the parliamentary resolution passed on 24 June 2011.

Kentor has offered 20% of AMC to the government on the basis of a free carry. They are yet to take up the offer.

The directors have considered a detailed risk assessment of the project's likely development at the year end, considering the developments in the last twelve months, and are confident that the project is still highly likely to proceed. Therefore, no impairment losses have been recognised at 31 December 2011.

(b) On the 27 April 2011, the Company obtained control of Jinka Minerals Limited through an agreed off-market takeover offer. Attached to the sale of the Burnakura mining tenements owned by Jinka Minerals Limited, is a royalty agreement with Royal Gold, Inc. The Group is contractually obliged to pay Royal Gold, Inc a royalty based on potential future extractions at a rate of 1.5% of gold sales once 300,000 oz's has been recorded in the region.

24. Subsequent events

On 7 February 2012 the Board of Kentor Gold approved the development of Phase 1 of the Murchison Gold Project. As part of this, the following contracts have been entered into subsequent to year end,

- An open pit mining contract has been awarded to Minepower. Mobilisation of mining equipment to the Burunakura site commenced in March 2012 with mining to commence in early April 2012 subject to final approval from the WA Department of Mines. Early termination requires three months notice on equipment and one month for Labour.
- Network Aviation, has been awarded a 24 month contract to provide a charter services twice a week a Perth – Meekatharra – Perth. Early termination requires three months notice.
- Action Catering, has been awarded a 24 month contract to provided catering and camp management services at the Burnakura site .Early termination 30 days notice is required

The Company has been awarded a three year prospecting licence for geothermal energy granted by the Solomon Islands government.

On 10 February 2012 there was a consolidation of shares in the ratio of 1:10.

Notes to the financial statements

for the year ended 31 December 2011

25. Parent entity information

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity Kentor Gold Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1.

Parent entity	2011 $	2010 $
Current assets	**34,239,414**	72,308,118
Non-current assets	**75,654,457**	40,449,837
Total assets	**109,893,871**	112,757,955
Current liabilities	**(1,507,291)**	(1,717,426)
Total liabilities	**(1,507,291)**	(1,717,426)
Net assets	**108,386,580**	111,040,529
Contributed equity	**122,404,505**	122,109,423
Share-based payments reserve	**3,502,749**	3,174,602
Hedge reserve	**(619,825)**	(432,667)
Retained earnings/(accumulated losses)	**(16,900,849)**	(13,810,829)
Total shareholders' equity	**108,386,580**	111,040,529
Profit/(loss) for the year	**(3,090,020)**	(7,494,154)
Other comprehensive income	**(185,342)**	(434,484)
Total comprehensive income for the year	**(3,275,362)**	(7,928,638)

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 31 December 2011 (2010 - $nil).

Contingent liabilities

The parent entity has no known contingent liabilities.

Independent Auditor's Report

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Independent auditor's report

To the members of Kentor Gold Limited

Report on the Financial Report

We have audited the accompanying financial report of Kentor Gold Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report Continued

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.* We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kentor Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Kentor Gold Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

We draw attention to the disclosure in Note 1 to the financial statements regarding "Consideration of asset impairment for Andash mining project". The matters raised in this note are of such importance that they are fundamental to the users' understanding of the financial report. Our conclusion is not qualified in respect of these matters.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kentor Gold Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO

AJ Whyte
Director

Brisbane: 30th March 2012

Additional Information

as at 11 April 2012

1. Names of Substantial Holders

Name of Holder	No of Securities	
KMP INVESTMENTS PTE LTD	13,537,770	12.75%

2. Number of holders in each class of equities

Range	Holders	No of Units
Ordinary Shares	5,136	106,209,874
Unlisted Options	13	2,736,927

3. Voting rights attached to each class of security

Each fully paid ordinary share is entitled to one vote.

Unlisted options have no voting rights.

4. Distribution Schedule

Range	Securities	No of Holders
100,001 and Over	67,381,117	92
10,001 to 100,000	26,494,223	911
5,001 to 10,000	6,255,830	802
1,001 to 5,000	5,294,180	1,934
1 to 1,000	784,524	1,397
Total	**106,209,874**	**5,136**

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel 389

6. 20 Largest holders in each class of quoted security

Rank	Name	11 Apr 12	% IC
1	KMP INVESTMENTS PTE LTD	13,537,770	12.75%
2	JP MORGAN NOMINEES AUSTRALIA LIMITED	9,018,584	8.49
3	NATIONAL NOMINEES LIMITED	5,519,316	5.20
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,047,866	4.75
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,366,194	4.11
6	MACQUARIE BANK LIMITED	3,369,195	3.17%
7	ASIAN LION LTD	2,338,831	2.20%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,173,929	2.05%
9	MR ROBERT BRYAN	1,471,219	1.39%
10	COWAY MANAGEMENT LIMITED	965,162	0.91%
11	MR DALE LEONARD ANDREWS	950,000	0.89%
12	AUSTRALIAN INVESTORS PTY LTD	799,107	0.75%
13	MRS JUDITH MARY PYPER	707,956	0.67%
14	DIEMAR & ASSOCIATES PTY LIMITED	670,924	0.63%
15	CITICORP NOMINEES PTY LIMITED	607,329	0.57%
16	CRATE RECOVERY SERVICES PTY LTD	600,000	0.56%
17	DARTALE PTY LTD	531,000	0.50%
18	NOREL NOMINEES PTY LTD	475,000	0.45%
19	MR JOHN CHARLES TAYLOR & MRS CHRISTINE RUTH TAYLOR	450,001	0.42%
20	HARBURG NOMINEES PTY LTD	400,000	0.38%

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

Kentor Gold Limited
Level 9 40 Creek Street
Brisbane 4000
07 3071 9003

9. Name and address of share register

Link Market Services Limited
Level 9 333 Collins Street
Melbourne VIC 3000

10. Stock Exchange Listing

Quotation has been granted for the unrestricted ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange.

Kentor Gold