2010

Kentor Gold

ANNUAL REPORT

In 2010, Kentor Gold Limited commenced the transition from explorer to mine developer and producer at the Andash Gold-Copper Project in the Kyrgyz Republic

CORPORATE PROFILE

Commencing with the Andash Gold-Copper mine, we are building wealth for shareholders by acquiring advanced projects and progressing them through exploration and development to production.

Formed in 1998 as a specialist gold explorer, Kentor Gold Limited (ASX code: KGL) is an Australian-based international minerals and energy company. The Company was listed on the Australian Securities Exchange in 2005 and has diversified into exploration and development of gold, base metals and geothermal energy in Central Asia.

Commencing with the Andash Gold-Copper mine, our key objective is to build wealth for shareholders by acquiring advanced projects and progressing them through exploration and development to production.

The Company's high quality assets and key strengths are:

- The low cost Andash Gold-Copper Project, in the Kyrgyz Republic
- High potential ore sources for expansion and extension at Andash
- Other gold, base metals and geothermal assets in the Kyrgyz Republic
- A board of directors and senior management experienced in international exploration, mining, minerals, metals marketing and resource financing
- A management team with long term, local experience in Central Asia – Kentor Gold has an important strategic advantage in the Kyrgyz Republic with its long serving, in-country management team, led by an experienced Australian exploration and mining executive, Russian speaking and permanently based in the capital Bishkek
- Through good relations with the Kyrgyz Geophysical Expedition, access to the vast geological database from the country's Soviet era

The Company is now focussed on:

- Bringing the Andash Gold-Copper Project into production
- Exploration near Andash to prove up additional Resources to expand and extend the operation
- Exploration at Bashkol (gold)
- Geothermal energy exploration
- Acquiring other advanced resource projects

Site of Andesh Gold–Copper–Project.

HIGHLIGHTS OF THE YEAR

- The Andash Gold-Copper Project advanced towards first production
- Engineering design and major procurement neared completion
- The mobile construction and operation fleet was commissioned
- Key management and professional staff were engaged and local employment commenced
- The Andash Definitive Feasibility Study was completed, increasing planned production and enhancing the project's already extremely low costs
- Production planned at an average 70,000 oz gold and 7,4000 tonnes copper per year for an initial six year life
- Capital cost reduced to US$96M
- Production cost estimated at US$29/oz gold after copper credits, and including treatment, transport and refining charges, and royalties
- Exploration targets were established at Andash and nearby Aktash for Resource volumes that would significantly extend and expand production from Andash
- Secured Aktash with a binding option agreement
- Project financing – an equity:debt funding mix - completed for the development of Andash
- A successful $65.2M share placement and rights issue secured the equity component
- A US$50M debt facility committment from Macquarie Bank
- Additional gold and copper mineralisation was discovered at the high grade Bekbulaktor prospect on the Bashkol licence

CHAIRMAN'S LETTER

Dear Shareholder,

In 2010, and with the acquisition of the Andash Gold-Copper project in the Kyrgyz Republic, Kentor Gold embarked on the transition from explorer to mine developer and operator. Your Company is now well prepared to become a mid-tier gold producer from one of the world's lowest cost mines.

I am pleased to report that, at the time of writing, we are ready to proceed with the full-scale development of the Andash Gold-Copper Project. Our starting time will be dependant on gaining site access and 12 months from the date of securing such site access we anticipate being in production.

To have brought Andash to this point represents exceptional progress. Kentor Gold's long established presence in central Asia, with a locally entrenched, Russian speaking team in the Kyrgyz Republic, positioned the Company ideally to acquire Andash in 2009. These same advantages, together with a strong board and management experienced in mine financing, planning, development and operation, enabled 2010 to be navigated successfully.

The fundamental strengths of the Andash project were confirmed by an updated Definitive Feasibility Study and by subsequent enhancements that reduced capital cost and lowered the total production cost of gold to an exceptional US$29 an ounce after copper credits. The outstanding economics of Andash have been improved even further by the continuing rises in gold and copper prices and the strengthening of the Australian dollar.

The political upheaval in the Kyrgyz Republic during the year inevitably created some delay for Andash, and naturally caused concern for our investors. However, the parliamentary democracy that has emerged provides a sustainable environment for Kentor Gold and for the overall development of the mining industry which the new government supports as a key policy.

By year's end, investors demonstrated their enthusiasm for the Andash project and your Company with their support for a $65M equity raising to fund the project's development. We were very pleased to be able to offer shareholders 80% of the capital raising as a rights issue which was well supported. The project financing was completed early in 2011 with a Committed Letter of Offer for US$50M debt provided by Macquarie Bank.

While there is a strong focus on bringing Andash into production, our management team maintained considerable effort last year in pursuing other avenues for building Kentor Gold. Through exploration, we are now confident of being able to expand and extend the Andash project beyond the initial operation, and we have been having success in gold exploration elsewhere in the Kyrgyz Republic. At the same time, we have been actively considering further acquisitions consistent with our strategy of securing other advanced projects, similar to our success with Andash.

At the time of writing this report, Kentor Gold had launched an off-market take-over bid for Jinka Minerals Limited. Although the Andash Project remains our focus, Jinka Minerals' assets will provide the company a strong new growth option and, being in Australia, diversifies the geographical location of our operations.

I would like to acknowledge the sound counsel and support of my fellow directors during the year and, on behalf of the board, extend appreciation to the management and staff, led by Managing Director Simon Milroy and our Executive Director in Bishkek, Hugh McKinnon, for their hard work.

Directors wish to thank shareholders for supporting the Company strongly, as evidenced in the capital raising to develop Andash. We look forward to your continuing confidence as we achieve the transition to substantial gold-copper producer.

WH John Barr AM, MAICD
Chairman

MANAGING DIRECTOR'S REPORT

On 1 November, 2010, Kentor Gold announced the decision to proceed with the development of the Andash Gold-Copper Project. This landmark announcement was the culmination of a year of careful planning and will be followed by a second year of development to place Kentor Gold among the ranks of international gold producers.

Having acquired Andash in late 2009, the Company focussed in 2010 on engaging key people, updating the project's feasibility, completing engineering design, acquiring plant and equipment, planning product marketing and securing project finance.

The appointment of senior corporate officers in 2010 was followed with the progressive engagement of the team to build the Andash project. .

The Company was able to recruit high quality people for senior construction and operating positions covering engineering, geological, environmental and administration functions. By year's end, recruitment of local people was well under way. Some 450 full time jobs are being created at Andash, and this will have a big beneficial impact in the region.

The Company's own technical team worked with AMEC Minproc and other consultants to produce a Definitive Feasibility Study that confirmed the high value, low cost status of Andash. Further metallurgical test work resulted in improved gold recoveries and concentrate grade and increased production volumes resulting in a larger, even more favourable project.

Investors responded with growing enthusiasm as the Andash project advanced towards development. In July/August 2010 the Company raised $12.5 million through a share placement and a rights issue, both oversubscribed, to fund the early development costs for Andash.

Late in the year, the major funding for the development of Andash was put in place, more than covering the estimated US$96 million capital cost. The project financing was structured as a combination of debt and equity, with a large rights issue included in order to give shareholders a good opportunity to increase their interest, while containing the dilution.

The November/December 2010 equity raising of $65.2 million comprised a $13.4 million share placement and a $51.8 million rights issue. The placement was significantly oversubscribed and the success of the rights issue was assured due to commitments from investors to take up any shortfall. In the event, shareholders applied for 89% of their total entitlements.

In October 2010, Macquarie Bank was mandated to provide debt finance and in early 2011 Kentor accepted a Committed Letter of Offer for a US$50M debt facility, thus completing the project financing for Andash. Macquarie Bank did not require metal price hedging under the terms of the facility, so that Kentor will have maximum exposure to future upside in both gold and copper prices. However, Macquarie Bank is providing a non-mandatory hedging facility of US$6M for the purchase of gold and copper put options should the Company wish to take advantage of it.

Kentor Gold engaged in exploration activity in the Kyrgyz Republic during the year. To increase the mineral Resource at Andash, Exploration Targets were established within a kilometre of the initial open pit site and at Aktash only 8 kilometres from the proposed processing plant. If the targeted Resources are successfully defined, they will allow for considerable expansion and mine life extension at Andash.

Elsewhere in the country, more high grade gold and copper was discovered at Bekbulaktor on the Bashkol Exploration Licence, increasing expectations for the prospect.

The Company continued to explore geothermal energy sources with a view to providing heating to the Kyrgyz capital Bishkek.

On 1 April 2011, Kentor Gold announced a takeover bid for Jinka Minerals Limited. The Jinka assets include advanced copper and gold projects on Western Australia and the Northern Territory. The Andash Project is the priority for Kentor however we believe Jinka will be a source of quality future cashflow which will contribute to the long term growth of the company.

Legal proceedings:

During the year, the Talas Interdistrict Court found the 20% minority ownership of Aurum Mining plc (Aurum) and Invest-center Talas LLC (ICT) in Andash Mining Company LLC (AMC) to be invalid, a decision that was upheld on appeal in the Talas Oblast Court. Aurum and ICT have appealed to the Supreme Court of Kyrgystan. The action does not affect Kentor Gold's 80% holding in the Andash project.

ICT brought a separate case against Kentor Gold alleging that somehow Kentor Gold was responsible for ICT's loss of its holding in AMC. The failure of ICT to appear at the hearing on 2 occasions has resulted in this case being dismissed.

ANDASH GOLD-COPPER PROJECT

Andash Gold-Copper Project

(Kentor Gold 80%)

Kentor Gold is now preparing to commence the full-scale development of the Andash Gold-Copper Project.

On 1 November 2010, the Board of Kentor Gold announced the decision to proceed with the development of Andash as one of the lowest cost gold mines in the world.

The Company is awaiting the final determination of a Commission of Enquiry, established in February 2011 by the Kyrgyz Government to inquire into concerns about the Andash project being expressed by some local people. The Company hopes to obtain site access in the months following the determination, and will complete construction of the project 12 months after the granting of access. Kentor has, however, re-commenced communications with the local community and plans to re-start the community development programs.

Andash 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 280 km by sealed road from the capital, Bishkek, and 45 km from the regional centre, Talas. The town of Kopuro Bazar is 2.5 km away. Water is available on site and a major power line passes within 8 km. A rail line is 150 km from Andash by road with connections to Kazakhstan, China and Europe.

Acquired as an advanced project in 2009, Andash was subjected to a definitive feasibility study (DFS) by Kentor Gold. While the DFS confirmed Andash as a very low cost gold-copper project, additional metallurgical test work improved the project's economics even further, the results being announced in mid-2010.

Community relations projects sponsored by Kentor Gold.

ANDASH GOLD-COPPER PROJECT *(continued)*

The test work resulted in projected improvements of 3.5% in gold recovery. The design engineering team simplified the flotation cleaner circuit resulting in increases in the grades in the single high grade concentrate to 24.5% copper and 72 g/t gold. The higher concentrate grades also delivered reductions in the unit costs of transporting concentrate and concentrate treatment charges.

- Annual production over the six-year mine life was forecast to average 70,000 oz gold and 7,400 tonnes copper, increases of 17% and 9% respectively over the DFS.
- The projected gold cash cost fell by 24% to US$29/oz after copper credits and including transport, treatment and refining charges and royalties.
- The capital cost was reduced by 6% to $96M.

The extremely low cost of production assumed a gold price of US$1,000/oz and a copper price of US$2.75/lb. These prices were also the basis for the base case Net Present Value of the project of US$130M. At current metal prices, the forecast cash cost reduces further, and the NPV increases significantly.

Contributing to the very low operating costs are the shallow open cut mining operation with a strip ratio of 0.72 : 1, and a conventional crush, grind and flotation process. In the initial six-year mine life, ore will be mined and processed at the rate of 1.6mtpa, rising to 3.2mtpa in the third year. To provide the necessary grinding capacity, the Company contracted to purchase a second grinding ball mill in 2010, a similar mill having been acquired earlier in the year. The two fully fabricated 6MW mills will enable a 10% increase in installed power and a 6% increase in throughput capacity over the specifications in the DFS.

A fleet of near new construction and mining equipment that the vendor of Andash had assembled was purchased at well below replacement cost, and during 2010 was commissioned ready for service.

The Kyrgyz Government extended the mining licence for Andash, in recognition of the delays caused by the unstable political situation during the year. The processing plant is now required to be constructed by June 2012.

The Company increased community relations activity during the year and conducted information programs to inform residents of the benefits of a modern mining operation. The company also provided for microfinance loans for small business development, donations of coal and flour to needy families and the sponsoring of a sports tournament.

Andash Project Plant Design.

EXPLORATION

Progress on expansion of Andash

To progress high potential expansion opportunities at Andash, Kentor Gold advanced aggressive exploration plans around Andash and secured an option over the nearby Aktash Gold-Copper Project.

Andash has an estimated JORC Ore Reserve of 540,000 oz gold and 63,000 tonnes copper, and a Resource of 19.2 million tonnes @ 1.1 grams per tonne gold and 0.4% copper.

Exploration at Andash:

The Company has prepared an intensive exploration program for Andash Zone 1, where the current Resource is located, and in the adjoining Andash Zones 2 and 3 and other exploration targets nearby. Hellman & Schofield established an Exploration Target* for Zones 2 and 3 under the JORC guidelines of 5 to 10 million tonnes of ore with a gold grade range of 1 to 1.5 g/t. The target lies only one kilometre from the proposed initial open pit in Andash Zone 1.

Exploration at Aktash Gold-Copper Project:

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

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

Kentor Gold signed a binding option agreement giving the Company the exclusive right to acquire the Aktash project after completing a drilling program of 1,500m. The program is scheduled for 2011.

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

Bashkol Licence Area

(Kentor Gold 80%)

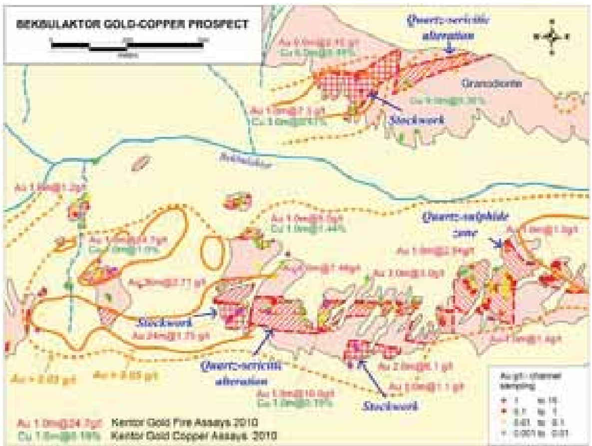
Results from the 2010 exploration program at the Bekbulaktor gold prospect on the Bashkol Exploration Licence have significantly increased expectations for the prospect. As well as encouraging channel sampling on the south side of the Bekbulaktor stream, high grade gold and copper mineralisation was discovered on the northern side, resulting in an increase in the size of the prospect.

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

The most encouraging results from the 2010 exploration activities comprise:

- Two continuous channel sample intervals returning 36m @ 2.71 g/t gold and 24m @ 1.7 g/t gold. The two intervals are separated by a gap of 20m covered by scree material not sampled due to permafrost. The mineralisation is open to the south. Channel sampling 500m west returned an interval of 1m @ 24.7 g/t gold
- A preliminary reconnaissance and sampling program on the northern side of the stream where gold mineralisation was discovered resulted in an interval of 6m @2.45 g/t gold and 0.49% copper from continuous channel sampling, and an interval of 1m @ 7.3 g/t gold and 0.73% copper
- Identification of a broad area of anomalous gold in soil on the south side of the stream

A geological and geophysical program in 2011 is expected to lead to the identification of clear drill targets.



EXPLORATION *(continued)*

Kurgan

(Kentor Gold 80%)

The Kurgan Licence Area, located 70 km south-west of the Andash Gold-Copper Project, was the subject of a drilling program in 2010, following up encouraging surface sampling results from the previous year. Five diamond holes were drilled with a total length of 615.2m at the Kurgan 1 gold prospect.

It was established that gold is widely distributed through a thick sequence of Riphean siltstone, shale and limestone. However, grades and thicknesses intersected were generally below those which would be required for a profitable development at Kurgan under normal circumstances.

Kentor Gold is planning to withdraw from the Kurgan exploration licence.

Savoyardy Gold Project

Kentor Gold withdrew from the Savoyardy Project, in the south-east of the Kyrgyz Republic, where the Company had an agreement to earn up to 70% of the project. A small, high grade Resource had been identified at Savoyardy, and there is potential for further discoveries on the exploration licence. However, Kentor Gold concluded that the funds that the Company would be required to expend at Savoyardy to complete the joint venture earn in should be directed to other exploration and development commitments.

Geothermal Energy

Exploration was pursued on the North Kyrgyz licence area with a view to establishing a resource suitable for district heating the Kyrgyz capital, Bishkek. Previous geophysical surveys indicate an extensive zone of coincident low gravity and low resistivity consistent with fractured granite with water in the interstices. Shallow temperature surveys across the geophysical anomaly and the location of hot springs are consistent with elevated temperatures in the groundwater.

Panax Geothermal Limited has withdrawn from a joint venture in which it could earn up to 51%.

Developments in the Kyrgyz Republic

After political upheaval throughout much of 2010, the Kyrgyz Republic ended the year with a genuine parliamentary democracy, the first in central Asia.

For Kentor Gold, the events caused inevitable delay to the development of the Andash Gold-Copper Project but the Company is confident that the outcome will be to the enduring advantage of the people of the Kyrgyz Republic and the Company's growth and contribution to the Kyrgyz mining industry.

In April 2010, a popular uprising led to President Bakiev being deposed and his government being replaced by an interim government of opposition parties headed by an experienced politician and diplomat Rosa Otunbayeva. The former president fled into exile, but ethnic violence flared in the country's south with tragic loss of life and disruption to many people's lives before subsiding in late June as refugees returned from Uzbekistan and humanitarian relief programs took effect. The interim government persevered with a draft constitution to shift power to a democratically elected parliament. The constitution was approved on 27 June by a referendum with almost 70% participation and 90% voter approval.

Parliamentary elections were successfully conducted on 10 October and in December a coalition government was formed with the leader of the Social Democratic party, Almazbek Atambayev, as Prime Minister. Mr Atambayev is an experienced senior politician with a reputation for his support for business.

There is general support within parliament and the government for the development of the mining industry as an important contributor to the nation's economy. All five successful political parties recognised the importance of foreign investment and the need to improve the investment climate.

The country has an attractive taxation regime, with a 10% flat income and corporate tax rate and a 5% royalty for gold mines.

The return of stronger central government has been translated into action relating to Kentor Gold. The mining licence for the Andash project was extended for a year, in acknowledgement of the delays caused. In February 2011, the government set up a Commission of Enquiry into concerns being expressed by some local people about the Andash Project. The Commission's final determination is awaited after which it is hoped that the Company will obtain site access in order to proceed with the full-scale development of Andash.

COMMODITY INFORMATION

Gold and copper outlook

Kentor Gold is developing the Andash Gold-Copper Project at a time of strong demand and high prices for gold and copper.

Demand for gold in 2010 increased by 9% while supply growth was lower at 2%. Demand was strong in all sectors of gold consumption – jewellery, investment and industrial use. Jewellery represents more than half of the gold market, and Asian consumers continued to drive jewellery demand in 2010.

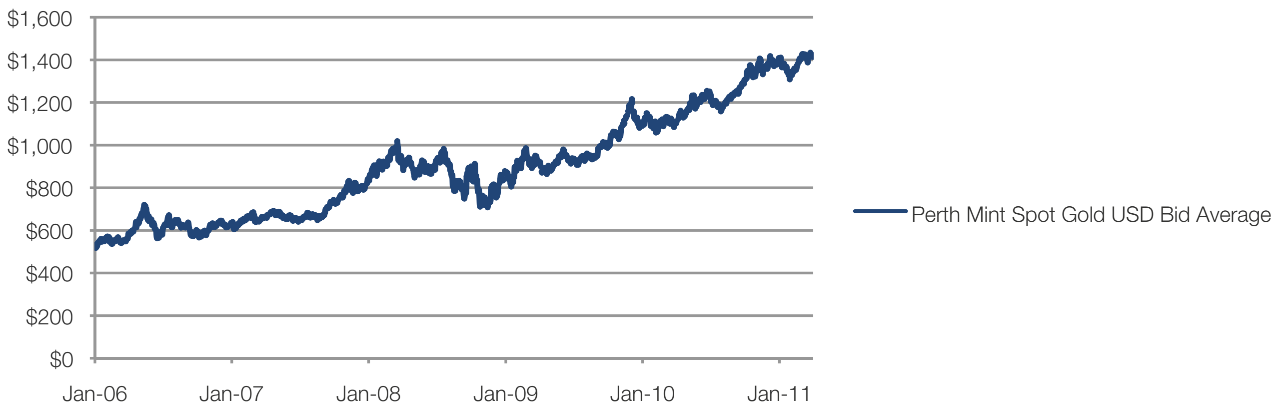
Central banks became net purchasers of gold for the first time in 21 years, flagging the end of an era in which the "official sector" had been a source of significant supply.

Kentor Gold expects demand for gold to grow, fuelled by Chinese consumers, global economic uncertainty, national fiscal imbalances and inflationary concerns. Supply should also increase as additional mine production gradually comes on, but this should be tempered by the central banks continuing to buy more gold than they sell.

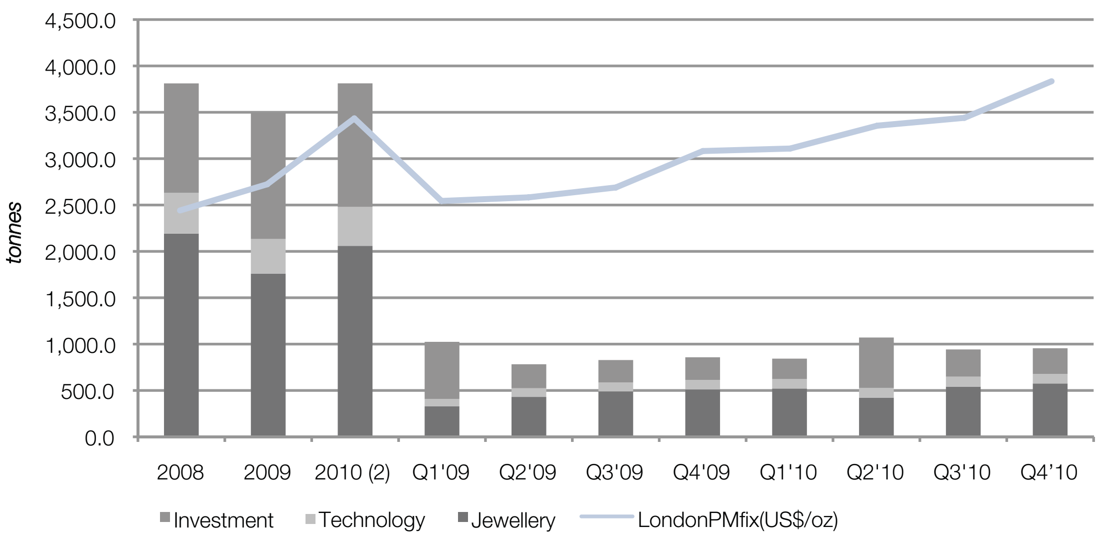
After falling into supply surplus during the Global Financial Crisis, the copper market experienced a small deficit in 2010. The supply shortage is expected to increase in 2011, due to demand from China and other emerging markets.

In 2010, the prices of gold and copper increased 29% and 31% respectively in US dollars and 14% and 17% in Australian dollars. The prices have maintained those price levels during the early part of 2011 and Kentor Gold expects gold and copper prices to stay strong over the next 12 months.

Perth Mint Spot Gold USD Bid Average



Global gold demand (tonnes) and gold price (US$/oz)



Andash JOR C Resource Estimate

Category	Type	Tonnage (kt)	Grade		Metal	
			Au (g/t)	Cu (%)	Au (oz)	Cu (t)
Measured	Oxide	923	0.88	0.50	26,114	4,638
	Sulphide	3,160	1.21	0.47	122,932	14,900
Indicated	Oxide	810	0.85	0.43	22,136	3,510
	Sulphide	14,305	1.11	0.38	510,507	54,260
Total		**19,200**	**1.10**	**0.40**	**679,023**	**77,300**

Andash JOR C Reserve Estimate

Category	Type	Tonnage (kt)	Grade		Metal	
			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		**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

Name	Number	Entity	Location	Ownership
Bashkol	AP1602	CJSC Kentor	Issykkul Oblast, Aksuu Rayon	80%
Kurgan	MP1648	CJSC Kentor	Jalalabad Oblast, Toktogul 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%
Akshyrak	VP1649	CJSC Kyldoo	Issykkul Oblast, Aksuu Rayon	80%
North Kyrgyz	VP1911	CJSC Kyldoo	Chu Oblast; Sokoluk, Alamedin and Issyk Ata Rayons	80%

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

The Resource and Ore Reserve Estimates in this report related to the Andash project 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 exploration results in this report 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 Limited. Mr. Milroy has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Milroy has consented to the inclusion of this information in the form and context 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.

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**.

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

The employment contracts of the Company's senior executives require an annual review of performance and remuneration terms. The review is conducted by the Remuneration Committee and is an assessment of the executives' performance against the key objectives of their role. A review was undertaken in January 2011. The Remuneration Committee has requested the Managing Director to establish Key Performance Criteria for all senior staff. These criteria will be used in determining the short term incentives payable for the 2011 financial year.

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

Recommendation 2.2 – The chairperson should be an independent director

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

Recommendation 2.4 – The Board should establish a Nomination Committee

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

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)

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 plans to use a questionnaire process for evaluating the performance of the board, its committees and individual directors

CORPORATE GOVERNANCE STATEMENT *(continued)*

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:

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

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.

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.

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.

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 63 persons, 21 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.

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

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

Recommendation 4.3 – The Audit Committee should have a formal charter

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 has three members, and 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**

CORPORATE GOVERNANCE STATEMENT *(continued)*

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.

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 at each time issues arise that may involve matters of disclosure.

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.

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. .

Where the Company has undertaken significant corporate transactions, a shareholder information line has been established, providing answers to questions raised by shareholders. Where the shareholder's question was not able to be answered by the information line manager, these queries were escalated to management for resolution.

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.

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.

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.

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.

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 Audit & Risk Management Committee.

For the financial year ending 31 December 2010, 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*

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.

The Board has established a Remuneration and Nomination Committee

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

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

The Remuneration and Nomination Committee comprises three non-executive directors. Members of the Remuneration and Nomination 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).

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

The shareholders have approved the aggregate remuneration of all Directors, in their capacity as Directors, which must not exceed $200,000 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

DIRECTORS' REPORT

The directors present their report on the Consolidated entity (the Group) consisting of Kentor Gold Limited and the entities it controlled at the end of, or during, the year ended 31 Dec 2010.

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

John 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 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
GradDip(GeoSc), C.Eng(UK),
BSC (HONS)(MINING)

Non-Executive Director
Appointed 10 November 2004

Andrew Daley is a Chartered Engineer, a Member of IOM3 and a Fellow of the Australasian IMM. Mr Daley commenced his career in 1970 with Anglo American on the Zambian copper belt and later worked with Rio Tinto and Conoco Minerals in Africa. He moved to Australia with Fluor Australia in 1981 and since 1983 has been focused on resource project finance with National Australia Bank, Chase Manhattan and more recently was a Director at Barclays Capital mining team in London.

From his return to Australia in 2003 until retiring in mid 2009 he was Director of Investor Resources Finance Pty Limited ("IRF"), 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 and Nomination 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 :

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

DIRECTORS' REPORT *(continued)*

John Taylor
B.Eng (CHEM)
MBA

Non-executive Director
Appointed 28 July 2009

Mr Taylor is well recognised within the Australian business community and comes with extensive experience in the resources, engineering and construction industries. 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.

Other Current Directorships of Listed Companies
None

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

Simon Milroy
B.Eng (MINING)

Managing Director
Appointed 14 May 2007

Simon 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
B.Eng (MINING)

Executive Director
Appointed 28 May 1998

Hugh 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.

COMPANY SECRETARY

Kylie Anderson
B.Sc 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.

DIRECTORS' REPORT *(continued)*

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	2,076,837	1,000,000
A E Daley	2,473,018	1,000,000
H McKinnon	2,501,094	2,800,000
S Milroy	1,245,428	4,000,000
J C Taylor	4,000,006	-

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	15	15
A Daley	15	15
J Taylor	15	15
S Milroy	15	15
H McKinnon	14	15

Committee membership and meetings

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

Two meetings of the Audit and Compliance Committee were held during the year. One meeting was attended by Mr Taylor, Mr Daley and Mr Barr. The other was attended by Mr Taylor. One meeting was held by the Remuneration Committee during the year, attended by Mr Daley and Mr Barr.

CORPORATE INFORMATION

Principal activities

The principal activity of the consolidated entity during the financial year was exploration and development of gold and base metals projects in the Kyrgyz Republic.

Employees

The consolidated entity employed 54 employees as at 31 Dec 2010 (2009: 30 employees).

DIRECTORS' REPORT *(continued)*

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.

Financial overview

Operating results for the period

The loss for the consolidated entity after income tax was $6,487,708 (2009: loss of $5,423,704). This result was in line with expectations of costs associated with managing exploration and development programmes. The loss included a provision for the impairment and relinquishment of exploration assets of $3,764,347 in relation to the Savoyardy project. Kentor decided to withdraw from the Savoyardy gold-antimony project in the south-east of Kyrgyz Republic, where the Company had an agreement with Manas Resources Limited to earn up to 70% of the project.

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; exploration activities on tenements held; 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. Additionally, $73.1 million cash was raised through share placements and rights issues during the year.

DIRECTORS' REPORT *(continued)*

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year, the Company raised $73,068,113 of equity (net of capital raising costs) 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 company. On 21st 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.

Summary of shares and options on issue – 31 Dec 2010

As at the date of this report there were 1,061,592,950 (2009: 393,011,481) ordinary shares on issue and 59,611,358 (2009: 56,611,358) unissued ordinary shares in respect of which the options listed below 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 2011	100,000	0.9808
30 June 2011	500,000	0.1808
21 Dec 2011	36,242,126	0.1308
16 Dec 2012	10,769,232	0.1433
	47,811,358	
Unlisted executive 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 14th Sept 2014 or 30 days after ceasing employment	1,500,000	0.1176
Earlier of 14th Sept 2014 or 30 days after ceasing employment	3,500,000	0.1449
Earlier of 4th June 2015 or 30 days after ceasing employment	1,000,000	0.1818
Earlier of 4th June 2015 or 30 days after ceasing employment	1,000,000	0.1568
Earlier of 4th June 2015 or 30 days after ceasing employment	1,000,000	0.1533
	11,800,000	
TOTAL	59,611,358	

(*) the exercise price of unlisted share options was revised in light of the two rights issues during the 2010 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Kentor decided to withdraw from the Savoyardy gold-antimony project in the south-east of Kyrgyz Republic, where the Company had an agreement with Manas Resources Limited to earn up to 70% of the project. A small, high grade resource has been identified at Savoyardy, and there is potential for further discoveries on the exploration licence. However, Kentor has concluded that the funds the Company would be required to expend at Savoyardy to complete the joint venture earn in, should be re-directed to other exploration and development commitments.

DIRECTORS' REPORT *(continued)*

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 21st 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 complete construction of the Andash Gold-Copper project in the Kyrgyz Republic.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors primary focus in FY2011 is to commence construction of a 1.5Mtpa Gold Copper concentrator plant in the Kyrgyz Republic and continue exploration and development programmes on existing tenements including Andash, Aktash and Bashkol.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

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 have in all instances been found to be in full compliance.

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 intends to link the nature and amount of executive officers' emoluments to the Group's financial and operational performance. No formal plan has been adopted at this time.

Employment agreements are entered into with executive directors and other key management personnel. The current employment contract with the managing director will terminate on 31 May 2011. The employment contract with the Executive Director, Hugh McKinnon is automatically renewed for 6 months periods 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 Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and executives.

Remuneration structure

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

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 aggregate remuneration so determined is $200,000. An amount not exceeding $200,000 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. It is considered 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 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 obtained 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 – long term incentives

Objective

The objectives of long term incentives are 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.

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure

The Company has implemented long term incentives granted to senior executives in the form of options in accordance with an Employee Share Option Plan, approved by shareholders on 22 May 2008. 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.

On a case by case basis some new Senior Executives are 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. The agreed terms of his employment includes *inter alia*:

- Mr Milroy is engaged to provide services in the capacity of Managing Director for a term ending on 31 May 2011 at an annual salary of $320,000 (increased from $240,000 per annum effect 1 July 2010). 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
- Share options granted.
- 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.

In early 2010, Mr Milroy was awarded a bonus of AUD$100,000 in recognition of securing the Andash Gold-Copper project for the Company. This was not based on any predetermined criteria and was paid solely at the Board's discretion.

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$200,000 effective 1 July 2010 (increased from USD$128,000 per annum).
- 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.
- Share options granted.
- Notice period 3 months.

In early 2010, Mr McKinnon was awarded a bonus of AUD$60,000 in recognition of securing the Andash Gold-Copper project for the Company. This was not based on any predetermined criteria and was paid solely at the Board's discretion.

DIRECTORS' REPORT (*continued*)

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 is $225,000.
- Share options granted.
- Notice period of 3 months.

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.

Mr Cordingley resigned on the 18th 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.

Remuneration of non-executive directors

John Barr

By mutual agreement approved by the board of directors, Mr John Barr is engaged to provide services as a Non-executive Director, with an annual fee of $80,000 plus $7,200 superannuation subject to annual review.

Andrew Daley

By mutual agreement approved by the board of directors, Mr Andrew Daley is engaged to provide services as a Non-executive Director through his company Dalenier Enterprises Pty Ltd, with an annual fee of $54,500 subject to annual review.

John Taylor

By mutual agreement approved by the board of directors, Mr John Taylor is engaged to provide services as a Non-executive Director with an annual fee of $54,500 subject to annual review.

In recognition of the increasing complexity of the Company and the time required of the Directors, Mr Taylor was granted 1,000,000 options on 24 June 2010, exercisable at 12.62c which represented a 50% premium to Kentor Gold's 5 day volume weighted average share price on the 5 days prior to approval from shareholders. These options were fully exercised on 6 October 2010.

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of directors and executives

The directors and other key management personnel received the following compensation for their services to the company during the year.

Year ended	Short-term Salary & fees $	Short-term Bonus $	Post Employment Superannuation $	Share-based Payment Options $	Total $	% total performance related %	%total issued as options %
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	8.9	8.7

Year ended 31 Dec 2009	Short-term Salary & fees $	Post Employment Superannuation $	Share-based Payment Options $	Total $	% total performance related %	%total issued as options %
Directors						
W.H.J. Barr	-	87,200	49,849	137,049	-	36.4
S. J. Milroy	204,750	22,750	111,625	339,125	-	32.9
A.E. Daley*	54,500	-	49,849	104,349	-	47.8
H. McKinnon	162,677	-	59,412	222,089	-	26.8
J C Taylor	23,293	-	-	23,293	-	-
Other executives						
K. Anderson**	91,711	-	-	91,711	-	-
	536,931	109,950	270,735	917,616	-	29.5

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

**Company secretary Fees paid to Andersson Lyne Pty Ltd, a company controlled by Kylie Anderson.

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options granted as part of remuneration

Executive options

4,000,000 options over unissued shares of the company were granted during the year.

Information with respect to the number of options granted is as follows:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	8,800,000	$0.25	3,800,000	$0.37
- granted	4,000,000	$0.17	5,000,000	$0.16
- exercised	(1,000,000)	$0.13	-	-
Balance at end of year	11,800,000	$0.15	8,800,000	$0.25

Options held at the beginning and end of the reporting year are as follows:

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Fair value at grant date
At 31 Dec 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 2008	30 May 2008	n/a*	0.1808	0.028
950,000	30 May 2008	30 May 2008	n/a*	0.2308	0.02
950,000	30 May 2008	30 May 2008	n/a*	0.2808	0.011
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
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1818	0.0369
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1568	0.0394
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1533	0.0398

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

The fair value of the options was 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.

1,000,000 options were exercised during the reporting period by Mr John Taylor. 1,000,000 shares were issued at the exercise price of these options and $0.1262 was paid per share. No amount remains unpaid. The value of the options on the date they were exercised was $23,800. This value has been determined as the intrinsic value at exercise date. i.e. the market value of the shares on exercise date over the exercise price of the shares.

This is the end of the audited remuneration report.

DIRECTORS' REPORT *(continued)*

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 party of those proceedings.

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

Auditor Independence And Non-Audit Services

The auditor's independence declaration is included on page 13 of the financial 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,

WJ Barr AM
Chairman

Melbourne, 30th March 2011

AUDITOR'S INDEPENDENCE DECLARATION

BDO

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF KENTOR GOLD LIMITED

As lead auditor of Kentor Gold Limited for the year ended 31 December 2010, 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 year.

BDO Audit (QLD) Pty Ltd

Anthony Whyte
Director

Brisbane, 30th March 2011

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 2010 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 pages 6 to 11 of the directors' report (as part of the audited Remuneration Report), for the year ended 31 December 2010, 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 Directors.

On behalf of the Board

W J Barr AM
Chairman

Melbourne, 30th March 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DEC 2010

		Consolidated	
		2010	2009
	Note	$	$
Revenue from continuing operations	2	662,204	70,711
Foreign exchange gains/(losses)		(12,882)	(7,974)
Employee benefits expense		(1,277,139)	(918,848)
Depreciation and amortisation expense		(53,626)	(53,971)
Office expenses		(76,172)	(81,538)
Travel related expenses		(155,867)	(126,921)
Corporate expenses		(1,355,316)	(698,644)
Impairment of exploration and evaluation costs	2	(4,069,503)	(1,043,817)
Due diligence costs		-	(630,082)
Facility costs	2	-	(1,934,408)
Other expenses		(149,407)	1,789
Loss before income tax expense	2	(6,487,708)	(5,423,704)
Income tax expense	3	-	-
Net loss from continuing operations		(6,487,708)	(5,423,704)
Other comprehensive income			
Change in fair value of cash flow hedges	21(d)	(434,483)	-
Foreign currency translation differences		(2,233,986)	(945,178)
Other comprehensive income for the year		(2,668,469)	(945,178)
Total comprehensive income for the year		(9,156,177)	(6,368,882)
Net loss attributable to:			
Non-controlling interest		(91,267)	-
Owners of Kentor Gold Limited		(6,396,441)	(5,423,704)
		(6,487,708)	(5,423,704)
Total comprehensive income for the year attributable to:			
Non-controlling interest		(538,065)	-
Owners of Kentor Gold Limited		(8,618,112)	(6,368,882)
		(9,156,177)	(6,368,882)
Basic and diluted earnings per share (cents per share)	4	(1.21)	(4.19)

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DEC 2010

		Consolidated	
		2010	2009
		$	$
Current assets	Note		
Cash and cash equivalents	15(b)	71,371,022	13,094,590
Trade and other receivables	5	972,609	138,309
Prepayments		216,650	21,870
Inventory		380,484	216,688
Total current assets		72,940,765	13,471,457
Non-current assets			
Property, plant and equipment	6	16,890,407	6,462,791
Exploration and evaluation assets	7	12,773,258	17,740,501
Other non-current assets	9	524,691	633,129
Total non-current assets		30,188,356	24,836,421
Total assets		103,129,121	38,307,878
Current liabilities			
Trade and other payables	10	(1,984,116)	(963,826)
Total current liabilities		(1,984,116)	(963,826)
Non-current liabilities			
Other long-term liabilities	11	-	(266,277)
Total non-current liabilities		-	(266,277)
Total liabilities		(1,984,116)	(1,230,103)
Net assets		101,145,005	37,077,775
Equity			
Parent entity interest			
Contributed Equity	12	122,109,423	49,041,310
Reserves	13	(566,025)	1,500,354
Accumulated losses		(22,314,130)	(15,917,689)
Total parent entity interest		99,229,268	34,623,975
Non-controlling interests	14	1,915,737	2,453,800
Total equity		101,145,005	37,077,775

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DEC 2010

	Note	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Receipts in the course of operations		171,019	17,842
Payments to suppliers and employees		(3,217,971)	(2,036,417)
Interest received		497,959	50,004
Net cash used in operating activities	15(a)	(2,548,993)	(1,968,571)
Cash flows from investing activities			
Purchase of plant and equipment		(357,786)	(14,792)
Payment for exploration costs		(1,207,412)	(1,474,145)
Payment for mine development		(10,231,941)	-
Purchase of Subsidiary		-	(1,986,810)
Repayment of subsidiary loan on acquisition		-	(15,085,484)
Proceeds from Farm-in		-	113,984
Net cash used in investing activities		(11,797,139)	(18,447,247)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		77,843,611	34,121,000
Payment of share issue costs		(4,773,681)	(1,775,997)
Net cash provided by financing activities		73,069,930	32,345,003
Net increase/(decrease) in cash and cash equivalents		58,723,798	11,929,185
Cash and cash equivalents at the beginning of the financial year		13,094,590	1,164,059
Effects of exchange rate changes on the balance of cash held in foreign currencies		(447,366)	1,347
Cash and cash equivalents at the end of the financial year	15(b)	71,371,022	13,094,590

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DEC 2010

Consolidated	Contributed equity $	Accumulated losses reserves $	Foreign currency translation $	Share-based payments reserve $	Hedge reserve $	Total parent equity $	Non-controlling interest $	Total equity $
Balance at 1 January 2009	17,366,969	(10,493,985)	(573,778)	143,503	-	6,442,711	-	6,442,711
Loss for the year	-	(5,423,704)	-	-	-	(5,423,704)	-	(5,423,704)
Foreign currency translation	-	-	(945,178)	-	-	(945,178)	-	(945,178)
Total comprehensive income for the year	-	(5,423,704)	(945,178)	-	-	(6,368,882)	-	(6,368,882)
Issue of share capital	34,121,000	-	-	-	-	34,121,000	-	34,121,000
Cost of share capital issue	(2,446,659)	-	-	-	-	(2,446,659)	-	(2,446,659)
Share-based payments	-	-	-	2,875,805	-	2,875,805	-	2,875,805
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	2,453,800	2,453,800
Balance at 31 Dec 2009	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)
Hedge revaluation	-	-	-	-	(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 Dec 2010	122,109,423	(22,314,130)	(3,306,144)	3,174,602	(434,483)	99,229,268	1,915,737	101,145,005

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

Note	Contents
1.	Summary of significant accounting policies
2.	Revenue and expenses
3.	Income tax
4.	Earnings per share
5.	Trade and other receivables –current
6.	Property, plant and equipment
7.	Exploration and evaluation assets
8.	Subsidiaries
9.	Other non-current assets
10.	Trade and other payables – current
11.	Other long-term liabilities
12.	Contributed equity
13.	Reserves
14.	Non-controlling interest
15.	Notes to the statement of cash flows
16.	Share based payments
17.	Key management personnel
18.	Auditor's remuneration
19.	Related party disclosures
20.	Segment information
21.	Financial instruments
22.	Commitment for expenditure
23.	Contingent liabilities and contingent assets
24.	Subsequent events
25.	Parent entity information

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

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

1. Summary of significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers the consolidated entity, Kentor Gold Limited, and its subsidiaries. Separate financial statements for Kentor Gold Limited as an individual entity are no longer presented as a consequence of a change in the Corporations Act 2001. However, limited financial information for Kentor Gold Limited as an individual entity is included in Note 25.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 March 2011.

Basis of preparation

The financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Adoption of new and revised Accounting Standards

No new or revised Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of this financial report. Such standards are not expected to have a material impact on the company's financial report on initial application.

(b) 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(i) 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since then. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make additional investments to cover the losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

(d) Revenue recognition

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 Income
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.

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

(e) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company is not consolidated for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(f) 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 the income statement. 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.

(g) 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.

(h) Foreign currency

Foreign 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.

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.

Functional Currency

The functional currency of the group and the parent entity is Australian Dollars. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(i) 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 cash flows of hedged items.

The gains or losses in respect of hedge transactions which relate to future purchases are recognised in 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 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 transferred to the profit and loss for the year.

(j) Financial assets

Financial Assets

Financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into the following specified categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Interests in subsidiaries held by the parent entity are classified as being available-for-sale and are measured at cost less impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Intercompany loan receivable

The carrying value of the inter company loan receivable is assessed with reference to the net assets of the subsidiary company that support the recovery of the loan amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the financial asset have been impacted. Evidence of impairment may include balances outstanding for more than 60 days. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Receivables are deemed to be uncollectible when there is no expectation of recovering further payment. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss as impairment looses which is included as a separate line in the Statement of Financial Performance.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(k) 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.

Farm In

Where the company is earning equity in a third party company through exploration expenditure (Farm-in), that expenditure is recorded as capitalised exploration costs until the requirements for the transfer of equity is met. When the requirements for transfer of equity are met, the capitalised exploration costs will be recognised as an investment in a subsidiary in the parent entity.

Farm Out

Where a third party is earning equity in one of the entity's subsidiaries, that expenditure is recorded as capitalised exploration expenditure and a long term liability until the requirements for transfer of equity are met. When the requirements for transfer of equity are met, the capitalised long term liability will be transferred to proceeds on sale of equity interest in a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(l) Significant accounting judgement, 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 Board of 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 Director's decision is made after considering the likelihood of finding commercially viable outcomes.

Going concern

Refer to note 1(u)

VAT Paid

The recovery of VAT paid is dependent on the Group incurring sufficient tax liabilities in the Kyrgyz Republic against which the VAT paid can be offset. Refer to note 10 for further detail.

(m) Impairment of non-financial assets

At each reporting date, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(n) Property, plant and equipment

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation

Property, plant & equipment and computer equipment are depreciated on a straight line basis at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-6 years (2009: 3-6 years).

(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.

(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 company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

1. Summary of significant accounting policies (continued)

(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.

2. Revenue and expenses

		Consolidated	
		2010	2009
		$	$
(a)	**Revenue**		
	Interest –other persons/corporations	662,204	50,004
	Other revenue	-	20,707
	Total revenue	662,204	70,711
(b)	**Profit/(loss) before income tax**		
	Loss before income tax includes the following specific expenses		
	Depreciation and amortisation	(53,626)	(53,971)
	Operating lease payments – minimum lease payments	(66,171)	(40,881)
	Defined contribution superannuation expense	(37,365)	(22,750)
(c)	**Significant items**		
	Due diligence costs	-	(630,082)
	Facility cost	-	(1,934,408)
	Impairment of exploration and evaluation costs	(4,069,503)	(1,043,817)

In the current year, the Group recognised an impairment loss of $3,764,347 in relation to the Savoyardy Project. The other impairment expenses relate to other exploration expenditure previously capitalised on other interests in the Kyrgyz Republic.

In the prior year, the facility costs is the fair value of the 36,424,126 options issued to Macquarie Bank Limited in consideration for providing a Committed Letter of Offer for a facility of USD$15,000,000 to help fund the acquisition of the Andash Project. This facility was not drawn upon as the Company raised sufficient share capital to fund the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

3. Income tax

		Consolidated	
		2010	2009
		$	$
(a)	**Income tax recognised in profit and loss**		
	Current tax expense	-	-
(b)	**Reconciliation of prima facie income tax to income tax expense**		
	Loss before income tax expense	(6,487,708)	(5,423,704)
	Income tax expense/(benefit) calculated at 30%	(1,946,312)	(1,627,111)
	Effect of expenses that are not deductible in determining taxable profit or loss	125,807	974,688
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,820,505	652,423
		-	-
(c)	**Gross tax losses not recognised**		
	Prior year tax losses bought forward	5,013,343	4,360,920
	Current year tax losses	1,820,505	652,423
	Closing balance	6,833,848	5,013,343

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.

4. Earnings per share

	Consolidated	
	2010	2009
	$	$
Loss attributable to the owners of Kentor Gold Limited	6,396,441	5,423,704
Basic and diluted loss per share (cents per share)	1.21	4.19
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	530,169,679	129,504,695

At 31 December 2010, the company had on issue 59,611,358 options (2009: 56,611,358 options) over unissued capital and has incurred a net loss. These options are anti dilutive as the group is in a loss situation, therefore the diluted loss per share is the same as the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

	Consolidated 2010 $	Consolidated 2009 $
5. Trade and other receivables – current		
GST receivable (net)	735,557	109,809
Other receivables	237,052	28,500
	972,609	138,309

(i) Other receivables are non interest bearing and have repayment terms between eight and ninety days.
(ii) No receivables are past due or impaired at year end.

6. Property, plant and equipment	Plant & Equipment 2010 $	Mine Development 2010 $	Total property plant and equipment 2010 $	Consolidated Total property plant and equipment 2009 $
Year ended 31 December				
At 1 January, net of accumulated depreciation	6,462,791	-	6,462,791	223,718
Additions	343,861	10,509,663	10,853,524	1,954
Transfers from exploration	-	779,031	779,031	-
Disposals	-	-	-	(13,014)
Acquisitions through business combinations	-	-	-	6,420,572
Effect of movement in exchange rate	(1,151,313)	-	(1,151,313)	(116,467)
Depreciation	(53,626)	-	(53,626)	(53,971)
At 31 December, net of accumulated depreciation	5,601,713	11,288,694	16,890,407	6,462,791
At 31 December				
Cost	5,894,871	11,288,694	17,183,565	6,722,418
Accumulated depreciation	(293,158)	-	(293,158)	(259,627)
Net carrying amount	5,601,713	11,288,694	16,890,407	6,462,791

The transfer from exploration in the current year 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 current year this balance has been reclassified to mine development.

There was no mine development in the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

	Consolidated 2010 $	Consolidated 2009 $
7. Exploration and evaluation assets		
Deferred exploration and evaluation assets	5,515,999	10,483,242
Exploration tenements	7,257,259	7,257,259
	12,773,258	17,740,501
Deferred exploration and evaluation assets		
Balance at beginning of the year	10,483,242	4,717,880
Effect of movement in exchange rate	(871,826)	(578,993)
Current year expenditure	753,117	1,967,657
Transfers to mine development	(779,031)	-
Acquisition of exploration and evaluation assets through business combinations	-	5,420,515
Impairment of area of interest	(4,069,503)	(1,043,817)
Balance at end of the year	5,515,999	10,483,242

	Consolidated 2010 $	Consolidated 2009 $
Exploration tenements		
Balance at beginning of the year	7,257,259	-
Acquisition of exploration tenements through business combinations	-	7,257,259
Balance at end of the year	7,257,259	7,257,259

Ultimate recovery of the exploration and evaluation assets is dependent upon success in development, sale or farm-out of the exploration interests.

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 current year.

The impairment recognised for the year ended 31 December 2009 represents a write-down of the Akbel area of interest.

8. 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(b).

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

	Country of Incorporation	2010 % Held	2009 % Held
CJSC Kentor	Kyrgyz Republic	80%	80%
CJSC Kyldoo	Kyrgyz Republic	80%	80%
CJSC Epic	Kyrgyz Republic	80%	80%
Kaldora Company	British Virgin Islands	100%	100%
Tatianna Limited Company	British Virgin Islands	100%	-
Andash Mining Company LLC	Kyrgyz Republic	80%	80%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

8. Subsidiaries (continued)

On 28 October 2010, Kentor Gold Limited incorporated Tatianna Limited Company in the British Virgin Islands. This company was dormant in the current year.

In the prior year, on 22 Dec 2009, Kentor Gold Limited acquired 100% of the issued capital of Kaldora Company. This company holds an 80% participation in the Andash Mining Company LLC.

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

	Country of Incorporation	2010 % Held	2009 % Held
Dunmarra Uranium Ltd	Australia	100%	100%

	Consolidated 2010 $	Consolidated 2009 $
9. Other non-current assets		
VAT paid	524,691	633,128
	524,691	633,128

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.

10. Trade and other payables - current

	2010	2009
Unsecured trade payables	1,816,744	881,252
Employee benefits	167,371	82,574
	1,984,116	963,826

(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.

11. Other long-term liabilities

	2010	2009
Farm-in contribution	-	266,277

12. Contributed Equity

(a) Issued and paid up capital

	2010	2009
Ordinary shares fully paid	122,109,423	49,041,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

12. Contributed Equity (continued)

(b) Movements in shares on issue

	2010		2009	
Details	**Number of Shares issued**	**Issued capital $**	**Number of Shares issued**	**Issued capital $**
Beginning of the financial year	393,011,481	49,041,310	95,088,129	17,366,969
Movements during the year:-				
Ordinary share issue on 20 July 2009	-	-	13,700,000	548,000
Ordinary share issue on 8 September 2009	-	-	12,450,000	498,000
Ordinary share issue on 22 September 2009	-	-	22,222,224	2,000,000
Rights issue on 30 October 2009	-	-	34,166,512	3,075,000
Ordinary share issue on 16 December 2009	-	-	215,384,616	28,000,000
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	-	-
Less: costs of share issues	-	(4,775,498)	-	(2,446,659)
Closing balance	1,061,592,950	122,109,423	393,011,481	49,041,310

(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 DEC 2010

12. Contributed Equity (continued)

(d) Share options

Options over ordinary shares

At the end of the financial year, there were 59,611,358 (31 Dec 2009: 56,611,358) 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 2011	100,000	$0.9808
30 June 2011	500,000	$0.1808
21 Dec 2011	36,242,126	$0.1308
16 Dec 2012	10,769,232	$0.1433
	47,811,358	
Unlisted executive 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
The earlier of 11 Sep 2014 or 30 days after ceasing employment	1,500,000	$0.1176
The earlier of 11 Sep 2014 or 30 days after ceasing employment	3,500,000	$0.1449
The earlier of 4 June 2015 or 30 days after ceasing employment	1,000,000	$0.1818
The earlier of 4 June 2015 or 30 days after ceasing employment	1,000,000	$0.1568
The earlier of 4 June 2015 or 30 days after ceasing employment	1,000,000	$0.1533
	11,800,000	
TOTAL	59,611,358	

(*) the exercise price of unlisted share options was revised in light of the two rights issues during the 2010 financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

13. Reserves (continued)

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 2010 $	Consolidated 2009 $
Non-controlling interest in:		
Share Capital	5	5
Foreign currency translation reserve	(446,798)	-
Retained Earnings	2,362,528	2,453,795
	1,915,736	2,453,800

15. Notes to the statement of cash flows

	Consolidated 2010 $	Consolidated 2009 $
(a) Reconciliation of profit/(loss) after tax to net cash flows from operations		
Net profit/(loss) for the year	(6,487,708)	(5,423,704)
Non cash flows in operating result		
Depreciation expense	53,626	53,971
Impairment of exploration and evaluation assets	4,069,503	1,204,127
Share based payments	155,294	2,205,143
Currency translation differences	12,882	(152,335)
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	(724,022)	(103,167)
Increase/(Decrease) in payables	793,886	272,835
(Increase)/Decrease in VAT paid	(197,929)	(25,441)
(Increase)/Decrease in inventory	(224,525)	-
Net cash used in operating activities	(2,548,993)	(1,968,571)

(b) Cash on hand and at call	35,411,403	587,834
Term deposits	35,959,619	12,506,756
	71,371,022	13,094,590

(c) Financing facility

The group has no available finance facilities at balance date (2009: NIL).

(d) Non-cash financing and investing activities

Capital raising costs partially satisfied by issue of unlisted options	-	670,662
	-	670,662

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

15. Notes to the statement of cash flows (continued)

(e) Acquisition of a controlled entity

In the prior year, effective 22 Dec 2009, the parent entity acquired 100% of the share capital of Kaldora Company, a company incorporated in the British Virgin Islands, with an 80% controlling interest in Andash Mining Company LLC, a company incorporated in the Kyrgyz Republic. Andash Mining Company LLC has rights to the tenements covering the Andash Mining project, a Gold-Copper project in the Kyrgyz Republic.

		Consolidated
The acquisition details are	2010	2009
Consideration:	$	$
Cash	-	17,072,462
The net assets of Kaldora Company at acquisition date are:		
Cash and cash equivalents	-	120
Trade and other Receivable	-	508
Prepaid tax	-	70,163
Inventory	-	176,060
Plant and Equipment	-	4,116,414
Exploration assets	-	5,403,864
Exploration Tenement	-	7,257,259
Non-current Receivables	-	72,405
Trade and other payables	-	(23,709)
Other non-current liabilities	-	(622)
Fair Value of Net Assets Acquired	-	17,072,462
Net cash effect		
Cash included in the net assets acquired	-	168
Cash consideration	-	(17,072,462)
Net cash outflow	-	(17,072,294)

16. Share based payments

Executive options

4,000,000 options over unissued shares of the company were granted during the year and 1,000,000 were exercised.

Information with respect to the number of options granted is as follows:

		2010		2009
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	8,800,000	$0.25	3,800,000	$0.37
- granted	4,000,000	$0.17	5,000,000	$0.16
- exercised	(1,000,000)	$0.13	-	-
Balance at end of year (*)	11,800,000	$0.15	8,800,000	$0.25

(*) the exercise price of unlisted share options was revised in light of the two rights issues during the 2010 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

16. Share based payments (continued)

Executive options (continued)

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 Dec 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	0.028
950,000	30 May 2009	30 May 2009	n/a*	0.2308	0.02
950,000	30 May 2009	30 May 2009	n/a*	0.2808	0.011
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
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1818	0.0369
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1568	0.0391
1,000,000	4 Jun 2010	4 Jun 2010	4 Jun 2015	0.1533	0.0398
At 31 Dec 2009				$	$
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.625	0.0294
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.75	0.0216
300,000	1 Dec 2004	1 Dec 2004	n/a*	0.875	0.0162
1,000,000	30 May 2009	30 May 2009	n/a*	0.20	0.028
950,000	30 May 2009	30 May 2009	n/a*	0.25	0.02
950,000	30 May 2009	30 May 2009	n/a*	0.30	0.011
1,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.137	0.0539
3,500,000	11 Sep 2009	11 Sep 2009	11 Sep 2014	0.164	0.0499

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

** The exercise price of unlisted share options was revised in light of the two rights issues during the 2010 financial year.

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 Dec 2010 are:

Spot Price	$0.086 and $0.078
Deal date	4 June 2010 and 24 June 2010
Expiry date	4 June 2015 and 24 June 2015
Volatility	70%
Risk free rate	4.50%

Expected volatility was determined based on historic volatility adjusted for any expected changes to future volatility based on publicly available information.

4,000,000 options were granted during the reporting year (2009: 5,000,000). 1,000,000 options were exercised during the reporting period (2009: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

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.

(a) Key management personnel compensation

	2010	2009
	$	$
Short-term employee benefits	721,405	445,220
Post employment benefits	111,200	109,950
Share-based payments	39,144	270,735
	871,749	825,905

(b) Option holdings of directors

	Opening balance 1 January 2010	Granted as remuneration	Options exercised/ expired	Net change- other	Closing balance 31 Dec 2010	Vested and exercisable at 31 Dec 2010	Vested and un-exercisable at 31 Dec 2010
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	1,000,000	1,800,000
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	5,000,000	3,800,000

	Opening balance 1 January 2009	Granted as remuneration	Options exercised/ expired	Net change- other	Closing balance 31 Dec 2009	Vested and exercisable at 31 Dec 2009	Vested and un-exercisable at 31 Dec 2009
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	1,800,000	1,000,000	-	-	2,800,000	-	2,800,000
S.J. Milroy	2,000,000	2,000,000	-	-	4,000,000	-	4,000,000
						-	
Total	3,800,000	5,000,000	-	-	8,800,000	-	8,800,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

17. Key management personnel (continued)

(c) Shareholdings of directors

31 Dec 2010

Ordinary Shares	Balance 1 January 2010	Granted as remuneration	On exercise of options	Net change-other	Balance 31 Dec 2010	Held nominally at 31 Dec 2010
31 Dec 2009						
Ordinary Shares						
	No.	No.	No.	No.	No.	
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	-

(c) Shareholdings of directors (continued)

	Balance 1 January 2009	Granted as remuneration	On exercise of options	Net change-other	Balance 31 Dec 2009	Held nominally at 31 Dec 2009
31 Dec 2009						
Ordinary Shares						
	No.	No.	No.	No.	No.	
Directors						
W H J Barr	358,000	-	-	596,666	954,666	-
A E Daley	381,470	-	-	352,116	733,586	-
H McKinnon	2,064,627	-	-	-	2,064,627	-
S J Milroy	775,555	-	-	-	775,555	-
J C Taylor	-	-	-	1,076,666	1,076,666	-
Total	3,579,652	-	-	2,025,448	5,605,100	-

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.

(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. This transaction occurred based on normal commercial terms.

There were no other transactions with key management personnel (2009: nil)

At year end, there was no outstanding amounts payable to key management personnel (2009: nil)

Director's fees payable to Andrew Daley are paid to Dalenier Enterprises Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

	Consolidated 2010 $	2009 $
18. Auditors' remuneration		
Amounts received or due and receivable by BDO Audit (QLD) Pty Ltd for:		
• audit or review of the financial statements of the entity and any other entity in the consolidated group	56,853	25,722
Remuneration of other auditors of subsidiaries		
• audit or review of the financial statements of subsidiaries	6,682	2,108

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:

Development Projects

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 ended 31 December 2010.

Exploration Projects

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

All projects for the above reportable segments are in the Kyrgyz Republic.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

20. Segment information (continued)

Information Provided to the Executive Directors

Segment information provided to the executive directors for the year ended 31 Dec 2010 is as follows:

Year ended 31 Dec 2010	**Development Projects**	**Exploration Projects**	**Total**
Segment Revenue	$	$	$
Total Segment Revenue	-	7,907	7,907
Result			
Segment Result	-	(4,262,110)	(4,262,110)
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 plant and equipment and expenditure on exploration	11,134,984	253,968	879,290
Year ended 31 Dec 2009			
Revenue			
Total Segment Revenue	-	20,707	20,707
Result			
Segment Result	-	(1,043,817)	(1,043,817)
Assets and Liabilities			
Segment assets	19,462,833	5,631,074	25,093,907
Segment liabilities	(30,085)	(276,811)	(306,896)
Acquisition of plant and equipment and expenditure on exploration	19,098,346	1,439,495	20,537,841

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

	2010	**2009**
	$	$
Segment Assets	30 761 307	25,093,906
Cash	71,360,800	13,035,661
Trade and other receivables	947,318	133,615
Property, Plant and equipment	59,697	44,695
Exploration and evaluation assets	-	-
Total assets per statement of financial position	103,129,121	38,307,878
Segment Liabilities	(1,795,732)	(306,896)
Trade and other payables	(188,384)	(923,207)
Total liabilities per statement of financial position	(1,984,116)	(1,230,103)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

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 currency risk and commodity price risk), credit risk, liquidity risk and cash flow interest rate 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 a gold producer

In December 2009, the Group increased its exposure to exchange rate risk through the acquisition of a controlling stake in the Andash copper- gold project in the Kyrgyz Republic. The risk management policies were revised to incorporate this development.

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 other 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
	2010	2009
	$	$
Financial assets		
Loans and receivables (including cash)	72,343,630	13,232,897
Financial liabilities		
Measured at amortised cost	(1,816,744)	(881,252)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

21. Financial instruments (continued)

(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 receivables as the Group did not have customers during the year.

At balance date the group has a material exposure of $71,363,275 to National Australia Bank Limited relating to funds on deposit and cash at bank (2009: $13,024,646). The group manages its credit risk associated with funds on deposit and cash at bank by only dealing with reputable financial institutions.

(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:

	2010		2009	
	USD/Euro	**$**	**USD/Euro**	**$**
USD	5,000,000	4,919,807	-	-
Euro	4,000,000	5,215,804	-	-
Total		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 2010 there was a loss from a decrease in the fair value of the foreign currency held as hedging instruments of $434,483 (2009:Nil).

During the year ended 31 December 2010 no amount was reclassified from the hedge reserve and included in the acquisition cost of capital equipment (2009:Nil). There was no hedge ineffectiveness in the current or prior year.

There were no financial instruments with a material foreign currency exposure at the end of the preceding financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

21. Financial instruments (continued)

(d) Market Risk – (continued)

(i) Foreign currency risk (continued)

	2010				2009			
Consolidated	**AUD**	**USD**	**EUR**	**Kyrgyz SOM**	**AUD**	**USD**	**EUR**	**Kyrgyz SOM**
Cash at Bank	61,066,635	160,653	366	552,736	12,852,809	198,417	-	772,858
Cash set aside as hedging instrument	-	5,000,000	4,000,000	-	-	-	-	-
Trade and other receivables	947,318	-	-	25,291	133,615	-	-	184,931
Trade and other payables	(1,717,426)	-	-	(283,239)	(923,208)	-	-	(1,600,448)

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

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

Currency	**Average Rate**		**Reporting Date Spot Rate**	
	2010	**2009**	**2010**	**2009**
USD	0.928	0.7924	1.0163	0.8931
EUR	n/a	n/a	0.7669	n/a
Kyrgyz SOM	43.132	34.156	47.892	39.402

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**	
	2010	**2009**	**2010**	**2009**
USD – 10%	-	(24,685)	564,209	-
USD + 10%	-	24,685	(461,626)	-
EUR – 10%	-	-	579,587	-
EUR + 10%	-	-	(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.

(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 Groups 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

21. Financial instruments (continued)

(e) Interest rate risk (continued)

Consolidated			Fixed interest maturing in:				
	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.

Consolidated			Fixed interest maturing in:				
	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 2009							
Financial assets							
Cash and deposits	4.89%	587,834	12,506,756	-	-	-	13,094,590
Trade and other receivables	N/A	-	-	-	-	138,309	138,309
		587,834	12,506,756			138,309	13,232,899
Financial liabilities							
Trade and other payables	N/A	-	-	-	-	(963,826)	(963,826)
		587,834	12,506,756	-	-	(825,518)	12,269,073

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 2010, 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)	
	2010	2009	2010	2009
Consolidated	$	$	$	$
+0.5% (50 basis points)	177,057	6,643	-	6,643
-0.5% (50 basis points)	(177,057)	(6,643)	-	(6,643)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

21. Financial instruments (continued)

(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 entity 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
- 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 Dec 2010					
Financial assets					
Cash and deposits	71,371,022	-	-	-	71,371,022
Trade and other receivables	972,609	-	-	-	972,609
	72,313,631	-	-	-	72,313,631
Financial liabilities					
Trade and other payables	(1,984,116)	-	-	-	(1,984,116)
Capital commitments	(7,091,666)	(5,444,269)	-	-	(12,535,935)
	(9,075,781)	(5,444,269)	-	-	(14,520,051)
Net maturity	63,267,849	(5,444,269)	-	-	57,823,580

CONSOLIDATED	**<6 Months $**	**6-12 Months $**	**1-5 Years $**	**>5 years $**	**Total $**
31 Dec 2009					
Financial assets					
Cash and deposits	13,094,590	-	-	-	13,094,590
Trade and other receivables	138,309	-	-	-	138,309
	13,232,899	-	-	-	13,232,899
Financial liabilities					
Trade and other payables	(963,826)	-	-	-	(963,826)
Capital commitments	(49,100)	-	-	-	(49,100)
	(1,012,926)	-	-	-	(1,012,926)
Net maturity	12,219,973	-	-	-	12,219,973

(g) Fair values

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

22. Commitments for expenditure

	Consolidated	
	2010	2009
	$	$
Capital expenditure commitments		
Not longer than 1 year (a), (b), (c)	12,535,935	49,100
Operating lease commitments		
Not longer than 1 year (d)	24,623	-

Capital Commitments

(a) In 2010, Kaldora Company 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.

(b) During 2010, Kaldora Company Limited signed an option agreement with Turan Metals LLC in regard the Aktash Project. The exclusive option to purchase the Aktash licence will be granted for a period of 18 months following satisfactory completion of due diligence investigations. The option payments are US$200,000 for the first year (paid in full in 2010) and US$200,000 for the remaining period payable October 2011. During the option period, Kentor has an obligation to drill a minimum of 1,500 metres. Payment for exercising the option will be based on a JORC-compliant resource calculation, and has been agreed at:

- US$19 per ounce of gold
- US$105 per tonne of copper
- US$0.30 per ounce of silver

(c) During 2010, AMEC Minproc was engaged to provide engineering services for the Andash copper-gold project. A total of US$11,162,165 had been budgeted, with the remaining commitment at balance date payable of US$7,029,622. This work will be completed in the next 12 months.

Operating lease commitments

(d) Operating lease commitments comprise leases over a rail siding storage facility and office space in Australia and the Kyrgyz Republic.

23. Contingent liabilities and assets

(a) In October 2010 the Talas Inter-district court ruled that Aurum Mining Plc and Invest-centre Talas LLC's (ICT) ownership in Andash Mining Company LLC (AMC) were invalid due their a 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. A further appeal to the Supreme Court of Kyrgyzstan was lodged on the 25 February 2011. A date is yet to be set for the hearing.

Kentor owns the remaining 80% of AMC through its subsidiary Kaldora Company Limited, and remains unaffected by this claim. Kentor complied fully with the requirements of the strategic objects legislation and Kentor is firmly of the belief that the action does not affect Kentor's holding in the project.

(b) On the 24 December 2010, the Company was advised that a Statement of Claim (the Claim) has been lodged against Kentor Gold Limited and its subsidiary Kaldora Company Limited. The Claim has been issued by ICT, which recently had its non-controlling interest in Andash Mining Company LLC declared invalid by the Talas Inter-district court. The Claim requests that the Kaldora company, which hold Kentor's 80 % interest in the Andash Mining Company LLC (AMC), be excluded from AMC on the basis that Kaldora inflicted a material damage to the other members of AMC. The hearing date has been set for April 2011, however the Company is confident that this case has no merit following the court ruling achieved as set out in part (a) above and will strenuously defending the action.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

23. Contingent liabilities and assets (continued)

(c) On 4 February 2011, Kentor was advised that the Krygyz Government is establishing a Commission of Enquiry for the Andash 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 on 1 March 2011 and as an interim outcome, the Commission has requested Kentor re-establish communications with the local community. It is Kentor's intention to also re-commence its community development programs. It is anticipated that the final determination of the Commission will be issued in the coming weeks.

Kentor is hoping that site access will be obtained in the months following the Commission's determinations.

24. Subsequent events

Subsequent to year end, Kentor acquired:

1. US$30,000,000 selling Australian Dollars at an exchange rate of 1.0014.
2. €966,642 selling Australian Dollars at an exchange rate of .7628.

On 21st 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 complete construction of the Andash Gold-Copper project in the Kyrgyz Republic.

No other subsequent events have occurred post balance date.

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 the new 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	**2010**	**2009**
	$	**$**
Current assets	72,308,118	13,169,276
Non-current assets	40,449,837	33,497,875
Total assets	112,757,955	46,667,151
Current liabilities	(1,717,426)	(923,208)
Non-current liabilities	-	-
Total liabilities	(1,717,426)	(923,208)
Net assets	111,040,529	45,743,943
Issued capital	122,109,423	49,041,310
Reserves	2,740,118	3,019,308
Retained earnings/(accumulated losses)	(13,810,829)	(6,316,675)
Total shareholders' equity	111,040,529	45,743,943

Parent entity		
Profit/(loss) for the year	(7,494,154)	(5,136,982)
Other comprehensive income	(434,484)	-
Total comprehensive income for the year	(7,928,638)	(5,136,982)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DEC 2010

25. Contingent liabilities and assets (continued)

Guarantees

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

Contractual commitments

In 2010, the parent entity committed to contractual engineering works with AMEC Minproc for the Andash mining project. The total amount committed at 31 December 2010 was US$7,007,260, which will be fully paid in the 2011 financial year.

There were no other contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 31 Dec 2010 (2009 - $nil).

Contingent liabilities

The parent entity has no contingent liabilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENTOR GOLD LIMITED

BDO

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

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 2010, 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 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 entity'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 entity'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.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KENTOR GOLD LIMITED

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

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 2010 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 31 December 2010. 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 2010 complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

A J Whyte
Director
Brisbane: 30 March 2011

ADDITIONAL INFORMATION

CURRENT AS AT 6 APRIL 2011

1. Names of Substantial Holders

Name of Holder	No of Securities	
KMP INVESTMENTS PTE LTD	135,377,699	12.75%

2. Number of holders in each class of equities

	Holders	No of Units
Ordinary Shares	5,843	1,061,592,950
Unlisted Options	13	59,611,358

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	919,702,447	1,064
10,001 to 100,000	133,077,242	3,227
5,001 to 10,000	6,604,943	810
1,001 to 5,000	2,189,179	559
1 to 1,000	19,139	183
Total	1,061,592,950	5,843

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel	322

ADDITIONAL INFORMATION

CURRENT AS AT 6 APRIL 2011

6. 20 Largest holders in each class of quoted security

Rank	Name	Unit	%
1	KMP INVESTMENTS PTE LTD	135,377,699	12.75%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,421,258	6.63%
3	JP MORGAN NOMINEES AUSTRALIA LIMITED	70,096,956	6.60%
4	NATIONAL NOMINEES LIMITED	67,356,808	6.34%
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	37,535,000	3.54%
6	MACQUARIE BANK LIMITED	33,691,949	3.17%
7	ASIAN LION LTD	23,388,301	2.20%
8	CITICORP NOMINEES PTY LIMITED	14,785,107	1.39%
9	MR ROBERT BRYAN	14,712,186	1.39%
10	COWAY MANAGEMENT LIMITED	9,651,613	0.91%
11	AUSTRALIAN INVESTORS PTY LTD	7,991,066	0.75%
12	MRS JUDITH MARY PYPER	7,079,560	0.67%
13	DIEMAR & ASSOCIATES PTY LIMITED	6,709,235	0.63%
14	MR JOHN CHARLES TAYLOR & MRS CHRISTINE RUTH TAYLOR	4,000,006	0.38%
15	HARBURG NOMINEES PTY LTD	4,000,000	0.38%
16	CRATE RECOVERY SERVICES PTY LTD	4,000,000	0.38%
17	3RDWAVE INVESTORS LTD	4,000,000	0.38%
18	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,875,409	0.37%
19	BERNE NO 132 NOMINEES PTY LTD	3,829,450	0.36%
20	SAM COCO TRADING PTY LTD	3,680,320	0.35%

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

Kentor Gold Limited
Level 36
71 Eagle Street
Brisbane 4000
07 3121 3206

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
www.kentorgold.com