



Quarterly Activities Report – period ending December 2009

Kentor Gold

Kentor Gold Limited (ASX: KGL) is an Australian-based company formed in 1988 as a specialist gold explorer. The Company was listed on the Australian Securities Exchange in 2005 and has diversified into exploration and development of gold, geothermal energy and base metals in Central Asia where it has highly regarded, established local management. The Andash Gold-Copper Project (Kentor Gold 80%) is targeted to commence production in late 2011 at an annual rate of 60,000 oz gold and 5,000 tonnes copper in concentrate. At Savoyardy (option to purchase 100%) Kentor Gold plans further intensive exploration to increase an existing high grade gold Resource for future mine development.

Issued capital:

393 million ordinary shares
59.1 million unlisted options

Market Capitalisation

(29 Jan. 2010): \$61 million

Contact

Simon Milroy - Managing Director
+61 (0)7 3121 3206
+61 (0)448 851 575

Towards a mid-tier gold producer

In a landmark quarter, that saw the Company's market capitalisation increase fourfold to \$60 million, Kentor Gold Limited (Kentor or the Company) completed the acquisition of the high grade, low cost Andash Gold-Copper Project.

First production, currently planned at 60,000 oz gold and 5,000 tonnes copper per year, is targeted for late 2011.

Andash Gold Copper Project

- Kentor Gold purchased an 80% interest in the Andash Gold-Copper Project for US\$10 million plus mining and construction equipment for US\$5 million
- The Andash Project has a granted mining licence and existing JORC reserves
- A\$28 million was raised in an oversubscribed placement to fund the Andash acquisition and early development costs
- An update of the already favourable 2007 Andash feasibility study was commissioned to enhance project performance and is due March 2010
- AMEC Minproc completed the process flow diagrams, plant layout and specification of all equipment
- Recruitment commenced for key operational personnel
- First production at Andash on track for late 2011

Savoyardy Gold Project

- Successful exploration increased the high grade estimated Resource by 15%, with a further increase expected in 2010.

Exploration

- Promising gold results were received from trenching at the Kurgan prospect.



Andash Gold Copper Project

(Kentor Gold 80%)

Project Overview

During the quarter, Kentor Gold completed the purchase of an 80% interest in the Andash project and continued preparations to finance and develop the gold-copper mining operation.

Andash is located in the Tien Shan Gold Belt, one of the world's major gold provinces spanning central Asia. The Andash deposit is situated in the gold-rich Talas region in the north-west of the Kyrgyz Republic.

The topography at Andash is well suited for mining. A low cost open pit operation is planned, with a very low strip ratio of 0.8 : 1. The ore is metallurgically easy to process by simple crushing, grinding and flotation to produce a high quality concentrate.

Andash is accessible by sealed road, water is available on site and a major power line passes within 8 km of the project site. There is local labour to be drawn upon, the closest village being 2.5 km away, and the regional centre of Talas is 45 km by road.

Ore Reserves

Andash has a JORC Ore Reserve of 540,000 oz gold and 63,000 tonnes copper, the grades of which rank favourably among comparable gold-copper projects world-wide.

| Table 1: WAI Ore Reserve for Andash Sulphide and Oxide Ore as of 10 th July 2009 | | | | | | | | | | | | | | | |
|---|-------------|----------|--------|---------|--------|-------------|----------|--------|---------|--------|-------------|----------|--------|---------|--------|
| | Proven | | | | | Probable | | | | | TOTAL | | | | |
| | Tonnes (kt) | Au (g/t) | Cu (%) | Au (oz) | Cu (t) | Tonnes (kt) | Au (g/t) | Cu (%) | Au (oz) | Cu (t) | Tonnes (kt) | Au (g/t) | Cu (%) | Au (oz) | Cu (t) |
| OXIDE | 1,129 | 0.77 | 0.43 | 27,995 | 4,867 | 1,389 | 0.68 | 0.31 | 30,155 | 4,315 | 2,519 | 0.72 | 0.36 | 58,150 | 9,182 |
| SULPHIDE | 2,921 | 1.17 | 0.46 | 110,210 | 13,408 | 10,559 | 1.09 | 0.39 | 371,370 | 40,896 | 13,480 | 1.11 | 0.40 | 481,580 | 54,304 |
| TOTAL | 4,050 | | | 138,205 | 18,275 | 11,948 | | | 401,525 | 45,211 | 15,999 | | | 539,730 | 63,486 |

A bankable feasibility study, completed in 2007, pointed to low costs and high margins. Based on the current plan, the project has an estimated annual average life-of-mine production of approximately 60,000 oz gold and 5,000 copper in concentrate. However, encouraging results from initial exploration near the current Resource indicate the potential for considerable expansion and mine life extension.

A mining licence has been issued for the Andash project, and environmental studies have been completed.

Updated Feasibility Study

AMEC Minproc, an Australian-based international engineering company, was engaged during the quarter to update and optimise the 2007 feasibility study. This work is taking account of financial and technical considerations, including current costs and prices. The work also includes conducting further metallurgical testing to confirm grinding characteristics and to investigate the use of additional reagents to increase the metallurgical recovery and potentially increase the grade of the concentrate. The study is due for completion in March 2010.



Image showing the planned layout of the Andash Processing Plant

The plant is being designed to initially treat 1.5 mtpa of high grade ore for the first two years of operation and will then be expanded to treat 3 mtpa of ore from year three onwards. The initial plant consists of three stage crushing to reduce the ore to less than 10mm. The crushed ore will then be fed into a single 5.5MW ball mill which will reduce the ore to a primary grind size of 50 micron. The rougher flotation concentrate will then be ground down to 20 micron using an Isa Mill for final cleaning to produce the concentrate. Both the gold and copper will report to the final concentrate for sale to third party smelters.

Project Development

Recruitment of key construction and operating personnel has now commenced. Site works are planned to commence in April 2010 with the recommissioning of some of the existing mining fleet. A new construction camp which was acquired with the mining fleet will be transported and erected at the site. Earthworks will commence with the construction of site access roads and clearing the construction site for the processing plant.

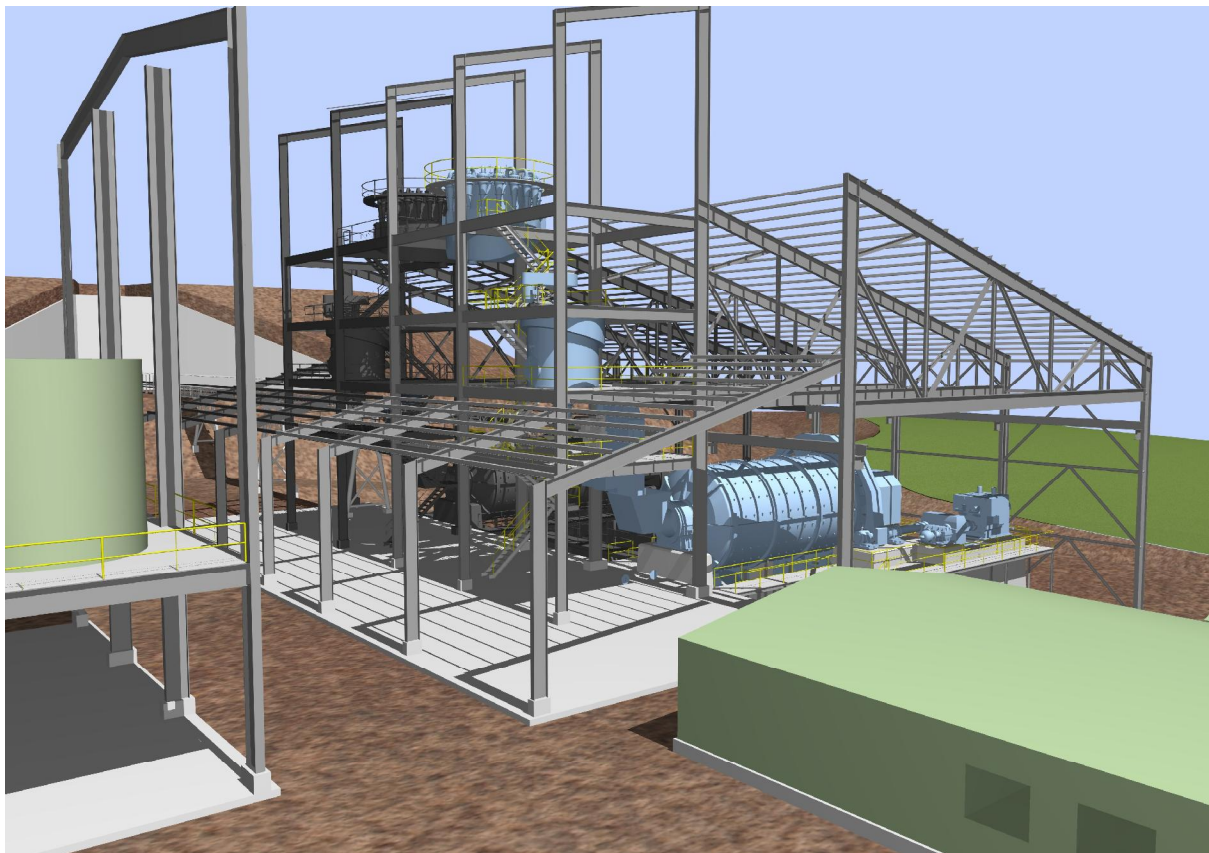


Image showing the planned layout of the Grinding Area

Exploration

There is considerable potential to expand and extend production beyond the current mine plan at Andash by proving up additional resources on the exploration licence.

Diamond drilling at the Andash site is planned to commence in the 2nd quarter 2010 in Zone 1 and then move on to Zones 2 and 3, Tokhtonysay and Nakhodka prospects. Further information regarding the drilling program will be provided in due course.

Concentrate Marketing

Discussions have commenced with potential smelters and international concentrate trading companies with regard to sales of the concentrate. All parties are showing strong interest in taking the concentrate due to the high grade nature and low levels of impurities in the concentrate. The concentrate will be packed in to two tonne bulka-bags and then packed into 20 foot shipping containers. The geographical location of Andash means that the project is close to copper smelters located in Kazakhstan and China and the site is also well connected by rail to the European network.



Savoyardy Gold-Antimony Project(Kentor Gold option to acquire 100%)

The Savoyardy exploration licence extends over 270 km² in the south-east of the Kyrgyz Republic.

During the quarter, an intensive exploration drilling program was completed at the Rudny Prospect, and resulted in a 15% increase in the JORC Compliant Resource estimate to 41,000 oz gold (210,000 tonnes @ 6.1 g/t).

| Category | Tonnes | Gold g/t | Ounces |
|--------------|----------------|------------|---------------|
| Indicated | 119,000 | 6.2 | 23,800 |
| Inferred | 91,000 | 5.9 | 17,200 |
| Total | 210,000 | 6.1 | 41,000 |

An adit with extensive underground drives and cross-cuts, developed during the 1970's, provides invaluable access for drilling and close sampling, and for mining the initial ore body in the future.

The initial strategy at Savoyardy was to move rapidly to production, by developing a small-scale high-grade mine, to ensure cashflow for the company. This strategy is no longer relevant, following acquisition of Andash, and accordingly the focus at Savoyardy has now shifted to exploration aimed at establishing a much larger, high-grade gold project.

Multiple mineralised structures have been identified at Savoyardy, with 10 other known gold and antimony occurrences contained within the tenement. Savoyardy is also adjacent to and along strike from the 1.5 million oz Sawayerdun Gold Project in neighbouring China. .

Exploration(Kentor Gold 80%)

Kurgan Licence Area

Final assay results were received during the quarter from the 2009 exploration program at the Kurgan 1 gold prospect in the North- West of the Kyrgyz Republic. A re-interpretation of the geology of the area by Kentor Gold's local exploration team, followed by a program of geophysics, geochemistry, trenching and channel sampling has led to the identification of 6 gold-bearing lodes averaging 4.5 metres in width and 150 metres in length. **The best intersections from channel sampling at Kurgan were 3 metres at 7.3 g/t gold, 5 metres at 7.3 g/t gold, 17 metres at 1.5 g/t gold and 5 metres at 3.1 g/t gold.**

It is proposed to drill the 6 gold-bearing lodes during 2010. Two adjacent areas showing anomalous geochemistry are also scheduled for further exploration in 2010.



Bashkol Licence Area

Mapping, sampling and geophysical surveys carried out over the Bekbulaktor prospect has identified an area of anomalous copper gold mineralisation at surface. Further exploration of this prospect is planned during 2010.

Geothermal energy, Central Asia

(Kentor Gold 80%, Panax Geothermal earning 51%)

Kyrgyz Republic and Tajikistan

During the quarter work concentrated on compiling and reviewing existing data available for the North Kyrgyz geothermal energy exploration licence. A zone of low resistivity has been identified which is situated beneath an area containing a number of hot springs presenting a potential geothermal energy target.

The first package of data containing information on hot springs in the country has been received from Tajikistan.

No feedback has been received regarding the applications to the World Bank Geofund, The applications submitted relate to geothermal exploration and development projects in the Kyrgyz Republic and Tajikistan. Following discussions with our joint venture partner, Panax Geothermal, it has been agreed to minimise expenditures until the outcome of our applications for grants from the World Bank's Geofund are known.

Corporate

Two capital raisings were completed during the quarter – a Share Purchase Plan to existing shareholders that raised approximately \$3.1 million at an issue price of 9 cents per share, and a share placement to professional and sophisticated investors that raised \$28 million at an issue price of 13 cents per share.

The placement was keenly sought and oversubscribed by investors in Australia, Asia and Europe. The funds raised from the placement have allowed Kentor Gold to complete the purchase of an 80% interest in the Andash project and the associated mining and construction fleet, and update the project's feasibility study and commence the early stage of development of the project.

As an indicator of market satisfaction with Kentor Gold and the Andash acquisition, there was strong demand for the placement at only a modest discount to the share price in a transaction that raised more than Kentor Gold's entire market capital. Support for the Company continued to be strong after the placement and the acquisition.

At a General Meeting on 15 December 2009, shareholders approved the issue of new shares to satisfy the placement.



As an alternative funding option, a commitment for a US\$15m debt facility was obtained during the quarter to ensure the completion of the acquisition of the project. As a result of the success of the share placement the debt facility was not required.

Outlook

Kentor Gold's main focus is now on the development of the Andash Gold-Copper Project. Results from the update of the Andash feasibility study are due in March 2010, providing contemporary direction for the financial and physical development.

Planning work, including transport and marketing, is proceeding. A number of concentrate off-takers have expressed strong interest in purchasing the gold-copper concentrate from Andash and this will be progressed as part of the project financing plans as soon as the results from the update to the feasibility study become available.

There will be an emphasis in the current half year on obtaining project finance for Andash. Initial expressions of interest from project finance banks have been very positive.

Project construction is scheduled to commence in the September 2010 quarter, with commissioning and first production in late 2011.

Kentor Gold is fortunate in the quality of its mining and exploration projects. While development proceeds at Andash, the Company plans to undertake further exploration at Savoyardy, aimed at increasing the gold Resource, and at Kurgan, to establish a Resource from the encouraging results in 2009.



Registered Office

Level 36, 71 Eagle Street Brisbane, 4000, Australia

Phone: +61(0)7 3121 3206
Fax: +61(0)7 3121 3030
Email: info@kentorgold.com.au

Share Registry

Link Market Services
Locked Bag A14, South Sydney, NSW 1235

Phone: 1300 554 474
Fax: 02 9287 0309

Competent Persons Statement:

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 data in this report that relates to Exploration Results and Mineral Resources for the Savoyardy Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a full-time employee of Hellman & Schofield Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The exploration results in this report for the Kurgan and Bashkol exploration licences 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Kentor Gold Limited

ABN

52 082 658 080

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|-----------------------------|--|
| 1.1 | Receipts from product sales and related debtors | | |
| 1.2 | Payments for (a)exploration and evaluation (b) development (c) production (d) administration (e) Andash Project | (305) (438) (696) | (1,190) (1,286) (845) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 7 | 30 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) Foreign Exchange differences | - (10) | - (11) |
| Net Operating Cash Flows | | (1,442) | (3,302) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a)prospects (b)equity investments (c) purchase options (c) other fixed assets | (16,594) | (16,594) (503) |
| 1.9 | Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets | | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| Net investing cash flows | | (16,594) | (17,097) |
| 1.13 | Total operating and investing cash flows (carried forward) | (18,036) | (20,398) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-----------------|-----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (18,036) | (20,398) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 31,075 | 34,121 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Cost of issue of shares, options, etc | (1,738) | (1,808) |
| 1.20 | Other (provide details if material) | - | - |
| | Net financing cash flows | 29,337 | 32,313 |
| | Net increase (decrease) in cash held | 11,300 | 11,914 |
| 1.20 | Cash at beginning of quarter/year to date | 1,735 | 1,121 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 13,035 | 13,035 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | |
|------|--|----------------------------|
| | | Current quarter \$A'000 |
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 157 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Remuneration paid to executive and non-executive directors for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NA

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

AUD \$48k paid by Panax to farm into the Kentor's Geothermal tenements in Kyrgyzstan.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 4,480 |
| 4.2 Development | |
| Total | 4,480 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 535 | 1,735 |
| 5.2 Deposits at call | 12,500 | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 13,035 | 1,735 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|--|--|----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements acquired or increased | ML No AE218 EL No AU- 141-04 Equity participant Equity Participant | 0 0 | 80% 80% |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---------------------------|--------------------------------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 393,011,481 | 393,011,481 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 34,166,512 215,384,616 | 34,166,512 215,384,616 | 9c 13c | Fully paid Fully paid |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 59,111,358 | Unlisted Options | <i>Exercise price</i> | <i>Expiry date</i> |
| 7.8 Issued during quarter | 36,242,126 10,769,232 | Unlisted Options Unlisted Options | 15c 16.25c | 21/12/11 16/12/12 |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).
- 2 This statement does ~~/does not*~~ *(delete one)* give a true and fair view of the matters disclosed.

K. Anderson

Sign here: Date: ...29/01/10.....
(~~Director~~/Company secretary)

Print name: ...Kylie Anderson.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.