



KENTOR GOLD LTD

ACN 082 658 080

Registered Office

Level 36, Riparian Plaza
71 Eagle St,
Brisbane Qld 4000 Australia
Phone: (07) 3121 3206
Email: info@kentorgold.com.au

Kyrgyz Republic Office

235/2 Erkindik Prospect, Bishkek
Kyrgyz Republic 720739
Phone: +996 312 621 389
Email: kentor2@mail.kg

28 April 2009

Dear Shareholder,

I am pleased to invite you to attend the Annual General Meeting of Kentor Gold Limited (Kentor Gold) to be held at;

Level 1 Christie Corporate

320 Adelaide Street Brisbane,

On Friday 29 May 2009 at 11am (eastern standard time).

The business to be dealt with at the meeting is set out in the attached Notice of Meeting with the Explanatory Notes providing further detail to the proposed resolutions.

If you are able to attend the meeting, please bring the enclosed proxy form with you to assist registration.

If you do not plan to attend the meeting, you may wish to appoint a proxy to attend and vote on your behalf. To do this, you will need to complete and lodge the enclosed Appointment of Proxy form in accordance with the instructions. Proxy forms must be received by 11am (Eastern Standard Time) 27 May 2009.

Yours sincerely,

W H John Barr
Chairman

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of the shareholders of Kentor Gold Limited ACN 082 658 080 will be held at Level 1, 320 Adelaide St, Brisbane, on 29 May 2009 at 11am (eastern standard time).

ORDINARY BUSINESS

Reports

To receive and consider the financial report of the Company and the directors' and auditors' reports for the year ended 31 December 2008.

Resolution 1. Re-election of Director, Mr John Barr

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr John Barr, a director who retires in accordance with the Constitution and being eligible offers himself for re-election as a director of the Company, is re-elected as a director of the Company."

Resolution 2. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report set out in the Company's Annual Report (as part of the Directors' Report) for the year ended 31 December 2008 is approved."

Resolution 3 Change of Auditor

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That members resolve that BDO Kendalls Audit & Assurance (Qld) Pty Ltd be appointed auditor of the company."

BY ORDER OF THE BOARD



Kylie Anderson
Company Secretary

Notes

1. The Company has determined that for the purposes of the Annual General Meeting all shares in the Company will be taken to be held by the persons who held them as registered shareholders at 7pm on 27 May 2009. Accordingly, share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the Meeting.
2. A member entitled to attend and vote may attend and vote in person or by proxy, or attorney or (where the member is a body corporate) by representative.
3. The proxy of a member does not need to be a member of the Company.
4. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of the member's votes each proxy is entitled to exercise. If the appointment does not specify the proportion or number of the member's votes, each proxy may exercise one half of those votes.
5. A proxy form accompanies this Notice of Meeting and to be effective must be received by the Company's corporate registry by 11am (eastern standard time) 27 May 2009:

Link Market Services Limited
Address: Level 12, 680 George Street, Sydney, NSW, 2000
Fax Number: (02) 9287 0309

GLOSSARY OF TERMS

"ASX" means Australian Securities Exchange Limited;

"Board" means the board of directors of the Company;

"Company" means Kentor Gold Limited ACN 082 658 080;

"Constitution" means the Constitution of the Company adopted on 25 October 2004;

"Corporations Act" means the *Corporations Act* 2001 (Commonwealth);

"Listing Rules" means the listing rules of the ASX.

Explanatory Note

Introduction

This Explanatory Note should be read in conjunction with the Notice of Annual General Meeting to which this Explanatory Memorandum is attached and forms part. Please take the time to read through this document.

Financial Reports

Whilst the Corporations Act requires the Financial Report and the reports of the directors' and auditors' to be laid before the Annual General Meeting, neither the Corporations Act or the Constitution requires shareholders to vote on, approve or adopt those reports.

Shareholders will, however, have ample opportunity at the Annual General Meeting to raise questions on these reports.

Each shareholder will have had access to a copy of the Annual Report, which contains the Financial Report, Directors' Report and Auditors' Report for the year ended 31 December 2008.

Resolution 1 Re-election of Mr John Barr

Mr Barr retires pursuant to clause 13.5 of the Constitution and offers himself for re-election as director of the Company in accordance with the Company's Constitution.

The Board recommends that shareholders vote in favour of the resolution for the re-election of Mr Barr.

Resolution 2 Remuneration Report

Section 300A of the Corporations Act requires the Directors' Report to include a separately identified Remuneration Report. Listed entities are further required to submit the Remuneration Report for adoption at the Company's Annual General Meeting. However the vote on the resolution is advisory only and does not bind the directors of the Company.

As detailed in the Remuneration Report, the Board believes that the remuneration granted to Directors and key executives is in line with market conditions.

The Board recommends that shareholders vote in favour of the Company's Remuneration Report as set out in the Directors Report of the Company's Annual Report.

Resolution 3 Change of Auditor

As a result an internal restructure of the accounting firm that currently provides audit services to the Company, BDO Kendalls (Qld) (the partnership currently appointed as auditor of the Company) needs to resign as auditor effective from the date of the annual general meeting (AGM). BDO Kendalls Audit & Assurance (Qld) Pty Ltd (an Authorised Audit Company) needs to be approved for appointment as the replacement auditor at the AGM.

The members at the AGM will be asked to vote on the appointment of BDO Kendalls Audit & Assurance (Qld) Pty Ltd as auditor effective at the AGM

The Board recommends that shareholders vote in favour of the Change of Auditor



KENTOR GOLD LTD
ACN 082 658 080

LODGE YOUR VOTE



By mail:
Kentor Gold Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309

All enquiries to:



Telephone: 1300 554 474
(02) 8280 7111



X99999999999

SECURITYHOLDER VOTING FORM

I/We being a member(s) of Kentor Gold Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11am on Friday, 29 May 2009, at Level 1 Christie Corporate, 320 Adelaide Street, Brisbane QLD 4000 and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

To direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below.

STEP 2

VOTING DIRECTIONS

Resolution 1

Re-election of Director, Mr John Barr

For	Against	Abstain*
☐	☐	☐

Resolution 2

Approval of Remuneration Report

☐	☐	☐
--------------------------	--------------------------	--------------------------

Resolution 3

Change of Auditor

☐	☐	☐
--------------------------	--------------------------	--------------------------



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

KGL PRX901



ANNUAL REPORT 2008



KENTOR GOLD LTD



KENTOR GOLD LTD

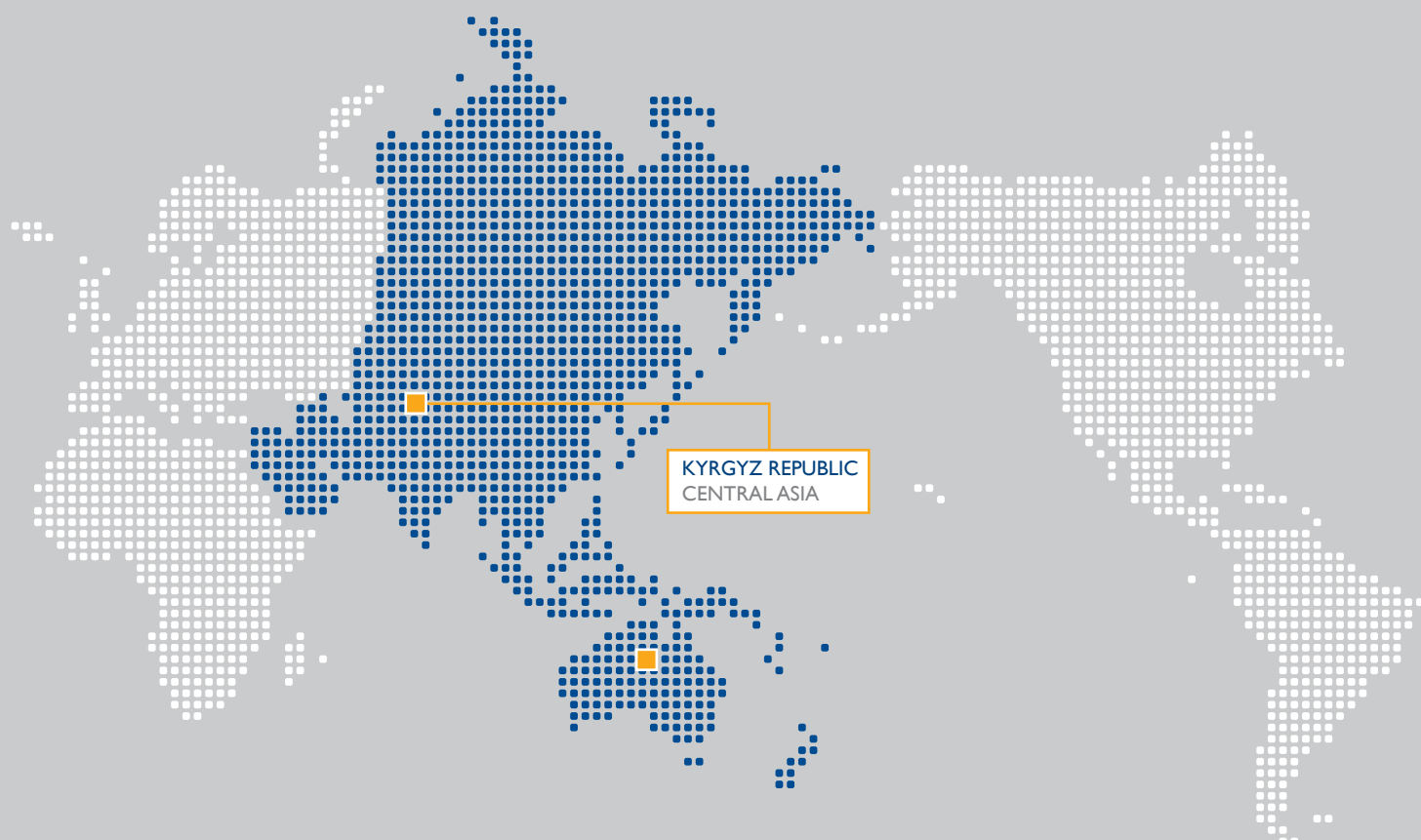


KENTOR GOLD LIMITED

A diversified international explorer with gold, geothermal and base metals exploration assets in the Kyrgyz Republic in Central Asia.

CONTENTS

1. CORPORATE PROFILE AND HIGHLIGHTS
2. CHAIRMAN'S ADDRESS
3. MANAGING DIRECTOR'S REPORT INCLUDING REVIEW OF PROJECTS
4. KYRGYZ REPUBLIC OVERVIEW
5. GOLD OUTLOOK
6. CORPORATE GOVERNANCE
7. DIRECTORS REPORT
8. FINANCIAL STATEMENTS AND NOTES
9. ADDITIONAL INFORMATION



CORPORATE PROFILE



Our vision is to build wealth for shareholders through the acquisition of advanced projects and by progressing these through exploration and development and into production.



1

Kentor – emerging gold miner

Formed in 1998 as a specialist gold explorer, Kentor Gold Limited (ASX Code: KGL) is now an Australian-listed international exploration company targeting early gold production.

Today Kentor Gold is studying the mine development of an established gold Resource in the Kyrgyz Republic in Central Asia where the Company also has other gold and geothermal exploration assets.

Our vision is to build wealth for shareholders through the acquisition of projects and by advancing these through exploration and development and into production.

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

- Gold, base metals and geothermal assets in the Kyrgyz Republic
- A board of directors as well as a management team, experienced in international exploration, mining, minerals, metals and resource financing
- A management team with long term, local experience in Central Asia

- Strong government and community relations, with access to a vast geological database in the Kyrgyz Republic.

Current activity in the Kyrgyz Republic includes:

- Study of an initial mine development at Savoyardy targeting production in 2010
- Exploration at the Savoyardy (gold), Bashkol (gold, uranium) and Kurgan (gold, silver, base metals) licences
- Geothermal energy exploration in seven tenements.

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, conversant in Russian and permanently based in the capital Bishkek.

The management team has also developed a strong relationship with both the Kyrgyz Geophysical Expedition and the Kyrgyz Government, and has access to the complete Soviet era geological database for the Kyrgyz Republic.

HIGHLIGHTS OF THE YEAR



Initial mine development under study-first gold production targeted for 2010

Gold Resource established – mine under study

- First gold Resource estimated at the Savoyardy Gold Project
 - > High grade Inferred Resource of 35,500 oz gold (160,000 tonnes @ 6.76 g/t gold)
 - > Initial mine development at Savoyardy under study
 - > First gold production at Savoyardy targeted for 2010
 - > Favourable metallurgy - testing showed high recoveries of gold could be achieved to produce high grade concentrate
- Exploration at Savoyardy identified mineralised structures beyond the initial gold Resource with good potential to increase gold Resources
- Exploration at the Kurgan Project in the Kyrgyz Republic resulted in gold up to 3 g/t from surface trench sampling
- Panax Geothermal Limited committed to earn in to Kentor's exploration licences in the Kyrgyz Republic, aimed at producing clean energy in highly prospective Central Asia through a Geothermal Energy Joint Venture
 - > Leading authority on geothermal energy, Dr Bertus de Graaf, heading the project
 - > Secured two new geothermal exploration licences surrounding Bishkek, capital city of Kyrgyz Republic, with the aim of replacing fossil fuels with geothermal heat to service the city
- A share placement was successfully completed, raising A\$4 million



CHAIRMAN'S LETTER



Dear Shareholder,

It is my pleasure to report that Kentor Gold Limited made important progress during 2008, identifying and delineating the Company's first gold Resource and moving towards the point of initial gold production.

Your Company has the distinct advantage of being focussed on gold and clean (geothermal) energy - both sectors in strong demand currently. Nevertheless, despite our strategic success in broadening our asset base, Kentor Gold has had to endure the severe constraint in market value, experienced universally in the current global financial crisis.

Intensive exploration programs in the Kyrgyz Republic during the year have produced valuable results. Of greatest immediate significance is the establishment of a high grade gold Resource within the Savoyardy Gold Project. It has the potential to transition us into small scale gold production quickly - as early as next year - being easily accessible, easily processed with high recoveries, requiring low capital cost and with low operating costs. Most importantly, it will deliver us the benefit of significant early cash flow as we pursue our exploration and development objectives, not only at Savoyardy but also at Kurgan and elsewhere in the Kyrgyz Republic. Further exploration during 2009 will be directed towards building on these opportunities. However, and from a strategic viewpoint, Kentor's present and planned activities are not exclusive to the Kyrgyz Republic. The board and management team is constantly on the alert for new projects, essentially of an advanced nature, which would provide the Company with both a geographic and commodity diversification.

The first year of the Geothermal Energy Project has confirmed the Kyrgyz Republic as having one of the most favourable potential locations in the world for the development of geothermal energy. Panax Geothermal Limited, led by respected geothermal energy specialist Dr Bertus de Graaf, is earning a majority interest in the project based around Kentor's exploration licences in the Kyrgyz Republic. The recent and current work is identifying places of high temperature and high heat flow. Significantly, new licences surrounding the capital city of Bishkek were secured. Initial investigations were also made in neighbouring Tajikistan and Kazakhstan and these continue. Geothermal energy has the potential to replace fossil fuel not only in the Kyrgyz Republic but also in markets throughout Central Asia and in China, Pakistan and Afghanistan.

Kentor Gold's permanent, established presence in the Kyrgyz Republic is proving extremely important as the Company works to build asset value in that country and progresses towards gold production. Having a management team fluent in Russian, based in the capital Bishkek, with a strong relationship with the Kyrgyz Government and Kyrgyz Geophysical Expedition and access to the entire geological database for the whole country, provides Kentor Gold with an enviable strategic advantage.

On behalf of the Board, I would like to thank the Company's management and staff, under the leadership of the Managing Director Simon Milroy and our Executive Director in Bishkek Hugh McKinnon, for their valued efforts during the year.

Last year, I wrote of the sound prospects for Kentor Gold, especially in regard to our gold and geothermal projects. We can be pleased with the results on both fronts in 2008, and look forward to your continuing support as we work to build Kentor Gold as an operational mining and energy company through 2009 and beyond.

WH John Barr AM, MAICD
Chairman

MANAGING DIRECTOR'S REPORT



Our confidence in the mineral potential and the business environment of the Kyrgyz Republic was confirmed during 2008 with the progress we made towards gold mining and geothermal energy development.

The estimation of our first gold Resource and the current study into its mining are extremely significant steps for the Company, but should be seen as only an initial phase of exploration and development at the highly prospective and extensive Savoyardy Gold Project.

The results of the 2008 exploration programs throughout the Kyrgyz Republic have caused us to sharpen our focus in 2009 on Savoyardy and other key tenements with the best technical outlooks.

The Kyrgyz Government continues to provide encouragement for the Company's activities, acknowledging our long term commitment to the country.

Kentor Gold evaluated a number of projects in Central Asia and the Russian Federation throughout the year. A full due diligence study was completed on the Khantau project in Kazakhstan on the basis that drilling and geophysical results had indicated potential for a world class magnetite-copper-gold deposit. The due diligence study identified a number of risk areas which lead the Directors to decide that in the light of the rapidly changing economic climate it would not be prudent to continue with the project.

Kentor's management continues to evaluate other gold, copper and uranium opportunities internationally, in a period when the current global economic situation has caused sharp falls in project valuations.

Savoyardy Gold Project

(Kentor Gold earning 70%)

Diamond drilling commenced both on surface and underground on the 29th April 2008 after rehabilitation of

the existing underground workings which were constructed during the 1970's. Approximately 150 metres of underground development was also undertaken to allow access to additional areas for drilling. Approximately 1,300 metres of railway was constructed in the underground workings to allow transport of the drill rigs and removal of the broken waste rock from the development headings.

Both the underground mining contractor and the diamond drilling contractor performed well with no injuries and all planned work being completed on budget and on schedule.

The drilling encountered mineralisation both above and below the level of the existing adit (entrance). The surface diamond drilling defined an additional parallel mineralised structure to the east of the Rudny mineralisation where the initial gold Resource is located. The surface drilling also demonstrated that the high grade mineralisation continues along strike to the south west of the main zone. Sampling of the backs and walls of the drives was also undertaken.

The initial Resource estimate for the project at Rudny was completed using the results from the drilling and channel sampling.

The Resource estimate was reported in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code) and is based on 43 diamond drill holes and 335 underground channel samples in the Rudny area of the Savoyardy exploration licence (Figure 1). The Resource estimate was completed by Hellman and Schofield Pty Ltd.

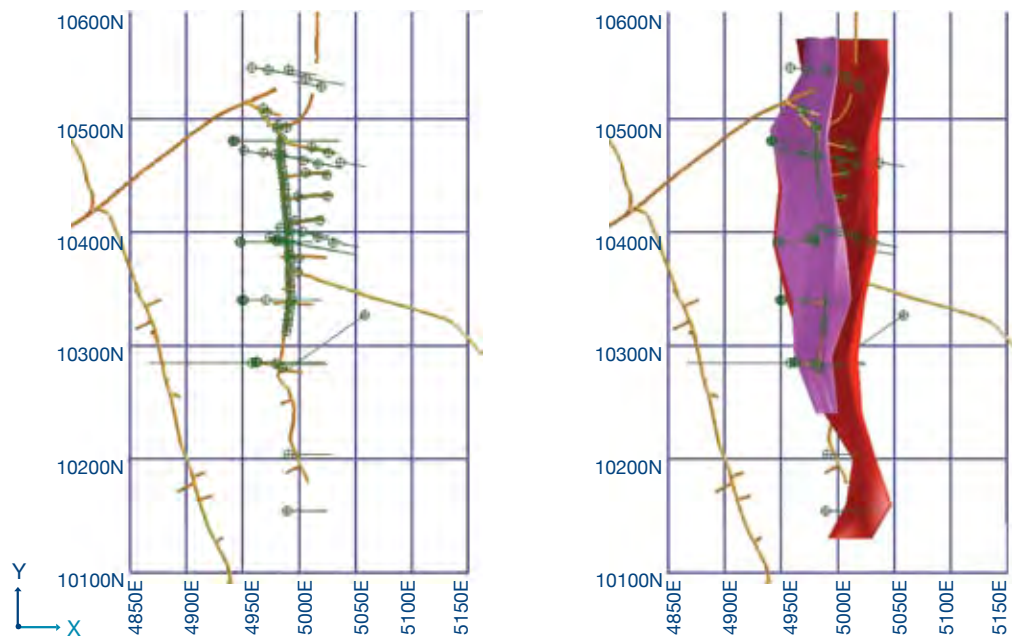
The Resource was estimated using Multiple Indicator Kriging and is shown in Table 1 at a variety of cut off grades. The estimates have been based on the assumption that the deposit will be mined by underground hand held mining methods using the existing development and possible hand sorting of ore.

Table 1. Savoyardy Inferred Resource Estimate

Cut Off Grade g/t	Tonnes	Gold Grade g/t	Gold ounces
0	380,000	3.55	43,000
1	260,000	4.91	41,500
2	200,000	5.94	38,500
3	160,000	6.76	35,500
4	140,000	7.41	32,500
5	110,000	8.21	28,500

Figure 1.

Drill hole and Channel Sample Location Map (local grid) (Mineralisation zones : Lode 4 in purple; Lode 10 in red)

**Figure 2.**

Block grade estimates greater than 3 g/t Au (Blue = 3-5g/t; Green = 5-7; Yellow = 7-10; Red >10g/t Au; brown shapes = development)

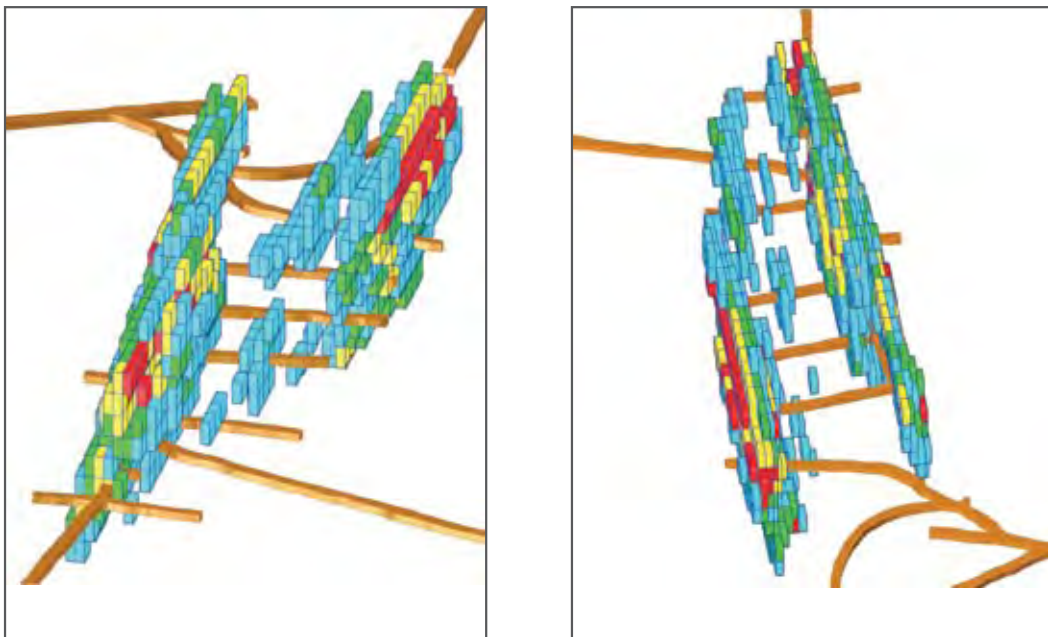


Figure 2 (above) shows the grades of the resource blocks greater than 3 g/t gold. The existing mine development provides immediate access to the ore.

MANAGING DIRECTOR'S REPORT *(Continued)*

“Metallurgical test results showed that high recoveries of gold could be achieved to produce a high grade concentrate”

The gold mineralisation at Savoyardy is mainly hosted by fractured sandstone units within a weakly metamorphosed Devonian clastic sequence. The mineralisation occurs as gold-bearing massive and veined pyrite and arsenopyrite in proximity to fault structures.

Induced polarisation geophysical surveys were conducted over the Rudny area of the Savoyardy exploration licence. The survey has generated a number of promising targets to be followed up with drilling in 2009.

Metallurgical test work was carried out on a bulk sample from Savoyardy. The results showed that high recoveries of gold (94%) could be achieved using gravity and flotation concentration to produce a high grade concentrate (50 g/t gold) for sale to third parties.

The metallurgical test work was conducted at the AMMTEC laboratories in Perth and was supervised by Metallurg Pty Ltd. The test work program included crushing, grinding, gravity separation and flotation to produce sulphide concentrate(s). Further treatment of the gravity and flotation concentrate products was undertaken by testing refractory process routes such as ultra-fine grind(UFG)/CIL, two-stage roast/UFG/CIL,

and the Activox Process (oxidation/UFG/CIL). The results of the metallurgical studies have been used to design the optimum flow sheet for the project and to estimate capital and operating costs required to process the Savoyardy ore in to a saleable product.

A pre-feasibility study, aimed at examining the possibility of bringing the Savoyardy project into small scale production in 2010, is now in progress and is expected to be completed by April 2009. The capital costs are expected to be low due to the use of contract mining to access the ore body through the existing underground development. Treatment of the ore will also be carried out using locally available contractors who have equipment available and experience at crushing, milling and flotation operations.

In 2009, Kentor Gold plans to complete the pre-feasibility study for the project and also continue to add to the size of the gold resource at Savoyardy through extending the drilling along strike and commencing the definition of other areas of mineralisation within the exploration licence.

Geothermal Energy

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

Important progress towards the development of clean geothermal energy in the Kyrgyz Republic was made on several fronts – technical, licensing, and government support.

Dr Graeme Beardsmore, a geothermal energy expert commissioned by Panax Geothermal Limited (Kentor Gold's joint venture partner), spent twelve days in the Kyrgyz Republic reviewing the data and conducting site visits. During the site visit, Dr. Beardsmore confirmed the geothermal gradient at Inylchek as being over 100 degrees centigrade per kilometre to a depth of 700 metres from surface, and came to the conclusion that:



Flotation test work on Savoyardy ore.



Shallow Temperature Survey at Inylchek

“the Inylchek prospect represents a world-class engineered geothermal system opportunity”.

Kentor Gold and Panax Geothermal conducted a number of presentations on the Geothermal Energy Project to the Kyrgyz Government. The Minister of Economic Development has stated his full support for the project.

The results of the work to date have indicated that the Inylchek geothermal energy exploration licence has a high probability of hosting a world class heat reservoir at a relatively shallow depth. Due to these indications, an application was made to increase the size of the exploration licence. This has now been granted by the Kyrgyz Government. The new licence area is known as Akshyrak and covers an area of 823 square kilometres.

The evaluation phase of the Memorandum of Understanding with Panax Geothermal Limited ended in March 2008 and Panax Geothermal made the commitment to proceed with the Geothermal Energy Joint Venture. Panax Geothermal has the right to earn up to 51% equity in Kentor Gold’s geothermal exploration licences by spending A\$5 million. This includes commencing the drilling of at least one deep hole within the first three years.

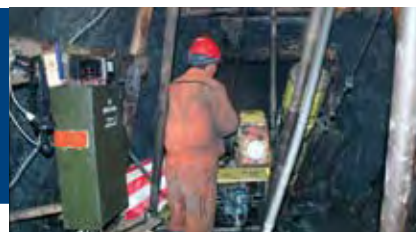
Two new licence applications were made and subsequently granted for areas surrounding and over the capital city of Bishkek (population: 1.2 million people). This city uses a district heating system which is currently powered by burning fossil fuels.

Bishkek is surrounded by a number of thermal springs and wells, indicating that the use of direct geothermal heat could be an option to replace the fossil fuels currently used to heat this city. Such a project would qualify as a Carbon Displacement Mechanism (CDM) project as managed by the UN.

A program of geothermal water sampling for geo-thermometry purposes combined with a review of a large hydrological data base was completed. Thermal spring waters were sampled and submitted for analysis to a specialised laboratory in New Zealand. Interpretation of the results was carried out by Dr. Kevin Brown, one of the world’s experts in this field.

A shallow temperature survey around the Inylchek hot granite was successfully completed. Results show that a number of active faults are associated with temperature anomalies (elevated temperatures). Results also indicate that the innovative low-cost shallow temperature surveys are a useful tool for delineating areas of high heat flow.

MANAGING DIRECTOR'S REPORT (Continued)



“The Inylchek Geothermal Prospect fulfils all requirements for a potentially large Geothermal resource with high enthalpy”

Elsewhere in Central Asia, investigations and field visits have now taken place in both Tajikistan and Kazakhstan where there are a number of promising areas identified for follow up work. This work will continue in 2009.

Dr Tim Hopwood, a well known and experienced structural geologist, was commissioned to carry out a comparative study of structural geological settings of Yangbajing (a producing geothermal field in Tibet), Puga (a geothermal project based in the Indian Himalayas) and Inylchek in Eastern Kyrgyz Republic. Dr Hopwood concluded

“the Inylchek Geothermal Prospect fulfils all requirements for a potentially large Geothermal resource with high enthalpy”.

Follow up work is planned at these locations.

Panax and Kentor Gold made joint submissions to the World Bank's Geofund for two grants for:

- The Inylchek Geothermal Exploration Project in Eastern Kyrgyz Republic, including the drilling of two 500m holes and two 2,000m wells. A grant of US\$3.5 million to US\$4 million has been requested.
- The Tajikistan General Geothermal Exploration Programme, including the drilling of a 2,000m deep exploration well. A grant totalling US\$2 million has been requested.

Recently, the World Bank's Geofund has requested formal Project Proposals to be submitted for Project Grants and Geological Risk Insurance.

Tajikistan is considered to be prospective for geothermal energy and has a great deal of information currently available due to the large number of deep holes which have been drilled for oil in the country.

Kurgan

The Kurgan Exploration Licence was granted to CJSC Kentor (Kentor Gold 80%) in early 2008. Covering 310km², the licence is located approximately 200 kilometres west of Bishkek in the Jalalabad Oblast of the Kyrgyz Republic. The licence is at a low altitude and has good access.

During the 2008 field season, Kentor Gold conducted soil sampling, geophysics and trenching at Kurgan. The soil sampling and geophysics were concentrated over an area which had previously been noted to contain anomalous gold values. Two trenches approximately 300 metres apart were excavated and sampled. The samples were analysed by fire assay. The results from the surface trenching, the best of which were 3 g/t gold over 3m and 2 g/t over 3m, are shown in **Figure 3** on page 9.

In 2009 Kentor Gold plans to follow up these results by extending the coverage of the soil sampling, define the extent of the gold prospect through further trenching and then undertake a drill program.

Bashkol

The Baskol exploration licence was renewed during 2008. Mapping and sampling during the year concentrated on one known uranium occurrence and one gold anomaly. Outcropping copper mineralisation was also identified over a strike length of 350m.

In 2009, further field work is planned to follow up these prospects.

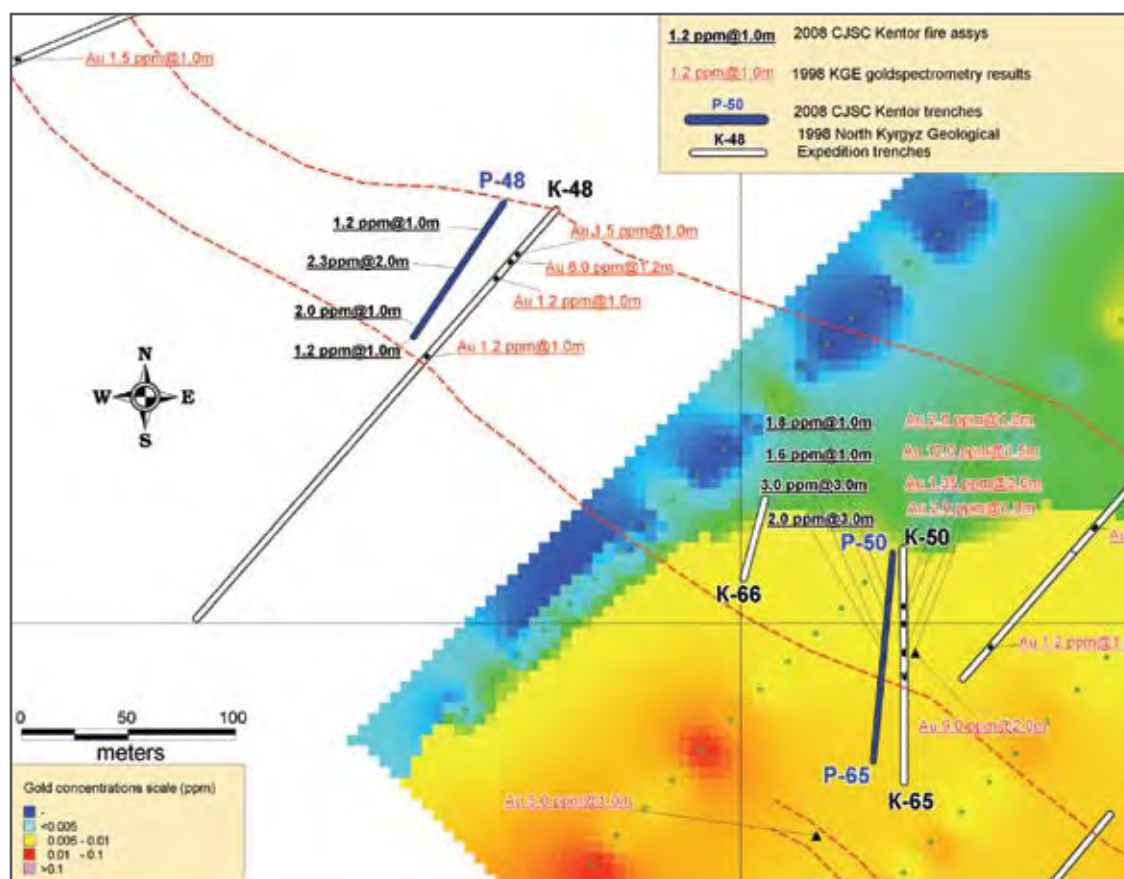
Akbel

During the year geophysical surveys and trenching were carried out at the Akbel gold prospect. Although still considered as prospective, the Company believes that focusing on the Savoyardy gold project is a better use of shareholders' funds. Several parties have expressed an interest in the project and discussions have commenced with regard to a sale of the Akbel exploration licence.

Base Metals

During 2008, Kentor Gold conducted field work including soil sampling, mapping, trenching and geo physical surveys at the Yangidavan, Chunkei and Chaarkuduk exploration licences. The results to date, combined with the current low base metal prices, do not justify further work on these licences. In 2009, Kentor Gold will be focusing on the gold projects.

Figure 3. Kurgan Exploration Results



COMPETENT PERSONS STATEMENT

The data in this report that relates to Exploration Results, the accuracy and quality of data forming the basis of all resource estimates, and the interpretation of mineralisation at Savoyardy, are based on information compiled by Mr Craig Irvine 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 Irvine was a full-time employee of Kentor Gold Ltd during the undertaking of the exploration work. He is now a full time employee of Newcrest and he consents

to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The data in this report that relates to Mineral Resources for the Savoyard 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.

CORPORATE



In June 2008, the Company successfully completed a placement of 26.6 million ordinary shares at 15 cents a share to raise \$4 million. The placement was made to institutional and sophisticated investors and was managed by Bell Potter Securities Limited

**Simon Milroy****B.Eng (Mining)****Managing Director**

Appointed 14 May 2007

Simon Milroy is a mining engineer who most recently 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.

**Hugh McKinnon****B.Eng (Mining)****Executive Director**

Appointed 28 May 1998

Hugh McKinnon, a mining engineer 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. Based in the Kyrgyz capital of Bishkek, Hugh is conversant in Russian.

**Kylie Anderson****B.Sc, MBA (Int.Bus), MPA, MAICD****Company Secretary & CFO**

Appointed 2 January 2008

Kylie Anderson has fifteen years experience in the resources industry and holds a Masters In Professional Accounting and Masters in Business Administration, backed by a Bachelor of Science (chemistry). Since 1993, Ms Anderson has held senior Financial and Company Secretarial positions in a number of resource companies including Rio Tinto and Felix Resources. Ms Anderson is a member of the Australian Institute of Company Directors.

KYRGYZ REPUBLIC



Mineral companies continue to show confidence in the Kyrgyz political and business environment - a 20% increase in exploration expenditure

Western, Russian, and Chinese mineral companies continued to show confidence in the Kyrgyz political and business environment during the year with high levels of activity. Official figures from the Kyrgyz State Agency for Geology and Mineral Resources for the year ended December 2008 show expenditure of US\$60 million on exploration, an increase of more than 20% on the previous year and US\$30 million on mine development. Santos Ltd continued with a major seismic exploration program in the south of the Republic.

Mining accounts for 10% of the Kyrgyz GDP, and 40% of exports. The sector is thus featured in the Country Development Strategy, with the following objectives:

- (i) To create a favourable investment climate for all mining enterprises, including improvements to the legal, institutional and regulatory framework;
- (ii) To increase income from mining by diversifying production and integrating it into the global economy, doubling the output growth rates of raw materials during the next 8-10 years;
- (iii) To reduce poverty and migration through the creation of additional jobs in remote mountainous regions; and
- (iv) To enhance the transparency of revenue management by the mining industry.

Under the Country Development Strategy, a revised edition of the Kyrgyz Law on Subsoil is under preparation. It has been drafted to move the industry further from central control to market driven, status with measures to increase security of tenure and encourage the rapid turnover of exploration areas.

A new Tax Code came into effect on the 1st of January 2009. Among other measures, the new Tax Code locks in personal and corporate income tax at a flat rate of 10%, and reduces VAT to 12%.

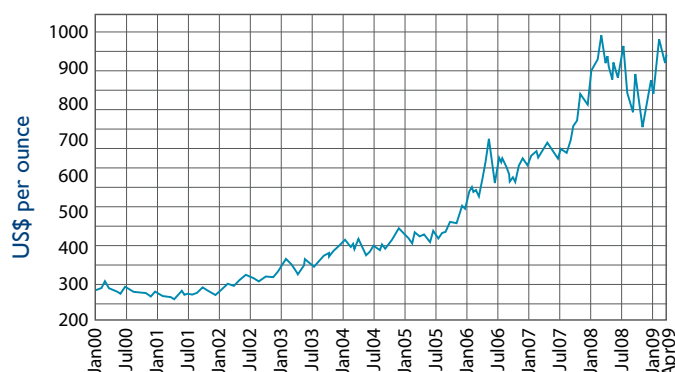


GOLD OUTLOOK



Undoubtedly, gold has been the stand out performer against all other forms of investment in the past year. Indeed, since January 2000, gold price has increased from around US\$300/ounce to be at approximately US\$890/ounce in early April 2009.

GOLD - LONDON PM Fix 2000 - present



The most significant demand for gold comes from the jewellery trade, particularly in India and the Middle East. 2008 saw a decline in the jewellery demand for gold and this is expected to continue in 2009 as the slowing of these economies suppresses demand. The same trend is also reflected in the demand from industry.

Overall, when compared to 2007, demand for gold in 2008 grew by 4%.

Demand for Gold

Demand for gold is driven predominately by three sectors:, Investment, Industrial and Jewellery.

Seen as a safe haven in times of economic turmoil, gold has provided respite for many investors from the global economic crisis. When compared to 2007, "Identifiable Investment" in gold (i.e excluding central banks) increased 64% in 2008¹. Also included in these numbers are the Gold Exchange Traded Funds which have experienced strong growth as institutions, excluded from holding physical gold by their mandates, seek exposure to gold. Continuation of demand from this sector will be dictated by the recovery or otherwise of the major markets around the world. Should current rallies fail to persist, it should be expected that demand for gold will continue to rise.

Also fuelling demand for gold in more recent times has been investors buying as a means of countering expected inflation. With a number of central banks in major economies resorting to printing more money in order to stimulate their economies, investors have been purchasing gold in order to negate the decline in cash value.

Supply of Gold

Supply of gold from mining production has remained flat in recent years and it is expected that this will not increase significantly in the near future. This is largely attributed to the limited exploration undertaken in the 1990s and early 2000s.

Recycling of scrap gold and sales from central banks make up the difference between production from refining and demand. Recycling has increased on 2007 numbers and is expected to continue to increase in 2009.

Gold price

Overall, Kentor Gold expects that gold prices will remain strong throughout 2009 and 2010. While the price of gold has tended to ease recently on tentative signs of improved global economics during the current recession, so that the peaks to US\$1000/ounce may not be experienced again during the next two years, it is reasonable to expect that supply/demand and continuing economic weakness will result in the price being maintained in a region that will provide the Savoyard project with healthy margins.

1. Source GSFM Limited through the World Gold Council..

TENEMENTS

Minerals (CJSC Kentor):

Name	Number	Area (km ²)	Location	Renewal date
Akbel	AP340	365	Issykkul Oblast, Jeti Oguz Rayon	31 Dec 2009
Bashkol	AP1602	700	Issykkul Oblast, Aksuu Rayon	28 Jan 2010
Yangydavan	MP1487	160	Batken Oblast, Batken Rayon	20 Nov 2009
Chunkei	MP1488	149	Naryn Oblast, Ak-Talaa Rayon	20 Nov 2009
Chaarkuduk	MP1629	228	Issykkul Oblast, Tup Rayon	20 Feb 2010
Kurgan	MP1648	310	Jalalabad Oblast, Toktogul Rayon	20 Feb 2010

Total area 1,912 square kilometres.

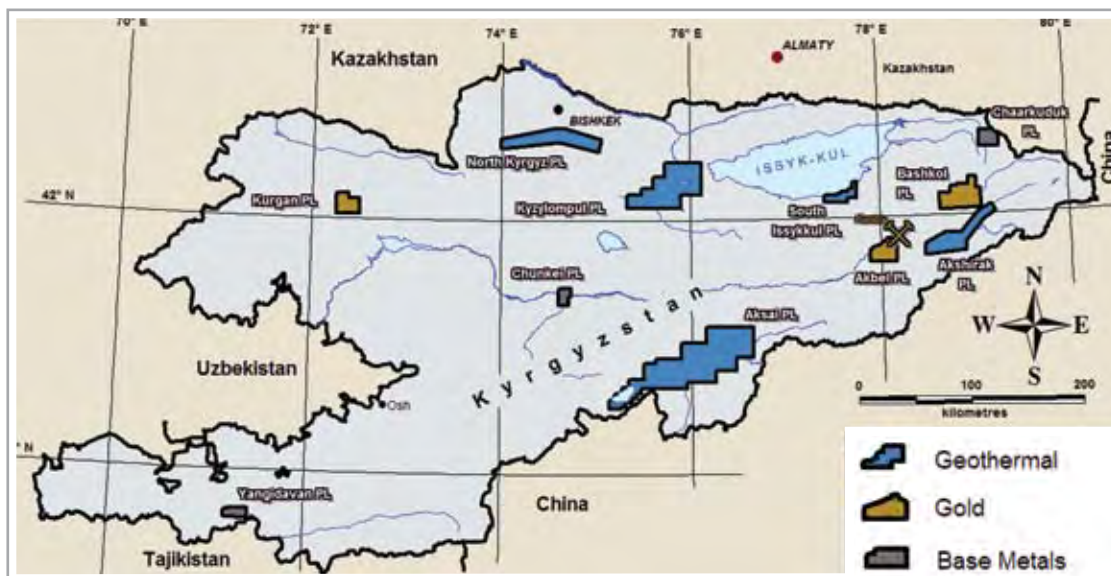
Geothermal (CJSC Kyldoo):

Name	Number	Area (km ²)	Location	Renewal date
South Issykkul	GP1125	240	Issykkul Oblast, Jeti Oguz Rayon	21 May 2009
Aksai	GP1127	4,134	Naryn Oblast, At-Bashy Rayon	21 May 2009
Kyzylompul	GP1128	1,657	Naryn Oblast, Kochkor Rayon	21 May 2009
Jumgal	VP1460	971	Naryn Oblast, Jumgal Rayon	06 Nov 2009
Akshyrak	VP1649	823	Issykkul Oblast, Jeti Oguz and Aksuu Rayons	20 Feb 2010
North Kyrgyz	VP1911	962	Chu Oblast; Moskva, Sokoluk, Yssyk-Ata and Alamudun Rayons	19 June 2010

Total area 8,787 square kilometres

Note that since the first of January, Chunkei, Aksai, and Jumgal licence areas have been relinquished. Relinquishment of Yangydavan and Chaarkuduk is in progress.

TENEMENT LOCATION MAP



LICENCE AREAS AS AT 31 DECEMBER 2008

KENTOR GOLD LTD ANNUAL REPORT 2008



FINANCIAL REPORT

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' REPORT

DECLARATION OF INDEPENDENCE

INCOME STATEMENT

BALANCE SHEET

STATEMENT IN CHANGES OF EQUITY

CASH FLOW STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

INDEPENDENT AUDIT REPORT

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

These provisions require listed companies to report on their main corporate governance practices by reference to the essential corporate governance principles (Principles) and best practice recommendations (Recommendations) of the ASX Corporate Governance Council (the Council), and require a company to highlight those areas of departure from the Recommendations of the Council and explain that departure.

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 two 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 December 2008.

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 Directors' 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 judgement.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

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 judgement 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 (Chairman)

Mr A. Daley (Non-executive director)

Mr Daley is considered to be an independent director notwithstanding that under the ASX Principles of Good Corporate Governance he would not be considered independent due to his employment with Investor Resources Limited, which was previously a material professional adviser to the Company.

Where a vacancy arises or it is considered appropriate to increase the size of the Board, the Chairman proposes nominations in the first instance. All such nominations are reviewed and, if suitable, are ratified by the full Board. Due to the size and development status of Kentor Gold Limited, it is not the current intention of the Board to establish a Nomination Committee.

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

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 is generally 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 trading in company's securities and disclose the policy or summary of that policy .

The Board has adopted a Securities Trading Policy, which is posted on the Company's website.

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:

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

CORPORATE GOVERNANCE STATEMENT *(Continued)*

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 & Compliance Committee.

The Audit & Compliance Committee comprises A E Daley (Chairman of the Committee and independent non-executive director) and W H J Barr (non-executive director), supported where necessary by appropriate external consultants and advisors. Messrs Daley and Barr each have had many years experience in the financial management of public companies. Whilst the Audit and Compliance Committee had only two members, this is considered appropriate given the size of Kentor Gold and the skills of the members.

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

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 - where all of the Company's ASX announcements and media releases can be viewed at any time. Further, the company has held a shareholder briefing session providing updates on the progress of the company's projects and taking questions from shareholders.

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.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

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.

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 & Compliance Committee.

For the financial year ending 31 December 2008, the Managing Director and the Chief Financial Officer have provided a statement to the Board that, in their view: the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8 Remunerate fairly and responsibly

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

Recommendation 8.1 – The board should establish a remuneration committee.

The Board has established a Remuneration Committee, comprising the two non-executive directors. Members of the Remuneration Committee are A E Daley (Chairman of the Committee and independent non-executive director) and W H J Barr (non-executive director).

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

Recommendation 8.2 - 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.

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

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 December 2008.

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

WH 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 Risk Management Committee and Remuneration Committee.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
Iluka Resources Limited (1994 –2006).

Andrew Daley 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. He is a Director of Investor Resources Finance Pty Limited ("IRF"), a company based in Melbourne which provides financial and corporate advisory services to the mining industry. Mr Daley is also a Director of Australian Resources Investment Group Pty Limited, a joint venture between IRF and Babcock and Brown, which was set up to seek investments in the resource sector.

Mr Daley commenced his career 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.

Mr Daley is the Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee

Other Current Directorships of Listed Companies
Pan Aust Limited (appointed August 2004), Dragon Mining Ltd (appointed March 2005), Uranex NL (appointed November 2007) and AIM-listed Minerva Resources Plc (Company Voluntary Arrangement)(appointed July 2007).

Former Directorships of Listed Companies in last three years
In the past three years he has also been a director of AIM-listed Gladstone Pacific Nickel Limited (appointed February 2005 and resigned December 2007)

DIRECTORS' REPORT (Continued)

Simon Milroy B.ENG (MINING)

Managing Director
Appointed 14 May 2007

Simon Milroy is a mining engineer who most recently 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.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

COMPANY SECRETARY

Kylie Anderson BSC. MBA (INT. BUS.) MPA, MAICD

Appointed 2 January 2008

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

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

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

Director	Ordinary shares	Options over ordinary shares	Option expiry date
W H J Barr	358,000	-	n/a
A E Daley	381,470	-	n/a
H McKinnon	2,064,627	1,800,000	n/a*
S Milroy	775,555	2,000,000	n/a

* These options were granted as a share-based payment and have no expiry date except, in the event of the cessation of employment, 30 days after the date of cessation

DIRECTORS' REPORT *(Continued)*

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:

	Attended	Held
Directors		
W H J Barr	12	12
A Daley	12	12
S Milroy	12	12
H McKinnon	11	12

Committee membership and meetings

The members of the Committees are the independent directors, Andrew Daley (Chairman) and John Barr. Two meetings of the Audit and Compliance Committee were held during the year, and they were attended by both members. One meeting was held by the Remuneration Committee during the year, attended by both members.

CORPORATE INFORMATION

Principal activities

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

Employees

The consolidated entity employed 35 employees as at 31 December 2008 (2007: 10 employees).

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Group overview

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

Financial overview

Operating results for the period

The loss for the consolidated entity after income tax was \$5,233,628 (2007: loss of \$926,564). This result was in line with expectations of costs associated with managing the exploration programme. The loss included a provision for the impairment and relinquishment of exploration assets of \$3,266,529. The loss also included \$410,966 of due diligence costs from the Khantau project which the Company decided not to pursue.

Review of financial condition

During the year, the Company continued its exploration programme in the Kyrgyz Republic through its foreign controlled entity CJSC Kentor.

Cash flows

The cash flows of the Company consist of: in the case of the foreign controlled entity, payments to employees and suppliers for exploration activities on tenements held; and the maintenance of the corporate head office which manages existing projects as well as costs involved in investigating new exploration opportunities.

DIRECTORS' REPORT *(Continued)*

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year, the Company raised \$5,140,006 of equity (net of capital raising costs) to fund the continuation of the Company's drilling programme and to provide working capital for the company.

The directors note that \$1,350,000 had been received in December 2007 for the issue of 7,500,000 shares in January 2008.

Summary of shares and options on issue – 31 December 2008

At 31 December 2008 there were 95,088,129 (2007 : 60,988,129) ordinary shares and 7,100,000 (2007: 3,966,667) unissued ordinary shares in respect of which the options listed below were outstanding

Unlisted options	Number In escrow	Exercise price	Number of ordinary shares under options
On or before 31 May 2012	100,000	\$0.60	100,000
On or before 31 May 2012	100,000	\$0.80	100,000
On or before 31 May 2011	100,000	\$1.00	100,000
On or before 31 May 2009	2,500,000	20c to 31 May 2008; 30c thereafter	2,500,000
On 30 June 2011	500,000	nil	500,000
Unlisted executive options			
30 days after ceasing employment	300,000	\$0.625	300,000
30 days after ceasing employment	300,000	\$0.75	300,000
30 days after ceasing employment	300,000	\$0.875	300,000
30 days after ceasing employment	1,000,000	0.20	1,000,000
30 days after ceasing employment	950,000	0.25	950,000
30 days after ceasing employment	950,000	0.30	950,000

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since 31 December 2008 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to continue with the exploration programme in the Kyrgyz Republic focussing primarily on the Savoyardy gold project and the Geothermal tenements. The Company also intends to complete a prefeasibility study on the Savoyardy project with a view to commencing production in early 2010.

ENVIRONMENTAL REGULATION

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

The company's Kyrgyz based entities are subject to the relevant laws and regulations imposed by the Kyrgyz 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.

DIRECTORS' REPORT *(Continued)*

REMUNERATION REPORT (AUDITED)

REMUNERATION PHILOSOPHY

The Board of Directors of Kentor Gold Limited is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. 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. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

To assist in achieving these objectives, the Board intends to link the nature and amount of executive officers' emoluments to the Company's financial and operational performance. No formal plan has been adopted at this time.

Employment agreements are entered into with executive directors and specified executives. The current employment contract with the managing director will terminate on 13 May 2009 and is at present under discussion. The employment contract with the Executive Director 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 of the Board of Directors of the Company 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.

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. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was confirmed by shareholders at the annual general meeting on 22 May 2008. The fee pool was increased to \$200,000 as at this point the directors were contemplating the appointment of an additional director. The Board has decided to delay the decision on increasing the size and has maintained the fees paid to directors at current levels.

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.

DIRECTORS' REPORT *(Continued)*

SENIOR 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:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

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.

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. Hurdle prices have been built into the options requiring Kentor shares to trade above a certain price, for a certain period before the options can be exercised. This therefore aligns the Executives' ability to achieve growth in shareholder value with the executives' remuneration.

EMPLOYMENT CONTRACTS

Simon Milroy

By an employment agreement dated 8 May 2007 the Company and Mr Simon Milroy agreed the terms of his employment includes inter alia:

- Mr Milroy is engaged to provide services in the capacity of Managing Director commencing on 14 May 2007 for a term ending on 13 May 2009 at an annual salary of \$214,000 (increased from 200,000 per annum effect 1 July 2008).
- 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.
- The granting of 2,000,000 options in 3 tranches:
 1. 700,000 options exercisable at 20c following a continuous 30 day period where Kentor shares have traded at or above 25c per share
 2. 650,000 options exercisable at 25c following a continuous 30 day period where Kentor shares have traded at or above 30c per share
 3. 650,000 options exercisable at 30c following a continuous 30 day period where Kentor shares have traded at or above 40c per share

DIRECTORS' REPORT *(Continued)*

The options are not transferable and may be exercised at any time during employment and for 30 days after cessation of employment, after which they lapse. They will not be quoted.

- In addition Mr Milroy's contract provided for the following bonuses:
 1. \$30,000 on the execution of an agreement which brings a significant new project into the company within one year of commencement date
 2. \$30,000 on the intersection of greater than 10 gram metres in a single hole within the Akbel or Bashkol licence areas within one year of commencement date
 3. \$30,000 on the increase of more than 50% of the company's share price within one year of commencement date.

The time period for qualification for the bonuses expired in May 2008

Hugh McKinnon

By an employment agreement dated 1 December 2004 and subsequent deeds of variation, the Company and Mr Hugh McKinnon agreed the 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 for a term ending on 30 June 2007, renewable thereafter for 6 months periods at a current annual salary of AUD \$135,000 with annual review. His place of employment is in the Kyrgyz Republic.
- Mr McKinnon's salary was increased to AUD\$145,125 effective 1 July 2008. It was also agreed that Mr. McKinnon's salary would be paid in US dollars at a fixed exchange rate of \$0.75 to mitigate the influence of exchange rates on the remuneration.
- A restraint on Mr McKinnon undertaking employment in the Kyrgyz Republic for a period of 6 months after termination.
- The grant of 900,000 options on commencement of employment to a company associated with Mr McKinnon in 3 tranches:
 1. 300,000 options exercisable at \$0.625
 2. 300,000 options exercisable at \$0.75
 3. 300,000 options exercisable at \$0.875

The options are not transferable and may be exercised at any time during employment and for 30 days after cessation of employment, after which they lapse. They will not be quoted.

- In May 2008 a further 900,000 options were granted:
 1. 300,000 options exercisable at 20c following a continuous 30 day period where Kentor shares have traded at or above 25c per share
 2. 300,000 options exercisable at 25c following a continuous 30 day period where Kentor shares have traded at or above 30c per share
 3. 300,000 options exercisable at 30c following a continuous 30 day period where Kentor shares have traded at or above 40c per share

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.

DIRECTORS' REPORT (Continued)

REMUNERATION OF DIRECTORS AND EXECUTIVES

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

Year ended 31 December 2008	Short-term Salary & fees \$	Post employment Superannuation \$	Share-based Payment Options \$	Total \$
Directors				
W.H.J. Barr	-	87,200	-	87,200
S. J. Milroy	186,750	21,062	7,897	215,709
A.E. Daley*	54,500	-	-	54,500
H. McKinnon	142,156	-	7,548	149,704
D.Z. Royle	-	-	-	-
Other key management personnel				
C. Irvine	117,127	10,541	2,202	129,870
K. Anderson**	65,042	-	-	65,042
	565,575	118,803	17,647	702,025

Year ended 31 December 2007	Short-term Salary & fees \$	Post employment Superannuation \$	Share-based Payment Options \$	Total \$
Directors				
W.H.J. Barr	15,000	61,300	-	76,300
S. J. Milroy	112,500	12,500	-	125,000
A.E. Daley*	43,600	-	-	43,600
H. McKinnon	140,417	-	-	140,417
D.Z. Royle	46,667	4,200	-	50,867
Other key management personnel				
Greg Burgess	33,458	-	-	33,458
	391,642	78,000	-	469,642

* 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

Options granted as part of remuneration

Executive options

3,800,000 options over unissued shares of the company were granted during the year.

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

	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Balance at beginning of year	900,000	\$0.74	2,266,667	\$0.74
- granted	3,800,000	\$0.25	-	-
- lapsed/exercised	(900,000)	\$0.35	(1,366,667)	\$0.74
Balance at end of year	3,800,000	\$0.37	900,000	\$0.74

DIRECTORS' REPORT (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 December 2008					
300,000	1 December 2004	1 December 2004	n/a*	0.625	0.0294
300,000	1 December 2004	1 December 2004	n/a*	0.75	0.0216
300,000	1 December 2004	1 December 2004	n/a*	0.875	0.0162
1,000,000	30 May 2008	30 May 2008	n/a*	0.20	0.028
950,000	30 May 2008	30 May 2008	n/a*	0.25	0.02
950,000	30 May 2008	30 May 2008	n/a*	0.30	0.011
At 31 December 2007					
300,000	1 December 2004	1 December 2004	n/a*	0.625	0.0294
300,000	1 December 2004	1 December 2004	n/a*	0.75	0.0216
300,000	1 December 2004	1 December 2004	n/a*	0.875	0.0162

* 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 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.

No options were exercised during the reporting period (2007; NIL)

This is the end of the audited remuneration report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration is included on page 9 of the annual report.

Non-audit services

No non-audit services were provided by the entity's auditor, BDO Kendalls.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors



WH John Barr

Director – Melbourne

Dated: 30th March 2009

DECLARATION OF INDEPENDENCE



BDO Kendalls

BDO Kendalls (QLD)
 Level 18, 300 Queen St
 Brisbane QLD 4000
 GPO Box 457 Brisbane QLD 4001
 Phone 61 7 3237 5999
 Fax 61 7 3221 9227
 info.brisbane@bdo.com.au
 www.bdo.com.au

ABN 70 202 702 402

**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 2008, 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 Kendalls (QLD)
Chartered Accountants

A J Whyte
 Partner

Brisbane
 Dated: 30 March 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
Revenue	2	143,077	119,126	137,039	112,250
Foreign exchange gains/(losses)		4,585	391,850	16,930	(27,162)
Employment related costs		(713,236)	(499,521)	(634,677)	(438,557)
Depreciation and amortisation expense		(45,966)	(31,744)	(22,327)	(12,648)
Office expenses		(99,419)	(45,431)	(74,777)	(21,351)
Travel related expenses		(181,331)	(102,145)	(172,133)	(101,692)
Corporate expenses		(550,208)	(287,100)	(454,120)	(277,568)
Finance costs		-	(66)	-	-
Share-based payments – equity settled		(23,647)	(65,556)	(23,647)	(65,556)
Impairment of amount receivable from foreign controlled entity		-	-	(3,421,476)	(182,596)
Impairment of investment in controlled entity		-	-	-	(88,429)
Impairment of exploration and evaluation costs		(3,266,529)	(341,899)	-	(54,271)
Due diligence costs		(410,966)	-	(410,966)	-
Other expenses		(89,988)	(35,758)	(83,001)	(35,841)
Loss before income tax expense	2	(5,233,628)	(898,244)	(5,143,154)	(1,193,421)
Income tax expense	3	-	(28,320)	-	-
Net loss attributable to members of Kentor Gold Limited		(5,233,628)	(926,564)	(5,143,154)	(1,193,421)
Basic earnings per Share (cents per share)	4	(6.25)	(1.83)		
Diluted earnings per Share (cents per share)	4	(6.25)	(1.83)		

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
Current assets					
Cash and cash equivalents	17(b)	1,164,058	2,456,323	1,115,181	2,444,831
Trade and other receivables	5	66,127	70,287	33,314	61,071
Total current assets		1,230,185	2,526,610	1,148,494	2,505,902
Non-current assets					
Trade and other receivables	6	-	-	2,054,650	4,328,021
Plant and equipment	7	223,718	167,040	71,512	49,701
Deferred exploration and evaluation costs	8	4,717,879	4,625,694	2,844,200	573,268
Other financial assets	9	-	-	27,135	38,703
Other non-current assets	10	629,235	465,077	-	-
Total non-current assets		5,570,832	5,257,811	4,997,498	4,989,693
Total assets		6,801,017	7,784,421	6,145,992	7,495,595
Current liabilities					
Trade and other payables	11	114,968	162,262	89,178	109,708
Other liabilities	12	-	1,350,000	-	1,350,000
Total current liabilities		114,968	1,512,262	89,178	1,459,708
Non-current liabilities					
Other long-term liabilities	13	243,338	-	-	11,571
Total non-current liabilities		243,338	-	-	11,571
Total liabilities		358,307	1,512,262	89,178	1,471,279
Net assets		6,442,710	6,272,159	6,056,814	6,024,316
Equity					
Parent entity interest					
Issued capital	14	17,366,969	12,226,963	17,366,969	12,226,963
Reserves	15	(430,273)	(694,448)	143,503	107,856
Accumulated losses		(10,493,984)	(5,260,356)	(11,453,657)	(6,310,503)
Total equity		6,442,710	6,272,159	6,056,815	6,024,316

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED	Share Capital \$	Share Option Reserve \$	Foreign Currency Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 January 2008	12,226,963	107,856	(802,304)	(5,260,356)	6,272,159
Share issue costs	(199,994)	-	-	-	(199,994)
Currency translation differences	-	-	228,527	-	228,527
Loss for the period	-	-	-	(5,233,628)	(5,233,628)
Total recognised income and expenses	(199,994)	-	228,527	(5,233,628)	(5,205,095)
Issue of shares	5,340,000	-	-	-	5,340,000
Share based payments	-	35,647	-	-	35,647
Balance at 31 December 2008	17,366,969	143,503	(573,776)	(10,493,984)	6,442,710
Balance at 1 January 2007	9,666,630	42,300	(905,168)	(4,211,914)	4,591,848
Share issue costs	(233,412)	-	-	-	(233,412)
Currency translation differences	-	-	(266,857)	-	(266,857)
Prior year adjustment (see note 7 & 8)	-	-	247,843	-	247,843
Loss for the period	-	-	-	(926,564)	(926,564)
Total recognised income and expenses	(233,412)	-	(19,014)	(926,564)	(1,178,990)
Issue of shares	2,600,000	-	-	-	2,600,000
Issue of shares for services performed	193,745	-	-	-	193,745
Share based payments	-	65,556	-	-	65,556
Transfer to retained earnings	-	-	121,878	(121,878)	-
Balance at 31 December 2007	12,226,963	107,856	(802,304)	(5,260,356)	6,272,159

STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

COMPANY	Share Capital \$	Option Reserve \$	Currency Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 January 2008	12,226,963	107,856	-	(6,310,503)	6,024,316
Share issue costs	(199,994)	-	-	-	(199,994)
Loss for the period	-	-	-	(5,143,154)	(5,142,751)
Total recognised income and expenses	(199,993)	-	-	(5,143,154)	(5,143,154)
Issue of shares	5,340,000	-	-	-	5,340,000
Share based payments	-	35,647	-	-	35,647
Balance at 31 December 2007	17,366,969	143,503	-	(11,453,657)	6,056,815
Balance at 1 January 2007	9,666,630	42,300	(121,878)	(4,995,204)	4,591,848
Share issue costs	(233,412)	-	-	-	(233,412)
Loss for the period	-	-	-	(1,193,421)	(1,193,421)
Total recognised income and expenses	(233,412)	-	-	(1,193,421)	(1,426,833)
Issue of shares	2,600,000	-	-	-	2,600,000
Issue of shares for services performed	193,745	-	-	-	193,745
Share based payments	-	65,556	-	-	65,556
Transfer to retained earnings	-	-	121,878	(121,878)	-
Balance at 31 December 2007	12,226,963	107,856	-	(6,310,503)	6,024,316

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
Cash flows from operating activities					
Receipts from customers		11,000	63,817	11,000	42,870
Payments to suppliers and employees		(2,241,440)	(833,707)	(1,794,516)	(753,713)
Interest received		133,077	69,380	127,039	69,380
Interest paid		-	(66)	-	(66)
Net cash used in operating activities	17(a)	(2,097,363)	(700,576)	(1,656,477)	(641,529)
Cash flows from investing activities					
Purchase of plant and equipment		(102,644)	(74,015)	(44,138)	(35,788)
Proceeds from sale of plant and equipment		-	500	-	500
Payment for exploration costs		(3,130,186)	(1,992,510)	(2,270,936)	(627,536)
Funds advanced to subsidiary		-	-	(1,148,104)	(1,461,826)
Proceeds from Farm-in		243,338	-	-	-
Net cash used in investing activities		(2,989,492)	(2,066,025)	(3,463,178)	(2,124,650)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		3,990,000	3,923,000	3,990,000	3,923,000
Payment of share issue costs		(199,994)	(165,911)	(199,994)	(165,911)
Net cash provided by financing activities		3,790,006	3,757,089	3,790,006	3,757,089
Net increase/(decrease) in cash and cash equivalents		(1,296,849)	990,488	(1,329,649)	990,910
Cash and cash equivalents at the beginning of the financial year		2,456,323	1,465,255	2,444,831	1,453,921
Effects of currency rate changes on the balance of cash held in foreign currencies		4,585	580	-	-
Cash and cash equivalents at the end of the financial year	17(b)	1,164,059	2,456,323	1,115,181	2,444,831

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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.	TRADE AND OTHER RECEIVABLES – NON CURRENT
7.	PLANT AND EQUIPMENT
8.	DEFERRED EXPLORATION AND EVALUATION COSTS
9.	OTHER FINANCIAL ASSETS – NON CURRENT
10.	OTHER NON-CURRENT ASSETS
11.	TRADE AND OTHER PAYABLES – CURRENT
12.	OTHER LIABILITIES
13.	OTHER LONG-TERM LIABILITIES
14.	ISSUED CAPITAL
15.	RESERVES
16.	FRANKING CREDITS
17.	CASH AND CASH EQUIVALENTS
18.	EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS
19.	KEY MANAGEMENT PERSONNEL
20.	AUDITORS REMUNERATION
21.	RELATED PARTY DISCLOSURES
22.	SEGMENT INFORMATION
23.	FINANCIAL INSTRUMENTS
24.	COMMITMENT FOR EXPENDITURE
25.	CONTINGENT LIABILITIES AND CONTINGENT ASSETS
26.	SUBSEQUENT EVENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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

I 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 includes the separate financial statements of the company and the consolidated financial statements of the Group.

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

The financial statements were authorised for issue by the directors on 30 March 2009.

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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity. Minority 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(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.

(f) Share-based payments

Equity settled share-based payments with employees and directors are measured at 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(f) Share-based payments (continued)

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 balance sheet.

Cash flows are included in the Cash Flow Statement 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 transaction in the subsidiaries are transacted in the Kyrgyz Som.

(i) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(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

Interest 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.

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 losses which is included as a separate line in the Income Statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(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 long-term liability until the requirements for transfer of equity are met. When the requirements for transfer of equity are met, the long-term liability will be transferred to the proceeds on sale of equity interest in a subsidiary.

(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(v)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

(n) Plant and equipment

i) Acquisition

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

ii) Depreciation

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 (2007: 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) Share based payments

The Consolidated entity measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a black-scholes using the assumptions in note 18.

(s) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick 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 DECEMBER 2008

(t) 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.

(u) Comparatives

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

(v) Going concern basis

The consolidated entity is involved in the exploration and evaluation of mineral tenements and as such expects to be cash absorbing until these tenements demonstrate that they contain economically recoverable reserves.

As at 31 December 2008, the group recorded accumulated losses from continuing operations after taxation of \$10,493,984. In addition, the company had incurred negative cashflows from operations of \$2,097,363 and negative cashflows from investing activities of \$2,989,492 in the financial year and has a surplus of current assets over current liabilities of \$1,115,217 as at 31 December 2008.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company is in the process of preparing a Pre-feasibility Study (PFS) on the Savoyardy Gold Project and all indications at this point are that there will be a positive outcome from this study. It is the company's intention following completion of the PFS, to, in the first instance, approach sophisticated and institutional investors to take part in a placement to fund the development of the project and provide working capital to the company.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's and company's ability to effectively manage their expenditures and cashflows from operations, the directors believe that the consolidated entity and company will continue to operate as a going concern for at least the next 12 months from the date of signing of this report and therefore it is appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is uncertainty whether the consolidated entity and company will continue to operate as going concerns. If the consolidated entity and company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
2. Revenue and expenses				
(a) Revenue				
Revenue from continuing operations consisted of:				
Interest –other persons/corporations – loans and receivables	133,077	69,380	127,039	69,380
Other revenue	10,000	49,746	10,000	42,870
Total revenue from continuing operations	143,077	119,126	137,039	112,250
Total revenue	143,077	119,126	137,039	112,250
(b) Loss before income tax				
Loss before income tax has been arrived at after crediting/(charging) the following expenses, gains and losses				
Depreciation and amortisation	(45,966)	(31,744)	(22,327)	(12,648)
Finance cost – Other persons/corporations	-	(66)	-	(66)
Operating lease payments – minimum lease payments	(65,472)	(8,023)	(65,472)	(8,023)
(c) Significant items				
Due diligence costs	(410,966)	-	(410,966)	-
Impairment of exploration and evaluation costs	(3,266,529)	(341,899)	-	(54,271)
3. Income tax				
(a) Income tax recognised in profit and loss				
Current tax expense	-	28,320	-	-
(b) Reconciliation of prima facie income tax to income tax expense				
Loss from continuing operations	(5,233,628)	(898,244)	(5,143,154)	(1,193,421)
Income tax expense (benefit) calculated at 30%	(1,570,088)	(269,473)	(1,542,946)	(358,026)
Effect of expenses that are not deductible in determining taxable profit or loss	972,864	19,667	(7,094)	19,667
Effect of impairment losses on receivables that are not deductible	-	-	1,026,443	54,779
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	597,224	278,126	523,597	283,580
	-	28,320	-	-
(c) Gross tax losses not brought to account				
Unconfirmed tax losses brought forward	3,784,248	1,614,951	3,784,248	1,303,841
Current year tax losses	597,224	278,126	523,597	283,580
Prior year tax losses adjustment	(20,553)	1,891,171	(20,553)	2,196,827
Closing balance	4,360,920	3,784,248	4,287,293	3,784,248

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	Consolidated 2007
4. Earnings per share		
The following reflects the income and share data used in calculating basic and diluted earnings per share:		
Net loss	5,233,628	\$926,564
Basic and diluted loss per share (cents per share)	6.25	1.83
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	83,719,362	50,532,065

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 31 December 2008 as potential ordinary shares. At 31 December 2008, the company has on issue 7,100,000 options (2007: 3,966,667 options) over unissued capital and has incurred a net loss. As the notional exercise price of these options is significantly greater than the current market price of the shares they have not been included in the calculations of diluted earnings per share. These options are anti dilutive as the group is in a loss situation.

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
5. Trade and other receivables – current				
GST receivable (net)	21,499	11,012	21,499	11,012
Other receivables	14,105	42,255	11,815	33,039
Prepayments	30,523	17,020	-	17,020
	66,127	70,287	33,314	61,071

Terms and conditions relating to the above financial instruments

- (i) Other receivables are non interest bearing and have repayment terms between eight and ninety days.
- (ii) Details of the terms and conditions of any related party receivables are set out in Note 21.
- (iii) No receivables are past due or impaired at year end.

6. Trade and other receivables – non current				
Amount receivable from foreign controlled entity	-	-	7,834,839	6,686,734
Less impairment	-	-	(5,780,189)	(2,358,713)
	-	-	2,054,650	4,328,021
Impairment				
Balance at beginning of financial year	-	-	(2,358,713)	(2,176,117)
Increase in impairment	-	-	(3,421,476)	(182,596)
Balance at end of financial year	-	-	(5,780,189)	(2,358,713)

The Company has impaired the amount receivable from the foreign controlled entity CJSC Kentor (80%) at year end. The impairment was determined by calculating the difference between the Net Assets of CJSC Kentor and the amount receivable from the entity in Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

7. Plant and equipment

	Plant & Equipment \$	Consolidated Computer Equipment \$	Total \$	Plant & Equipment \$	Company Computer Equipment \$	Total \$
Year ended 31 December 2008						
At 1 January 2008, net of accumulated depreciation	146,114	20,926	167,040	36,460	13,241	49,701
Additions	101,017	1,627	102,644	42,511	1,627	44,138
Disposals	-	-	-	-	-	-
Depreciation	(37,795)	(8,171)	(45,966)	(14,156)	(8,171)	(22,327)
At 31 December 2008, net of accumulated depreciation	209,336	14,382	223,718	64,815	6,697	71,512
At 31 December 2008						
Cost	428,689	59,703	488,392	93,567	52,019	145,586
Accumulated depreciation	(219,353)	(45,321)	(264,674)	(28,752)	(45,321)	(74,074)
Net carrying amount	209,336	14,382	223,718	64,815	6,697	71,512
Year ended 31 December 2007						
At 1 January 2007, net of accumulated depreciation	123,000	24,879	147,879	9,867	17,194	27,061
Additions	71,377	2,638	74,015	33,150	2,638	35,788
Disposals	(305)	(195)	(500)	(305)	(195)	(500)
Depreciation	(39,000)	(6,396)	(45,396)	(6,252)	(6,396)	(12,648)
Prior period adjustment	(8,958)	-	(8,958)	-	-	-
At 31 December 2007, net of accumulated depreciation	146,114	20,926	167,040	36,460	13,241	49,701
At 31 December 2007						
Cost	298,299	58,077	356,376	51,056	50,391	101,447
Accumulated depreciation	(152,185)	(37,151)	(189,336)	(14,596)	(37,150)	(51,746)
Net carrying amount	146,114	20,926	167,040	36,460	13,241	49,701

The prior year adjustment arises from incorrect rates being used for the conversion of property, plant and equipment in the foreign based subsidiaries and the inclusion of previously un-consolidated subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
8. Deferred exploration and evaluation costs				
Balance at beginning of the year	4,625,694	2,725,968	573,265	-
Current year expenditure	3,358,714	1,984,824	2,270,936	627,536
Impairment of area of interest	(3,266,529)	(341,899)	-	(54,271)
Prior year adjustment	-	256,801	-	-
Balance at end of the year	4,717,880	4,625,694	2,844,200	573,265

Ultimate recovery of deferred exploration and evaluation costs is dependent upon success in exploration and evaluation or sale or farm-out of the exploration interests.

The impairment recognised for the year ended 31 December 2008 reflects an abandonment of the Chaar Kuduk and Yangidavan areas of interest and a write-down of the Akbel area of interest.

The prior year adjustment arises from incorrect rates being used for the conversion of capitalised exploration in the foreign based subsidiaries and the inclusion of previously un-consolidated subsidiaries.

9. Other financial assets – non current

Investment in foreign controlled entities at cost (i)	-	-	27,135	27,135
Investment in domestic controlled entity at cost (ii)				
- Shares in Dunmarra Uranium Ltd	-	-	100,000	100,000
- Impairment	-	-	(100,000)	(88,429)
	-	-	27,135	38,706

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

	Country of Incorporation	2008 % Held	2007 % Held
CJSC Kentor	Kyrgyz Republic	80%	80%
CJSC Kyldoo	Kyrgyz Republic	80%	80%
CJSC Epic	Kyrgyz Republic	80%	80%

No minority interest has been recognised in the balance sheet as the subsidiary in which the minority interest exists have negative equity.

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

Dunmarra Uranium Ltd	Australia	100%	100%
----------------------	-----------	------	------

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
10. Other non-current assets				
VAT paid	629,235	465,077	-	-
	629,235	465,077	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
11. Trade and other payables - current				
Trade payables	89,982	143,052	64,192	90,285
Employee benefits	24,986	19,210	24,986	19,423
	114,968	162,262	89,178	109,708

Terms and conditions relating to the above financial instruments:

- (i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
- (ii) Contractual cashflows from trade and other payables approximate their carrying value.

12. Other liabilities

Deposits received	-	1,350,000	-	1,350,000
-------------------	---	-----------	---	-----------

13. Other long-term liabilities

Farm-in contribution	243,338	-	-	11,571
----------------------	---------	---	---	--------

14. Issued capital

(a) Issued and paid up capital

Ordinary shares fully paid	17,366,969	12,226,963	17,366,969	12,226,963
----------------------------	------------	------------	------------	------------

(b) Movements in shares on issue

	2008 Number of Shares issued	Issued capital \$	2007 Number of Shares issued	Issued capital \$
Details				
Beginning of the financial year	60,988,129	12,226,963	39,651,132	9,666,630
Movements during the year				
Shares issued	34,100,000	5,340,000	21,336,997	2,793,745
Less: costs of share issues		(199,994)		(233,412)
Closing balance	95,088,129	17,366,969	60,988,129	12,226,963

(a) Terms and condition 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(b) Share options

Options over ordinary shares

At the end of the financial year, there were 7,100,000 (31 December 2007: 3,966,667) unissued ordinary shares in respect of which the following options were outstanding:

Expiry date/Duration	Number	In Escrow	Exercise price
Unlisted options			
On or before 31 May 2012	100,000		\$0.60
On or before 31 May 2012	100,000		\$0.80
On or before 31 May 2011	100,000		\$1.00
On or before 31 May 2009	2,500,000	\$0.20 to 31 May 2008, \$0.30 thereafter	
On or before 30 June 2011	500,000		-
	3,300,000		
Unlisted executive options			
30 days after ceasing employment	300,000		\$0.625
30 days after ceasing employment	300,000		\$0.75
30 days after ceasing employment	300,000		\$0.875
30 days after ceasing employment	1,000,000		\$0.20
30 days after ceasing employment	950,000		\$0.25
30 days after ceasing employment	950,000		\$0.30
	3,800,000		
TOTAL	7,100,000		

15. Reserves

Foreign currency translation reserve

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

Share option reserve

Share option reserves are used to record the value assigned to share-based payments.

16. Franking credits

There are no franking credits available for the subsequent financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
17. Cash and cash equivalents				
(a) Reconciliation of loss after tax to net cash flows from operations				
Net loss for the year	(5,233,628)	(926,564)	(5,143,155)	(1,193,421)
<i>Non cash flows in operating result</i>				
Depreciation expense	45,966	31,744	22,327	12,648
Annual leave accrued	-	(40,462)	-	(40,462)
Impairment of investment in controlled entity	-	-	-	88,429
Impairment in amount receivable from foreign controlled entity	-	-	3,421,476	182,596
Impairment of exploration and evaluation costs	3,266,529	341,899		54,271
Share based payments	35,647	259,301	35,647	259,301
Provision for income tax	-	28,320	-	-
Other non-cash items		13,071		-
Currency translation differences	(4,585)	(266,857)	-	-
<i>Operating cash flows not expensed</i>				
(Increase)/Decrease in receivables	34,683	(217,758)	27,758	(101,924)
Increase/(Decrease) in payables	(47,294)	76,730	(20,530)	97,033
(Increase)/Decrease in VAT paid	(194,681)	-	-	-
Net cash used in operating activities	(2,097,363)	(700,576)	(1,656,477)	(641,529)
(b) Cash on hand and at call	204,058	2,456,323	155,181	2,444,831
Term deposits	960,000	-	960,000	-
	1,164,058	2,456,323	1,115,181	2,444,831

(c) Financing facility

The group has no available finance facilities at balance date (2007 : NIL).

(d) Non-cash financing and investing activities

The group did not have any non-cash financing or investing activities during the year.

18. Employee benefits and superannuation

Executive options

3,800,000 options over unissued shares of the company were granted during the year.

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

	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Balance at beginning of year	900,000	\$0.74	2,266,667	\$0.74
- granted	3,800,000	\$0.25	-	-
- lapsed	(900,000)	\$0.35	(1,366,667)	\$0.74
Balance at end of year	3,800,000	\$0.37	900,000	\$0.74

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Options held at the beginning and end of the reporting year

No. of options	Grant date	Vesting date	Expiry date	Weighted average exercise price \$	Fair value at grant date \$
At 31 December 2008					
300,000	1 December 2004	1 December 2004	n/a*	0.625	0.0294
300,000	1 December 2004	1 December 2004	n/a*	0.75	0.0216
300,000	1 December 2004	1 December 2004	n/a*	0.875	0.0162
1,000,000	30 May 2008	30 May 2008	n/a*	0.20	0.028
950,000	30 May 2008	30 May 2008	n/a*	0.25	0.02
950,000	30 May 2008	30 May 2008	n/a*	0.30	0.011
At 31 December 2007					
300,000	1 December 2004	1 December 2004	n/a*	0.625	0.0294
300,000	1 December 2004	1 December 2004	n/a*	0.75	0.0216
300,000	1 December 2004	1 December 2004	n/a*	0.875	0.0162

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

Key inputs used in the calculation of the value of options issued during the year ended 31 December 2008 are:

Spot price	\$0.15
Deal date	03-Jun-08
Expiry date	03-Jun-13
Volatility	30%
Risk free rate	5.75%

3,800,000 options were granted during the reporting year. No options were exercised during the reporting period (2007 ; NIL)

Superannuation

The consolidated entity contributes to a defined contribution fund in accordance with the Government Superannuation Guarantee legislation.

19. 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

(a) Remuneration options: granted and vested during the period

3,800,000 options were issued and vested during the reporting period (2007; NIL).

(b) Shares issued on exercise of remuneration options

No remuneration options were exercised during the reporting period (2007; NIL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(c) Option holdings of directors and other key management personnel

	Opening balance 1 January 2008	Granted as remuneration	Options exercised/ expired	Net change- other	Closing balance 31 December 2008	Vested and exercisable at 31 December 2008	Vested and un- exercisable at 31 December 2008
Directors							
A E Daley	-	-	-	-	-	-	-
H. McKinnon	900,000	900,000	-	-	1,800,000	-	1,800,000
D.Z. Royle	-	-	-	-	-	-	-
S.J. Milroy	-	2,000,000	-	-	2,000,000	-	2,000,000
C. Irvine	-	900,000	(900,000)	-	-	-	-
Total	900,000	3,800,000	(900,000)	-	3,800,000	-	3,800,000
	Opening balance 1 January 2007	Granted as remuneration	Options exercised/ expired	Net change- other	Closing balance 31 December 2007	Vested and exercisable at 31 December 2007	Vested and un- exercisable at 31 December 2007
Directors							
A E Daley	174,690	-	-	(174,690)	-	-	-
H. McKinnon	900,000	-	-	-	900,000	-	900,000
D.Z. Royle	1,366,667	-	-	(1,366,667)	-	-	-
Total	2,441,357	-	-	(1,541,357)	900,000	-	900,000

(d) Shareholdings of directors and other key management personnel

31 December 2008 Ordinary Shares	Balance 1 January 2008 No.	Granted as remuneration No.	On exercise of options No.	Net change- other No.	Balance 31 December 2008 No.	Held nominally at 31 Dec 2008
Directors						
W H J Barr	158,000	-	-	200,000	358,000	-
A E Daley	381,470	-	-	-	381,470	-
H McKinnon	2,064,627	-	-	-	2,064,627	-
S J Milroy	657,555	-	-	118,000	775,555	-
Total	3,261,652	-	-	318,000	3,579,652	-
31 December 2008 Ordinary Shares	Balance 1 January 2007 No.	Granted as remuneration No.	On exercise of options No.	Net change- other No.	Balance 31 December 2007 No.	Held nominally at 31 Dec 2007
Directors						
W H J Barr	90,000	-	-	68,000	158,000	-
A E Daley	381,470	-	-	-	381,470	-
H McKinnon	2,064,627	-	-	-	2,064,627	-
D Z Royle (resigned 30 March 2007)	833,951	-	-	(833,951)	-	-
S J Milroy	-	-	-	657,555	657,555	-
Total	3,370,048	-	-	(108,396)	3,261,652	-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(e) Other transactions and balances with key management personnel

There were no other transactions with key management personnel (2007: nil)

At year end, there was no outstanding amounts payable to key management personnel (2007: nil)

Directors fees payable to Andrew Daley are paid to Dalenier Enterprises Pty Ltd. Fees payable to Kylie Anderson were paid to Andersson Lyne Pty Ltd.

	2008 \$	Consolidated 2007 \$	2008 \$	Company 2007 \$
20. Auditors' remuneration				
Amounts received or due and receivable by BDO Kendalls for:				
• audit or review of the financial statements of the entity and any other entity in the economic entity	5,017	-	5,017	-
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:			-	
• audit or review of the financial statements of the entity and any other entity in the economic entity	25,200	24,000	25,200	24,000
Remuneration of other auditors of controlled entity				
• audit or review of the financial statements of controlled entity	2,414	1,744	-	-

21. Related party disclosures

(a) Information on transactions with key management personnel is disclosed in Note 19.

(b) Intercompany transactions

Balances arising from transactions between the company and its subsidiaries that are outstanding at 31 December 2008 are disclosed in note 6. The intercompany loan between CSJC Kentor and Kentor Gold Limited is not repayable until such time as CJSC Kentor generates sufficient revenues. Interest is not payable on this loan which takes the nature of quasi-equity.

(c) Ultimate parent:

Kentor Gold Limited is the ultimate Australian parent company.

22. Segment information

Segment products and locations

The consolidated entity operates in one business segment (for primary reporting) being mineral exploration and two geographical segments (for secondary reporting) being Australia and the Kyrgyz Republic. This is consistent with the previous accounting period.

Segment accounting policies

Revenues are attributable to geographic areas based on the location of the assets producing the revenues. Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Geographical segments	Australia \$	The Kyrgyz Republic \$	Total \$
Year ended 31 December 2008			
<i>Revenue</i>			
Revenue from external customers	10,000	-	10,000
<i>Result</i>			
Segment results	(1,858,718)	(3,517,988)	(5,376,705)
Interest Income	127,039	6,037	133,077
Net loss for the year			(5,233,628)
<i>Assets and Liabilities</i>			
Segment assets	1,220,007	5,581,011	6,801,017
Segment liabilities	(89,178)	(269,129)	(358,307)
<i>Other Segment Information</i>			
Acquisition of segment fixed assets	44,138	58,506	102,644
Additional deferred exploration and evaluation expenditure	-	3,358,714	3,358,714
Impairment of deferred exploration and evaluation expenditure	-	(3,266,529)	(3,266,524)
	Australia \$	The Kyrgyz Republic \$	Total \$
Year ended 31 December 2007			
<i>Revenue</i>			
Revenue from external customers	42,870	6,876	49,746
<i>Result</i>			
Segment results	(1,080,205)	84,261	(995,944)
Interest Income	69,380	-	69,380
Net loss for the year			(926,564)
<i>Assets and Liabilities</i>			
Segment assets	2,555,603	5,228,818	7,784,421
Segment liabilities	(1,459,708)	(52,554)	(1,512,262)
<i>Other Segment Information</i>			
Acquisition of segment assets	35,788	38,227	74,015
Additional deferred exploration and evaluation expenditure	-	1,984,824	1,984,824
Impairment of deferred exploration and evaluation expenditure	-	(341,899)	(341,899)

23. 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, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

The group has minimal exposure to the financial risks of changes in interest rates.

(a) Capital risk management

The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings. 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

	2008	Consolidated 2007	2008	Company 2007
	\$	\$	\$	\$
Financial assets				
Loans and receivables (including cash)	1,199,662	2,509,590	3,203,144	6,816,903
Available for sale financial assets	-	-	27,135	38,706
Financial liabilities				
Measured at amortised cost	89,982	1,493,052	64,192	1,440,285

(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, trade and other receivables, including related party loans. 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 balance sheet and notes to the financial statements.

There is no concentration of credit risk as the group did not have customers during the year. 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 - Exchange Rates

Foreign currency risks arise from 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 investment in subsidiaries are not hedged as those currency positions are considered to be long term in nature.

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

	AUD	USD	2008 KYRGYZ SOM	AUD	USD	2007 KYRGYZ SOM
Consolidated						
Cash at Bank	1,069,389	31,610	1,330,742	2,381,677	55,365	357,658
Trade and other receivables	33,313	-	893,370	61,071	-	286,816
Trade and other payables	89,178	-	702,165	109,708	-	1,635,642
Company						
Cash at Bank	1,069,389	31,610	-	2,381,677	55,658	-
Trade and other receivables	2,087,964	-	-	4,389,091	-	-
Trade and other payables	89,178	-	-	109,708	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

The Following significant exchange rates were applied during the year

Currency	Average Rate	Reporting Date
	2008	Spot Rate
	2007	2007
USD	0.8354	0.83899
Kyrgyz SOM	31.06975	33.2255
		27.2261
		31.1229

10% change in exchange rates at reporting date would not have increased/decreased the loss or equity by a material amount

(e) 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.

The entity has established a number of policies and processes for managing liquidity risk, working capital mainly comprises of cash:

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

(f) Fair values

All financial assets and liabilities have been recognised at cost less accumulated impairment which approximates their fair value.

24. Commitments for expenditure

	2008	Consolidated	2008	Company
	\$	2007	\$	2007
		\$		\$
Capital expenditure commitments				
Not longer than 1 year	-	94,673	-	94,673

A Joint Venture agreement with Manas Resources Limited allows Kentor Gold Limited to subsequently earn a 70% interest in the exploration licence of the Savoyard Gold Project in the Kyrgyz Republic through JSC Savoyard, a company wholly owned by Manas Resources Limited.

The Joint Venture agreement for the Savoyard Gold Project was previously with Perseus Mining Limited. During the year Perseus Mining Limited sold its interest in the JSC Savoyard to Manas Resources Limited.

Under this agreement Kentor has the right to earn 70% of the equity in Savoyard in exchange for spending USD\$6,000,000 staged up to 31 March 2012. Up to year end approximately USD\$2,700,000 had been spent on this project. Under the Joint Venture agreement, the minimum amount required to be spent by 31 March 2010 is USD\$3,000,000.

During the year a Joint Venture agreement was entered into with Panax Geothermal Limited whereby Panax will earn 51% equity interest in CJSC Kyldoo by spending \$5 million on the project over a four year period. CJSC Kyldoo is a 100% subsidiary of CJSC Kentor which is 80% owned by Kentor Gold Limited.

25. Contingent liabilities and assets

No contingent liabilities or contingent assets existed at the reporting date.

26. Subsequent events

No matters or circumstances have arisen since the end of the financial period that have significantly affected or may have a significant effect on the financial operations of the consolidated entity, the financial performance of those operations or the financial position of the consolidated entity in the subsequent financial year.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Kentor Gold Limited, we state that:

1. In the opinion of the Directors:

- a. the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the *Corporations Regulations 2001*.
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. The remuneration disclosures included in the Remuneration Report that forms part of the Directors Report for the year ended 31 December 2008, comply with section 300A of the *Corporations Act 2001*.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2008.

On behalf of the Board



WH John Barr
Chairman
Melbourne
30 March 2009

INDEPENDENT AUDIT REPORT



BDO Kendalls

BDO Kendalls (OLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5994
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

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

ABN 70 202 702 402

Report on the Financial Report

We have audited the accompanying financial report of Kentor Gold Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 opinions.

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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

INDEPENDENT AUDIT REPORT (Continued)



BDO Kendalls

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KENTOR GOLD LIMITED (Continued)**
Auditor's 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 company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 to the financial statements.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(v) in the financial report which indicates that the consolidated entity as at 31 December 2008 recorded accumulated losses of \$10,493,984. In addition the consolidated entity had incurred negative cash flows from operations of \$2,097,363 and negative cash flows from investing activities of \$2,989,492 in the financial year and has current assets in excess of current liabilities of \$1,115,217 as at 31 December 2008. These conditions, along with other matters as set forth in Note 1(v), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

As disclosed in note 1, the consolidated entity is in the process of preparing a Pre-feasibility Study (PFS) on the Savoyardy Gold Project. The company expects that the results of the PFS will be positive and that once this study is completed the company, in the first instance, will approach sophisticated and institutional investors to raise further capital to fund the development of the Savoyardy Gold Project and to provide working capital for the company.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 31 December 2008. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Kentor Gold Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls (QLD)

BDO Kendalls

A J Whyte
Partner
Brisbane
Dated: 30 March 2009

ADDITIONAL INFORMATION AS AT 7 APRIL 2009

1. Names of Substantial Holders

Name of Holder	No of Securities
NATIONAL NOMINEES LIMITED	5,398,800

2. Number of holders in each class of equities

	Holders	No of Units
Ordinary Shares	776	95,088,129
Unlisted Options	6	7,100,000

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	No. Holders	No. of Units
1-1,000	6	1,042
1,001 – 5,000	116	452,808
5,001 – 10,000	108	927,394
10,001 – 100,000	375	17,039,520
100,001 and over	171	76,667,365

5. Unmarketable Parcels

Number of holders with a holding of less than a marketable parcel 278

6. 20 Largest holders in each class of quoted security

Holder Name	Shares Held	% held
National Nominees Limited	5,398,800	5.68%
Fortis Clearing Nominees P/L	4,216,930	4.43%
ANZ Nominees Limited	2,421,134	2.55%
Graham Tuckwell	2,300,000	2.42%
Hugh Mckinnon	2,064,627	2.17%
D & D Nominees Pty Ltd	1,918,000	2.02%
Palazzo Nominees Pty Ltd	1,650,000	1.74%
Mannwest Pty Ltd	1,500,000	1.58%
Geelong City Motor Holdings Pty Ltd	1,500,000	1.58%

20 Largest holders in each class of quoted security (continued)

Holder Name	Shares Held	% held
Ankaa Springs Pty Ltd	1,500,000	1.58%
Zen Drilling International Pty Ltd	1,336,997	1.41%
I E Properties Pty Ltd	1,200,000	1.26%
H Wallace-Smith and Co Pty Ltd	1,200,000	1.26%
HSBC Custody Nominees (Australia) Limited	1,139,546	1.20%
Citicorp Nominees Pty Limited	1,136,233	1.19%
Australian Investors Pty Ltd	1,134,546	1.19%
Tatankaa Pty Ltd	1,075,000	1.13%
Peter Crisp Pty Ltd	1,000,000	1.05%
Mr Carlo Chiodo	901,000	0.95%
Twynam Agricultural Group Pty Ltd	900,000	0.95%

7. Name of Company Secretary

Kylie Anderson

8. Address of Registered Office

Kentor Gold Limited
Level 36 71 Eagle Street
Brisbane 4000
(07) 3212 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 LTD