



31 January 2012

Kentor Gold (ASX: KGL) is an Australian-based, emerging mid-tier gold company with advanced projects in Australia and the Kyrgyz Republic.

*Formed in 1998 and listed on the ASX in 2005, the Company expects to commence high grade gold production at **Burnakura** in Western Australia in mid-2012, with potential additional gold-copper production from the neighbouring **Gabanintha** deposit.*

*At **Jervois** in the Northern Territory, the Company is studying the feasibility of developing a large, high grade copper-silver resource with potential for the production of gold and other base metals.*

*In the Kyrgyz Republic, Kentor Gold is ready to proceed with the development of the Company's 80% owned high grade, very low cost **Andash** Gold-Copper Project once site access has been obtained. Andash is targeted to produce 70,000 oz gold and 7,400 tonnes copper pa for an initial six years, with high potential for expansion.*

Issued capital:

1,062.1 million ordinary shares
27.4 million unlisted options

Market Capitalisation

30 January 2012: \$xxx million

Quarterly Activities Report **Period Ending 31 December 2011**

Australia

- **Jervois Copper-Silver-Gold Project** lifted to a new scale of potential mine development
 - substantial increase in Resource estimate to 150,500 tonnes copper and 9.66 million ounces silver following outstanding drill results
 - Additional exploration target of 50,000 to 100,000 tonnes copper*
 - high metallurgical recoveries and concentrate grades achieved
- Kentor Gold's first gold production targeted to commence at **Burnakura Gold Project** in mid-2012

Kyrgyz Republic

- Progress towards final community approvals to develop the very low cost, high grade **Andash Gold-Copper Project**

Quarterly Overview

During the quarter, Kentor Gold Limited ("Kentor Gold" or "the Company") increased copper-silver Resources significantly and moved towards the commencement of gold production in mid-2012.

Plans were close to confirmation for a mid-2012 start-up at Burnakura, WA, the first and currently the smallest in Kentor Gold's pipeline of three projects presently targeted for production. The feasibility study is nearing completion and work on re-starting existing plant progressed. At the same time, exploration to increase Resources at both Burnakura and the nearby Gabanintha Gold-Copper Project has commenced.

Progressive results of the scoping study at Jervois lifted the copper-silver-gold project to a new scale of potential development with a 33% increase in the copper Resource to 150,500 tonnes, a 27% increase in the silver Resource to 9.66 million ounces, and an additional exploration target of 50,000 to 100,000 tonnes copper quantified. Significant gold assays have been recorded and more exploration work is required to determine a gold Resource. Initial

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



metallurgical test work achieved a high 94% copper recovery in a concentrate with a 26% copper grade. In the Kyrgyz Republic, progress was made towards obtaining the outstanding local approval for Andash, one of the world's lowest cost gold-copper projects, with the decision by the local village to hold a formal meeting to consider granting a social licence.

Australia

Jervois Copper-Silver-Gold Project, NT (Kentor Gold 100%)

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

Progressive results from the scoping study being undertaken into the development of an open pit multi-metal mine at Jervois lifted the project further in both scale and quality.

The updated Resource estimate, reported above, was announced on 13 January 2012 and constitutes a 33% increase in copper and 27% increase in silver based on a cut-off grade of 0.5% copper.

The substantial increase in the Resource estimate followed a drilling campaign at the Reward and Bellbird prospects completed at Jervois during the quarter, and represented great value for money from the drilling. The results have lifted Jervois to a new scale of potential development, with the initial development potential being enhanced by the Resource being concentrated at one deposit, Reward.

The updated Resource estimate has taken into account only the recent drilling results at the Reward and Bellbird deposits. The total Resource at the Jervois Project also includes the deposits at Bellbird North and Green Parrot where drilling reported last October produced individual assays of over 8% copper and 20% lead.

The Reward and Bellbird deposits are open beyond the Resource blocks at depth and along strike from the deposits, based on interpretation of a recently completed detailed conductivity survey, providing the expectation of continued exploration success.

Therefore, looking forward, Hellman & Schofield, who provided the updated Resource estimate, also reported that Exploration Potential for the Reward and Bellbird deposits in areas adjoining the current Inferred Resource consists of 5 – 10 Mt @ 0.75 to 1.25% copper and 10 to 25 g/t silver at a 0.5% copper cut off (for 50,000 to 100,000 tonnes copper and 3 to 5 Moz silver).

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

Significant gold assays have been recorded in the drilling at Reward. The gold grades appear to be increasing with depth, the deeper high grade copper zone at Reward showing consistently high gold grades. Only approximately 20% of the historical drilling has been assayed for gold, but with the additional drilling planned for this year it is anticipated that gold will soon be included in future Resource upgrades.

Preliminary results from metallurgical testing were announced during the quarter. Several batch tests were undertaken on drill core composite material from hole RJ169 (72m @ 3.27% copper, 0.25% lead, 0.11% zinc, 51.33 g/t silver and 1.16 g/t gold from 414m). This achieved a best overall response from initial testing indicating the production of a concentrate with a grade of 26% copper at 94% recovery. The high concentrate grades and good recoveries were achieved at a relatively coarse grind size of P80 90 micron. Further testing will determine whether economies can be achieved through even coarser grinding and reduced lime consumption.

Auralia Mining Consulting have been engaged to run pit optimisations and schedules on each Resource deposit at Jervois. When completed, mining costs and underground inventory will be estimated to enable a mining schedule to be produced.



Knight Piesold have been engaged to conduct the geotechnical and water management assessment for the project.

Lycopodium have been given responsibility for definition of the engineering design, including the process flow diagram, the major equipment list, site infrastructure requirements and plant layout.

The results of the scoping study will be available in April, and it is anticipated that this will lead to a full feasibility study on the project this year.

Burnakura Gold Project, WA (Kentor Gold 100%)

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

The feasibility study at Burnakura was delayed for several reasons, the most significant being tight contractor and consultant availability. The feasibility study results will be available early in April 2012. Work continued during the quarter on the refurbishment of the existing processing plant at the site and mine planning. The project remains on track for the targeted commencement of production in mid-2012. A number of key positions were filled during the quarter including General Manager, Process Manager, Mining Manager and Commercial Manager.

During the quarter, Kentor Gold conducted its first exploration drill program at Burnakura since acquiring Burnakura, Gabanintha and Jervois earlier in 2011. The air core drilling program targeted a magnetic structure interpreted as containing a repetition of the Burnakura Thrust zone which hosts the series of pits where mining was previously undertaken. Several low level gold anomalies were identified from the drilling and reported last month. The results are being followed up as part of a larger 16,000 metre RC drilling program at Burnakura, including infill drilling to improve confidence in the areas of initially planned production.

Diamond drilling for geotechnical assessment of all planned open-pit mine areas is now complete. Additional diamond drilling was conducted during the quarter to obtain samples required for the Burnakura Heap Leach Scoping Study. Bulk samples of gold oxide material taken from existing pits were also sent to Ammtec's Perth laboratory for coarse bottle roll and column tests.

The RC drill rig successfully mobilised to site after delays caused by wet weather and commenced drilling at Burnakura on the 23rd January 2012. Good ground conditions are playing their part, enabling the drillers to achieve an average rate of 250 metres per day.



Figure 1 Air-core drilling adjacent to Reward Pit, Burnakura

Gabanimtha Gold-Copper Project, WA (Kentor Gold 100%)

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

During the quarter, Kentor Gold analysed results of a HeliTEM survey flown in September over the most prospective areas of the Company's suite of tenements at Gabanimtha, located 25 km north-east of the Company's Burnakura Gold Project. The survey was undertaken to identify drilling targets in order to extend known gold-copper mineralisation (open pit gold mining ceased at Gabanimtha in 1991).

The results were highly encouraging. Modelling of the targets has commenced and will provide estimates of size and orientation to help direct follow-up drilling. A 4,000 m RC drilling programme will be conducted in the first quarter 2012 to test the targets generated by the HeliTem survey. Most of the current Resource is within 100 metres of the surface, and the mineralisation remains open at depth.

Kyrgyz Republic

Andash Gold-Copper Project (Kentor Gold 80%)

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

Progress was made during the quarter towards the obtaining of local villagers' approval in the form of a social licence for the development of Andash, one of the world's lowest cost gold projects.

In December, a general village meeting was held in Kopurer Bazaar, the village located near the Andash project. The unanimous outcome was that a formal Kurultai (a traditional decision making meeting) would be held. Representatives of government, parliament, regional and provincial



administrations would be invited to attend. The granting of a social licence for the development of Andash will be the sole item for consideration.

As community support for the project is formalised and site access is gained, the Company will proceed with the 12-month construction program. The conventional open pit and flotation operation is planned to produce 70,000 oz gold and 7,400 tonnes copper a year in a single concentrate for an initial six years, with strong potential for expansion and extension. The project is forecast to have an extremely low total cost of US\$29 an ounce gold, after copper credits and royalty payments, based on a copper price of US\$2.75 a pound.

Bashkol Exploration Licence (Kentor Gold 80%)

During the quarter, Kentor Gold reported high grade gold and copper exploration results at the Bekbulaktor Gold Prospect on the Bashkol Exploration Licence, and the discovery of widespread occurrences of gold and copper over a 15-kilometre belt in the Bashkol Licence area.

The results of the 2011 work – the extent of the prospect and the high grade of the samples - increased the Company's expectations of the mining potential of Bekbulaktor. A drilling program is now being planned to establish a gold-copper Resource.

The 2011 program of bedrock channel sampling, geophysics and soil sampling established an extensive 2km by 1 km area of gold and copper mineralisation which is open in three directions. Channel sampling returned high grade gold and copper results, the best result being 12m @ 14.07 g/t gold and 1.83% copper.

A reconnaissance program over the rest of the Bashkol Licence area was completed in the quarter and the results exceeded expectations. The program of geological traverses, chip sampling and a channel sample was undertaken to assess the overall potential of the licence area following the encouraging results at the Bekbulaktor Prospect.

The program revealed the widespread presence of gold and copper in mineralised granite in numerous locations over the 15 kilometres between Bekbulaktor and Sharkratma. This included a channel sample that reported 14m @ 5.74 g/t gold, 1.03% copper and 97 g/t silver in the valley of the Molo Stream.

A drilling program is being planned for Bekbulaktor in 2012, together with a geological and geophysical program between Bekbulaktor and Sharkmatma.

Geothermal Energy – Solomon Islands

Kentor Energy (Kentor 100%) is awaiting approval by the Government of the Solomon Islands of an application for a geothermal prospecting licence. The Company plans to investigate developing a conventional, volcanic geothermal energy project on Savo Island with a view to supplying geothermal power to the nation's capital, Honiara, 34 km away, at much lower cost than the current diesel generation.

Having discontinued the pursuit of geothermal energy in central Asia due to the low power prices in the region, Kentor Gold reviewed conventional, volcanic related projects in the South Pacific in regions with high cost diesel generation, and identified Savo Island as the best project available. The retail price of electricity in the Solomon Islands is one of the highest in the world (approximately A\$0.70/kWhr).

Kentor Gold made the application using a 100% owned subsidiary Kentor Energy. When appropriate, Kentor Gold plans to divest Kentor Energy in to a separately self-funded entity to add value to Kentor Gold shareholders.



Corporate

The Company maintained a strong financial position during the quarter, with a cash reserve of \$34.1 million at 31 December 2011.

On the 24th January 2012, Kentor Shareholders approved a 1 for 10 share consolidation. The consolidation will take effect from 10 February 2012 and at this date, the number of shares on issue will be reduced as follows:

Current Shares on Issue:	1,062,092,950
Shares on Issue after Consolidation	106,209,295

The timetable for the consolidation is as follows:

25/01/2012	Last day of trading pre-reorganisation
27/01/2012	Trade on a deferred settlement basis
02/02/2012	Last day for transfers pre-reorganisation
03/02/2012	Notices sent to shareholders providing details of holdings pre and post consolidation
09/02/2012	Despatch Date – deferred settlement ends
10/02/2012	Normal trade

Outlook

During the current quarter, the Company will work towards bringing the Burnakura Gold Project into production in mid-2012. At the same time, a large 20,000m RC drilling program is being implemented, comprising infill drilling to increase the confidence level in the areas of initially planned production at Burnakura and regional exploration drilling to extend known gold mineralisation at Burnakura and gold-copper at nearby Gabanintha.

The Company will aim to complete the scoping study at Jervois during the quarter, and move to a full feasibility study this year. Tenders have now been received for the initial drilling campaign at Jervois of 8,000m of RC and 3,000m of diamond drilling with fieldwork anticipated to commence late February.

In the Kyrgyz Republic, the Company is placing high priority on obtaining the remaining approval - the social licence - for the Andash Gold-Copper Project and gaining site access so that the 12-month construction program can commence. An exploration program is also being planned at the high potential Bashkol Licence area, including drilling at the Bekbulaktor Prospect with a view to establishing a gold-copper Resource.

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Appendix 1 KGL Group Resources

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

Gabanintha and Burnakurra Resources as quoted at a cut-off grade of 0.5g/t Au.

Jervois Resource is based on cut-off grades 0.2% to 0.5% Cu

Kentor Gold own 80% of the Andash project



Competent Persons Statements

The information in this report that relates to mineral resource estimation for Gabanintha and Burnakura is based on work completed by Mr Jonathon Abbott who is a full-time employee of Hellman & Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

The Resource estimates for Andash in this report are based on information compiled by Dr. Phil Newall, who is a Chartered Engineer and Fellow of the Institute of Materials Minerals and Mining and a full time employee of Wardell Armstrong International. Dr. Newall has sufficient experience which is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Newall has consented to the inclusion of this information in the form and context in which it appears in this report.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Kentor Gold Limited

ABN

52 082 658 080

Quarter ended ("current quarter")

31 Dec 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a)exploration and evaluation	(1,558)	(3,103)
	(b) development	(3,265)	(17,044)
	(c) production		
	(d) administration	(581)	(3,032)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	147	1,180
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Foreign Exchange differences	-	-
Net Operating Cash Flows		(5,257)	(21,999)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	-	(13,410)
	(c) purchase options	-	-
	(c) other fixed assets	(104)	(1,547)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets	-	465
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(104)	(14,492)
1.13	Total operating and investing cash flows (carried forward)	(5,361)	(36,491)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

1.13	Total operating and investing cash flows (brought forward)	(5,361)	(36,491)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	(300)
	Net financing cash flows	-	(300)
	Net increase (decrease) in cash held	(5,361)	(36,791)
1.20	Cash at beginning of quarter/year to date	40,740	71,364
1.21	Exchange rate adjustments to item 1.20	(1,244)	(438)
1.22	Cash at end of quarter	34,135	34,135

Payments to directors of the entity and associates of the directors

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

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	264
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

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

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,964
4.2 Development	3,321
4.3 Admin	1,126
Total	6,411

Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	31,611	33,116
5.2 Deposits at call	2,524	7,624
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	34,135	40,740

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Akskyrak VP1649	80% interest		Relinquished
	North Kyrgyz VP1911	80% interest		Relinquished

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly

6.2	Interests in mining tenements acquired or increased	PL(A)51/2600 PL(A)51/2602	Gabanintha Gabanintha		Granted Granted

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	1,062,092,950			
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	27,369,232	Unlisted Options	Exercise price	Expiry date
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	36,242,126	36,242,126	13.08c	21/12/2011
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

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

K. Anderson

Sign here: Date: 31/01/2012.....
(~~Director~~/Company secretary)

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

Notes

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

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