



Level 9
40 Creek Street
Brisbane QLD 4000 Australia
Phone: (07) 3071 9003
Email: info@kentorgold.com.au

9 July 2013

Dear Shareholder,

I am pleased to invite you to attend the Annual General Meeting (**AGM**) of Kentor Gold Ltd (the **Company** or **Kentor Gold**) to be held at:

RACV City Club
501 Bourke Street
Melbourne Victoria 3000

On Thursday 8 August 2013 at 11 am

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

The two items of special business to be dealt with at this meeting relate to:

- (a) the sale of the Andash gold-copper project; and
- (b) the change of name of the Company to KGL Resources Limited.

As to the first item of special business, on 1 May 2013, the Company announced that it entered into a conditional binding terms sheet with Robust Resources Limited (**Robust**) pursuant to which the Company agreed to sell its interests in the Andash gold-copper project to Robust in consideration for \$15 million (**Transaction**). The Company has now entered into a more comprehensive Share Sale Agreement reflecting the material terms of the binding terms sheet.

The Transaction is conditional on the Company obtaining the approval of its shareholders which is the subject of Resolution 2 in the attached Notice of Meeting. The accompanying Explanatory Memorandum provides further details in relation to the Transaction.

To assist shareholders assess the merits or otherwise of the Transaction the subject of Resolution 2, the Board commissioned Grant Thornton Corporate Finance Pty Limited (**Expert**) to provide an independent expert's report as to whether the Transaction is, in the opinion of the Expert, fair and reasonable to the non-associated Shareholders. That report accompanies the Explanatory Memorandum.

In the opinion of the Expert, the Transaction is fair and reasonable to the non-associated Shareholders.

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 11 am 6 August 2013.

Yours sincerely,

W H John Barr AM
Chairman



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the ANNUAL GENERAL MEETING of the shareholders of Kentor Gold Ltd ACN 082 658 080 will be held at RACV City Club 501 Bourke Street Melbourne on Thursday 8 August 2013 at 11 am.

ORDINARY BUSINESS

Reports

To receive and consider the Financial Statements of the Company and the Directors' and Auditors' reports for the year ended 31 December 2012.

Retirement of Mr John Barr and Mr Hugh McKinnon as Directors and appointment of Mr Andrew Daley as Chair

Mr John Barr retires as a Director (and Chair) pursuant to clause 13.5 of the Constitution and will not be offering himself for re-election.

In accordance with clauses 12.3 and 14.4 of the Constitution, the Directors have elected Mr Andrew Daley as Chair effective immediately following Mr John Barr's retirement at the conclusion of this meeting.

Mr Hugh McKinnon also retires as a Director pursuant to clause 13.5 of the Constitution, and will not be offering himself for re-election.

The retirement of Mr Barr and Mr McKinnon and their intent not to seek re-election satisfies the requirements of the constitution regarding rotation of directors.

Resolution 1. 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 2012 is approved."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report ("KMP") or their closely related parties. However, a vote may be cast by such a person if:

- the vote is cast as a proxy;
- the appointment is in writing and directs the proxy how to vote in respect of Resolution 1; and
- the vote is not cast on behalf of a KMP or a closely related party of a KMP.

If the Chairperson is your proxy or is appointed your proxy by default, and you do not direct your proxy to vote 'for', 'against' or 'abstain' on Resolution 1 on the proxy form, you are directing the Chairperson to vote in favour of resolution 1 even if that resolution is connected directly or indirectly with the remuneration of a KMP.

SPECIAL BUSINESS

Resolution 2. Approval for disposal of the Andash Project

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

"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the sale by the Company of all its shares in its subsidiary Kaldora (being 50% of the issued shares in Kaldora) and all its shares in its subsidiary Tatianna (being 100% of the issued shares in Tatianna) to Robust (which, together, has the effect of disposing of the Company's interest in the Andash Project), on the terms and conditions set out in the Share Sale Agreement as further described in the Explanatory Memorandum, and that the Board (or a duly constituted committee of the Board) be and is authorised to waive, amend, vary or extend any of the terms and conditions of the Share Sale Agreement (but not to a



material extent) and to do all such things as it may consider necessary or desirable in connection with the Share Sale Agreement.”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 2 by Robust, any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 2 is passed, and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by Grant Thornton Corporate Finance Pty Limited in respect of Resolution 2 for the purposes of ASX Listing Rules 10.1 and 10.10. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 2 to the non-associated Shareholders. **The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders.** This report accompanies the Explanatory Memorandum attached to this Notice.

Resolution 3. Change of Company name to KGL Resources Limited

To consider and, if thought fit, pass the following resolution as a **special resolution**:

“Subject to the approval of Resolution 2 by the requisite majority, that, for the purposes of section 157(1) of the Corporations Act, the Company's name be changed from 'Kentor Gold Ltd' to 'KGL Resources Limited' and the Constitution be amended to reflect the change of the Company's name by replacing all references to 'Kentor Gold Ltd' with references to 'KGL Resources Limited'.”

Note: a special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

BY ORDER OF THE BOARD

Kylie Anderson
Company Secretary
9 July 2013



Notes

1. The Company has determined that for the purpose of determining voting entitlements at the Annual General Meeting all shares in the Company that are quoted on the ASX will be taken to be held by the persons who held them as registered Shareholders at 7pm on 6 August 2013. Accordingly, share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the meeting.
2. A Shareholder entitled to attend and vote may attend and vote in person or by proxy, or attorney or (where the Shareholder is a body corporate) by representative.
3. The proxy of a Shareholder does not need to be a Shareholder.
4. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of the Shareholder's votes each proxy is entitled to exercise. If the appointment does not specify the proportion or number of the Shareholder'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 6 August 2013.

Link Market Services Limited

Address:

1A Homebush Bay Drive, Rhodes NSW 2138, or

Fax Number: (02) 9287 0309



Explanatory Memorandum

Introduction

This Explanatory Memorandum forms part of the Notice of Annual General Meeting dated 9 July 2013 2013, and should be read in conjunction with it. It has been prepared to provide Shareholders with sufficient material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of the Company. 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 nor the Constitution requires that Shareholders vote on, approve or adopt these 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 2012.

Retirement of Mr John Barr and Mr Hugh McKinnon as Directors and appointment of Mr Andrew Daley as Chair

Mr John Barr retires as a Director (and Chair) pursuant to clause 13.5 of the Constitution. Mr John Barr has given notice to the Company of his resignation effective at the conclusion of this meeting and has also indicated that he will not be offering himself for re-election.

Mr John Barr has made a significant contribution to the Company. The Directors would like to thank Mr John Barr for his efforts as Director and Chair since 10 November 2004 and wish him well in future pursuits.

In accordance with clauses 12.3 and 14.4 of the Constitution, the Board has elected Mr Andrew Daley as Chair effective immediately following Mr. John Barr's retirement at the conclusion of this meeting.

Mr Hugh McKinnon also retires as a Director pursuant to clause 13.5 of the Constitution. Mr Hugh McKinnon has given notice the Company of his resignation effective at the conclusion of this meeting and has also indicated that he will not be offering himself for re-election.

The retirement of each of Mr John Barr and Mr Hugh McKinnon satisfies the requirement for two Directors to retire at each annual general meeting under clause 13.5 of the Constitution. As such, an election of directors will not be held at this Annual General Meeting.

The remaining directors intend to seek another director with the appropriate skills to join the board following the Annual General Meeting. This will result in the Board being comprised of 3 non-executive directors and one managing director.

Resolution 1 Remuneration Report

The Remuneration Report is set out in the Company's 2012 Annual Report. Under the Corporations Act, the Company is required to submit the Remuneration Report for adoption at the Company's Annual General Meeting.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to Directors and specified executives of the Company and sets out remuneration details for each Director and specified executive.

As a result of the changing future focus of the Company to solely pursue the development of the Jervois multi-metal project in the Northern Territory (**Jervois Project**), the Board has decided to reduce the Managing Director's salary and non-executive Directors' fees by 25% commencing 1 July 2013. Additionally, the Board has resolved to not grant any short-term incentive bonuses for FY2012 nor award any long-term incentives. Please refer to the Remuneration Report for further details.

At the meeting, Shareholders will be asked to vote on Resolution 1. The vote is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on Resolution 1 are voted against, then:



- if Shareholders make comments on the Remuneration Report at the meeting, then the remuneration report for the next financial year (**Subsequent Remuneration Report**) must explain the Board's proposed action in response (or if the Board does not propose any action, the Board reason's for inaction); and
- at the Company's annual general meeting for the next financial year (**Subsequent AGM**), if at least 25% of the votes cast on the resolution to adopt the Subsequent Remuneration Report are voted against the adoption, the Company will be required to put to Shareholders at that Subsequent AGM a resolution that a general meeting be called to consider the election of Directors. If this resolution is passed, then the Company must hold a general meeting within 90 days (**Spill Meeting**). At the Spill Meeting, resolutions to appoint new Directors (other than the managing director of the Company) will be put to vote. Unless re-elected, the current directors will cease to hold office immediately before the end of the Spill Meeting.

Pursuant to section 250R(4) of the Corporations Act, the Company will disregard any votes cast on this Resolution 1 by any key management personnel as named in the Remuneration Report, or a closely related party of such personnel.

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

Resolution 2 Approval for disposal of the Andash Project

2. OVERVIEW

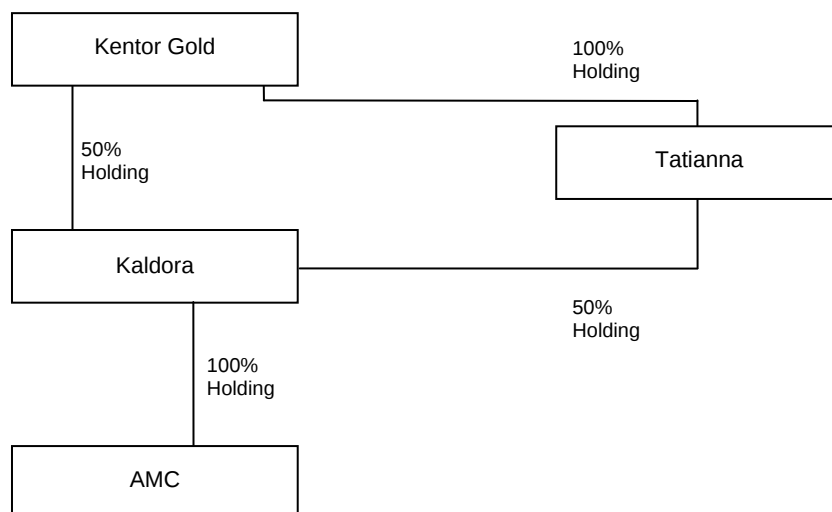
2.1 Background

Resolution 2 seeks Shareholder approval to allow the Company to dispose of the Sale Shares to Robust in accordance with the Share Sale Agreement, the key terms and conditions of which are summarised at **paragraph 2.3**.

As announced to the ASX on 28 March 2013, the Company's wholly-owned subsidiary KMWA (the owner of the Murchison Project) was placed into voluntary administration as a result of the Company not obtaining approval for a finance facility that was necessary to continue funding the operation of Murchison Project. If Resolution 2 is passed, it is expected that the funds raised from the sale of the Andash Project will enable KMWA to fund a deed of company arrangement between KMWA and its creditors, releasing KMWA from administration. Additionally, it will allow Kentor to fund the ongoing development of the Jervois Project and its corporate obligations.

Disposal of the Sale Shares to Robust will give Robust a 100% interest in the Andash Project. This is further illustrated in the structure diagram provided at **paragraph 2.2** setting out the current corporate structure as between the Company, Tatianna, Kaldora and AMC (being the entity that owns the Andash Project).

2.2 Structure of Transaction



As illustrated in the above diagram, the Company currently holds 100% of the issued shares in Tatianna and 50% of the issued shares in Kaldora. As Tatianna holds the remaining 50% of the issued shares in Kaldora, the Company has a 100% interest in the issued share capital of Kaldora, as well as Kaldora's wholly-owned subsidiary AMC. AMC is the owner of the Andash Project.



2.3 Key Terms of Share Sale Agreement

As announced to the ASX on 1 May 2013, and in subsequent announcements, the Company and Robust executed the Binding Term Sheet, under which the Company agreed to sell its entire interest in the Andash Project to Robust for a purchase price of \$15,000,000 (**Purchase Price**).

Following the execution of the Binding Term Sheet, the Company and Robust are to execute the Share Sale Agreement pursuant to which the terms of the Binding Term Sheet were more comprehensively set out. The key terms of the Share Sale Agreement are as follows:

- Robust has agreed to acquire all shares held by the Company in Kaldora (being 50% of the issued shares in Kaldora).
- Robust has agreed to acquire all shares held by the Company in Tatianna (being 100% of the issued shares in Tatianna).
- As consideration for the acquisition, Robust has agreed to pay the Purchase Price to the Company as follows:
 - o \$1,500,000 paid as a Deposit on the signing of the Binding Term Sheet (receipt of which is acknowledged by the Company); and
 - o \$13,500,000 payable on completion.
- The Deposit will be refundable to Robust only if Resolution 2 under this Notice is not approved by the Shareholders. The Deposit is secured against 61.75% of the shares in CJSC Kentor which holds the Bashkol project.
- A condition precedent of the Share Sale Agreement is that Resolution 2 under this Notice being passed by an ordinary resolution of the Shareholders;
- The Company and Robust have each agreed to provide to each other warranties as to title, capacity and authority.
- Completion of the sale and purchase of the Sale Shares is proposed to occur on the date that falls 2 business days following the satisfaction or waiver of the last of the conditions precedent summarised above (or such other day as agreed between the Company and Robust).

3. SHAREHOLDER APPROVAL UNDER ASX LISTING RULES

3.1 Listing Rule 10.1

(a) *Overview of Listing Rule 10.1*

ASX Listing Rule 10 deals with transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Listing Rule 10.1 prohibits the Company from disposing a substantial asset to persons in a position to influence the entity. These persons are specified in Listing Rules 10.1.1 to 10.1.5 (inclusive). Relevantly, Listing Rule 10.1.4 when read together with Listing Rule 10.1.3 prohibits, among other persons, the disposal of a substantial asset to an associate of a substantial holder.

(b) *Substantial Asset – the Andash Project*

A “substantial asset” is an asset with a value of 5% or more of the equity interests of the entity. The Board confirms that the Andash Project is a substantial asset for this purpose.

(c) *Association between Robust and KMP / the Salim Group*

The Salim Group is the largest shareholder of each of the Company and Robust. It is also a “substantial holder” of each company for the purposes of Listing Rule 10.1. The Salim Group holds its interests in the Company and Robust through the following subsidiaries:

- as to the Company, KMP (holding 27% of the issued shares in the Company); and
- as to Robust, Droxford (holding 19.69% of the issued shares in Robust).

The Board is of the view that Robust may be considered an “associate” of a substantial holder of the Company (the substantial holder being KMP / the Salim Group) for the purposes of Listing Rule 10.1.4. If so, Listing Rule 10.1 prohibits the Company from disposing the Andash Project to Robust without Shareholder approval.



The Board is uncertain as to whether the degree of the relationship between Robust and KMP / the Salim Group gives rise to an associate relationship. Indeed, the Board does not have available to it the requisite degree of objective information for it to form a definitive view. As such, for the avoidance of doubt, the Board has decided to seek the approval of its Shareholders for the purposes of Listing Rule 10.1 pursuant to Resolution 2.

(d) *Other matters*

For completeness, the Board does not consider that it is a “related party” of KMP / the Salim Group under section 228(1) of the Corporations Act. Accordingly, it follows that Robust is not a related party of the Company for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.1.1. The Board is also comfortable that under Listing Rules 10.1.2 and 10.1.3, Robust is not a subsidiary or a substantial shareholder of the Company. Accordingly, Shareholder approval under Listing Rule 10.1 is not required by 10.1.1 to 10.1.3 (inclusive), nor is Shareholder approval required under Chapter 2E (Related Party Transactions) of the Corporations Act.

4. INDEPENDENT EXPERT’S REPORT

Under ASX Listing Rule 10.10.2, the Company is required to engage an independent expert to advise as to whether the proposed transaction is fair and reasonable to the non-associated Shareholders.

The IER assesses whether the proposal outlined in Resolution 2 is fair and reasonable to the Shareholders who are not associated with Robust. The IER also contains an assessment of the advantages and disadvantages of the proposed transaction, which is designed to assist all non-associated Shareholders in reaching their voting decision in relation to Resolution 2 contained in this Notice of Meeting.

The Company appointed Grant Thornton Corporate Finance Pty Limited (**Expert**) to provide this IER (accompanying this Explanatory Memorandum). **In the opinion of the Expert, the proposed transaction is fair and reasonable to the non-associated Shareholders.**

The IER accompanies this Explanatory Memorandum. A copy of the IER is also available for viewing or download at the Company’s website: <http://www.kentorgold.com.au>. If a Shareholder requests a copy of the IER, then the Company will provide a hardcopy of the IER to that Shareholder at no cost.

5. VOTING EXCLUSION STATEMENT

Under ASX Listing Rule 10.10.1, the Company is required to include a voting exclusion statement in this Notice of Meeting.

Under Listing Rule 14.11, this voting exclusion statement requires that the Company disregard any votes cast on Resolution 2 by Robust, any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder if Resolution 2 is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. OVERVIEW OF THE ANDASH PROJECT

The Andash Project is located in the Kyrgyz Republic. The Andash Project is low-cost, high-grade and development-ready, with established resources and reserves. The project is expected to produce 70,000 ounce gold and 7,400 tonnes copper annually for an initial six years, with potential for expansion. The project is strategically located adjacent to the People’s Republic of China, lowering transportation costs.

7. BOARD RECOMMENDATION

7.1 Unanimous Recommendation

The Board has given considerable thought to the terms of the sale of the Andash Project, and has taken into account a range of matters into account. Based on these deliberations, the following decisions have been made in respect of Resolution 2:

- **The Board unanimously recommends that Shareholders vote in favour of Resolution 2.**
- **Each Director intends to vote all Shares under their control in favour of Resolution 2.**



- **The chairman of the Annual General Meeting intends to vote undirected proxies in favour of Resolution 2.**

7.2 Reasons for Unanimous Recommendation

The reasons for the Board reaching this conclusion are as follows:

(a) Consequences if the sale of the Andash Project does not proceed

The Company has sufficient liquid funds to meet its commitments as and when they fall due in the short-term. However, the Company has significant cash constraints beyond this period which it must find a means to overcome.

Accordingly, if the sale of the Andash Project does not proceed, the Company will not have the benefit of the funds raised by the receipt of the Purchase Price. This will require the Company to repay the deposit of \$1.5 million to Robust. In this circumstance, it is likely that the Company and its subsidiaries will be placed into voluntary administration.

The Company has considered numerous options for increasing its cash position but has concluded that the sale of the Andash Project is the most appropriate option for the Company at this stage. These funds will increase the Company's cash balance, which will allow the Company and its subsidiaries to operate as a going concern.

(b) Administration of the Company's wholly-owned subsidiary KMWA

The Company's wholly-owned subsidiary KMWA is the owner and operator of the Murchison Project. However, KMWA was placed into voluntary administration on 28 March 2013 as a result of the Company not obtaining approval for a debt financing facility. This facility was necessary to continue funding the operation of the Murchison Project.

The funds raised from the sale of the Andash Project will provide KMWA with a greater capacity to negotiate and fund a deed of company arrangement between KMWA and its creditors. If a deed of company arrangement is entered into between KMWA and its creditors, KMWA will be released from administration.

(c) Availability of working capital to focus on Australian operations

If the sale of the Andash Project proceeds on the terms and conditions set out in the Share Sale Agreement, the Company will significantly increase its cash reserves. The Company proposes to use the majority of the sale proceeds to carry out operations pursuant to its strategic decision to focus on exploration and development of the Jervois Project.

A preliminary scoping study found that the Jervois Project would produce strong financial returns.

7.3 Directors' Voting Power

At the date of this Notice, the Directors' voting power is as follows:

Director	Number of voting Shares	Proportion of voting Shares
John Barr	274,237	0.20%
Andrew Daley	320,038	0.22%
Hugh McKinnon	323,672	0.23%
Simon Milroy	106,472	0.08%
John Taylor	582,355	0.42%

8. REASONS FOR VOTING AGAINST THE PROPOSED TRANSACTION

8.1 Lost opportunity of developing the Andash Project

The Andash Project is located in the Kyrgyz Republic. The Andash Project is low-cost, high-grade and development-ready, with established resources and reserves. The project is expected to produce 70,000 ounce gold and 7,400 tonnes copper annually for an initial six years, with potential for expansion. The project is strategically located adjacent to the People's Republic of China, lowering transportation costs.



If the Andash Project is sold, the Company loses its opportunity to obtain any benefit from these operations.

9. FINANCIAL EFFECT OF TRANSACTION ON COMPANY

The completion of the Transaction will have the financial effect of increasing the cash balance by \$15 million and decreasing the Property, Plant and equipment by \$15 million. As at 31 December 2012, the Andash assets had been valued at \$15 million in the consolidated financial statements of the Company.

10. USE OF SALE PROCEEDS

As noted in **paragraph 2.3**, the Share Sale Agreement will provide the Company with consideration in the form of cash. If completed, the Company proposes to use this capital to:

- satisfy any of KMWA's obligations under a proposed deed of company arrangement between KMWA and its creditors; and
- fund operations at the Company's remaining projects. More particularly, the Company has taken a strategic decision to focus on the exploration and development of the Jervois Project.

11. INDICATIVE TIMETABLE

An indicative timetable of certain events to be carried out by the Company if Shareholder approval is obtained for the purposes of Resolution 2 is as follows:

Event	Date
Target date for completion of the sale of the Andash Project under the Share Sale Agreement	10 August 2013
Target date for deed of company arrangement to be entered into between KMWA and its creditors	10 July 2013

Resolution 3. Change of Company name to KGL Resources Limited

Section 157(1) of the Corporations Act enables a company to change its name by a special resolution passed at a general meeting. Accordingly, subject to the Shareholders approving Resolution 3 by the requisite majority, Resolution 3 seeks Shareholder approval to change its name from 'Kentor Gold Ltd' to 'KGL Resources Limited'.

The Company proposes to change its name to KGL Resources Limited to reflect its strategic decision to focus on its Australian operations. The word 'Kentor' was originally chosen to incorporate into the Company's name because of the word's usage in Kyrgyz language. The Board considers that it is no longer appropriate to refer to the word 'Kentor' in the Company's name if the Andash Project is sold, which is the Company's remaining project in the Kyrgyz Republic.

Changing the Company's name requires consequential amendments to the Constitution to reflect this change. Accordingly, Resolution 3 also seeks Shareholder approval as a special resolution to amend the Constitution to replace all references to 'Kentor Gold Ltd' with 'KGL Resources Limited'.

If this Resolution 3 is passed as a special resolution:

- the change of Company name will take effect when ASIC alters the details of the Company's registration; and
- the amendment to the Constitution will take effect on the date of this meeting.

Note that a special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.



DISCLAIMER

Other than as set out in this document, and other than information previously disclosed to the Company's Shareholders, there is no other information that is known to the Company's Directors which may reasonably be expected to be material in the making of a decision by the Company's Shareholders regarding whether or not to vote in favour of the disposal of the Sale Shares. Should you be uncertain as to how you may be affected by any of the resolutions to be proposed, the Company encourages you to obtain independent professional investment advice prior to voting.

GLOSSARY OF TERMS

Unless otherwise defined, meanings of capitalised terms in this Notice of Meeting (including the Explanatory Memorandum) are set out as follows:

"\$" or **"dollars"** means Australian dollars;

"AMC" means Andash Mining Company LLC, a company incorporated in the Kyrgyz Republic;

"Andash Project" means the project known as the "Andash gold-copper project" as detailed in **paragraph 6** under Resolution 2;

"Annual General Meeting" means the general meeting of the Company to be held on 8 August 2013;

"Annual Report" means the annual report of the Company dated 9 July 2013;

"ASIC" means the Australian Securities and Investments Commission;

"ASX" means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires;

"ASX Listing Rule" or **"Listing Rule"** means a listing rule of the ASX;

"Auditors' Report" means the auditors' report set out in the Annual Report;

"Binding Term Sheet" means the conditional binding terms sheet between the Company and Robust;

"Board" means the board of Directors;

"Chair" means the chair of the Board and of general meetings of the Company;

"Company" or **"Kentor Gold"** means Kentor Gold Ltd ACN 082 658 080;

"Constitution" means the constitution of the Company, as amended from time to time;

"Corporations Act" means the Corporations Act 2001 (Cth);

"Deposit" means the deposit of \$1,500,000 paid by Robust to the Company on the signing of the Binding Term Sheet;

"Director" means a director of the Company;

"Directors' Report" means the directors' report set out in the Annual Report;

"Droxford" means Droxford International Limited;

"Explanatory Memorandum" means the explanatory materials attached to the Notice of Meeting, and includes the IER;

"Financial Report" means the financial report set out in the Annual Report;

"IER" or **"Independent Expert's Report"** means the independent expert's report prepared by Grant Thornton Corporate Finance Pty Limited ACN 003 265 987 for the purposes of Resolution 2;

"Jervois Project" is as defined in Resolution 1;

"Kaldora" means Kaldora Company Limited, a company incorporated in the British Virgin Islands;

"KMWA" means Kentor Minerals (WA) Pty Ltd ACN 152 107 456;

"KMP" means KMP Investments Pte Ltd;

"Notice" or **"Notice of Meeting"** means this notice of meeting dated 9 July 2013 together with the accompanying Explanatory Memorandum;

"Purchase Price" is as defined in **paragraph 2.3** under Resolution 2;



“Remuneration Report” means the remuneration report set out in the Annual Report;

“Error! Reference source not found.” means resolution 1 referred to in the Notice of Meeting;

“Resolution 1” means resolution 2 referred to in the Notice of Meeting;

“Resolution 2” means resolution 3 referred to in the Notice of Meeting;

“Robust” means Robust Resources Limited ACN 122 238 813;

“Sale Shares” means all shares held by the Company in its subsidiary Kaldora (being 50% of the issued shares in Kaldora) and all shares held by the Company in its subsidiary Tatianna (being 100% of the issued shares in Tatianna);

“Salim Group” means any or all of Droxford, KMP, or any other person directly or indirectly controlling, directly or indirectly controlled by, or under indirect or direct common control with Droxford or KMP;

“Share” means an ordinary share in the Company;

“Share Sale Agreement” means the share sale agreement between the Company and Robust in respect of the Sale Shares;

“Shareholder” means a holder of shares in the Company; and

“Tatianna” means Tatianna Limited, a company incorporated in the British Virgin Islands.



KENTOR GOLD LTD
ACN 082 658 080

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



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 **Overseas:** +61 1300 554 474



X99999999999

SHAREHOLDER PROXY 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 shareholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed 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 **11:00am on Thursday, 8 August 2013, at RACV City Club, 501 Bourke Street, Melbourne 3000** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

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

Please read the voting instructions overleaf before marking any boxes with an ☒.

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1 Approval of the Remuneration Report	☐	☐	☐
Resolution 2 Approval for disposal of the Andash Project	☐	☐	☐
Resolution 3 Change of Company name to KGL Resources Limited	☐	☐	☐

i * 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 SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder'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 PRX301R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Tuesday, 6 August 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

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



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138
or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**

Kentor Gold Limited

Independent Expert's Report and Financial Services Guide

2 July 2013



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Grant Thornton Corporate Finance Pty Ltd
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The Directors
Kentor Gold Limited
40 Creek Street
Brisbane 4000

2 July 2013

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

Kentor Gold Limited ("Kentor" or the "Company") is an Australian-based emerging gold mining company listed on the Australian Stock Exchange ("ASX"). As at 2 July 2013, Kentor's market capitalisation was approximately A\$32.2 million. However, we note that the ordinary shares in Kentor ("Kentor Shares") have been suspended from trading on the ASX since 28 March 2013 as a result of its subsidiary, Kentor Minerals (WA) Pty Ltd, being placed into voluntary administration¹.

Robust Resources Limited ("Robust") is a precious and base metals company listed on the ASX and had a market capitalisation of approximately A\$20.3 million as at 2 July 2013.

On 1 May 2013, Kentor announced that it had signed a conditional binding term sheet ("Term Sheet") to sell its 100% interest² in the Andash Project to Robust ("the Proposed Transaction") for a purchase consideration of A\$15 million in cash ("the Consideration"). Upon signing of the Term Sheet, Robust paid Kentor a cash deposit of A\$1.0 million. On 30 May 2013, Kentor executed an

¹ Kentor Minerals (WA) Pty Ltd is the owner of the Murchison Project and it was placed into voluntary administration as a result of the Company not being able to secure the financing required to continue funding the operations of the Murchison Project.

² We note that as at the date of this report, Kentor owns 100% of the Andash Project. However, Kentor has offered the Kyrgyz Republic Government a 20% interest in the Andash Project for nominal consideration (refer to section 5.1 for details).



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addendum to the Term Sheet (“the Addendum”) where Robust agreed to increase the deposit to A\$1.5 million (“Revised Deposit”).

The Revised Deposit³ will be refundable to Robust if Kentor is not able to obtain shareholder approval for the Proposed Transaction. In all other circumstances the Revised Deposit is not refundable. We have been instructed by Kentor that the Company’s cash balance was approximately \$0.8 million as at 30 June 2013. Accordingly, Kentor may not be in a position to refund the Revised Deposit in its entirety if the Proposed Transaction is not approved.

The Andash Project is a copper-gold development project located in the northwest of Kyrgyz Republic. Kentor completed a definitive feasibility study (“DFS”) on the Andash Project in 2010.

The Andash Project is held by Andash Mining Company LLC⁴ (“AMC”) which is 100% owned by Kentor through two British Virgin Islands (“BVI”) incorporated holding companies, Kaldora Company Limited (“Kaldora”) and Tatianna Company Limited (“Tatianna”). Robust will acquire the 100% interest indirectly held (20% of which has been offered to the Kyrgyz Republic Government) in the Andash Project via the acquisition of 100% of the shares in Kaldora and Tatianna.

Robust has announced that it intends to fund the Consideration via a partial sell-down of its Romang Island Project to the Salim Group⁵ (“Salim Group”) and existing cash reserves. As at the date of this report, the Salim Group holds 27% of the issued shares in Kentor⁶ and 19.69% of the issued shares in Robust⁷. Based on discussions with the Directors of Kentor, we understand there is uncertainty as to whether or not the Salim Group should be considered an associate of a substantial holder of the Company.

The Directors of Kentor unanimously recommend Kentor Shareholders vote in favour of the Proposed Transaction and each director intends to vote the Kentor Shares under their control in favour of the Proposed Transaction.

Refer to section 1.1.1 for the conditions precedent to the Proposed Transaction.

³ The Revised Deposit has been secured against a 61.25% interest in the shares of CJSC Kentor, Kentor’s 80% owned subsidiary in the Kyrgyz Republic and owner of the Bashkol Project.

⁴ AMC is a company incorporated in the Kyrgyz Republic

⁵ The Salim Group is Indonesia’s largest conglomerate with investments spread across South-East Asia, Hong Kong, North America and Australia. Through its subsidiaries, the Salim Group operates in numerous sectors including food, agribusiness, retail, telecommunications, automobile, real estate, hotels and resorts, banking and financial services, infrastructure, mining, and international trade.

⁶ Through its subsidiary KMP Investments Pte Ltd (“KMP”)

⁷ Through its subsidiary Droxford International Limited (“Droxford”)



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Purpose of the report

Although the Directors of Kentor are uncertain as to whether the degree of the relationship between Robust, Kentor (and its major shareholder KMP), and the Salim Group gives rise to an associate relationship, the Directors have decided to seek the approval of Shareholders. Accordingly, having regard to the Corporations Act and the ASX Listing Rules, the Directors of Kentor have commissioned an independent expert's report to assist Kentor Shareholders in assessing the merits of the Proposed Transaction.

For the purpose of this report, an independent technical specialist, Minserv Group Pty Ltd ("Minserv"), was engaged to conduct an independent review and assessment ("the Technical Report") of the Andash Project. The Minserv report has been specifically commissioned and prepared for the purpose of the Proposed Transaction and it is included in **Appendix E** of this report.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to Kentor Shareholders.

Fairness assessment

In forming our opinion in relation to the fairness of the Proposed Transaction, Grant Thornton Corporate Finance has compared the fair market value of AMC (on a controlling basis)⁸ to the value of the Consideration offered by Robust.

As discussed in section 5, whilst Kentor formally owned 100% of the Andash Project, Kentor made an offer to the Kyrgyz Republic Government to purchase a 20% interest in AMC for a nominal consideration. As at the date of this report, no decision has been made by the Kyrgyz Republic Government to purchase the 20% interest in AMC, however we have been advised that the Company does not have any right to exercise control over this 20% interest in AMC. As a result of these on-going negotiations and in line with Kentor's intention to have the Kyrgyz Republic Government as its strategic partner in the Andash Project, Kentor continues to recognize a non-controlling interest of 20% of AMC's comprehensive income and net assets. Accordingly, our valuation assessment of the fair market value of AMC only includes an 80% controlling interest in the Andash Project.

The following table summarises our fairness assessment:

⁸ We note that Kaldora and Tatianna are only holding companies with no other business activities other than its holding interest in AMC. AMC is the licence holder of the Andash Project. Therefore, we have assessed the fair market value of the Kaldora Shares and the Tatianna Shares by assessing the fair market value of AMC.

Fairness assessment	Section reference	Low A\$'000	High A\$'000
Assessed equity value of AMC (80% basis)	7.5	13,206	20,563
Consideration offered	1.1	15,000	15,000
Premium/(discount) of Consideration over value of AMC (%)		1,794	(5,563)
Premium/(discount) of Consideration over value of AMC		13.6%	(27.1)%

Source: GTCF Calculations

Albeit at the low-end, the cash Consideration payable is within our assessment of the valuation range of AMC (on a controlling basis). Accordingly, we conclude that the Proposed Transaction is fair to Kentor Shareholders.

However, we note that if Kentor Shareholders are of the opinion that the mid to high end of our assessed valuation range of AMC is a more appropriate benchmark to assess the value of the Andash Project, Kentor Shareholders could be financially disadvantaged by approving the Transaction and as such, the Proposed Transaction in such circumstances would not be considered fair. However, under these circumstances we believe that the Proposed Transaction is still reasonable having regard to the reasonableness considerations set out below and accordingly the Proposed Transaction would remain in the best interests of Kentor Shareholders.

Our valuation assessment of AMC is relatively wide. In Grant Thornton's opinion, precision in the valuation of the Andash Project is unrealistic due to the following:

- High volatility in the gold prices. The gold price has been extremely volatile in past few months and given that the Andash Project is expected to commence production around June 2016, the value of the Andash Project is highly dependent on long term gold prices which are inherently uncertain and difficult to predict at the date of this valuation.
- Ongoing political instability in the Kyrgyz Republic and the ongoing conflicts between the local residents and mining companies may have the potential to adversely impact mining companies in Kyrgyz Republic. We note local residents are actively protesting against some mining companies operating in the Kyrgyz Republic as the residents believe that the foreign companies are not concerned with the interests of the country and its citizens.⁹
- Given the current global market conditions and reliance on third party investors to raise funds, there is high risk associated with the ability of Kentor to raise sufficient funds to meet the upfront capital expenditure requirements of the Andash Project.

⁹ In May 2013, operations at the Kumtor Mine (owned by Centerra Gold Inc.) in the Kyrgyz Republic were temporarily suspended after protestors stormed the mine, overtaking a substation and cutting off electricity.



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Reasonableness assessment

For the purpose of assessing whether or not the Proposed Transaction is reasonable to Kentor Shareholders, we have considered the following likely advantages, disadvantages and other factors associated with the Proposed Transaction. We note that in accordance with RG111, the Proposed Transaction is reasonable if it is fair.

Advantages

The Proposed Transaction is fair

As set out above, the Proposed Transaction is fair.

Avoidance of potentially being placed under administration

As set out in Kentor's explanatory memorandum, Kentor has sufficient liquid funds to meet its commitments in the short-term. However, the Company has significant cash constraints beyond this period. Kentor's cash balance as at 30 June 2013 was approximately \$0.8 million.

If the Proposed Transaction is not approved by Kentor Shareholders, Kentor will be required to repay the Revised Deposit of A\$1.5 million to Robust. In this circumstance, and given the cash constraints of the Company in the short-term, the Directors have indicated that it is likely that Kentor and its subsidiaries will be placed into voluntary administration.

The Directors have represented that Kentor has considered a number of alternatives for increasing its liquid assets position including raising funds through equity, seeking debt finance and selling existing assets. However, as previously mentioned in footnote 1 of this report, the Company has been unsuccessful in obtaining a debt finance facility for the Murchison Project. Furthermore, given the current market conditions in the Australian resources sector, the current suspension of the Kentor Shares, and a limited timeframe to complete a capital raising, raising equity capital on the market may be challenging and difficult.

Considering the above challenges, Kentor believes that the sale of the Andash Project is the most appropriate option which will result in an increase in the Company's cash reserves and will allow Kentor and its subsidiaries to continue to operate as a going concern.



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Potential releasing Kentor Minerals (WA), a wholly owned subsidiary of Kentor, from administration

As mentioned previously, Kentor's wholly-owned subsidiary Kentor Minerals (WA) is the owner and operator of the Murchison Project. On 28 March 2013, Kentor Minerals (WA) was placed into voluntary administration as a result of the Company not obtaining approval for a debt financing facility. This debt facility was necessary to continue funding the operation of the Murchison Project.

The funds raised from the Proposed Transaction will provide Kentor Minerals (WA) with a greater capacity to negotiate and fund a deed of company arrangement between Kentor Minerals (WA) and its creditors and would subsequently, release Kentor Minerals (WA) from administration.

Availability of working capital to focus on Australian operations

If the Proposed Transaction is approved, Kentor will have sufficient cash reserves to carry out operations pursuant to its strategic decision to focus on the exploration and development of the Jervois Project. A feasibility study is currently being undertaken for the Jervois Project following positive results from a preliminary scoping study which found the Jervois Project would produce strong financial returns.

Avoidance of development risks

If the Proposed Transaction is approved, Kentor Shareholders will no longer be exposed to ongoing risks associated with holding an investment in the Andash Project which includes exchange rate risk, commodity price risk and country risk associated with an unstable political environment in the Kyrgyz Republic.

Ability to realise their investment in AMC

The Proposed Transaction represents an opportunity for Kentor Shareholders to receive certain and immediate value for Kentor's investment in AMC. The Proposed Transaction provides an opportunity for Kentor Shareholders to realise the Andash Project at a value in line with our assessment of the fair market value of the project. In the absence of the Proposed Transaction, it is unlikely that Kentor will be able to realise this value.



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Removes exposure to funding risks

Kentor has limited existing financial resources. The Andash Project is one of the key investments for Kentor and has yet to commence operations. If the Proposed Transaction is not completed, Kentor will be required to raise significant funding to advance the development of the Andash Project which has an estimated initial capital expenditure for phase 1 of the project of approximately US\$155 million¹⁰.

Accordingly, Kentor Shareholders will be exposed to uncertainty in relation to future funding requirements which may cause dilution to existing Kentor Shareholders. Based on the market capitalisation of Kentor before suspension, the current market conditions, and the specific risks of the Andash Project (including jurisdiction risks), it is our opinion that any equity raisings will result in significant dilution for existing Kentor Shareholders. The Proposed Transaction will remove any potential financial, funding and dilutionary risks for Kentor Shareholders.

Furthermore, given the current the volatility in the financial markets, the availability of debt and equity to fund the development of the Andash Project may be limited and difficult to source.

Disadvantages

Inability to participate in the Andash Project's future growth

If Kentor Shareholders approve the Proposed Transaction, Kentor Shareholders will not be able to participate in the potential upside, if any, in the Andash Project.

Our valuation assessment of AMC is particularly sensitive to movements in the gold price. For the purpose of forming a view on the appropriate gold prices to use for the valuation, Grant Thornton Corporate Finance has had regard to the historical spot prices, current forward prices, forecast prices prepared by various brokers and consensus estimates.

Given the volatility in commodity markets, the current levels of commodity prices relative to historical long run prices, and the widely varying views of industry analysts, assumptions regarding future gold price are inherently subject to considerable uncertainty. It should be noted that the value of the Andash Project could vary materially based on changes in gold price.

Kentor Shareholders will give up the right to participate in the future potential development and upside of the Andash Project in the event of favourable movements of gold prices and exchange rates.

In addition, Kentor Shareholders will no longer have exposure to the potential upside if material additional deposits are discovered in the Andash Project.

¹⁰ Source: Andash Financial Model



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Other considerations

Kentor's share price if the Proposed Transaction is not completed

We have been advised by Management that the ASX will require Kentor's shares to resume trading upon lodging its annual financial statements. In our opinion, if the Proposed Transaction is not approved, the share price of Kentor will fall from the level prior to its suspension.

Tax implication

We have been advised that Management does not expect AMC to incur any tax liability arising from the Proposed Transaction.

Prospect of an alternative or superior proposal

Based on discussions with the Directors of Kentor regarding the likelihood of alternative offers for AMC, we understand that the Directors have not received an alternative, reputable or superior offer for AMC as at the date of our report.

Directors' recommendation

The Independent Directors unanimously recommend, in the absence of a superior proposal, Kentor Shareholders vote in favour of the Proposed Transaction.

One-off transaction costs

Management has estimated that transaction costs associated with the Proposed Transaction will be approximately A\$185,000. These costs comprise advisory fees and costs for the preparation and dispatch of the Notice of Meeting and Explanatory Memorandum, and will be borne by Kentor regardless of whether the Proposed Transaction is approved or not approved.

Final Agreement

We note that the final legal documentations are yet to be finalised between the parties. We have only reviewed the Binding Term Sheet for the purpose of this report. In the event that the final legal terms of the agreements differ from those detailed in this report and relied on by us, this may have a material impact on our opinion. In the event that there is a material change we will notify shareholders and consider the implications, if any, for our report.

Reasonableness conclusion

Based on the likely advantages, disadvantages and other factors identified above, it is our opinion that on balance, Kentor Shareholders are better off, or at least no worse off, if the Proposed Transaction proceeds.



Accordingly, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to Kentor Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Transaction is a matter for each Kentor Shareholder to decide based on their own views of value of Kentor and expectations about future market conditions, Kentor's performance, risk profile and investment strategy. If Kentor Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Partner

LINDA COOKE
Partner

2 July 2013

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Kentor Gold Limited (“Kentor” or the “Company”) to prepare an Independent Expert’s Report in relation to the disposal of its interest in the Andash Gold-Copper Project (“Andash Project” or “the Project”) to Robust Resources Limited (“Robust”). The Andash Project sits within Andash Mining Company (“AMC”) which is 100% owned by Kentor via two BVI incorporated intermediary companies, Kaldora Company Limited (“Kaldora”) and Tatianna Company Limited (“Tatianna”), together referred to as the “Project Company”. Robust will acquire AMC by purchasing the Kaldora and Tatianna shares from Kentor (“the Proposed Transaction”).

This report is included in the Explanatory Memorandum outlining the Proposed Transaction.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.



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4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Kentor fees which are based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Kentor in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Kentor or Robust (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has



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not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

6 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Overview of the Proposed Transaction

1.1 Proposed Transaction

Kentor Gold Limited (“Kentor” or the “Company”) is a gold exploration and development company based in Australia and listed on the Australian Stock Exchange (“ASX”). As at 2 July 2013, Kentor’s market capitalisation was approximately A\$32.2 million¹¹. Kentor’s key projects include:

- A gold project in Murchison, Western Australia (“the Murchison Project”).
- A copper-silver-gold project in Jervois, Northern Territory (“the Jervois Project”).
- A gold-copper project in the Kyrgyz Republic (“the Andash Project”).
- An early-stage exploration gold-copper project in the Kyrgyz Republic (“the Bashkol Project”).
- A geothermal exploration project in the Solomon Islands (“the Savo Island Geothermal Project”).

Robust Resources Limited (“Robust”) is a precious and base metals company listed on the ASX and had a market capitalisation of approximately A\$20.3 million as at 2 July 2013.

On 28 March 2013, Kentor announced to the ASX that the Company’s wholly owned subsidiary, Kentor Minerals (WA) Pty Ltd¹² (“Kentor WA”) was placed into voluntary administration as a result of the Company not being able to secure the financing required to continue funding the operations of the Murchison Project. At Kentor’s request, the ordinary shares in Kentor (“Kentor Shares”) were suspended from trading on the ASX from the date of this announcement.

On 1 May 2013, Kentor announced that it had signed a conditional binding term sheet (“Term Sheet”) to sell its 100% interest¹³ in the Andash Project to Robust (“the Proposed Transaction”) for a purchase consideration of A\$15million in cash (“the Consideration”). Upon signing of the Term Sheet, Robust paid Kentor a cash deposit of A\$1.0 million. On 30 May 2013, Kentor executed an addendum to the Term Sheet (“the Addendum”) where Robust agreed to increase the deposit to A\$1.5 million (“Revised Deposit”).

Kentor and Robust will be bound by the terms of the Term Sheet and the Addendum until a Definitive Document (“Definitive Document”) is executed, which is subject to satisfaction of the conditions precedent to the Proposed Transaction.

The Revised Deposit will be refundable to Robust if Kentor is not able to obtain shareholder approval for the Proposed Transaction. In all other circumstances the Revised Deposit is not

¹¹ As discussed below, Kentor Shares have been suspended from trading on the ASX since 28 March 2013.

¹² Kentor WA is the owner of the Murchison Project.

¹³ Although Kentor currently owns a 100% interest in the Andash Project, the Company has offered a 20% interest to the Kyrgyz Republic Government. As at the date of our report, the Kyrgyz Republic Government has not accepted the offer made by Kentor (refer to section 5.1 for further detail).

refundable. The Revised Deposit has been secured against a 61.25% interest in the shares of CJSC Kentor, Kentor's 80% owned subsidiary in the Kyrgyz Republic and owner of the Bashkol Project.

The Consideration will be funded by Robust via a partial sell-down of its Romang Island Project to the Salim Group¹⁴ ("Salim Group") and existing cash reserves. As at the date of this report, Salim Group holds 27% of the issued shares in Kentor¹⁵ and 19.69% of the issued shares in Robust¹⁶.

Under the Binding Term Sheet, Kentor and Robust have agreed three months exclusivity period in relation to the Andash Project.

1.1.1 Conditions Precedent to the Proposed Transaction

Completion of the Proposed Transaction is subject to satisfaction or waiver of the following conditions:

- Kentor obtaining shareholder approval in relation to the Proposed Transaction.
- A favourable finding by the appointed Independent Expert in regards to the Proposed Transaction.

1.1.2 The structure of the Proposed Transaction

The Andash Project is held by Andash Mining Company LLC¹⁷ ("AMC") which is 100% owned by Kentor through two British Virgin Islands ("BVI") incorporated holding companies, Kaldora Company Limited ("Kaldora") and Tatianna Company Limited ("Tatianna"). Kentor has offered the Kyrgyz Republic Government a 20% interest in the Andash Project which as at the date of our report, has not been accepted by the Kyrgyz Republic Government. Robust will acquire the 100% interest (20% of which has been offered to the Kyrgyz Republic Government) in the Andash Project via the acquisition of 100% of the shares in Kaldora and Tatianna (refer to the following diagram and descriptions for further detail of the Proposed Transaction).

¹⁴ The Salim Group is Indonesia's largest conglomerate with investments spread across South-East Asia, Hong Kong, North America and Australia. Through its subsidiaries, the Salim Group operates in numerous sectors including food, agribusiness, retail, telecommunications, automobile, real estate, hotels and resorts, banking and financial services, infrastructure, mining, and international trade.

¹⁵ Through its subsidiary KMP Investments Pte Ltd ("KMP")

¹⁶ Through its subsidiary Droxford International Limited ("Droxford")

¹⁷ AMC is a company incorporated in the Kyrgyz Republic

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graph TD
    KGL[Kentor Gold Limited] -- 100% --> TC[Tatianna Company BVI]
    KGL -- 50% --> KC[BVI]
    TC -- 50% --> KC
    KC -- 80% --> AMC[Andash Mining Company LLC]
    KG[Kyrgyz Government] -- 20% --> AMC
    KGL -- 80% --> CJSC[CJSC Kentor]
    KGD[Kyrgyz Geological Division] -- 20% --> CJSC
    CJSC -- 80% --> AMC
    AMC -- 100% --> KM[Kentor Mining Aktash]
    KM -.-> NF[Not formed]
    AMC -- 100% --> KK[Kentor Kazakhstan]
    KK -.-> CL[Closed]
    AMC --> AD[The Andash Project assets are held in this entity]
    CJSC --> RD[The Revised Deposit has been secured against 61.25% interest in the shares of CJSC Kentor]
  
```

- As illustrated in the diagram above, Kentor holds 100% of the issued share capital of Tatianna (“Tatianna Shares”) and 50% of the issued share capital of Kaldora (“Kaldora Shares”). As Tatianna holds the remaining 50% of the issued shares in Kaldora, Kentor has a 100% interest in the issued share capital of Kaldora. Both companies were incorporated in the BVI.
- Kaldora owns 100% of the issued share capital of AMC which was incorporated in the Kyrgyz Republic. Kaldora does not have the right to exercise control over 20% of this interest which has been offered to the Kyrgyz Republic Government¹⁸.
- AMC, the subsidiary of Kaldora, is the owner of the Andash Project and holds all licenses on the geological exploration and extraction of mineral resources for the Andash deposit.

Kentor Gold Limited – Independent Expert’s Report

2 Purpose and scope of the report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

As previously mentioned, Robust announced on 1 May 2013 that a portion of the Consideration will be funded by way of a partial sell-down of Robust's 77.5% interest in the Romang Island Project to its existing project partner, the Salim Group. Accordingly, the Consideration for the Proposed Transaction is being indirectly funded by a member of the Salim Group. Due to these circumstances, the Directors of Kentor are of the view that Robust may be considered an associate or substantial holder of Kentor.

The Directors of Kentor are uncertain as to whether the degree of the relationship between Robust, Kentor (and its major shareholder KMP), and the Salim Group gives rise to an associate relationship. However, for the avoidance of doubt, the Directors have decided to seek the approval of Shareholders and accordingly, having regard to the Corporations Act and the ASX Listing Rules, the Directors of Kentor have commissioned an independent expert's report to assist Kentor Shareholders in assessing the merits of the Proposed Transaction.

For the purpose of this report, an independent technical specialist, Minserve Group Pty Ltd ("Minserve") was engaged to provide an independent technical report ("the Technical Report") in relation to the Andash Project. Minserve's report is included as **Appendix E** to this report.

2.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to the Australian Securities Investments Commission's ("ASIC") Regulatory Guide 111 "Content of expert reports" ("RG 111"). RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer. RG 111 does not however, provide any direct guidance on transactions under Chapter 10 of the ASX Listing Rules

Pursuant to RG 111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG 111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

We note that Kaldora and Tatianna are only holding companies with no other business activities other than its holding interest in AMC. AMC is the licence holder of the Andash Project. Therefore, we have assessed the fair market value of the Kaldora Shares and the Tatianna Shares by assessing the fair market value of AMC.

Based on the aforementioned, Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the Kentor Shareholders by comparing the fair market value of AMC (on a controlling basis) to the value of the Consideration paid by Robust.

In considering whether the Proposed Transaction is reasonable to the Kentor Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The terms and conditions relating to the Proposed Transaction between Kentor and Robust.
- The implications to Kentor and Kentor Shareholders if the Proposed Transaction does not complete.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG 111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Kentor Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of Experts” (“RG 112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Explanatory Memorandum dated on or around 1 July 2013 in which this report is included, and is prepared for the exclusive purpose of assisting the Kentor Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Kentor Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to accept the Proposed Transaction is a matter for each Kentor Shareholder based on their own views of value of AMC and expectations about future market conditions, AMC's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

3 Profile of the industry

Kentor is an emerging gold mining company listed on the ASX, engaged primarily in the exploration and development of gold and base metals in the Kyrgyz Republic and Australia. AMC, a wholly owned subsidiary of Kentor, which holds 100% of the Andash Project, located in the Kyrgyz Republic. The Andash Project contains gold as well as copper deposits. Accordingly, we have provided an overview of the gold and copper mining industries below. Additionally, we have provided a brief overview of the Kyrgyz Republic.

3.1 Gold

3.1.1 Overview

Gold is a precious metal used primarily in the fabrication of jewellery, electronics and other industrial applications and as an investment asset for store of value and hedging. Gold is actively traded on the international commodity markets and experiences daily price fluctuations as determined by global demand and supply factors.

Since 2007, volatility in global financial markets and increasing concerns in relation to European sovereign debt levels (“European Debt Crisis”) have significantly increased the demand for gold as an investment asset. The price of gold has increased in line with demand and has triggered an expansion of existing mines as well as the development of new gold exploration projects.

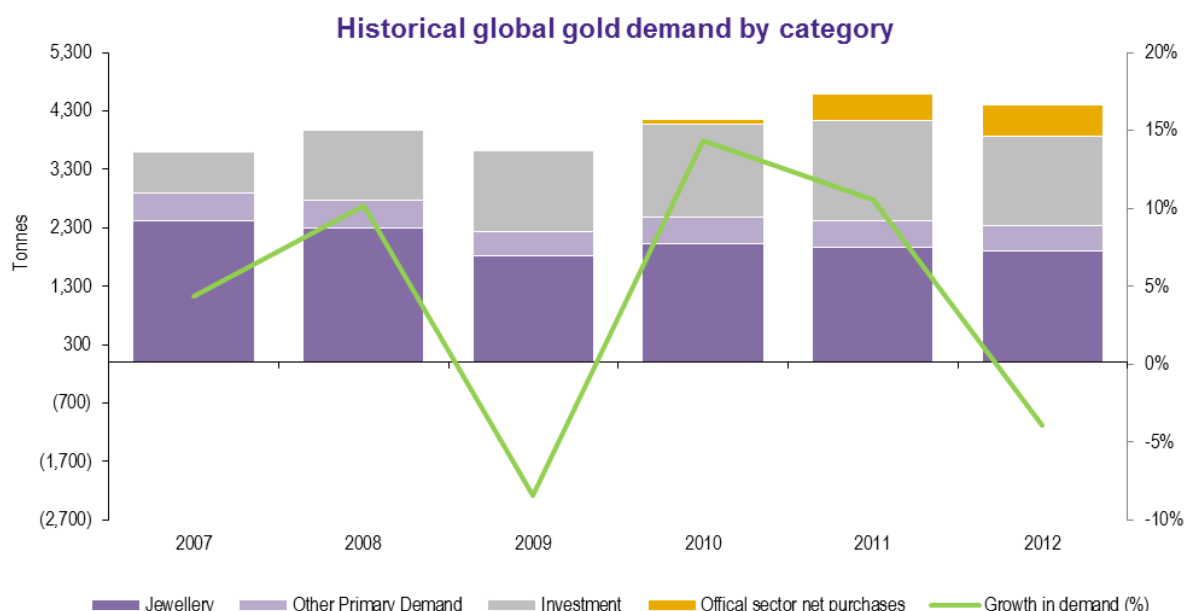
3.1.2 Key drivers affecting gold exploration and development

The key drivers affecting gold exploration and development include:

- Demand for gold – the demand for gold exploration and development is derived from investment demand and the demand for related end products such as jewellery.
- Gold prices – low gold prices tend to have a negative impact on the level of gold exploration and development activities and vice versa.
- Exchange rates – gold is usually traded in US dollars, therefore relative exchange rates are an important factor affecting the level of global gold trading and demand.
- Political and regulatory factors – gold exploration activities are considered high risk undertakings as there is a considerable amount of risk and uncertainty surrounding the commercial viability of such projects. Tenements located in countries with well-defined regulatory processes and a stable political environment may be more attractive to gold explorers and producers as they are less risky than unregulated and politically unstable countries.
- Funding requirements – given the inherent riskiness of the gold industry, the availability and cost of capital to fund gold projects can significantly impact on the level of gold exploration and development activities being undertaken.

3.1.3 Demand

Demand for gold is mainly driven by gold fabrication and global investment trends and conditions. The graph below illustrates historical gold demand by category.



Source: World Gold Council

Fabrication

The demand for gold has historically been driven by the demand for fabrication of jewellery and industrial equipment (“Primary Demand”). However, recently Primary Demand as a proportion of total demand has declined significantly from approximately 80.6% in 2007 to 52.5% in 2012 due primarily to increasing interest in gold as an investment asset.

The level of Primary Demand is highly seasonal as demand in India and China (the first and third largest markets respectively) are strongly linked to traditional festivities.

Investment

Investors generally consider gold as a relatively safe investment asset mainly because the price of gold has historically been negatively correlated to movements in the general global economy and other main financial assets. As a result, gold is often used for hedging and as a store of wealth. Volatility caused by the global financial crisis (“GFC”), political unrest in the Middle East, foreign exchange fluctuations and the emergence of the European Debt Crisis have caused investors to sell off other riskier assets to purchase gold for its unique properties as an investment asset.

Increasing interest in gold as an investment asset has also lead to an increase in the variety of gold investment products, such as gold exchange traded funds (“ETFs”), which are publicly listed investment funds that hold gold as their primary asset.

Investment demand of gold has recently also included the net purchase of gold by central banks and official sector institutions¹⁹ (“Official Sector”). The Official Sector became net buyers of gold in 2010. In a number of developing countries experiencing rapid economic growth, the significant expansion of foreign exchange reserves has required central banks to increase gold holdings in order to hedge against adverse movements in foreign exchange reserve movements. Also, the GFC and the European Debt Crisis have raised concerns in relation to the dominance of the Euro and the US dollar in foreign exchange reserves and has prompted many central banks to diversify reserve assets holdings through the purchase of gold.

During the latest twelve months, the overall demand for gold declined by approximately 3.9% mainly as a result of decreased demand in gold bar and coins (investment), which was driven by the decrease or correction in gold prices from a peak of approximately US\$1,890 ounces in August 2011.

3.1.4 Supply

The supply of gold is mainly sourced from mine production and the recycling of scrap gold. The graph below illustrates historical gold supply by category.



Source: World Gold Council

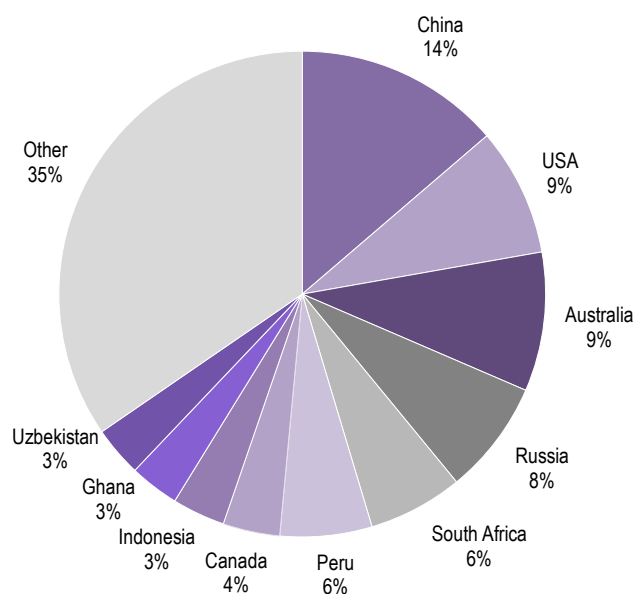
Over the last five years, global production and recycling of gold has increased in line with increased demand at a compounded average annual growth rate (“CAGR”) of 5.1% compared to a CAGR of 4.1% for demand. In 2012, the supply in gold decreased by approximately 1.4%, mainly due to lower than expected recycling which declined by 2.6% from 2011. Despite a 6% increase in the average gold price over the period, which intuitively should have drawn out additional supply from recycling, consumers were unwilling to sell. Additionally, in 2012 supply was constrained by

¹⁹ Official sector institutions include all departments and agencies of national governments such as exchange authorities and fiscal agents that undertake activities similar to those of treasury, central bank or stabilisation funds.

disruptions in mine production throughout the year, primarily in South Africa and Indonesia which resulted in a negligible increase in production for the year of 0.4%.

2012 gold production by country is illustrated in the graph below:

2012 Gold production by country

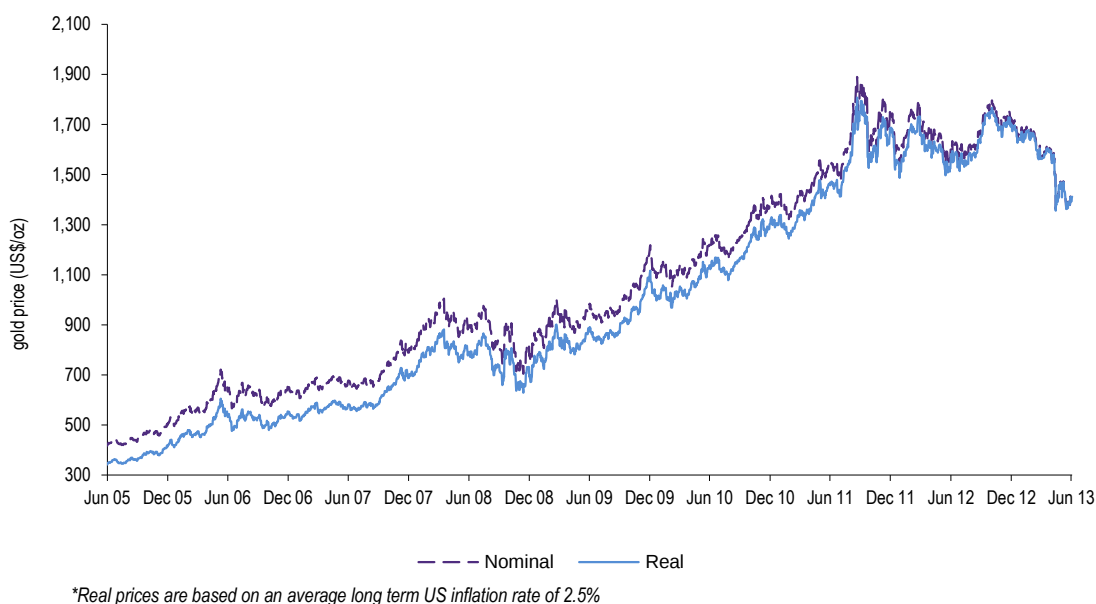


Source: IBISWorld

Reducing rates of gold exploration success in traditional mining areas has created a shift in the global production profile for gold over the last five years. As recently as 1970, South Africa accounted for over 70% of the world's gold production. Since then, heavy mining of the area and, in more recent times, the declining political stability has shifted the focus of production to China, Australia and the USA.

Set out below is the daily historical price of gold in US\$ between June 2005 and June 2013:

Historical gold price June 2005 - June 2013



Source: Capital IQ, Calculations

The price of gold has increased from an average of US\$975 per troy ounce in 2009 to approximately US\$1,670 per troy ounce in 2012, representing a CAGR of 19.6% in the nominal gold price.

The nominal price of gold reached its peak in August 2011 at approximately US\$1,890/oz. However, in April 2013 gold decreased significantly by 19.7% from the quarterly high of US\$1,721.8/oz in fourth quarter 2012 to a low of US\$1,361.1/oz as at 15 April 2013, representing the lowest price gold has traded at in over two years. Since reaching this low in April, gold prices have been volatile and are trading at US\$1,412/oz as at 3 June 2013.

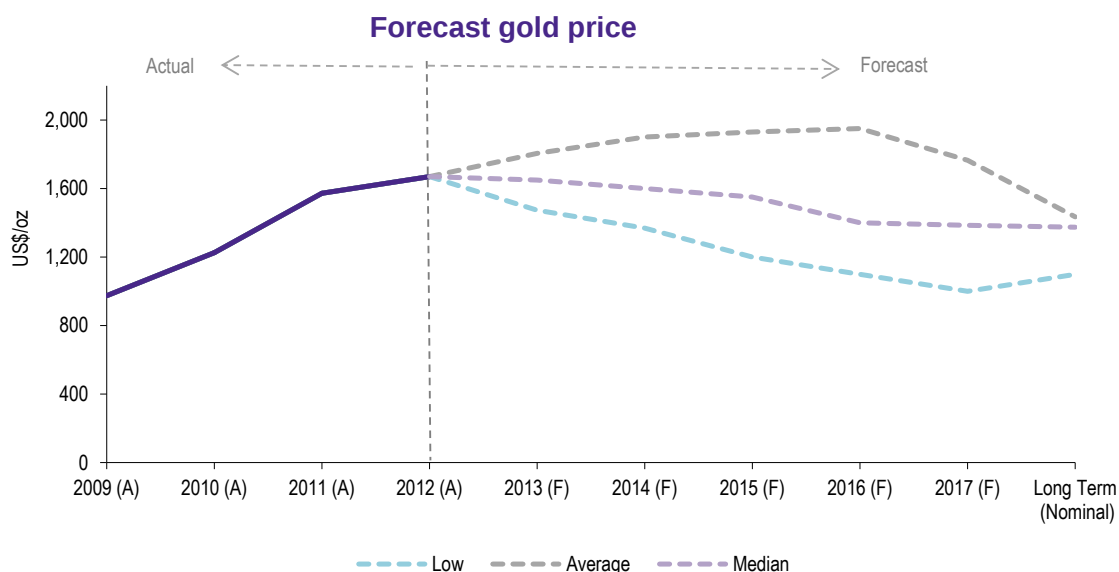
3.1.5 Gold outlook

Most commodity prices, particularly gold, have suffered recent declines in 2013. In the medium to long term, the price of gold is forecast to gradually decrease in line with the expected recovery and stabilisation of the global economy and financial markets, and increased supply levels.

Future long term growth in demand is expected to come largely from the Chinese market mainly due to increasing economic prosperity and high levels of savings. However, China is also the world's largest producer of gold. While currently China's gold mining industry consists of mostly small-scale unsophisticated producers that are unable to operate on a global platform, it is expected that in the medium to long term these producers will be able to acquire more sophisticated technology and mining techniques, and expand their supply across China and to global markets.

The relatively high price of gold in recent years has also provided an incentive for producers to re-examine techniques aimed at exploiting lower grade ores. As a result, the average size of existing gold mines is expected to increase in the medium term.

Set out below is a summary of broker forecasts for the price of gold for 2013 to 2017:



Source: Various broker reports

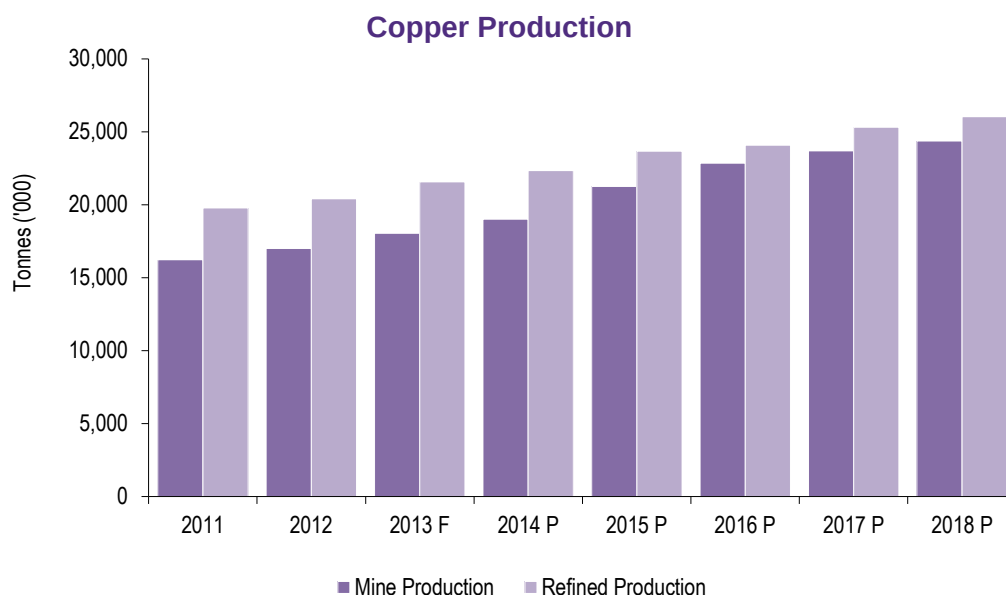
3.2 Copper

3.2.1 Overview

Copper is one of the oldest commodities in the world, which is used in a variety of applications and has become a major industrial metal, ranking third behind iron and aluminium. Copper is primarily used in infrastructure development, where it is used in manufacturing electrical cabling, piping, valves and decorative architectural applications. Copper is also associated with the development of industrial equipment, transportation, communications and electronic products.

Copper has in the recent years faced strong competition from substitute materials such as optic fibres within the communications industry, plastics for use in water tubing and aluminium for use in the construction of motor vehicle radiators. However, technological developments have led to the increased use of copper in the automotive wiring market. The global demand for copper has also been negatively impacted due to subdued growth in the construction industry, lower vehicle production in most countries and reduced investment spending.

3.2.2 Production



Source: Bureau of Resources and Energy Economics (BREE) - Resources and Energy Quarterly March Quarter 2013

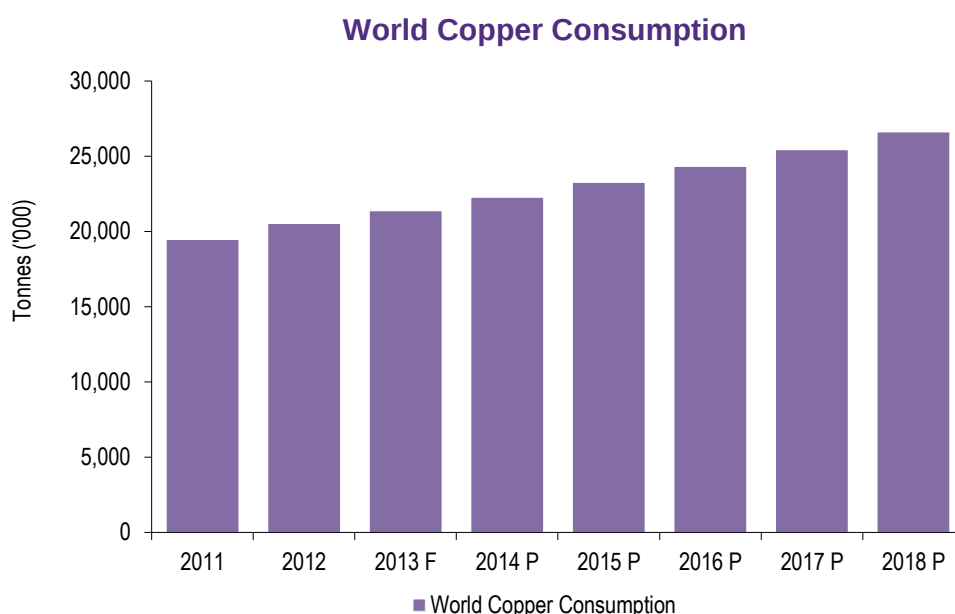
Note: F: BREE Forecast, P: BREE Projections

In 2012, estimated global copper mine production increased by 4.7% relative to 2011, to 17 million tonnes. This increase is primarily due to mines in South America resuming production following resolution of labour disputes and increases in production from China and the Democratic Republic of Congo by more than 25% due to the commissioning of new mines, capacity expansions at existing mines and higher utilisation rates.

In 2013, forecast production is expected to increase due to new mines starting or ramping up production across Asia, Africa, Oceania and Latin America. From 2014 to 2018, world copper mine production is expected to increase at an average rate of 6% per annum to approximately 24 million tonnes, largely due to increases in production from the additional, larger copper mines opening in Peru, Chile and Indonesia over the forecast period.

In 2013, world production of refined copper is forecast to increase by 5.6% relative to 2012, to 21.6 million tonnes, driven primarily by China, which accounts for half of the additional production in 2013. China's production of refined copper is forecast to increase 9% to total 6.4 million tonnes. From 2014 to 2018, world production of refined copper is expected to increase at an average rate of 3% per annum, to a total of 26 million tonnes, primarily due to increases in production from China and India.

3.2.3 Consumption



Source: Bureau of Resources and Energy Economics (BREE) -Resources and Energy Quarterly March Quarter 2013

Note: F: BREE Forecast, P: BREE Projections

The demand for copper is predominantly dependent on the growth of China as it accounts for up to 40%²⁰ of the world's copper consumption. In 2012, world copper consumption is estimated to have increased by 5.5% to 20.5 million tonnes as compared to 2011. Higher consumption was mainly driven by China where copper consumption increased by 12% to 8.8 million.

World consumption for 2013 is forecast to increase by 4% per annum as compared to 2012, to approximately 21.4 million tonnes. The increase in demand is expected to be supported by China and other emerging economies. Consumption in Europe, US and the OECD countries is forecast to increase moderately.

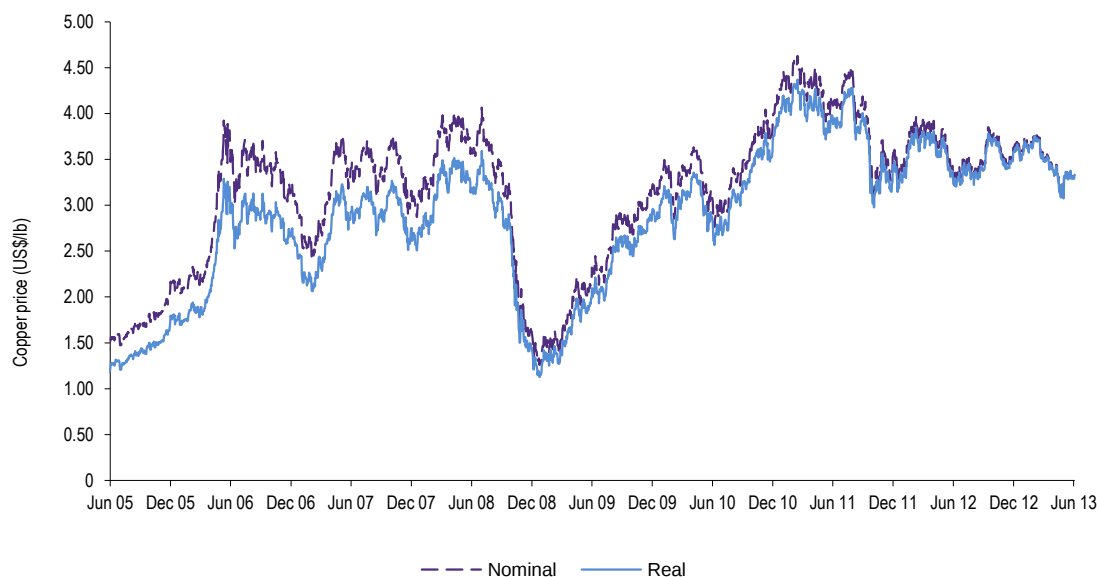
Forecast copper consumption from 2014 to 2018 is expected to increase by 4.6% per annum to 20.6 million tonnes in 2018. Growth in consumption is expected to be derived primarily from China and India. The Bureau of Resources and Energy Economics ("BREE") has forecast China's share in the world copper consumption to increase to 49% in 2018. Robust growth in residential construction and electricity transmission networks are expected to be the principal driver of the increase in China's copper consumption.

3.2.4 Historical pricing

Set out below is the daily historical price of copper in US\$ per pound between June 2005 and June 2013:

²⁰ Global Industry Analysts

Historical Copper price June 2005 - June 2013



Source: Capital IQ, Calculations

Note: *Real prices are based on an average long term US inflation rate of 2.5%

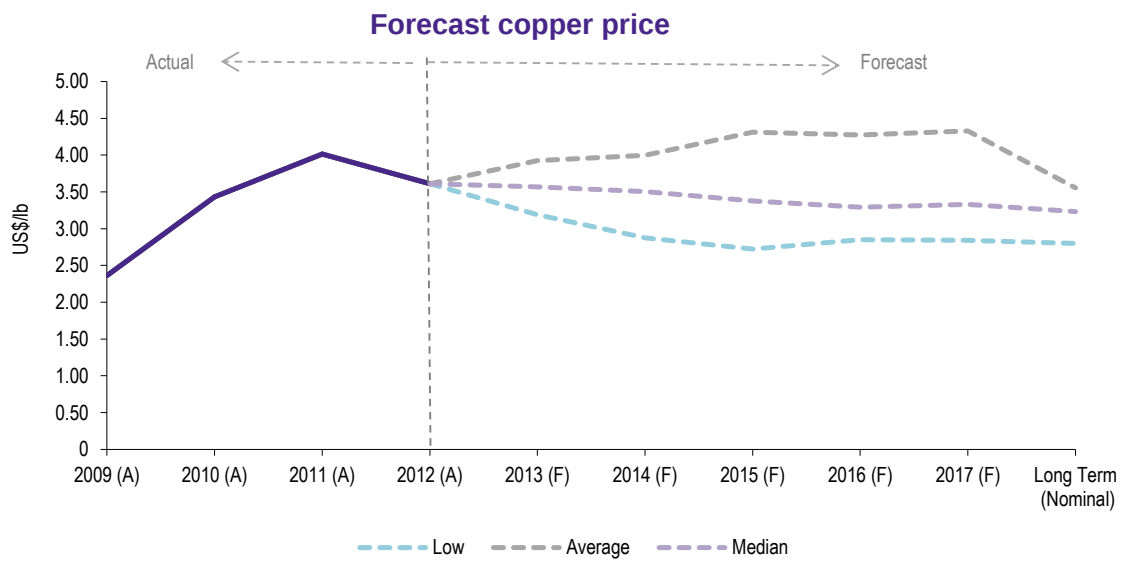
The nominal price of copper increased to a peak of nearly US\$3.92/lb in mid 2006, before declining to a low of US\$2.42/lb in mid 2007 and then reached a maximum of US\$4.06/lb on 2 July 2008. Prices increased due to increased demand for copper in the United States (“US”) housing market and rapid urbanisation in China and India. However, the global financial crisis, accompanied by the rapid increase in production and resulting increase in inventory, resulted in an equally steep decline of the nominal price of copper to approximately US\$1.26/lb on 24 December 2008.

Following the steep decline, copper prices rebounded back through 2010 and 2011 as copper companies scaled back production and construction and manufacturing activity increased in China and India resulting in increased demand for copper thereby reducing inventory. The nominal copper price traded at an average price of US\$3.43/lb and US\$4.01/lb during 2010 and 2011 respectively. However, the nominal copper price declined to a low of US\$3.10/lb in the second half 2011 due to stagnant growth of construction sectors in the fully developed economies, especially in the US. Furthermore, the slowing growth in China also contributed to the decline in copper prices. The price of copper declined by 10% from an average nominal price of US\$4.01/lb in 2011 to US\$3.61/lb in 2012. The closing price of copper as at 17 June 2013 was US\$3.21/lb.

3.2.5 Copper outlook

The declining trend in the copper price in 2012 is expected to continue in 2013. The price of copper is expected to further decline in 2013, building on the 10% decline in 2012. The price of copper is forecast to decrease from 2014 onwards, largely due to increased production levels, economic stagnation and debt issues that will constrain the growth in the construction sectors in Japan, US and European Union (“EU”).

In the long term, demand for copper is expected to come from economic prosperity and continued urbanization of China and India, combined with construction growth in the US.



Source: Various broker reports

3.3 Profile of Kyrgyz Republic

3.3.1 Background



Source: Google Maps

Kyrgyzstan, officially the Kyrgyz Republic, is a country located in Central Asia. Landlocked and mountainous, Kyrgyzstan is bordered by Kazakhstan to the north, Uzbekistan to the west, Tajikistan to the southwest and China to the east. The population of the country is 5.55²¹ million and its capital is Bishkek.

A revolution in April 2010 overthrew the former President Kurmanbek Bakiyev and resulted in the adoption of a new constitution and the appointment of an interim government. Elections for the Kyrgyz Republic President were held in November 2011 and Kyrgyz Republic became a parliamentary democracy.

3.3.2 Economy²²

Kyrgyzstan holds significant natural resources and its industrial exports include gold, mercury, uranium, natural gas, and electricity. The economy depends heavily on gold exports - mainly from output at the Kumtor gold mine (“Kumtor”) and on remittances from Kyrgyzstani migrant workers primarily in Russia. GDP grew about 8% per annum in 2007-08, partly due to higher gold prices internationally, but slowed to 2.9% per annum in 2009. The revolution in 2010 and subsequent ethnic clashes left hundreds dead and damaged infrastructure. The political instability caused by the change in government, caused GDP to contract 0.5% per annum in 2010. The economy grew 5.7% per annum in 2011, but slowed to around 1% in 2012, primarily due to an 83% decrease in production from Kumtor, attributable to industrial action and other factors that delayed access to high-grade deposits.

²¹ Source: Asian Development Bank Fact Sheet - 2012

²² Source: CIA: The World Factbook

3.3.3 Overview of the Mining industry

Mining constitutes about 26% of tax revenues, 10% of GDP, and 50% of export earnings for the Kyrgyz Republic²³. Some of the Western companies active in the resources sector include Centerra Gold, Gold Fields, Santos, Manas Resources, Chaarat Gold and Orsu Metals. The region is rich in mineral deposits, particularly gold and copper in the Tien Shan Gold Belt, which is the second largest gold belt in the world. Although there are a number of exploration projects which are poised to go into production, it has only one operating mine, the Kumtor gold mine, which is owned by Centerra Gold, a listed Canadian company.

The mining industry has been impacted in the last few years due to political instability caused by the change in government, opposition from locals who feel they may not benefit from the country's mineral wealth and the recent decline in gold prices. However, the new government has been taking measures to increase foreign investment in the country and address the problems of the mining sector. New laws affecting the mining industry were brought into force in September 2012, which are expected to improve the investment climate in the Kyrgyz Republic. The new legislation comprised of a new law on subsoil and amendment of the land code, the tax code and laws on non-tax payment. Some of the changes as per the new legislation include:

- Gold production is now exempt from income tax. Instead, gold production will be subject to a sliding scale of revenue tax ranging from zero at gold prices below US\$1,200 per ounce to 20% at gold prices above US\$2,500. Refer to table set out below.

Price of gold per ounce US\$	Income tax rate %
1,201 - 1,300	1.0%
1,301 - 1,400	3.0%
1,401 - 1,500	5.0%
1,501 - 1,600	7.0%
1,601 - 1,700	9.0%
1,701 - 1,800	11.0%
1,801 - 1,900	13.0%
1,901 - 2,000	14.0%
2,001 - 2,100	15.0%
2,101 - 2,200	16.0%
2,201 - 2,300	17.0%
2,301 - 2,400	18.0%
2,401 - 2,500	19.0%
2,501 and above	20.0%

- A subsoil use tax, which is a non-tax payment for holding license, is levied at 2% for gold production.
- Royalty of 5% on gold production and 3% on copper production remain unchanged.

²³ World Bank Group – Kyrgyz Republic Partnership Program Snapshot – April 2013

- An increase in sales tax from 1.5% to 2.0%.

The new mining legislation and updated tax code are expected to make the relationship between the state and industry more predictable and transparent. The implementation simplifies and clarifies the operating environment in the Kyrgyz Republic for both the companies currently operating in the region as well as for attracting foreign investment.

The simplified land allocation process and licensing regulations demonstrate the government's steps to create transparency and trust between the mining sector and government, as the Kyrgyz Republic continues to make efforts to attract foreign investment in the country. However, given the recent political unrest in the Kyrgyz Republic, it is still uncertain whether the new legislation and regulations will incentivise foreign investors.

4 Profile of Kentor

4.1 Background

Kentor is an emerging gold mining company established in May 1998 and listed on the ASX in March 2005. The Company is headquartered in Brisbane, Australia and its current asset portfolio includes the following projects:

- A 100% interest in the Andash Project (gold and copper) located in the Kyrgyz Republic.
- A 100% interest in the Murchison Project (gold) located in Western Australia.
- A 100% interest in the Jervois Project (copper, silver and gold) located in Northern Australia.
- An 80% interest in the Bashkol Project (gold and copper) in the Kyrgyz Republic.
- A 75% interest in the Savo Island Geothermal Project (geothermal exploration) in the Solomon Islands.

According to the terms of the Share Sale Agreement, the Andash Project is the only Kentor asset being acquired by Robust. The following section provides a brief overview of the aforementioned assets.

4.2 Asset overview

4.2.1 The Andash Project (100% interest)

As part of the Proposed Transaction, Robust has agreed to acquire 100% of AMC, the holding company for the Andash Project, from Kentor²⁴. Robust will acquire the 100% interest in AMC for a total cash consideration of A\$15 million. Given that the Andash Project is the only exploration asset being acquired in the Proposed Transaction, we have included more detailed commentary of the Andash Project and its holding entity, AMC, in section 5 of this report.

4.2.2 The Murchison Project (100% interest)

The Murchison Gold Mine is located in Western Australia, 50 kilometres (“kms”) south of Meekatharra. The mine is held within Kentor Minerals WA, a 100% subsidiary of Kentor. Gold production commenced at the Murchison Gold Mine in August 2012. However, gold production following the construction of the mine was slower than anticipated due to lower than expected open cut mining rates and other operational issues.

In October 2012, a five year plan was announced to lift the average annual production from the initially proposed 24,000 ounces to more than 30,700 ounces and to reduce cash costs over the five year term from A\$1,223 per ounce to A\$1,075 per ounce. Additionally in 2012, resources at the

²⁴ Per the financial accounts for Kentor, although Kentor owns 100% of AMC, Kentor does not have the right to exercise control over 20% of this interest which has been offered to the Kyrgyz Republic Government. Further detail regarding the operating structure of AMC is provided in section 5.1.

Murchison Project were increased as a result of successful drilling and by the end of 2012, mining rates had improved with higher grade open cut ore being accessed. Although production at the Murchison Project was improving on a monthly basis, further working capital was required to reach a cash flow positive position. A A\$10 million finance facility was negotiated but was subsequently withdrawn by the financier in late March 2013 due to the continued failure of the Murchison Project to realise production targets. As a result, the Directors of Kentor voluntarily appointed administrators for Kentor Minerals (WA).

At the time of the appointment, the Murchison Gold Mine continued operations whilst the administrators and Board considered and evaluated other finance opportunities. In April 2013, approximately one month after administrators were appointed, the open-cut and underground mining operations at the Murchison Project were suspended whilst processing operations were continued until existing ore stockpiles were depleted. The mine is currently under care and maintenance and the responsibility of the appointed administrators.

4.2.3 The Jervois Project (100% interest)

The Jervois Project is a multi-metal project located 270 kms northeast of Alice Springs in the Northern Territory. The Jervois Project is currently undergoing metallurgical test work required for a feasibility study. The latest resource estimates for the Jervois Project are detailed below.

Mineral Resources	Tonnage (Mt)	Grade					Contained metal				
Category		Au (g/t)	Cu (%)	Ag g/t	Pb (%)	Zn (%)	Gold (koz)	Copper (t)	(koz)	Lead (t)	Zinc (t)
Indicated and Inferred	13.7	0.17	1.30	25.8	2.60	2.20	69	170,500	11,200	26,000	22,000
Total indicated & inferred	13.7						69	170,500	11,200	26,000	22,000

Source: Management of Kentor

Note: The data in the table is based on information evaluated by Mr Simon Tear who is a Member of the Australasian Institute of Mining and Metallurgy 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.

4.2.4 Other projects

The Bashkol Project

The Bashkol Project is located in the northeast of the Kyrgyz Republic. In 2012, Kentor completed its exploration programme which confirmed extensive high grade gold mineralisation within the project area. Given that the Company has entered into the Share Sale Agreement for the sale of the Andash Project, Kentor is currently evaluating options to sell or farm out its 80% interest in the Bashkol Project.

The Savo Island Geothermal Project

During FY2012, the Solomon Islands Government granted Kentor a three year prospecting license for geothermal energy to investigate a volcanic geothermal resource on Savo Island. In November 2012, Kentor entered into a two stage earn-in and joint operating agreement with Geodynamics Limited ("Geodynamics"). This agreement allowed Geodynamics to earn up to a 70% interest in the Savo Island Geothermal Project for a total expenditure on the project of approximately A\$5.0 million. As at the date of our report, Geodynamics had completed the first stage of the agreement and subsequently earned a 25% interest in the project.

4.3 Financial overview

4.3.1 Financial Performance of Kentor

The consolidated income statements of Kentor for FY2011 and FY2012 are set out in the table below:

Kentor Gold Limited	FY2011	FY2012
	Audited	Unaudited
Statement of Comprehensive Income	A'000	A'000
Revenue		
Revenue	-	6,488
Cost of sales (excluding depreciation)	-	(8,230)
Gross Profit	-	(1,742)
Expenses		
Foreign exchange gains	231	-
Profit on disposal of non-current assets	214	-
Foreign exchange losses	(3)	(446)
Employee benefits expense	(2,044)	(3,667)
Consultancy expense	(1,240)	(1,196)
Overseas administrative expense	(543)	(122)
Head office facility overheads expenses	(328)	(207)
Other expenses	(644)	(864)
Impairment of exploration and evaluation assets	(437)	(62,823)
Loss on sale of mine development assets	-	(1,889)
EBITDA	(4,795)	(72,956)
Depreciation and amortisation expense	(92)	(4,455)
EBIT	(4,887)	(77,411)
Net Interest income	895	378
Net loss	(3,992)	(77,033)

Source: Kentor's Annual Report for FY2011 and draft unaudited accounts for FY2012

We note the following with respect to the consolidated financial statements of Kentor:

FY2011

- Kentor did not generate any income except for interest income on bank deposits.
- The loss for the year of A\$3.9 million relates to the administrative and corporate activities in support of exploration and development activities undertaken by Kentor.

FY2012

Based on discussions with Management, the unqualified FY2012 financial statements of Kentor have been finalised subject to the Directors' approval and sign off by auditors. It is anticipated that the financial statements will be lodged in the week commencing 1 July 2013.

- FY2012 was the first year of production from the Murchison Gold Mine which commenced production in August 2012. Revenue comprises sale proceeds from gold and silver derived from a single customer, Perth Mint.

- Employee benefit expenses increased due to the significant growth in the Australian operations to support the Murchison Gold Mine and the Jervois feasibility study. Employee expenses also included the issue of share options to directors and key management personnel.
- Impairment of exploration and evaluation assets (A\$14.4 million), plant and equipment (A\$22.3 million), intangible assets (A\$0.2 million), and mine development (A\$25.9 million) relate to the Murchison Gold Mine and the Andash Project operations as follows:
 - An impairment of A\$22.2 million has been recognised in respect of the assets in the Andash Project to approximate the book value of the assets to the consideration being paid for the sale of the Andash Project.
 - An impairment of A\$40.9 million has been recognised to impair the assets in Kentor Minerals (WA) which holds the assets for the Murchison Gold Mine. In 2012, Kentor incurred significant operating losses resulting from the Murchison Project as a result of issues associated with the commissioning of the mining plant and processing issues.
- Loss on sale of mine development assets relates to the cash sale of equipment purchased for the Andash Project and cancellation of the commitment for additional equipment.

4.3.2 Financial Position of Kentor

The consolidated balance sheets of Kentor as at 31 December 2011 and 31 December 2012 are set out in the table below:

	31 Dec 2011	31 Dec 2012
	Audited	Unaudited
	A'000	A'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	34,134	7,215
Trade and other receivables	606	1,095
Prepayments	423	171
Inventory	386	1,913
Total current assets	35,549	10,394
Non-current assets		
Deposits	747	1,643
Property, plant and equipment	44,154	22,955
Exploration and evaluation assets	20,976	14,961
Intangible assets	-	169
Other non-current assets	164	148
Total non-current assets	66,042	39,876
Total assets	101,591	50,270
Current liabilities		
Trade and other payables	(3,470)	(7,873)
Borrowings	-	(77)
Total current liabilities	(3,470)	(7,950)
Non-Current liabilities		
Borrowings	-	(85)
Provisions	-	(1,625)
Total non-current liabilities	-	(1,710)
Total liabilities	(3,470)	(9,660)
Net assets	98,121	40,610
Equity		
Contributed equity	122,405	141,578
Reserves	1	347
Accumulated losses	(26,167)	(102,809)
Total parent entity interest	96,239	39,116
Non-controlling interest	1,882	1,494
Total equity	98,121	40,610

Source: Kentor's Annual Report for FY2011 and draft unaudited accounts for FY2012

We note the following with respect to the consolidated financial position of Kentor:

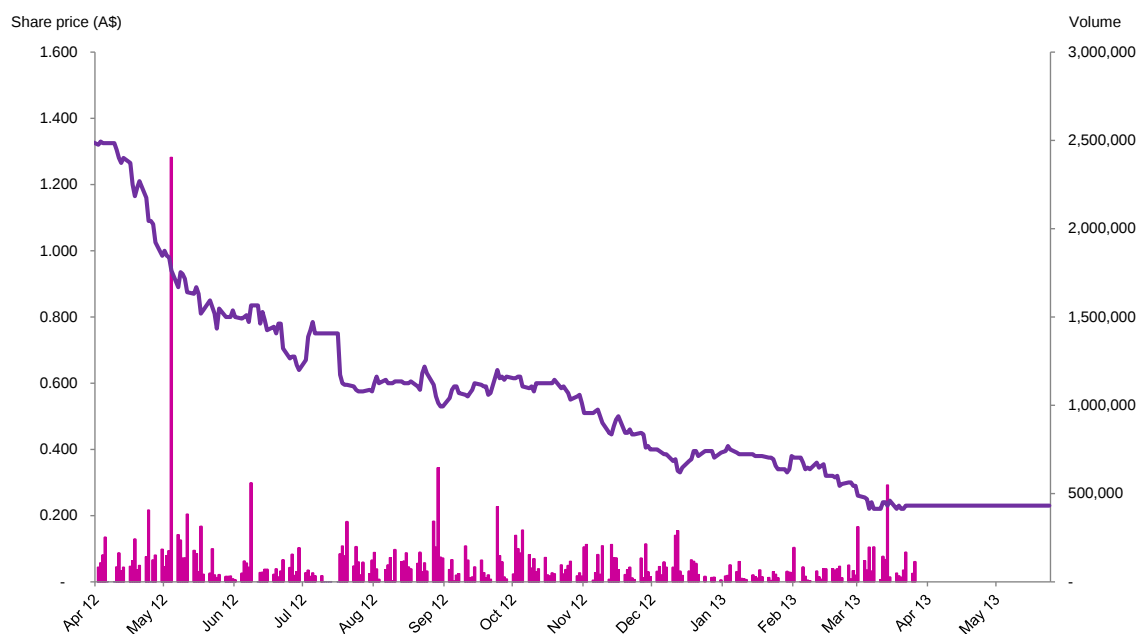
31 December 2012

- Cash and cash equivalents declined from A\$34.1 million in FY2011 to A\$7.2 million in FY2012 predominantly for the development of the Murchison and the Andash Projects.
- Trade and other receivables include GST receivable (A\$0.3 million) and other receivables (A\$0.8 million). Other receivables are non-interest bearing and have a repayment term of eight to ninety days.

- Inventory increased from A\$0.4 million as at 31 December 2011 to A\$1.9 million as at 31 December 2012 due to the increase in stores (A\$0.9 million), ore stockpile (A\$0.1 million), and gold in circuit (A\$0.9 million).
- Term deposits relate to rolling one year interest bearing term deposits to support environmental bank guarantees with the department of mines in WA and other guarantees.
- Property, plant and equipment declined from A\$44.2 million as at 31 December 2011 to A\$22.9 million as at 31 December 2012 as additions to property, plant and equipment were offset by a significant impairment expense relating to the assets in the Murchison Gold Mine (A\$40.9 million) and the Andash Project (A\$22.2 million). Based on the impairment of the Andash Project recognised at 31 December 2012, the carrying value of the Andash Project is now in line with the Consideration being offered by Robust (i.e., A\$15 million) as part of the Proposed Transaction.
- As at 31 December 2012, trade payables had increased by 126% from the prior year. Based on discussions with Management, the Company has not received any statutory demands from creditors as at the date of this report.

4.4 Share price movement of Kentor

The daily movements in Kentor's share price and volumes for the period from 28 May 2012 to 28 May 2013 is set out below:



Source: Capital IQ

We note the following with regard to the share price history since May 2012:

Date	Comments
24 May 2012	Kentor announced in the Annual General Meeting (“AGM”) that Eurozone problems, falling gold and copper prices and uncertainties associated with the Andash Project were main contributors to the falling share price. Share price closed at A\$0.77
17 July 2012	Kentor announced it was successful in completion of a share placement to raise gross proceeds of A\$6.2 million. In conjunction with the placement, Kentor also announced a 5 to 17 non-renounceable rights issue to raise A\$20.5 million. As part of capital raising, Kentor entered into an underwriting agreement with KMP Investments Pte Ltd (“KMP”), a substantial shareholder of the Company, under which KMP agreed to subscribe to new shares not taken up by eligible shareholders. Share price closed at A\$0.63
22 August 2012	Kentor announced it completed raising A\$14.3 million through rights issue, which includes A\$5.0 million underwritten by KMP. The total net shortfall from the rights issue was A\$6.2 million. Funds raised will be used for development activities at the Murchison Gold Mine, the Jervois Project as well as to meet corporate requirements. Share price closed at A\$0.63
13 September 2012	Kentor announced consolidated earnings results for half year ended 30 June 2012. Share price closed at A\$0.58
15 October 2012	Kentor announced that the international environmental review endorses the Andash Project and concludes that the development and operation of the Andash Project is practical in terms of impact on the environment and designed within the limits prescribed by Kyrgyz Republic and international regulations and standards. Share price closed at A\$0.60
31 October 2012	Kentor announced consolidated cash flow results for the third quarter and for nine months ended 30 September 2012. Cash balance as at 30 September 2012 was A\$16.5 million. Share price closed at A\$0.54
21 November 2012	Kentor announced that it had entered into a two-stage earn-in and joint operating agreement with Geodynamics, for Geodynamics to acquire up to a 70% interest in Kentor’s conventional geothermal power supply project in Solomon islands. Share price closed at A\$0.46
31 January 2013	Kentor announced consolidated cash flow results for the fourth quarter and for 12 months ended 31 December 2012. Cash balance as at 31 December 2012 was A\$8.3 million. Share price closed at A\$0.38
28 March 2013	Kentor announced that it was not able to raise finance required to fund the ongoing operations of its Murchison Gold Mine and therefore appointed voluntary administrators for Kentor Minerals (WA), the operator of the Murchison Gold Mine. Shares were suspended from this date. Share price closed at A\$0.23

Source: Kentor ASX announcements

The top ten shareholders of Kentor as at 19 March 2013 are set out in the following table:

Shareholder	No. of shares	Interest (%)
KMP Investments Pte Ltd	38,260,794	27.3%
JP Morgan Nominees Australia Limited <Cash income A/C>	11,688,445	8.3%
JP Morgan Nominees Australia Limited	5,648,827	4.0%
National Nominees Limited	5,500,670	3.9%
HSBC Custody Nominees	5,086,192	3.6%
Macquarie Bank Limited	4,360,135	3.1%
Norel Nominees Pty Ltd	2,200,000	1.6%
Asian Lion Ltd	2,178,831	1.6%
Coway Management Limited	965,162	0.7%
Diemar & Associates Pty Limited	868,255	0.6%
Total Top Ten Shareholders	76,757,311	54.8%
Other Shareholders	63,283,252	45.2%
Total Shareholders	140,040,563	100.0%

Source: Kentor Management

4.5 Going concern

For the year ended 31 December 2012, Kentor had a net loss of \$76.8 million predominantly due to impairment of assets from the Murchison and Andash Projects. As at 31 December 2012, Kentor had net current assets of A\$2.4 million. Kentor Minerals (WA), the holding company of the Murchison Project was put under administration as the Kentor was not able to obtain funding for its operations, indicating going concern issues. Also, as the Company is still in the exploration stage, Kentor needs additional funds for working capital requirements.

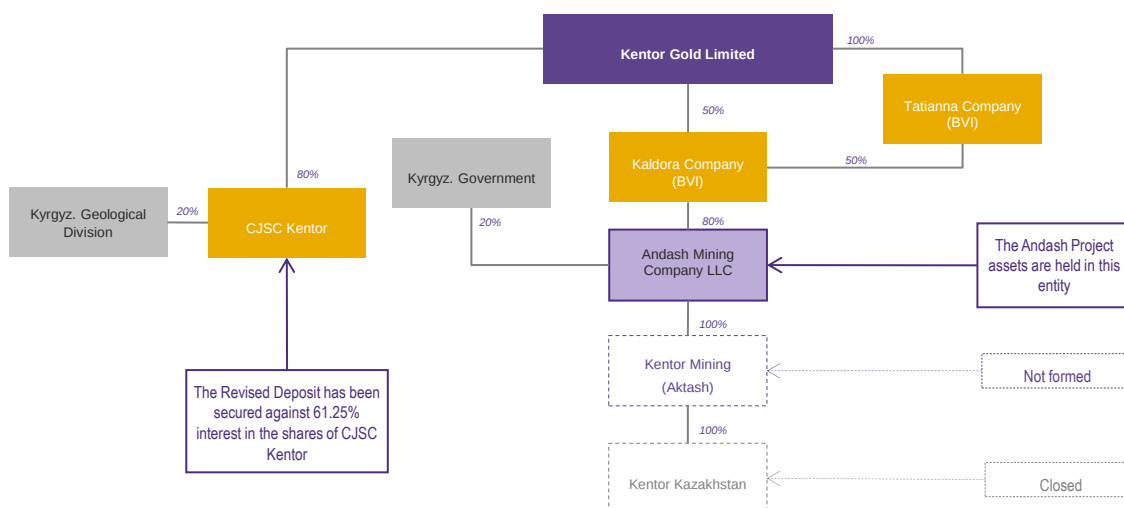
On 29 April 2013, Kentor signed a binding term sheet with Robust for sale of Andash Project. The proceeds from the sale of the Andash Project are expected to be utilised towards the release of Kentor Minerals (WA) from administration and to fund the operations of the Murchison Project and the Jervois Project.

Kentor has prepared the FY2012 financial statements on a going concern basis. Kentor is of the opinion that having regard to the Company's ability to effectively manage their expenditures and cash-flows from operations and the likelihood of the sale of the Andash Project in a timely manner, Kentor will continue to operate as a going concern for at least 12 months from the date of signing the FY2012 annual report.

5 Profile of AMC

5.1 Background of ownership structure

Kentor holds a 100% interest in the Andash Project through two subsidiaries. The diagram below illustrates the relevant entities involved in the Proposed Transaction.



Source: Kentor Management

In December 2009, Kentor purchased Kaldora, which controlled 80% of the shares in AMC, from Aurum Mining PLC (“Aurum”) for US\$15 million. Kentor funded the acquisition and the subsequent feasibility study through a A\$28 million capital placement. The remaining 20% of the shares in AMC were held by InvestCenter Talas LLC (“InvestCenter”). In February 2010, InvestCenter sold 10% of its shares in AMC to Tryden International Limited (“Tryden”), a subsidiary of Aurum.

In October 2010, the General Prosecutor in Kyrgyz Republic held that Aurum’s and InvestCenter’s ownership rights in AMC were invalid due to their failure to comply with the Strategic Objects legislation in the Kyrgyz Republic and that the Kyrgyz Republic Government has a right of priority to purchase the remaining 20% of shares in AMC. In compliance with the court decision, 100% of shares in AMC currently belong to Kaldora. An offer has been made by Kentor to the Kyrgyz Republic Government to sell 20% of AMC for a purchase consideration of approximately US\$1000.

As at the date of the report, no decision has been made by the Kyrgyz Republic Government to purchase the remaining 20% interest in AMC. We have been advised that the Company does not have any right to exercise control over the 20% interest in AMC. As a result of these on-going negotiations and in line with Kentor’s intention to have the Kyrgyz Republic Government as its strategic partner in the Andash Project, Kentor continues to recognize a non-controlling interest of 20% of AMC’s comprehensive income and net assets.

5.2 Andash Project

AMC holds licenses on the geological exploration and extraction of mineral resources for the Andash Project. The development license allows AMC to use subsurface resources of the Andash deposit for the purpose of extraction, production, sale and export of gold.

The map below illustrates the location of the Andash Project in the Kyrgyz Republic.



Source: Kentor website

The Andash Project is located in the northwest of Kyrgyz Republic, within the Tien Shan Gold Belt, one of the world's major gold provinces, that extends across Central Asia. The mine is an open cut mine with well serviced rail and road connectivity.

A Definitive Feasibility Study ("DFS") was completed in March 2010 for the Andash Project which confirmed the previously estimated JORC mining reserves of 540,000 ounces of gold and 63,000 tonnes of copper.²⁵ The tables below summarise the most recent JORC estimates of mineral resources and reserves for the Andash Project.

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

Source: Kentor ASX announcement dated 1 May 2013.

Note: The resource estimate provided above is inclusive of probably and proven reserves.

²⁵ The DFS completed by Kentor in March 2010 was supported by a previous feasibility study completed by Wardell Armstrong International in January 2007.

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

Source: Kentor ASX announcement dated 1 May 2013.

Note: The data provided in the previous two tables is based on information evaluated by Dr Phil Newall who is a Member of the Australasian Institute of Mining and Metallurgy 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.

Key statistics of the DFS completed in March 2010 are set out in the table below.

Andash Project - Key assumptions from DFS completed in March 2010	
Projected economic life (years)	6.5
Ore mined over project life (t)	16,000,000
Average grade - Gold (g/t)	1.05
Average grade - Copper (%)	0.40%
Mine recovery factor	97.0%
Average annual production over projected economic life - Gold (oz)	60,000
Average annual production over projected economic life - Copper (t)	6,800

Source: ASX Announcement

The Andash Project is currently not being developed, although based on the terms of the development license agreement, AMC should have completed construction of the gold mining factory by June 2012 and started extraction of gold ore in 2012.²⁶ The Company, however, was not able to start construction and production operations due to the following:

- In April 2010, there was an uprising across the Kyrgyz Republic and as a consequence of a change in government, Kentor's progress for the Andash Project was delayed.
- In October 2011, Kentor applied to extend the production commencement date by 2 years, from the original commencement date of June 2012 to June 2014.
- Following election of the new Kyrgyz Republic Parliament in November 2011, Kentor began working through various bureaucratic, legal and social issues pursuant to the development of the Andash Project.
- In April 2012, the Kyrgyz Republic Government, in a letter to the Parliamentary Committee on Economic Development, called for a Parliamentary Decree passed in June 2011 to be amended to remove the requirement to revoke permits and cancel land use permits, while requiring that an independent international review of the project be conducted. The amendment provided that

²⁶ As a result of the ongoing delays which resulted in site access being restricted and subsequently impacted the commencement of construction, Kentor sought to invoke Force Majeure on the condition that production commences in June 2012. Verbal approval for this condition was received from the Minister for Natural Resources and written approval was received in February 2013.

activity at the Andash Project remain suspended pending completion of the environmental review and resolution of the issue with the local community.

- In mid-July 2012, in response to the Kyrgyz Republic Government's order, Kentor commissioned an international environmental auditing company, EMAS, to conduct an environmental review of the Andash Project.
- In October 2012, the international environmental audit concluded that the design of the Andash Project is in full compliance with all applicable legislation and international standards. The Company is currently seeking final approval from the Kyrgyz Republic Government for the development of the mine.
- In February 2013, AMC applied and obtained a certificate of force majeure from the Chamber of Commerce and Industry. The force majeure certificate from the State Trade and Industry Chamber was submitted to the State agency on geology. We have been advised by Management that in accordance with the subsoil legislation, the release of this certificate is an implicit confirmation of the good standing.

As at the date of the report, Kentor is working with the local, regional and national government officials communicating to the local people the favourable findings of the international environmental audit that was ordered by the Kyrgyz Government.

5.3 Financial information

As Kaldora and Tatianna are only holding companies with no business activities other than holding an interest in AMC, we have considered the financial performance and the financial position of AMC, in forming our opinion in relation to the fairness of the Proposed Transaction.

The functional currency of AMC is Kyrgyz Som ("KGS"). The accounts are consolidated in Kentor's financial statements in Australian dollars ("A\$") as it is the parent company's functional and presentation currency.

5.3.1 Financial Performance of AMC

The audited income statements of AMC for the financial years ended 31 December 2011 ("FY2011") and 31 December 2012 ("FY2012") and the year to date income statement ended 30 April 2012 ("YTD April 2013") are set out in the table below.

AMC	FY2011	FY2012	YTD April 2013
	Audited	Audited	Unaudited
	A\$'000	A\$'000	A\$'000
Statement of Comprehensive Income			
Revenue			
Revenue	-	-	-
Expenses			
General and administrative expenses	(913)	(868)	(162)
Foreign exchange gain/(loss)	310	(626)	(299)
Non operating income	3	318	11
Non operating expenses	(73)	(104)	(34)
Depreciation & amortisation	(1,871)	(551)	(37)
Loss before tax	(2,544)	(1,831)	(522)

Source: The financial statements provided by Management have been converted at the average AUD:KGS exchange rates of 1:47.61, 1:48.64 and 1:49.08 for FY2011, FY2012 and YTD April 2013, respectively.

We note the following in regards to the income statements set out above.

FY2011

- General and administrative expenses predominantly include payroll and related taxes, bad debt allowance, rental expenses, security expenses and taxes.
- Non-operating income includes interest income and write-offs of accounts payable.

FY2012

- General and administrative expenses declined in FY2012 as compared to the previous year mainly due to an effort to reduce costs related to the Andash Project as a result of stagnant progression.
- Non-operating income increased from A\$3,000 in FY2011 to A\$318,000 due to income from the lease of vehicles which was not generated in the previous years.
- Non-operating expenses include interest expense and other expenses. Non-operating expenses increased in FY2012 due to increases in interest expense.

YTD April 2013

- AMC is currently in the development phase and does not generate any operating income. Successful completion of the development phase and attainment of profitable operations is dependent upon a number of future events including the ability to raise funds for its developmental activities, continued financial support of its participants, securing commercial marketing contracts and achieving a level of sales to secure the cost structure.
- General and administrative expenses have scaled down due to decline in development activity. Based on discussions with Management, the Company is unwilling to commit further funds to the development of the Andash Project until support from the local community is received.

5.3.2 Financial Position of AMC

The consolidated balance sheets of AMC as at 31 December 2011, 31 December 2012 and 30 April 2013 are set out in the table below.

	31 Dec 2011 Audited A\$'000	31 Dec 2012 Audited A\$'000	30 Apr 2013 Unaudited A\$'000
Balance Sheet			
Current assets			
Inventories	386	367	362
Advances paid	628	191	181
Short term investments	21	10	10
Cash and cash equivalents	22	74	1
Total current assets	1,058	643	555
Non- Current assets			
Property , plant and equipment	731	186	149
Mining assets	5,845	5,814	5,741
Intangible assets	13	10	9
Total non-current assets	6,590	6,010	5,898
Total Assets	7,648	6,653	6,453
Current liabilities			
Short-term loans	(24,500)	(26,071)	(26,108)
Trade accounts payable	(49)	(0)	(37)
Taxes payable	-	(3)	(4)
Other liabilities	(14)	(17)	(11)
Total current liabilities	(24,563)	(26,091)	(26,160)
Non-current liabilities			
Long term loans	(1,406)	-	-
Total liabilities	(25,969)	(26,091)	(26,160)
Net assets	(19,379)	(20,081)	(20,262)

Source: The financial statements provided by Management have been converted at the AUD:KGS exchange rate of 1:47.27, 1:49.13 and 1:49.76 as at the respective balance sheet dates.

We note the following in relation to the consolidated balance sheets of AMC:

31 December 2012

- Inventories include fuel, spare parts, materials, drilling materials and low value items. AMC has a significant balance of inventories due to the absence of production and development activities.
- Advances paid declined in FY2012 predominantly due to the decline in advances paid for goods and services and others.
- Short term investments comprise restricted deposit in CJSC Kyrgyz Investment and Credit Bank, provided as collateral for a loan issued by the bank for refinancing microcredits to the people living in the Talas region.
- Mining assets relate to expenditure incurred towards exploration and development of the mining deposit. Property, plant and equipment and mining assets have been pledged as collateral against the loan provided by Kentor.
- Intangible assets are amortised over a 5 year period and include software purchased along with the related equipment.

- Short term loans are denominated in US\$, British£, and KGS and include inter-company loans provided by Kentor and a loan transferred by Aurum. Loans provided by Kentor are collateralised against all property, plant and equipment and mining assets. Based on discussions with Management, the Company intends to novate the short term loan balance of US\$26.8 million from Kentor to Robust.

30 April 2013

- The net asset position as at 30 April 2013 was negative A\$20.2 million due to its pre-production stage and ongoing exploration and development activities which have been expensed rather than capitalised.

6 Valuation methodologies

6.1 Introduction

In accordance with our adopted valuation approach set out in section 2, our fairness assessment involves comparing the fair market value of AMC (on a controlling basis) to the value of the Consideration Paid by Robust.

Grant Thornton Corporate Finance has assessed the value of AMC using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, related party transactions, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methodology

6.3.1 Valuation methodology for AMC

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess the value of AMC in relation to the Proposed Transaction. The market value of net assets is based on the underlying value of AMC's Andash Project, and other assets and liabilities as set out in AMC's unaudited statement of financial position as at 30 April 2013.

The market value of AMC's key asset, being the Andash Project, was assessed using the DCF valuation method, given that:

- The Andash Project is at a relatively advanced stage with a definitive feasibility study completed in March 2010.
- Management of Kentor has prepared long-term cash flow projections.
- Grant Thornton Corporate Finance has engaged Minserve to independently review the technical assumptions in relation to the cash flow projections.
- The DCF method is the most appropriate approach in valuing assets with a finite life such as mineral assets due to the depletion of reserves over time.
- The DCF method is the most appropriate approach in reflecting the significant level of capital and time required for the development of mineral assets.
- The DCF method is one of the most commonly used methodologies for the valuation of mineral assets.

In our assessment of the market value of AMC, we have:

- Relied on Minserve's Technical Report with regards to the technical operating assumptions for the Andash Project.
- Assessed the appropriate discount rates, gold prices, copper prices and exchange rates to apply to the forecast cash flows.
- Considered the value of the other assets and liabilities of AMC as set out in the unaudited statement of financial position as at 30 April 2013.
- Deducted the net present value of corporate overhead costs not directly related to the exploration and exploitation of its mining assets.

Prior to reaching our valuation conclusions, we have considered the reasonableness of our valuation having regard to the market approach, specifically a rule of thumb valuation methodology based on a multiple of resources.

6.3.2 Independent technical specialist

For the purpose of this report, Grant Thornton Corporate Finance has engaged Minserv to review and express an opinion on the reasonableness of the technical assumptions underlying the projections of the Andash Project, and to prepare a valuation of the exploration assets of AMC which was completed in accordance with the VALMIN Code²⁷.

A copy of Minserv's report is included as Appendix E to this report.

²⁷ The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and include all the material information required by investors and their advisers when making investment decisions.

7 Valuation assessment of the assets to be disposed

As discussed in section 6, we have selected the market value of net assets as the primary method to assess the value of AMC in relation to the Proposed Transaction. The market value of net assets is based on the underlying value of AMC's Andash Project, and other assets and liabilities as set out in AMC's unaudited statement of financial position as at 30 April 2013.

7.1 The Andash Project

The valuation of the Andash Project, has been determined based on the DCF methodology.

Management of Kentor has provided a financial model ("the Financial Model") in relation to the Andash Project, which was reviewed and modified by an independent technical specialist, Minserve. Minserve has been engaged by Grant Thornton Corporate Finance to review and express an opinion on the technical assumptions included in the Financial Model in relation to the reserves and resources, production profile, ore grades, operating and capital expenditure for the Andash Project.

Based on Minserve's review and suggested changes in the Financial Model, Grant Thornton Corporate Finance has assessed the net present value of the Andash Project using ungeared, real and post-tax cash flows, having regard to Grant Thornton Corporate Finance's assessment of the future gold and copper prices, economic factors and discount rate.

7.1.1 Operational assumptions

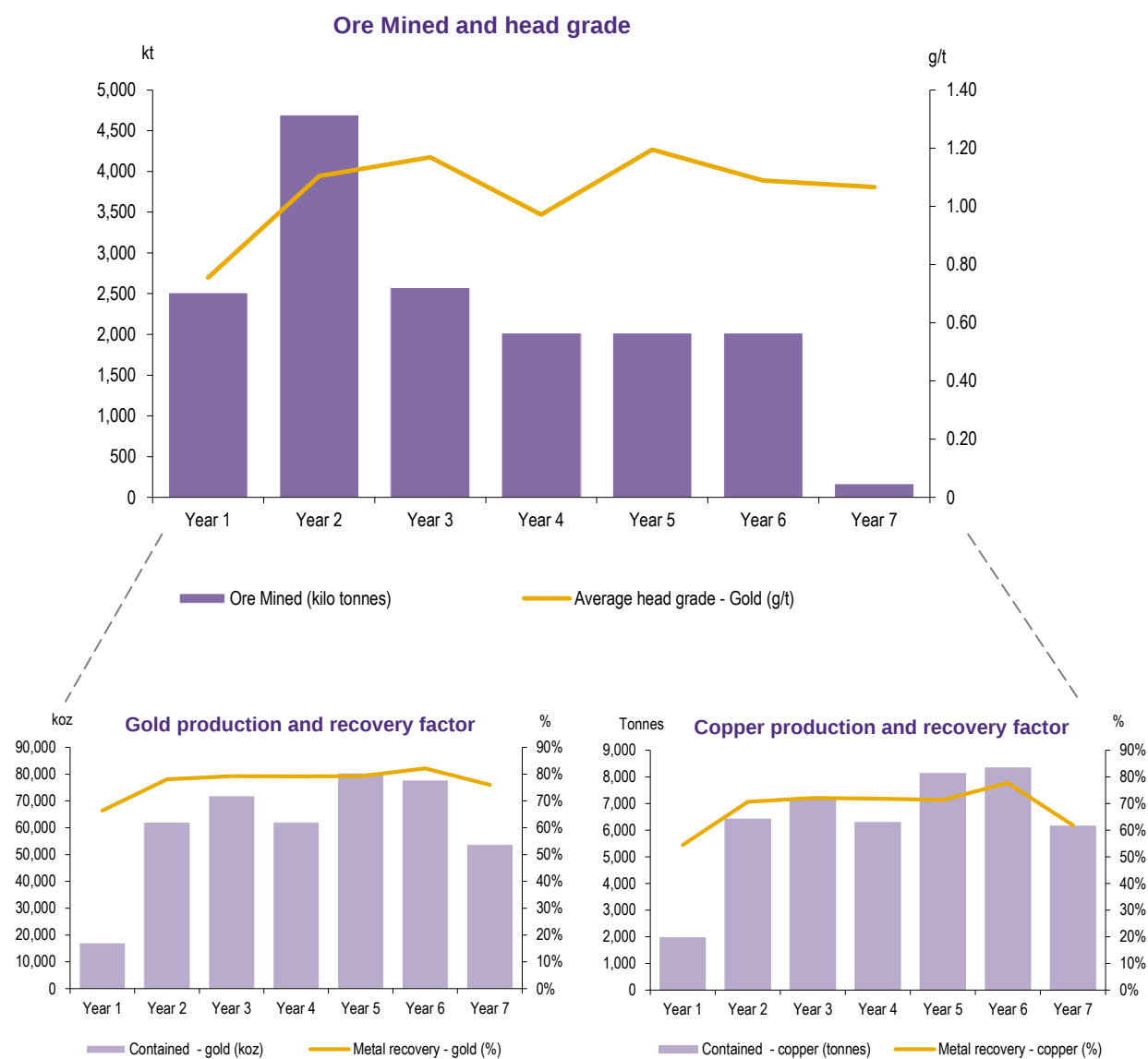
The key assumptions underpinning the forecast cash flows relating to the Andash Project are set out below.

Andash Project - Key assumptions from Financial Model	
Projected economic life (years)	6.5
Ore mined over project life (t)	16,000,000
Average grade - Gold (g/t)	1.05
Average grade - Copper (%)	0.40%
Average life of mine recovery factor - Gold	74.7%
Average life of mine recovery factor - Copper	69.5%
Mine recovery factor	97.0%
Production over projected economic life - Gold (oz)	391,299
Production over projected economic life - Copper (t)	42,337

Source: Financial Model

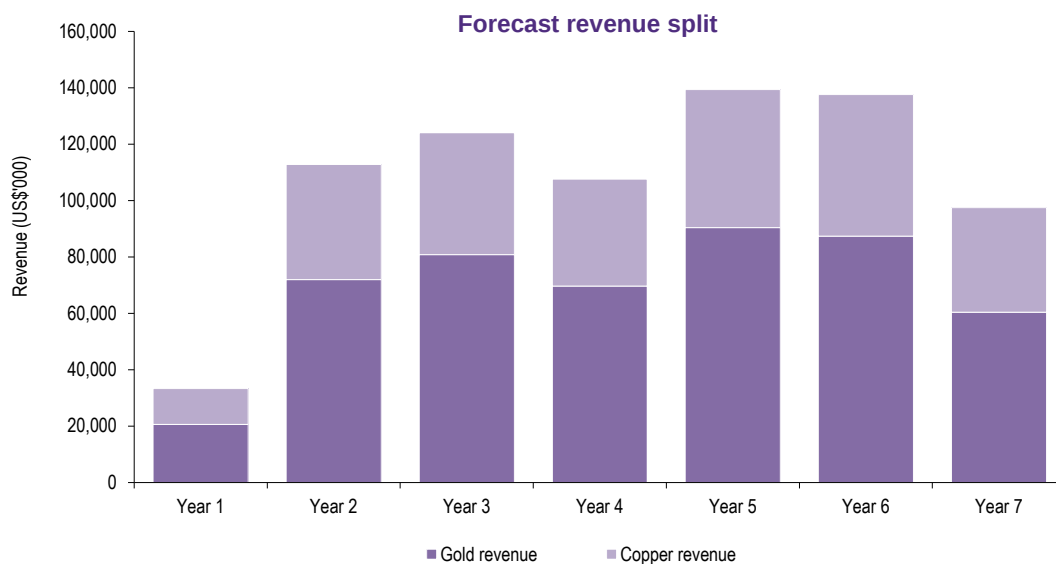
Production

As discussed, the production profile has been independently reviewed by Minserve. The projected production profile for the Andash Project over the life of mine is presented in the graphs below.



Source: Financial Model

Based on above production profile, set out below is a breakdown of projected revenue between gold and copper.



Source: Financial Model

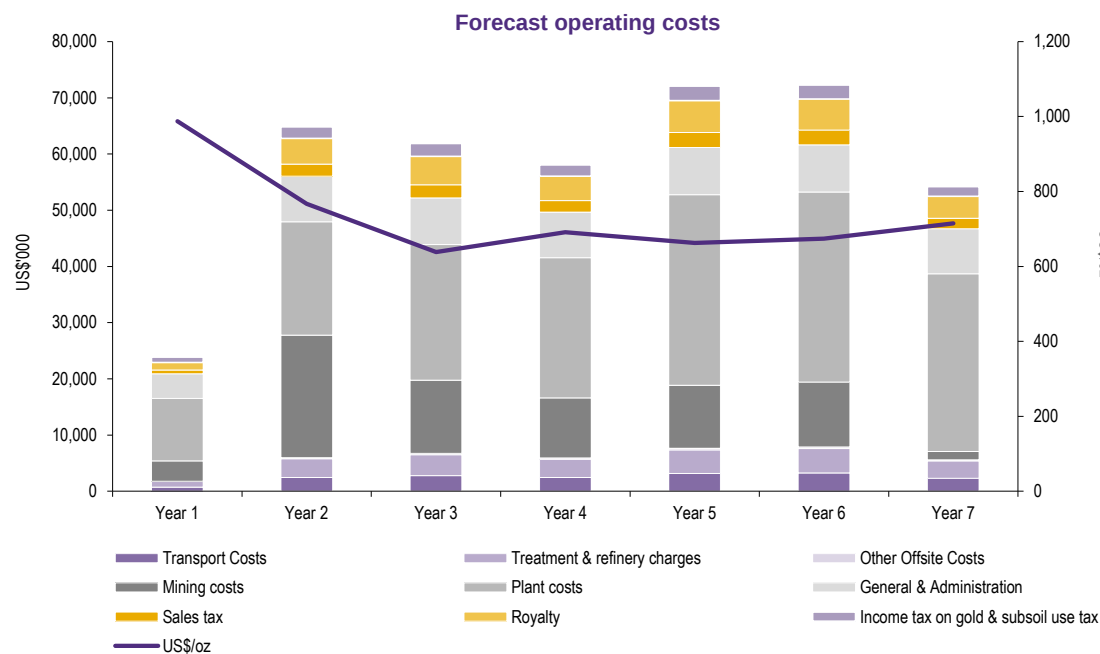
We note the following in relation to the above graph:

- Production is projected to commence in approximately three years (i.e., June 2016) which includes 18 months of construction. The production schedule runs for almost seven years with just under six years of mining, followed by an additional year of mill feed from oxide ore stockpiles.
- The mine schedule is based on a two stage pit development sequence as summarised below:
 - The initial stage (i.e., starter pit) will be focused on extracting high grade ore without large quantities of waste. The starter pit is expected to be depleted in in Year 3
 - In Year 2, mining of the second stage pit will commence. Mining of the second stage pit will be completed towards the end of Year 6.
- The total gold production over the life of mine is forecast to be approximately 391 koz. In this regard we note that the total contained gold based on current reserves and resources is approximately 540 koz²⁸.
- Average recovery factor throughout the life of mine for gold and copper is approximately 74.7% and 69.5%, respectively. Additionally, a mine recovery factor of 97% has been incorporated in the Financial Model to account for ore losses.

²⁸ The total contained gold based on current reserve estimates is approximately 540 koz.

Operating costs

Operating costs include costs associated with mining, haulage, processing, plant costs, sales tax, royalty payments and other overhead costs. The following graph summarises the forecast operating expenses over the projected mine life.



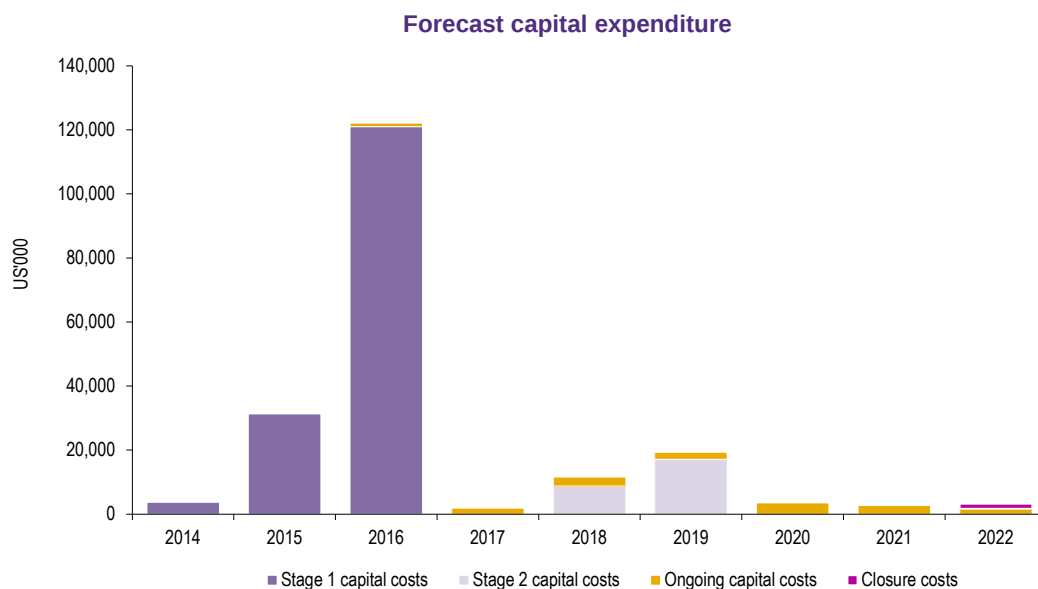
Source: Financial Model

We note the following in relation to the operating costs:

- The operating costs in the Financial Model are based on the findings from the review of the DFS completed in 2010 and independently reviewed and updated by Minserve.
- An update of the mining operating cost estimates has been made following Minserve's review of the Financial Model in order to capture up to date fleet assumptions and updated costs from a recent Kazakhstan project.
- The average mining costs are forecast to be approximately US\$4.58 per tonne of ore milled, whereas the plant costs are forecast to be approximately US\$11.23 per tonne of ore milled.
- Royalty payments include government royalties payable to the Kyrgyz Republic of 5% on net smelter gold revenue and 3.0% on net smelter copper revenue.
- Income tax on gold and the subsoil use tax are calculated based on the net smelter revenue for gold. Further detail regarding these costs is provided in section 7.1.3.

Capital expenditure

The forecast capital expenditure over the projected mine life is summarised below:



Source: Financial Model

We note the following in relation to the forecast capital expenditure:

- As the Andash Project is yet to be developed, the majority of the capital expenditure is expected to be incurred in the initial development of the mine, including construction of the processing plant and related infrastructure.
- Based on Minserve's review, the capital cost estimates have been revised upwards by approximately US\$14.1 million. For further detail refer to the Minserve Report in Appendix E.
- The total capital expenditure over the life of mine is forecast to be approximately US\$198 million and includes capital costs relating to Stage 1 and Stage 2 of the Andash Project (US\$181.1 million), sustaining capital expenditures (US\$15.9 million) and closure costs (US\$1.5 million)²⁹.
- Rehabilitation costs of US\$1.5 million are forecast to be incurred in CY2022.

7.1.2 Economic assumptions

For the purpose of forming a view on the appropriate gold and copper prices to use for the valuation, Grant Thornton Corporate Finance has had regard to the historical spot prices, current forward prices and forecast prices prepared by various brokers.

²⁹ We note that the mining fleet purchased by Kentor as part of the acquisition AMC in 2010 has been incorporated in our valuation of the Andash Project

Given the volatility in commodity markets, the current levels of commodity prices relative to historical long run prices, and the widely varying views of industry analysts, assumptions regarding future gold and copper prices are inherently subject to considerable uncertainty. It should be noted that the value of the mineral assets could vary materially based on changes in commodity price expectations.

The assumptions in relation to the gold and copper prices adopted by Grant Thornton Corporate Finance do not represent forecasts by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of resources assets and companies.

The sources for the gold and copper prices are denominated in US dollars and are on a nominal basis (i.e. inclusive of inflation expectations). We have re-expressed the nominal US dollar denominated commodity prices into real US dollar denominated terms having regards to the US Consumer Price Index ("CPI").

In our assessment of the gold and copper prices, we have considered the following:

- Forecasts released by Consensus Economics Inc, 'Energy & Metals Forecasts' dated 15 April 2013.
- Consensus forecasts released by Capital IQ.
- Various brokers' reports.
- Movement in spot and forward prices of gold.

We note that most commodity prices, particularly gold, have suffered recent declines in 2013. In the medium to long term, the price of gold is forecast to gradually decrease in line with the expected recovery and stabilisation of the global economy and financial markets, and increased supply levels. Based on recent volatile trading in March 2013 and April 2013, most brokers and analysts have revised their gold price forecasts and adopted more bearish views on long-term prices.

Based on the analysis and discussion above, the following table summarises the real US-dollar denominated prices for gold used in our valuation assessment.

Gold price assumptions	2014	2015	2016	2017	LT
US\$/oz (real terms)					
GT adopted gold price	1,570	1,480	1,310	1,260	1,220

Source: Broker reports, publicly available information and Grant Thornton Corporate Finance assumptions

Set out in the following graph, we have plotted our mid-point assessment of the long term real gold price against the historical gold price (real) for the last 12 years.



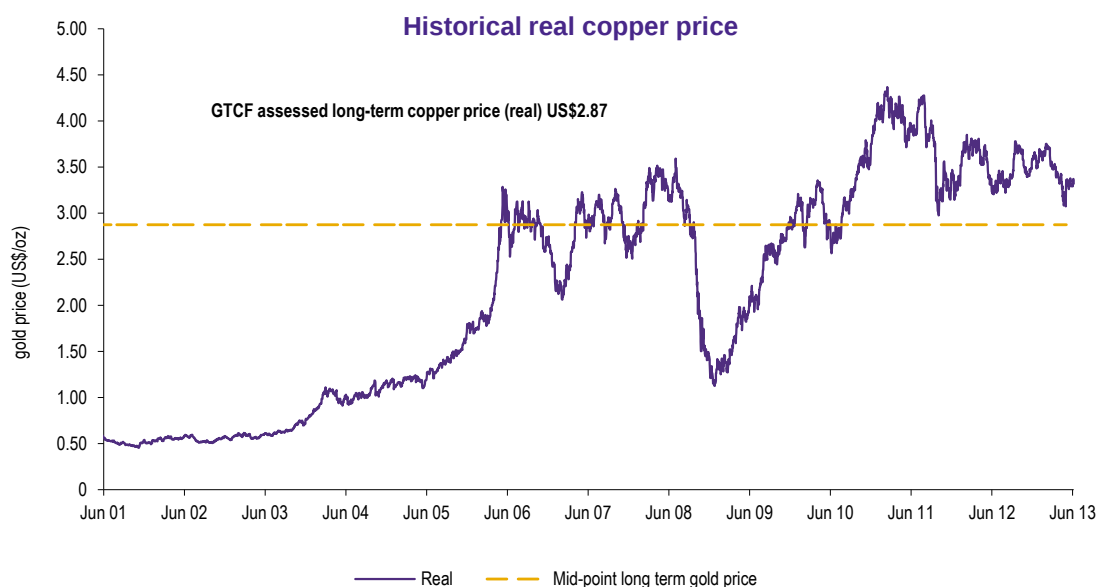
Source: Capital IQ

Based on the analysis undertaken, the following table summarises the real US-dollar denominated prices for copper used in our valuation assessment of the Andash Project.

Copper price assumptions	2014	2015	2016	2017	LT
US\$/lb (real terms)					
GT adopted copper price	3.42	3.23	3.07	3.03	2.87

Source: Broker reports, publicly available information and Grant Thornton Corporate Finance assumptions

Set out in the following graph, we have plotted our mid-point assessment of the long term real copper price against the historical copper price (real) for the last 12 years.



Source: Capital IQ

Exchange Rates

The following table summarises our assessment of the forecast real exchange rates adopted in our valuation assessment:

Foreign exchange rate assumptions	2014	2015	2016	2017	LT
<u>A\$1.00 = US\$</u>					
Exchange rate	0.93	0.93	0.91	0.88	0.80

Source: Broker reports, publicly available information and Grant Thornton Corporate Finance assumptions

In our assessment of the exchange rates, we have considered the following:

- Various broker reports.
- Consensus estimates provided by Capital IQ.
- Movement in spot and forward exchange rates.

Inflation

For the purpose of our valuation assessment, we have adopted an inflation rate of 2.5% per annum based on forecast US CPI estimates from various broker reports to estimate the real commodity prices and other variables. The cash flows used in our valuation assessment are in real terms.

Discount rate

The cash flows assumptions associated with the Andash Project have been prepared on a real, ungeared and post-tax basis. Accordingly, Grant Thornton Corporate Finance has applied a real, post-tax Weighted Average Cost of Capital (“WACC”) in the range of 17% to 19% in relation to the Andash Project. Refer to Appendix B for further details. Our assessment of the discount rate captures the following risks:

- Uncertainty associated with the development stage nature of this asset.
- Country specific risk.
- Recent political instability within the Kyrgyz Republic.
- The unfunded nature of the Andash Project. RG111 specifically states that the funding requirements for a target company, including the capital requirements to develop a project, should generally be considered when determining the fair market value of the target securities. We note that given our valuation assessment is limited to the Andash Project and trading in Kentor Shares has been suspended since March 2013, it is not feasible to assess the potential future dilution to fund the development of the project based on the market value and/or share price of Kentor. Accordingly, we have incorporated the funding risk into our assessment of the discount rate.
- Risks identified in the Minserve report including:
 - A potential delay to the commencement of the project.
 - Higher than planned ore loss and dilution.
 - Waste dump failure.

7.1.3 Other assumptions

- Royalty – Royalty payments include government royalties for gold and copper of 5.0% and 3.0% of the net smelter revenue, respectively.
- Sales tax – Per the Kyrgyz Republic’s tax code, a sales tax of 2% of net smelter revenue is payable on exported gold.
- Subsoil use tax – Per new legislation enacted in the Kyrgyz Republic regarding taxation of mining companies, a non-tax payment for holding licenses is levied at 2% for gold production.
- Income tax – Based on new legislation enacted by the Kyrgyz Republic Government, for companies engaged in gold production, corporate taxes on profits have been eliminated and replaced with a new income tax based on the net smelter revenue for gold. The income tax rate applicable is dependent on the market price of gold in US\$. Refer to section 3.3.3 for further detail.

- Depreciation – The Financial Model provides an estimate for the forecast monthly depreciation and assumes that capital expenditure is depreciated on a straight line basis over the life of the mine.

7.1.4 Other resources and exploration potential

Minserv has advised that the Company does not have any resources in addition to the reserves included in the DFS (after allowing for conversion risk). Minserv does not believe there is any material value in the exploration potential of the Andash Project. Refer to the Minserv Report in Appendix E for further detail.

7.2 Taxation losses

Based on the Financial Model provided by Management of Kentor, AMC had approximately US\$11.3 million in gross tax losses as at 31 May 2013. For valuation purposes, unutilised tax losses may have a value as they can be used by a hypothetical purchaser of a company to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses of AMC, Grant Thornton Corporate Finance notes the following:

- AMC does not currently generate any material earnings or positive cash flows.
- Kentor expects to commence production at the Andash Project in June 2016 or later, depending on the ability to source the required funding for the project.
- Based on the current tax code in the Kyrgyz Republic, companies engaged in gold production are exempt from paying taxes on corporate profits and are instead subject to income taxes on net smelter liabilities.
- There are uncertainties in relation to the ability of a potential purchaser to utilise the tax losses.

Given the above, it is unlikely that a hypothetical purchaser would place any material value on unutilised tax losses. Accordingly, Grant Thornton Corporate Finance has not included a value of tax losses in our assessment of AMC.

7.3 Other assets and liabilities of AMC

Other assets and liabilities of AMC which have not been included in the valuation of the Andash Project are based on the unaudited statement of financial position of AMC as at 30 April 2013.

Other assets/(liabilities)	(A\$'000)
Advances paid	181
Short term investments	10
Other liabilities	(11)
Total other assets/(liabilities)	181

Source: Kentor Management

The net book value of these other assets and liabilities are assumed to reflect their fair market values. Management has advised that there has not been any significant movement in other assets and liabilities post 30 April 2013.

7.4 Corporate overheads of AMC

AMC incurs corporate costs of approximately US\$0.6 million per annum (post-tax) in relation to the operations of the Andash Project which are not included in the cash flows of the Andash Project.

For the purpose of the valuation, we have calculated the net present value of the corporate overheads using the DCF methodology. We have assessed the net present value of corporate overheads to be approximately A\$3.0 million.

7.5 Valuation summary of AMC

Set out below is a summary of our valuation assessment of AMC based on the aforementioned assumptions:

Valuation summary	Section reference	Low A\$'000	High A\$'000
Fair value of Andash Project - reserves component	7.1	19,322	28,518
Andash Project - exploration potential and other resources	7.1.4	-	-
Other assets/(liabilities)	7.3	181	181
Corporate overheads	7.4	(2,995)	(2,995)
Enterprise value of AMC (100% interest)		16,507	25,703
Net debt ¹		-	-
Equity value AMC (100% interest)		16,507	25,703
Kentor's ownership interest in AMC		80.0%	80.0%
Equity value of AMC (80% interest)		13,206	20,563

1. Transaction is assumed to be on a debt and cash free basis

Source: Kentor Management

7.6 Sensitivity analysis

We have conducted certain sensitivity analysis to highlight the impact on the value of Andash Project caused movements in other certain key variables.

The following table summarises our results:

Sensitivities	NPV of Andash Project		80% Equity interest in AMC		% change in equity interest	
	Low	High	Low	High	Low	High
Base case	19,322	28,518	13,206	20,563		
Gold prices (long term)						
US\$1150	10,608	18,879	6,235	12,851	(52.8)%	(37.5)%
US\$1300	29,281	39,534	21,173	29,375	60.3%	42.9%
Discount rate						
1% increase	15,208	23,751	9,980	16,814	(24.4)%	(18.2)%
1% decrease	23,751	33,651	16,680	24,600	26.3%	19.6%
Capital expenditure						
5% increase	12,232	21,121	7,534	14,645	(43.0)%	(28.8)%
5% decrease	26,413	35,915	18,878	26,480	43.0%	28.8%
Average recoveries						
Gold (78.55%)	29,662	39,825	21,478	29,609	62.6%	44.0%
Copper (70.07%)	19,993	29,258	13,742	21,155	4.1%	2.9%
Real exchange rate (long term)						
\$0.90	7,146	15,022	3,551	9,851	(73.1)%	(52.1)%
\$0.70	33,841	44,611	24,719	33,335	87.2%	62.1%

Source: Calculations

These sensitivities do not represent a range of potential values of Andash Project, but intend to show to the Kentor Shareholders the sensitivity of our valuation assessment to changes in certain variables.

7.7 Valuation cross-check

As discussed in section 6, we have considered the reasonableness of our valuation based on the DCF methodology having regard to the resource multiple observed for listed comparable companies.

7.8 Resource multiple

We have considered the reasonableness of our valuation assessment by comparing the resources multiple implied by the net assets valuation to the resource multiples of listed comparable companies in the gold mining industry in Central Asia.

This method only provides an indicative market value of Andash as the resource multiple may vary significantly between the different listed comparable companies due to size of the deposit, grade, availability of infrastructure, cost structure and level of development. In our selection of comparable companies, we have had regard to the following factors:

- Flagship project focused on gold.

- Flagship project located on the Tian Shan Gold Belt in Central Asia.
- Status of development of the flagship project of the relevant company (i.e. exploration/development phase).
- Size of the company, including market capitalisation.
- Resource and grade estimates.

7.8.1 Andash's Resource multiple implied in our valuation assessment

Our assessment of Andash based on the sum of parts approach implies a resource multiple between 20.4x and 30.9x, as summarised below:

Implied resource multiple	Low	High
	A\$'000	A\$'000
Assessed enterprise value of AMC (100% interest)	16,507	25,703
Kentor's ownership interest in AMC	80.0%	80.0%
Assessed enterprise value of AMC (80% interest)	13,206	20,563
Total contained gold equivalent reserves in Andash Project (koz) (80% interest)	689.4	689.4
Implied resource multiple	19.2x	29.8x

Source: ASX announcements and GTCF calculations

7.8.2 Resource multiple of listed comparable companies

Set out below are the resource multiples of the comparable companies that are engaged in gold pre-development and/or development on the Tian Shan Gold Belt. Refer to Appendix C for further details on the comparable companies and their primary projects.

Company	Market Cap (A\$m)	Location ¹ (country)	Attributable resources ² (Mt)	Average gold grade (g/t)	Attributable contained gold equiv. ^{3,4} (Moz)	Attributable contained gold equiv. (M+I) ^{3,4,5} (Moz)	Resource Multiple (EV/Gold equiv) ⁴	Resource Multiple (EV/M+I Gold equiv) ^{4,5}
Kryso Resources PLC	183	Tajikistan	67,400	2.32	5.07	2.22	34.7 x	79.1 x
Chaarat Gold Holdings Ltd	77	Kyrgyz Republic	44,481	4.03	5.76	3.00	4.5 x	8.6 x
Manas Resources Ltd.	21	Kyrgyz Republic	17,300	2.17	1.18	1.02	12.8 x	14.9 x
Oxus Gold plc	15	Uzbekistan	46,625	2.39	4.03	2.71	7.8 x	11.6 x
Orsu Metals Corporation	13	Uzbekistan	10,252	0.16	0.96	0.95	4.2 x	4.2 x
Low⁵			10,252	0.16	0.96	0.95	4.2 x	4.2 x
High⁵			67,400	4.03	5.76	3.00	34.7 x	79.1 x
Average⁵			37,212	2.21	3.40	1.98	12.8 x	23.7 x
Median⁵			44,481	2.32	4.03	2.22	7.8 x	11.6 x

Note:

(1) Location of flagship project

(2) Attributable resources = total resources × percentage ownership in the flagship asset

(3) Contained gold equivalent = grade of resources × gold equivalent resources

(4) Gold equivalent is the sum of contained resources adjusted for the ratio of the resource price to the price of gold.

(5) M+I = to measured and indicated resources only.

(6) We note Orsu Metals Corporation is mainly engaged in the development of copper in Uzbekistan.

Source: Capital IQ, company presentations and websites, other publicly available information

When considering the Enterprise Value (“EV”) to contained gold minerals multiples of the trading comparable companies, we note the following:

- The resource multiples listed above have been calculated based on the market price for minority or portfolio share holdings and do not include a premium for control.
- For the purpose of our valuation, we have calculated the attributable resources of each company based on their ownership interest in their respective flagship project³⁰.
- We have placed greater emphasis on resource multiples based on M&I resources rather than the total resources due to the following reasons:
 - The Andash Project has no inferred resource.
 - There is higher level of uncertainty associated with the economic viability of inferred resources compared to M&I resources.
- In our opinion, the company most comparable to Andash is Manas Resources Limited (“Manas”) due to the following:
 - Both the Andash Project and Manas’ flagship Shambesai gold project (“Shambesai Project”) are located on the Tian Shan Gold Belt in the Kyrgyz Republic and are subject to similar jurisdictional and political risk. Kentor Gold and Manas are also both based in Australia.
 - The Shambesai and Andash Projects are both at a similar stage of development, with Manas and Andash having both completed a definitive feasibility study on their respective flagship projects.
 - Both the Shambesai Project and the Andash Project are expected to be developed into open-pit mines and the Shambesai Project has an estimated mine life of 4.5 years, relatively similar to the Andash Project’s 6.5 years (based on current ore reserves).
 - Manas and Andash have comparable total attributable resources of 17.3 Mt and 15.4 Mt respectively. Manas and Andash also both have total defined attributable contained gold equivalent ore reserves of 0.86Mt and 0.28Mt respectively. In addition, the Shambesai has relatively low levels of contained inferred gold resources of approximately 4% of total contained gold resources compared to the Andash Project’s 0%.
 - Whilst Manas is considered the most comparable company, we also note the following differences:
 - Manas has been awarded both a mining and development licence at its Shambesai Project permitting the completion of the design, construction and commissioning phases and has not experienced any political/legal issues in relation to its rights over the licenses.

³⁰ The enterprise value of the comparable companies have been adjusted for any minority or non-controlling interest in the same flagship project.

- Manas has also obtained approval for the Shambesai Project development concept by the Urban Development Council (“UDC”) of the Kadamjai Region of the Batken Oblast (the governing body for local development as a region level in Kyrgyzstan) and benefits from open support provided by the Kyrgyz Republic Government. Construction at Shambesai Project is expected to commence in 2013 and gold production in the early 2014. On the other hand, Andash has yet to obtain local development approval and has recently had a number of issues with the Kyrgyz Republic Government as discussed in section 5.1.
- Manas has relatively higher grade gold resources with an average gold grade of approximately 2.17 g/t compared to Andash’s average gold grade of approximately 1.1 g/t.
- The Shambesai Project is a gold only project unlike the gold-copper Andash Project and as a result, is expected to incur higher total operating costs in comparison to the Andash Project which is expected to benefit from copper credits of US\$656/oz. However we note that the Shambesai Project is expected to have an average operating cash cost (over the life of the mine) of approximately US\$411/oz compared to US\$697/oz for the Andash Project (excluding copper credits). Both can be considered low cost mines in comparison to other comparable companies.
- The pre-production capital expense requirement for the Shambesai Project is approximately US\$32.6 million which is significantly lower than the pre-production requirement of the Andash Project of US\$102.3 million. We also note that the Andash Project is expected to be mined in a two stage open pit and an additional US\$28.4 million capital expenditure will be required for phase 2 of the project.

The resource multiple of Manas is approximately A\$14.9 per oz of gold on a minority basis. Our valuation assessment of Andas implies a resource multiple between A\$20.4 and A\$30.9 per oz of gold. After considering the above factors and differences, we believe that our valuation assessment of Andash based on the market value of net assets approach is reasonable.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of Meeting
- Draft Term Sheet of Share Sale Agreement
- Management accounts of AMC and Kentor provided by Management
- Minserv's Technical Report
- Annual reports of Kentor for FY11 and FY12
- Annual reports of AMC for FY11 and FY12
- Releases and announcements by Kentor on ASX
- Releases and announcements by Robust on ASX
- IBISWorld Industry Report
- Other information provided by Kentor
- Capital IQ
- Consensus Economics Forecast
- Mergermarket
- Various broker reports
- Other publicly available information
- Discussions with Management

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Kentor and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to Kentor, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Kentor or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Kentor and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Kentor through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Kentor.

This report has been prepared to assist the directors of Kentor in advising the Kentor Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the Kentor Shareholders.

Kentor has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Kentor, which Kentor knew or should have known to be false and/or reliance on information, which was material information Kentor had in its possession and which Kentor knew or should have known to be material and which Kentor did not provide to Grant Thornton Corporate Finance. Kentor will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to the Kentor Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.



Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.



Appendix B – Discount Rate

Introduction

The US\$-denominated cash flows assumptions associated with the Andash Project have been prepared on a real, ungeared and post-tax basis. Accordingly, we have assessed a range of real post-tax discount rate for the purpose of calculating its net present value.

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

WACC Inputs

Required rate of return on equity capital

In our assessment of the required rate of return on equity capital, we have observed the financial markets in the US as base for our inputs due to the following:

- Demand and supply for gold is driven by global forces and markets.
- There is a global pool of potential purchasers for the Andash Project.
- Gold is traded in US\$.
- We have separately accounted for the country specific risk premium.

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general



movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on the Government Bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year US Government Bond as set out in the table below:

US Government - 10 Year as at 7 June 2013	Min	Range	Max	Daily average
Previous 5 days trading	2.10%	-	2.16%	2.13%
Previous 10 days trading	2.01%	-	2.16%	2.11%
Previous 20 days trading	1.81%	-	2.16%	2.01%
Previous 30 days trading	1.66%	-	2.16%	1.92%
Previous 6 months trading	1.63%	-	2.16%	1.89%
Previous 1 year trading	1.43%	-	2.16%	1.77%
Previous 5 years trading	1.43%		4.27%	2.81%
Previous 10 years trading	1.43%		5.26%	3.59%

Source: Capital IQ

Given the current volatility in the financial markets, we have placed more emphasis on the risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 2.8%.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

The expected return of the market in excess of the risk-free rate, termed the long horizon equity risk premium, has been estimated based on an historical study of mean actual returns as published in Stocks, Bonds, Bills and Inflation® Valuation Edition 2012 Yearbook, (Morningstar, Inc., 2012).

An adjusted long horizon equity risk premium of 5.8% has been utilised based on current research indicating that the actual long horizon risk premium is approximately 100 basis points less than that indicated by the Ibbotson full period data.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of companies with gold exploration, development and /or production activities in Central Asia.

Summarised below are the equity betas of the comparable companies based on five years of monthly observations.

Company Beta analysis	Country	Market Cap A\$million	Equity Beta*	Gearing Ratio*	Ungeared Beta	Regeared Beta
Kryso Resources PLC	United Kingdom	179	1.13	0.0%	1.13	1.22
Chaarat Gold Holdings Ltd	Kyrgyzstan	46	1.36	0.0%	1.36	1.47
Manas Resources Ltd.	Australia	19	1.14	0.0%	1.14	1.23
Oxus Gold plc	United Kingdom	14	1.97	97.3%	1.17	1.26
Orsu Metals Corporation	United Kingdom	12	2.01	40.8%	1.54	1.66
Average			1.52	28%	1.27	1.37
Median			1.36	0%	1.17	1.26

Source: Capital IQ and calculations

Grant Thornton Corporate Finance has observed the betas of the comparable companies by reference to the local index of the comparable company.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-g geared using the average gearing³¹ level over the period in which the betas were observed and then re-g geared using a gearing ratio of approximately 11%. The gearing ratio has been determined after considering the gearing levels of AMC and its comparable companies.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

³¹ Gearing ratio represents Net debt/Market capitalisation

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

For the purposes of this valuation, we have selected a beta range of between 1.3 and 1.4 to calculate the required rate of return on equity capital for the Andash Project.

Specific risk premium

Specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

In assessing the appropriate specific risk premium to be applied, we have considered:

- Country risk premium in the range of 9.0% to 10.5% based on research published by Professor Aswath Damodaran of the Stern School of Business at New York University.
- Size of the Andash Project compared to the size of the observed comparable companies.
- The risks identified in the Minserve Report.
- The unfunded nature of the Andash Project.

Based on the above, we have adopted an aggregate specific risk premium in the range of 11.0% and 12.5%. We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium may not always be fully quantifiable with analytical data.

Cost of debt

For the purposed of estimating the cost of debt, Grant Thornton Corporate Finance has considered the following:

- The margin implicit in corporate bond yields over the US Government bond yields.
- The debt ratings of comparable companies, in particular, Moody's BAA credit ratings.
- Cost of debt achievable for an equivalent business in the industry and for a mining company operating in the Kyrgyz Republic.
- Expectations on the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt in the range of 10% to 12%.

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent

risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

In determining the appropriate capital structure, we have had regard to the current average debt-to-asset ratio of the comparable companies and AMC's capital structure.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted average debt-to-asset ratio of 10% debt and 90% equity given the risk profile of the Andash Project.³²

Dividend imputation

CAPM was formulated under a 'classical' tax system, where companies paid corporate tax on profits and investors were then taxed on dividends distributed to them from those profits. However, Australia has operated under a dividend imputation system since 1987 where investors, if so entitled, have been able to claim a tax credit for corporate tax already paid on the profits from which the dividend was paid.

Arguably, the benefit of dividend imputation has value that should be incorporated into valuations. However, there is contention amongst academics and practitioners as to what adjustment should be made to reflect the value of this benefit, including whether the adjustment, if any, should be made to cash flows and/or to the discount rate.

For example, Professors Hathaway and Officer estimate the average value of imputation credits for the Australian equity market to be approximately 50% of their gross reported amount. They argue that there are three significant milestones for imputation credits – creation (when corporate tax is paid), distribution (when dividends are paid and accessed by investors) and redemption (when investors utilise the credits against personal tax liabilities). Their estimate of 50% is based on 80% access to imputation credits and 60% utilisation of credits.

³² We note in March 2011, Kentor accepted a Committed Letter of Offer for a US\$50 million facility arranged by Macquarie Bank Limited in relation to the Andash Project. Draw down of the facility offered was subject to receipt of approvals to commence production and clearance of any remaining legal action concerning the Andash Project. Although market conditions have changed since March 2013, the offer made by Macquarie Bank in 2011 provides an indication of the amount of debt funding the Andash Project might be able to obtain going forward.



Whilst the benefit of imputation credits is likely to have some impact on value, Grant Thornton Corporate Finance does not consider it appropriate to factor the potential benefits into this valuation.

In reaching our conclusion regarding imputation credits, we note:

- The prevailing tax laws in Australia prevent trading in imputation credits, thereby eliminating any open market in imputation credits from which the value of such credits can be observed.
- Many studies regarding the value attributed to imputation credits have focused on the ex-dividend behaviour of stock prices and no other matters that can impact on the ability of companies and investors to utilise the credits over the longer term.
- Foreign shareholders (and tax exempt shareholders) cannot utilise imputation credits and would place little, if any, value on such credits (this has been highlighted in submissions to regulators, where regulated assets have been predominantly foreign owned).
- Arguably the benefit of imputation credits has been reflected in investor's expectations of returns from the share market since the inception of the imputation system in Australia in 1987, which may have manifested itself in a relatively lower market risk premium than is supported by some of the longer term studies.
- Changes to the effective rate on capital gains in Australia have resulted in a disparity between tax on capital gains and on ordinary income, so taxpayers on higher marginal rates are likely to prefer returns to be in the form of capital gains, generated by companies retaining cash within the business rather than distributing it by way of dividends.
- Some companies have substantial franking account balances and/or have paid special dividends or implemented tax effective share buy-back schemes to release a store of imputation credits (this highlights the fact that not all imputation credits are distributed (and therefore accessed by investors) and/or are not distributed in the same year as the credits are created by company tax payments).

WACC calculation

Nominal WACC

The nominal discount rate determined using the WACC formula is set out below.

WACC calculation	Low	High
Cost of equity		
Risk free rate	2.8%	2.8%
Beta	1.30	1.40
Market risk premium	5.8%	5.8%
Country risk premium	9.0%	10.5%
Specific risk premium	2.0%	2.0%
Cost of equity	21.3%	23.4%
Cost of debt		
Cost of debt (pre tax)	10.0%	12.0%
Tax	10%	10%
Cost of debt (post tax)	9.0%	10.8%
Capital structure		
Proportion of debt	10%	10%
Proportion of equity	90%	90%
	100%	100%
WACC (post tax)	20.1%	22.2%

Source: Capital IQ and calculations

Real WACC

The forecast cash flows of the Andash Project have been prepared on real terms. We have determined the WACC on real terms by ‘deflating’ the nominal WACC determined above by the long-term US inflation expectation of 2.5% utilising the Fisher equation, as follows:

$$(1+r_{\text{real}}) = (1+r_{\text{nominal}}) / (1+i)$$

Where:

- r_{real} = real WACC
- I = long term forecast rate of inflation
- r_{nominal} = nominal WACC

The real discount rate adopted for Andash Project is summarised below:

WACC calculation in real terms	Low	High
Nominal WACC	20.1%	22.2%
US long term inflation	2.5%	2.5%
WACC (post tax) (real)	17.2%	19.2%
WACC (post tax) (real) - Rounded	17.0%	19.0%

Source: Calculations

Appendix C - Description of comparable companies

Descriptions

Kryso Resources PLC - engages in the exploration and development of mineral properties in Tajikistan. It has a 100% interest in the Pakrut gold project in the southern portion of the Tien Shan Fold Belt. The company also engages in evaluating other gold and precious metal deposits. It has a strategic alliance with China Nonferrous Metals Int'l Mining Co. Ltd. The company is based in London, the United Kingdom.

Chaarat Gold Holdings Ltd. - together with its subsidiaries, engages in the exploration and development of mineral properties in the Kyrgyz Republic. The company explores for gold deposits, as well as copper, molybdenum, rare earths, and iron oxide deposits. It focuses on the development of the Chaarat Gold Project, which is located along the Sandalash River valley, western Kyrgyzstan. The company is based in Bishkek, the Kyrgyz Republic.

Manas Resources Ltd. - engages in the acquisition, exploration, and development of mineral interests, prospective for precious metals and other mineral deposits. The company's principal property is the South Kyrgyz Gold Project that comprises Shambesai, Obdilla, Djingilsai, Aksu, Karabulak, Tolubay, and Pum prospects. Manas Resources Limited was incorporated in 2007 and is based in Subiaco, Australia.

Oxus Gold plc - engages in the mining, exploration, and development of precious and base metal properties primarily in Uzbekistan. The company also explores for gold and silver ores. It holds a 50% interest in the Amantaytau Goldfields located in the Kyzylkum region of Uzbekistan, as well as holds interests in the Khandiza base metals project located in Uzbekistan. The company was founded in 1996 and is headquartered in London, the United Kingdom.

Orsu Metals Corporation - engages in the exploration and development of precious and base metals deposits. It principally holds a 94.75% interest in the Karchiga copper deposit located in the northeast Kazakhstan; and a 100% interest in the Akdjol-Tokhtazan gold project located in the Tien Shan gold belt in the Kyrgyz Republic. The company was formerly known as European Minerals Corporation and changed its name to Orsu Metals Corporation in June 2008. Orsu Metals Corporation is headquartered in London, the United Kingdom.

Appendix D – Glossary

A\$	Australian dollars
Addendum	The addendum to the Term Sheet executed on 30 May 2013
APES	Australian Professional and Ethical Standard Board
AGM	Annual General Meeting
AMC	Andash Mining Company LLC
Andash Project	A gold-copper project in the Kyrgyz Republic. As part of the Proposed Transaction, Robust is acquiring the Andash Project from Kentor.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Aurum	Aurum Mining PLC
Bashkol Project	An early-stage exploration gold-copper project in the Krygyz Republic
BREE	The Bureau of Resources and Energy Economics
BVI	British Virgin Islands
CAGR	Compounded annual growth rate
CAPM	Capital Asset Pricing Model
Consideration	A\$15.0 million in cash
Corporations Act	Corporations Act 2001
CPI	Consumer Price Index
DCF	Discounted cash flow
DFS	Definitive Feasibility Study
Droxford International Ltd	Droxford
EU	European Union
European Debt Crisis	European Sovereign Debt Levels
EV	Enterprise Value
Financial Model	A financial model in relation to the future cash flows of the Andash Project
FSG	Financial Services Guide
FY2011	Financial year ended 31 December 2011
FY2012	Financial year ended 31 December 2012
GFC	Global Financial Crisis
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd



InvestCenter	InvestCenter Talas LLC
Jervois Project	A copper-silver-gold project in Jervois, Northern Territory
JORC	Joint Ore Reserves Committee
Kaldora	Kaldora Company Limited
Kaldora Shares	The issued capital of Kaldora
Kentor or The Company	Kentor Gold Limited
Kentor Shareholders	Shareholders of Kentor
Kentor Shares	Ordinary shares in Kentor
Kentor WA	Kentor Minerals (WA) Pty Ltd
KGS	Kyrgyz Som – functional currency of the Kyrgyz Republic
KMP	KMP Investments Pty Ltd
Kms	Kilometres
Management	Management of Kentor
Minserve	Minserve Group Pty Ltd
Murchison Project	A gold project in Murchison, Western Australia
Proposed Transaction	Kentor entered into a share sale agreement with Robust for the sale of Andash Project
Report	Independent expert's report
Revised Deposit	A\$1.5 million in cash
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of Expert's Reports"
Robust	Robust Resources Limited
Salim Group	Holds interest in both Kentor and Robust through subsidiaries
Tatianna	Tatianna Company Limited
Tatianna Shares	The issued capital of Tatianna
Technical Report	Independent technical report prepared by Minserve
Term Sheet	Conditional binding term sheet entered into on the 1 May 2013 between Kentor and Robust
Tryden	Tryden International Limited
US	United States
VALMIN	Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports
WACC	Weighted Average Cost of Capital



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Appendix E – Minserve Technical Report



A Technical Review of the Andash Copper Gold Project

for

**Grant Thornton Australia
and Kentor Gold Limited**

2 July 2013



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2 July 2013

WPWork\GTA001M

Miss Linda Cooke
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Brisbane Qld 4000

Dear Linda

Andash Copper Gold Project - Technical Report IER for Kentor Gold Limited

Please find attached our final report in accordance with your study scope.

Thank you for allowing us to assist with the IER.

Yours faithfully
THE MINSERVE GROUP PTY LTD

A handwritten signature in blue ink that reads "Jeff Jamieson". The signature is fluid and cursive, with a large initial "J" and "E".

Jeff Jamieson
Director and Study Manager

cc: Simon Mitroy – Kentor Gold Limited



QUALIFICATIONS DATA/FIGURE SOURCES

This report has been prepared in a very short period at the request of Grant Thornton Australia and Kentor Gold Limited (KGL). A lot of material has been drawn from other consultants' reports and the Detailed Feasibility Study (DFS) undertaken by KGL in 2010 which is the Base Case reference 1 used for the review.

COSTING DATE – US DOLLARS

Minserv review has been a costing date of 1 May 2013. All capital and operating costs are shown in US dollars. KGL provided advice as to operating cost increases in the Kyrgyz Republic.

REPORT PURPOSE

This report has been prepared for inclusion in the IER prepared by Grant Thornton Finance Pty Ltd. The IER inclusive of this report will be included in the Notice of Meeting and Explanatory Memorandum issued by Kentor Gold Limited.

DISCLAIMERS

Minserv has accepted the data and costs largely provided by KGL and reviewed them and presented the results in comparative tables in accordance with the requirements of Minserv's IER Scope of Work directed by Grant Thornton Australia.

Information provided by KGL has neither been verified nor audited by Minserv. Projections contained in the study are representations of future matters based on assumptions that are subject to uncertainties and contingencies outside the control of Minserv. No representation is made that any forecast or projection will be achieved. No member of Minserv or its associates makes any representation or warranties to the accuracy, reliability or completeness of matters in this study beyond those stated in the report.



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DOCUMENT CONTROL

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Document Name		Proposal to Provide Technical Assistance for an IER for Kentor Gold Limited

Rev No	Date	Revision Details	Author	Approved

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TECHNICAL REVIEW SUMMARY

PROJECT OVERVIEW

- A gold/copper project located in the Kyrgyz Republic south of Kazakhstan;
- Purchased by Kentor in early 2010, now being sold to Robust Resources Limited;
- No known project fatal flaws but project delayed by local factors, possibly further delayed;
- First production probably three years off inclusive of 18 months for construction;
- A significant increase in the estimated capital and operating costs since 2010 with total operating cash costs per gold troy oz. increasing from US\$629 in 2010 to US\$872 (approx.) in 2013.

GEOLOGY

The licence area is part of the large Palaeozoic Tien Shan Foldbelt which is host to a number of intrusion related gold deposits. The deposit is a quartz sulphide stock work hosted in a breccia body within a Devonian aged granodiorite.

The resources estimate shown in **Table 1** is based a gold price tonne of US\$525.

Table 1 — Andash JORC Resource Estimate

Category	Tonnage (kt)	Grade		Metal	
		Au (g/t)	Cu (%)	Au (oz)	Cu (t)
Measured	4,083	1.14	0.48	148,463	19,538
Indicated	15,115	1.10	0.38	530,560	57,770
Total	19,200	1.10	0.40	679,023	77,308
Inferred	380	0.93	0.25	11,350	950

The Inferred Resources are not transferable into mining reserves.

Other prospects within the tenure have little value.

MINE RESERVES

The mining reserves shown in **Table 2** are a subset of the resources shown in **Table 1**.

Table 2 — Ore Reserves for Andash Sulphide and Oxide Ore (10 July 2009)

	Tonnes (kt)	Au (g/t)	Cu (%)	Au (oz)	Cu (t)
Proven Reserves					
Oxide	1,129	0.77	0.43	27,995	4,867
Sulphide	2,921	1.17	0.46	110,210	13,408
Subtotal	4,050			138,205	18,275
Probable Reserves					
Oxide	1,389	0.68	0.31	30,155	4,315
Sulphide	10,559	1.09	0.39	371,370	40,896
Subtotal	11,948			401,525	45,211
Total Reserves					
Oxide	2,519	0.72	0.36	58,150	9,182
Sulphide	13,480	1.11	0.40	481,580	54,304
Total	15,999			539,730	63,486

Source: Reference 1.

MINING OPERATIONS

The overall mine designs are sound, though need to be taken to detailed design before operations commence. In particular, the following points need further work:

- The north wall of the pit has some outstanding geotechnical issues under earthquake loading that needs to be resolved, which may influence the wall design.
- Management of blasted material along the boundary of Stage 1 and 2 pits needs to be considered
- The Waste Rock Emplacement (WRE) needs detailed design and scheduling to better define preparatory works, construction (including access roads) and rehabilitation.
- Water management needs to be considered in detail, including sediment traps, drains, sumps and ponds.
- Detailed designs are required for the ROM pad, ore stockpiles, and topsoil stockpiles

The loss and dilution assumptions are lean. A detailed execution plan will be required to achieve these aggressive targets. Experts in drill and blast, selective mining, grade control and surveying are recommended in Year 1 to ensure processes and practices enable the achievement of the goals.

Many of the assumptions used in the DFS for equipment operation are at the high end of the performance range in today's open pit mines. The lack of detail in the DFS execution plan on how these very good operating practices would be achieved combined with the plan to use a high proportion of local labour, make these aspirations unrealistic. After application of typical operating parameters, the following additional heavy vehicles are recommended to achieve the schedule:

- One WA600 loader (Back-up ROM and pit loader, waste mining)
- Six articulated trucks, to a total of 15 (so three more than the 2010 fleet)
- One water cart
- One dozer
- One grader

The increase in fleet requires an increase in operating and maintenance personnel. Technical services numbers were also increased to provide full coverage. The maximum mining personnel increased from 132 in the DFS to 171 as an outcome of this review. This excludes staff engaged in training, safety, capital projects and rehabilitation who are assumed to be in organisation charts elsewhere.

METALLURGY AND TREATMENT PLANT

Testwork Program

- Based on the documents reviewed, there is no trail to support the changes between the DFS and the approved for construction Process Flow Diagrams. One of the more significant changes was the implementation of the combined cleaner circuits plant. This would be an advantage with regard to capital cost reduction as well as simplifying the circuit.
- The rougher copper oxide recovery is reported to be heavily dependent on the split between acetic acid soluble copper carbonates and weak acid soluble oxides. When copper carbonates are the only oxide copper minerals present their recovery is expected to approach 75%. When weak acid soluble copper species dominate the oxide copper recovery decreases significantly.
- **Anticipated life of mine average copper recovery is 69.5% and a gold recovery of 74.7%.** These estimates were based on the AMDAD interpolation of copper mineralogy into the block model and the February 22nd 2010 processing schedule and associated metallurgical testwork. It is understood following discussion with AMEC Minproc processing staff who worked on the project, that the application of the metallurgical responses to the AMDAD interpolation into the block model provides a confident if not conservative estimate of metallurgical response.
- Part of Table 8.23 from the DFS shows the variation in recovery for the variability results. Only 22 results are presented from the described 27 samples. The data missing was not explained. The data shows that copper recovery varies from lows of around 40% to 96% depending on the mineralogy and oxidation state. The representivity of the variability samples and method of application of the metallurgical responses to the estimates of metal production could easily influence the estimates in both a positive or negative way. The DFS refers to a report that was to be produced titled "Integration of the Mine Plan and Process Schedule with DFS Testwork". This document was not identified or reviewed as part of this review process, however it is considered likely to be a document key to understanding and appreciating the sensitivity of the issues described herein.

Flowsheet and Capital Cost Deferral

In addition, there are the aspects of operating cost and downtime considerations such as:

- Multiple pieces of equipment operated in parallel that could be replaced by one larger unit typically results in increased downtime, as well as being more difficult to operate and more costly to implement;
- Multiple equipment items require more maintenance for a given duty and typically have combined operating cost in excess of one larger unit of the same total capacity;
- Staged implementation results in downtime due to installation tie-ins. There will be periods of time where the plant will be shut down to allow new equipment to be installed. Such downtime results in lost production;
- Additional construction tasks undertaken through the winter periods result in reduced productivity and increased cost of construction;
- Some opportunity to improve on the real project returns when such factors are considered in place of the current implementation plan. It may be a hybrid position can provide a good mix of deferred capital as well as cost reduction.

Plant Conclusions

- The recovery model applied to the block model may have used a fixed percentage extraction model. Such a model can both over and under estimate metal production depending on the department of metal values by ore type and the representivity of the samples tested. This suggests sensitivity needs to be understood and financial evaluations should consider this in conjunction to fluctuations in metal prices.
- **There is an opportunity to reduce capital and operating costs as well as plant downtime if the implementation strategy of the Phase 1 and Phase 2 approach could be revisited.** This would require more up-front capital to be spent. Given the short period of time between the implementation of Phase 1 and Phase 2, the benefit of deferred capital from the staged approach would be expected to be minimal and in fact more costly when extended construction period, seasonal issues and additional tie-in/downtime aspects are considered.
- Whilst the sensitivity did look at variation in copper and gold price, which can be interpreted as the same sensitivity as recovery, recent dynamic fluctuations in metal prices suggest both aspects need to be considered. It appears that a 4% to 5% loss in IRR would result from a 10% reduction in either copper or gold recovery. Under current metal prices, this suggests a robust project remains based on the analysis presented in the DFS.

COSTS

Capital Costs

Andash initial capital costs as estimated in 2012 and the Minserve Review (2013) are shown below in **Table 3**. Significant changes are due to an increase in mining capital costs of US\$19.31M and a right back of some of the sunk costs which now have to be reincurred including a new mill and the engineering basis of the engineering basis of the construction element. Detail design of the plant undertaken previously will be available to the new owner.

Table 3 — Capital Cost Comparison

Project Area	2012 Review \$M	Minserve Review 2013 \$M
Plant general	39.5	46.4
Services general	1.10	1.1
Mining	6.48	25.8
Onsite infrastructure and utilities	30.90	30.9
Offsite infrastructure and utilities	0.51	0.5
Indirect costs	16.10	25.5
Owners costs	7.40	7.5
Provisions	9.70	9.7
Sunk Costs	21.66	-
Less (US\$5.3M) of costs in the purchase	(5.3)	-
Total cost	133.4	147.5

Source: Reference 1.

The sunk costs shown in 2012 and 2013 (Minserve review) include:

- A mill that now has to be purchased again at an estimated cost of US\$6-7M (KGL estimate);
- Detailed engineering by AMEC (AS\$5.3) which is part of the sale;
- All the original quotes for the construction etc. which will have to be repeated/re-validated for the execution of the project;
- Sustaining Capex Life of Mine was assessed to be US\$15.9M primarily for the treatment plant. The additional items in mine capital have an operating life equivalent to the mine life and therefore do not require sustaining capital;
- In addition to the initial capital the following capital expenditure items are required over the mine life:
 - Stage 1 pre-production costs of \$8.4 million;
 - Stage 2 costs for the plant of US\$25.9 million;
- Rehabilitation costs on closure have been assessed at \$1.5M per the Minserve review;
- The **Mine capital** increase for the Minserve review are detailed in **Table 5.12**.

Note: Based on advice from KGL the exchange rate has changed by about 10%, 44.2 → 48.2 Soms/USD. These may flow on to higher capex but also higher revenue.

Operating Costs

An update of the mining operating cost estimate was made using the more realistic fleet assumptions which added around 20% to the costs, along with updated costs from a recent Kazakhstan project. The table below shows a summary of the changes. The change in diesel price added \$7.8M to costs.

Table 4 — Comparison of Mining Operating Costs

Mining Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
DFS - \$k	6,675	10,518	8,824	8,267	8,020	6,941	0	49,244
Minserve - \$k	9,958	14,740	13,056	12,397	11,672	10,183	1,288	73,293

Minserve Review Analysis

Total operating cash costs are shown in **Table 5**.

Table 5 — Average Unit Cost of Production – US\$/oz basis

Parameter	US\$/oz 2010	Minserve Review 2013 Year 3
Mining	130	229
Processing	306	406
G&A	92	120
Total Site Operating Costs	529	755
Transport	51	66
TC/RC	46	46
Other Offsite Costs	4	5
Total Operating Cash Costs	629	872
Copper credits	(656)	
Total Operating Cash Costs less Credits	(27)	
Royalties	65	
Total Production Costs	38	

Source: Reference 1 and Minserve Review 2013.

The current review analysis is to be undertaken by KGL/Grant Thornton based on the project start-up, capital and operating costs shown in Chapter 9.

The Minserve review has added significantly to both Capital +19.1USD Million and to operating costs since 2010 and consequently the NPV will reduce from the two previous estimates in the DFS 2010 and the Merit Capital Review in 2012 for the same gold and copper price assumptions.

ASSESSMENT OF TECHNICAL PROJECT RISKS AND THEIR MITIGATION

KGL's Assessment of Risk and their Mitigation

All risks associated with the Project are assessed to be manageable and of a magnitude that will not impact the forecast estimated cost and schedule.

Minserve's Assessment of Risk and their Mitigation

Minserve believes the project risks to be manageable; they are assessed as follows:

Risk	Mitigation
Delay to project start	Improve local relationships. Cash flow NPV calculation should be based on project start end Year 1 and construction completed end Year 3.
Stockpiling of Ore	The 2010 mine schedule requires a lot of early ore stockpiling but stockpile room seems to be at a premium.

Minserve Valuations of Other Prospects

No value assigned by Minserve as follows:

	\$M	
Andash 2-3	0	Poor results in adit
Tokhtonyasai	0	No resource defined

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Abbreviations and Definitions

Andash Mining	Andash Mining Company LLC
Auequ	Gold Equivalent
Aurum Mining	Aurum Mining Plc
AusIMM	Australasian Institute of Mining and Metallurgy
BVI	British Virgin Islands
COG	Cut Off Grade
DFS	Detailed Feasibility Study
EBRD	European Bank for Reconstruction and Development
EMP	Environmental Management Plan
EMS	Environmental Management System
EP	Equator Principles
ESIA	Environmental and Social Impact Assessment
ETC	Estimate to Complete
H&S	Hellman & Schofield Pty Ltd
ICT	Invest Centre Talas
IER	Independent Expert Report
IP	Intellectual Property
IRR	Internal Rate of Return
JORC	Code for Reporting of Mineral Resources and Ore Reserves
Kaldora	Kaldora Company Limited
KGL	Kentor Gold Limited
MCRP	Mine Closure and Rehabilitation Plan
Minserve	The Minserve Group Pty Ltd
NPV	Net Present Value
OBE	Operating Basis Earthquake
OVOS	Assessment of Impacts on the Environment
Tryden	Tryden International Limited
VALMIN	Valuation of Mineral Assets and Mineral Securities 2005
WAI	Wardell Armstrong International

1 INTRODUCTION

1.1 BACKGROUND

The Andash Project is located in the Kyrgyz Republic south of Kazakhstan. Kentor Gold Limited (listed on the ASX as KGL) purchased 80% of the Andash Copper Gold Project in late 2009/early 2010 from Aurum Mining Plc (Aurum Mining). It has now sold its equity in the Andash deposit to Robust Resources Limited for AU\$15M.

The Andash Project is 100% owned by Andash Mining Company LLC (Andash Mining), a limited liability company registered in the Kyrgyz Republic. The Andash Project is held by Andash Mining Company LLC (AMC) which is 100% owned by Kentor through two British Virgin Islands (BVI) incorporated holding companies, Kaldora Company Limited (Kaldora) and Tatianna Company Limited (Tatianna). Robust will acquire the 80% interest indirectly held (the remaining 20% of which has been offered to the Kyrgyz Republic Government) in the Andash Project via the acquisition of 100% of the shares in Kaldora and Tatianna.

The original purchase price paid by KGL was US\$15M inclusive of a mining fleet which was assigned US\$5M of the purchase price.

Grant Thornton has been asked by KGL to undertake an Independent Expert Report (IER) in respect of the proposed transition for KGL shareholders confirming that the price being paid by Robust is reasonable. Minserve has undertaken the technical work in support of the IER.

1.2 OWNERSHIP AND COUNTRY RISKS IDENTIFIED AT THE TIME OF PURCHASE

It was recognised at the time of purchase by KGL that the project had a number of legal and commercial vulnerabilities. It was envisaged that these would be resolved if all the government, local and other stakeholders acted in good faith. Ongoing good relationships with government agencies were seen as being vital. AMC is listed as a strategic object of the Kyrgyz Republic which leads to certain restrictions such as:

- The Kyrgyz Republic's priority right to purchase the shares of the Company; and
- Establishment of special regime of operation of the company as a strategic object which will ensure the national security of the Kyrgyz Republic. Such status restricts the ability of the company and its participants to operate at their sole discretion without involvement of the state.

AMC holds legal title to the following licenses:

- License for development of Orebody No. 1 of Andash deposit 218 AE (gold and copper) issued on August 30, 2005. The Mining License is effective until December 31, 2017.
- License for geological exploration of Andash deposit Au-141-04 (gold and copper) issued on June 22, 2004. The Exploration License is effective until December 31, 2010.

Under Kyrgyz law, AMC is considered to be a foreign legal entity for the purpose of regulation of land relations. Kyrgyz law prohibits ownership of land plots by foreign persons. Accordingly, the AMC may not own any land plots in the territory of the Kyrgyz Republic. AMC may only use land plots on basis of the right of fixed term (temporary) use for a period of not more than 49 years.

According to Kyrgyz Government Resolution No. 18, dated January 18, 2007, the Company was provided the temporary use right for a term of nine years (until January 18, 2016) for the land plot with a total area of 649.68ha for the development of ore body No. 1 at the Andash deposit. The land has been re-zoned from agricultural to industrial. It is expected that the temporary use right will be extended as long as industrial activity continues. There has been no case when an application for extension has been denied.

Since independence of the Kyrgyz Republic in 1991, there have been a number of incidents surrounding mineral licences that have caused doubt to be cast on the security of tenure in the Republic. Since 2006, the Kyrgyz authorities have taken deliberate steps to enhance the reputation of the Republic as a place to do business. Current Government policies and proposed legislation governing the minerals industry are designed to increase investor confidence.

At the time of purchase Kyrgyz was controlled by a dictator who supported the mine development who soon after purchase was deposed – this situation has impacted on the project development timing and caused delays. There is also some local opposition to the development of the project from some well off locals that are believed to have an interest in buying it.

1.3 EXPLORATION HISTORY

There have been several phases of exploration work completed, going back to the mid-1980s, by various exploration teams including the Russian Geological Survey. Aurum Mining has been responsible for the last phase of exploration, which includes a substantial amount of diamond drilling, from 2003 to 2006. There has also been previous limited underground mining of the deposit.

The deposit identified by exploration is a northwest to southeast striking elongate cylinder, tapering slightly at its southeast end with a 30° plunge to the southeast. Its dimensions are 600m of strike length with an average diameter of 150m. The mineralisation outcrops at its northwest end where its width is in excess of 200m.

1.4 STUDY STATUS AT THE TIME OF KGL PURCHASE IN EARLY 2010

The study status at purchase was a conceptual to pre-feasibility level and gave an over optimistic view of the commercial viability of the deposit.

Proposals have been obtained from a number of engineering consultants to optimise and update the previous feasibility study which will address the concerns that have been made in this section of the due diligence report.

1.5 KGL ACTIVITIES AT ANDASH SINCE PURCHASE IN 2010

KGL has undertaken the following activities since purchase of Andash in 2010:

- Undertaken a full DFS in early 2010;
- Capital Review 2012;
- Some limited community consultation; and
- Maintenance of an office in Bishkek office in Kyrgyzstan.

1.6 MINING FLEET

The mining fleet purchased with the Andash deposit in early 2010 is reported as being in good condition by KGL – albeit whilst being stored in the open (it has been prepared for cold weather conditions). Some of the fleet is also being hired out for use locally. It is estimated that a full refit of hydraulic hoses etc. will be required, particularly since mine start-up is still some three to four years away including treatment plant construction.

Some additional fleet purchases may also have to be made to optimise the capability of the fleet. The relatively long haul from the pit to the treatment plant also puts pressure on truck numbers.

2 MINSERVE'S SCOPE OF WORK

Grant Thornton Australia who are responsible for the IER required by KGL have directed that the following Scope of Work tasks be completed by Minserve.

Task 1

An independent assessment and review of the technical assumptions included in the forecast projections for the Andash Copper Gold Project, including but not limited to reserves and resources, life of mine, production schedule, recovery, grades, operating cost estimates, capital requirements and restoration and rehabilitation provisions.

Task 2

Provide different scenarios/sensitivities in relation to changes in the key variables/assumptions.

Task 3

A valuation assessment of the other resources held by AMC.

It is assumed that Grant Thornton and KGL will make available all data including the DFS undertaken by KGL in 2010.

The review work is to be undertaken in accordance with the 2005 VALMIN Code.

3 ANDASH PROJECT OVERVIEW

3.1 LOCATION

The Andash Project is located in northern Kyrgyzstan near the Kazakhstan border, as shown in Figure 3.1.

Kyrgyzstan, officially the Kyrgyz Republic, is situated 3,000km from Central Russia, 5,000km from Western European countries, and 2,000km from central China.

The Andash Project area is on the southern slope of Kyrgyzstan Range, lying above the Karakol River, which is a tributary of the Talas River. The terrain is rugged with elevations varying from approximately 2,000m in the Karakol valley to 3,200m on the Kyrgyzstan Range. Over the footprint of the deposit, elevations vary from 2,100m to 2,400m.

The climate is typically continental with significant seasonal and diurnal changes in temperature. Winters are cold reaching lows of -20°C in November to March with hot summer months (>30°C) in the latter half of May to September. The annual precipitation level is approximately 400mm, with rainfall being most frequent in spring and autumn, whilst stable snow cover forms in November.

3.2 ACCESS

Transport links to the site are generally good. The nearest village, Kopuro Bazar, some 2.5km distant, is connected by dirt road, and then a good gravel road (30km), followed by asphalt road (45km), to the Oblast capital town of Talas, and further on to the railway station at Taraz in Kazakhstan (101km).

The deposit is accessible year round from Bishkek by asphalt road via the Susamyr Valley, over the Otmek and Tiuzashu passes, a total distance of 260km. An alternative, but longer route from Bishkek (475km) is via Kara-Balta, Merke and Taraz in Kazakhstan and then to Talas around the Kyrgyzstan Range.

Goods are typically transported to Kyrgyzstan via railroads from Europe via the Baltic Sea ports. Ports include Tallinn in Estonia and St. Petersburg in the Russian Federation.

Goods from the Pacific can be railed from Chinese ports or Nakhodka and Vladivostok in the Russian Far East. Most freight is delivered via St. Petersburg and Nakhodka, with delivery times from these points to Maimak railway station, in southern Kyrgyzstan, of 14 and 21 days respectively. Rail freight from Chinese ports involves a change of rail gauge at the border crossing from China into Kazakhstan.

Road freight from China can access the Kyrgyz Republic via Kazakhstan, or directly by the Torugart pass.

There are direct flights between the capital Bishkek and Moscow, Istanbul, and Dubai.

Figure 3.1 — Location of Andash, Northern Kyrgyzstan



Source: Reference 1.

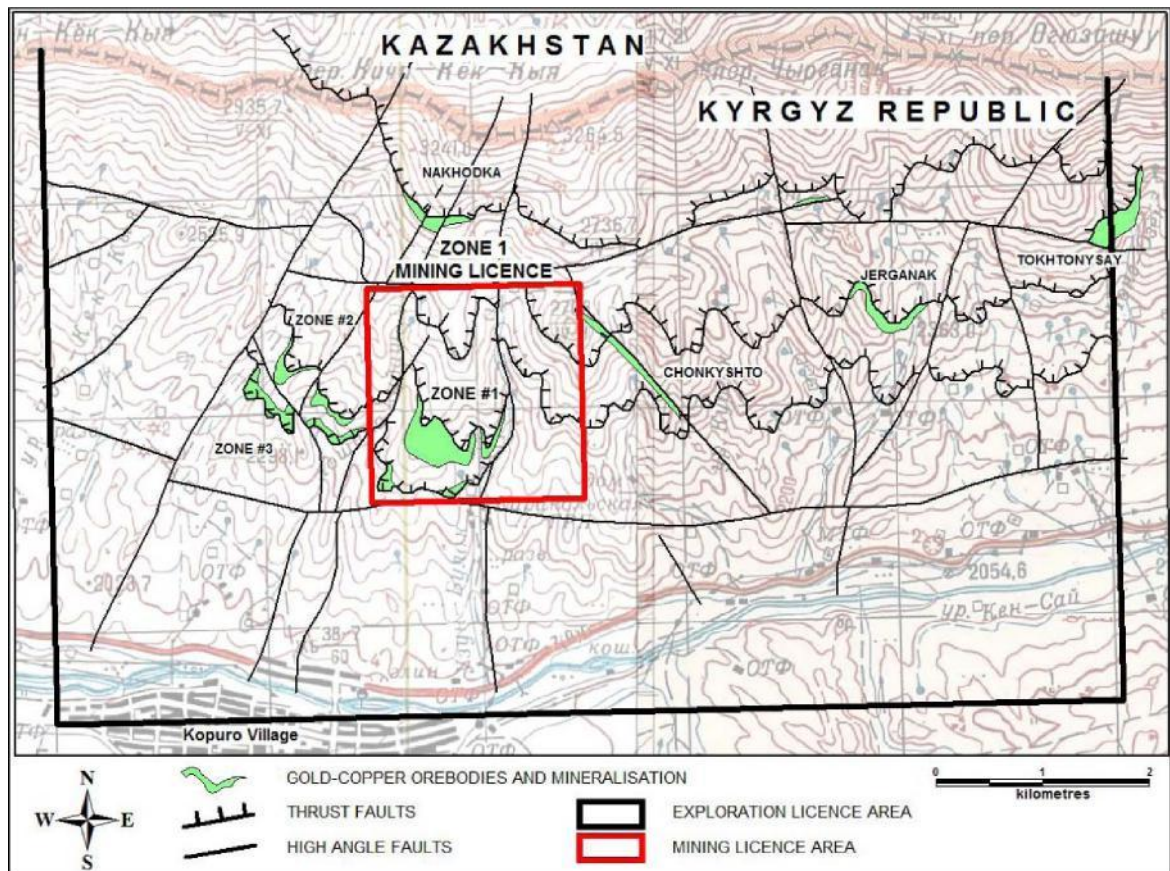
3.3 OWNERSHIP AND PERMITTING TENURE

The Andash Project is 100% owned by Andash Mining Company LLC (Andash Mining), a limited liability company registered in the Kyrgyz Republic. The Andash Project is held by Andash Mining Company LLC (AMC) which is 100% owned by Kentor through two British Virgin Islands (BVI) incorporated holding companies, Kaldora Company Limited (Kaldora) and Tatianna Company Limited (Tatianna). Robust will acquire the 80% interest indirectly held (the remaining 20% of which has been offered to the Kyrgyz Republic Government) in the Andash Project via the acquisition of 100% of the shares in Kaldora and Tatianna.

The right to use subsoil for exploration or development or other purposes is granted by a license issued by the Ministry for Natural Resources. In Kyrgyzstan the right to use land for mineral developments is granted through rezoning of the land to industrial use and then granting of a Land Allotment.

Andash Mining holds both a valid Mining Licence for Andash Zone 1 valid to 31 December 2017 and a Land Allotment over 649.48ha. The Mining Licence area is shown in Figure 3.2. The Land Allotment covers the area required for the open pit, waste and ore dumps, processing plant, accommodation camp, stores and other infrastructure, and a tailings storage facility. Andash Mining has paid full compensation for all private land that was included in the Land Allotment. There are no outstanding issues with local landowners regarding land use or compensation.

Figure 3.2 — Location of Mining Licence

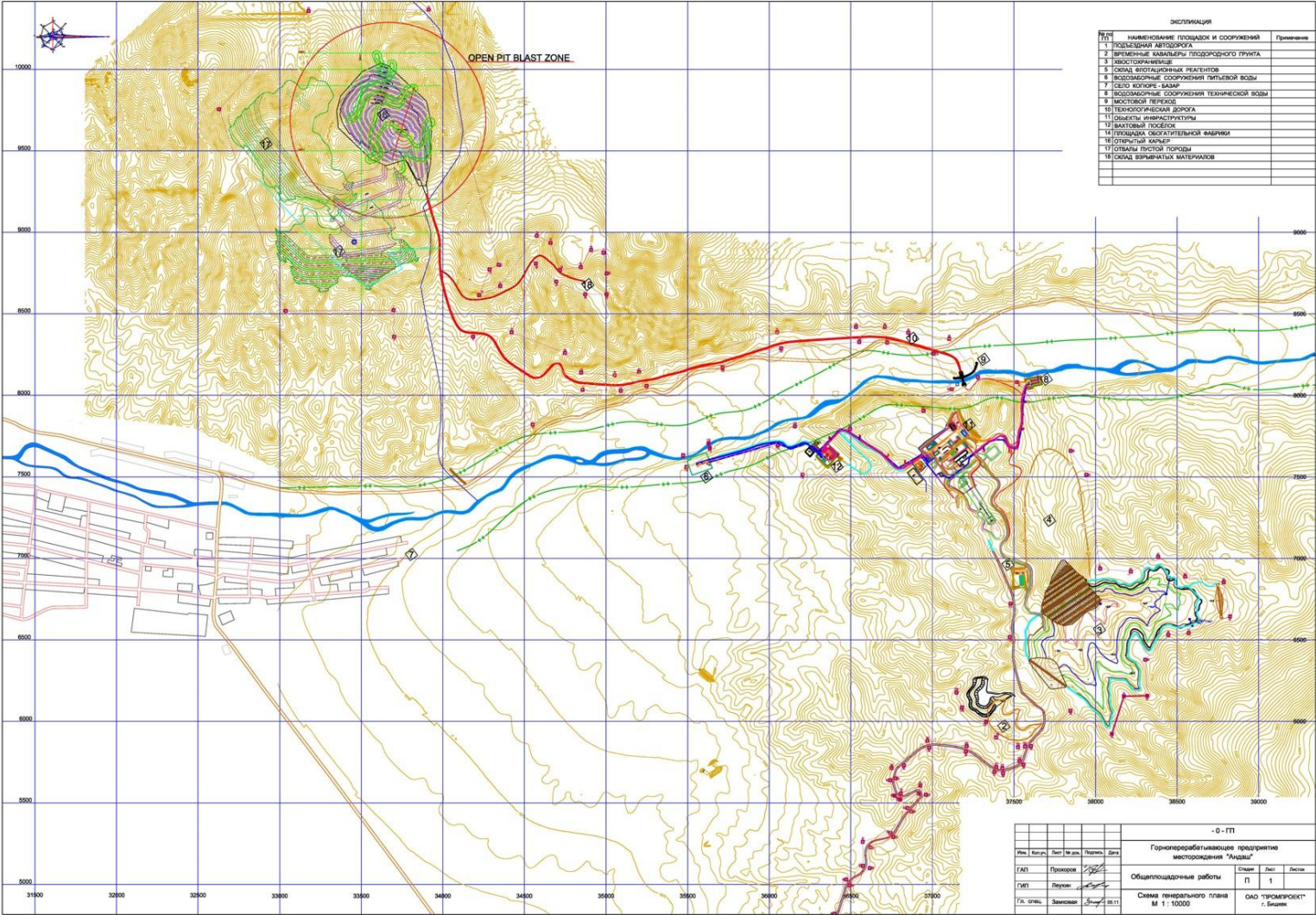


Comment: The Minserve review has not included matters discussed in Chapter 3.3 because it will be encompassed as part of the Robust Due Diligence and by Grant Thornton. Appendix 1 confirms the tenure in Russian and English instrument.

Andash Mining also holds an Exploration Licence over 4,900ha surrounding the Mining Licence.

The Andash Project proposed mine layout and access to the treatment plant as well as the tailings placement area is shown in Figure 3.3.

Figure 3.3 — Project Layout



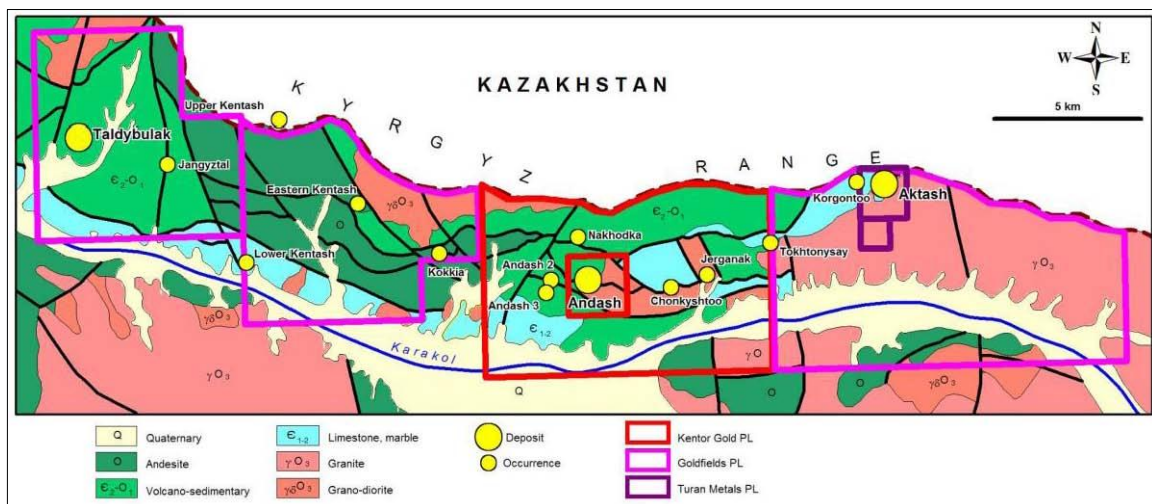
Source: KGL.

4 GEOLOGY

4.1 REGIONAL GEOLOGY

The licence area is part of the large Palaeozoic Tien Shan Foldbelt as shown in Figure 4.1, which transects the parts of Central Asia from China into Kazakhstan. It is the host to a large number of intrusion-related gold deposits including the world class Kumtor, Mairantau and Vasilkovsky mines. Similar Palaeozoic Foldbelts occur elsewhere in the world and are renowned for their mineral wealth, particularly gold and copper intrusion related deposits. The Andash Licence area is underlain by an east to west striking granodiorite/syenite intrusive measuring 5km long by 2km wide. There are smaller diorite stocks surrounding the northern margin of the main intrusive, whilst there are also granite bodies within the general area. The host country rock is Ordovician sediments and volcanics including andesitic tuffs and basalts.

Figure 4.1 — Regional Geological Setting of the Andash Deposit

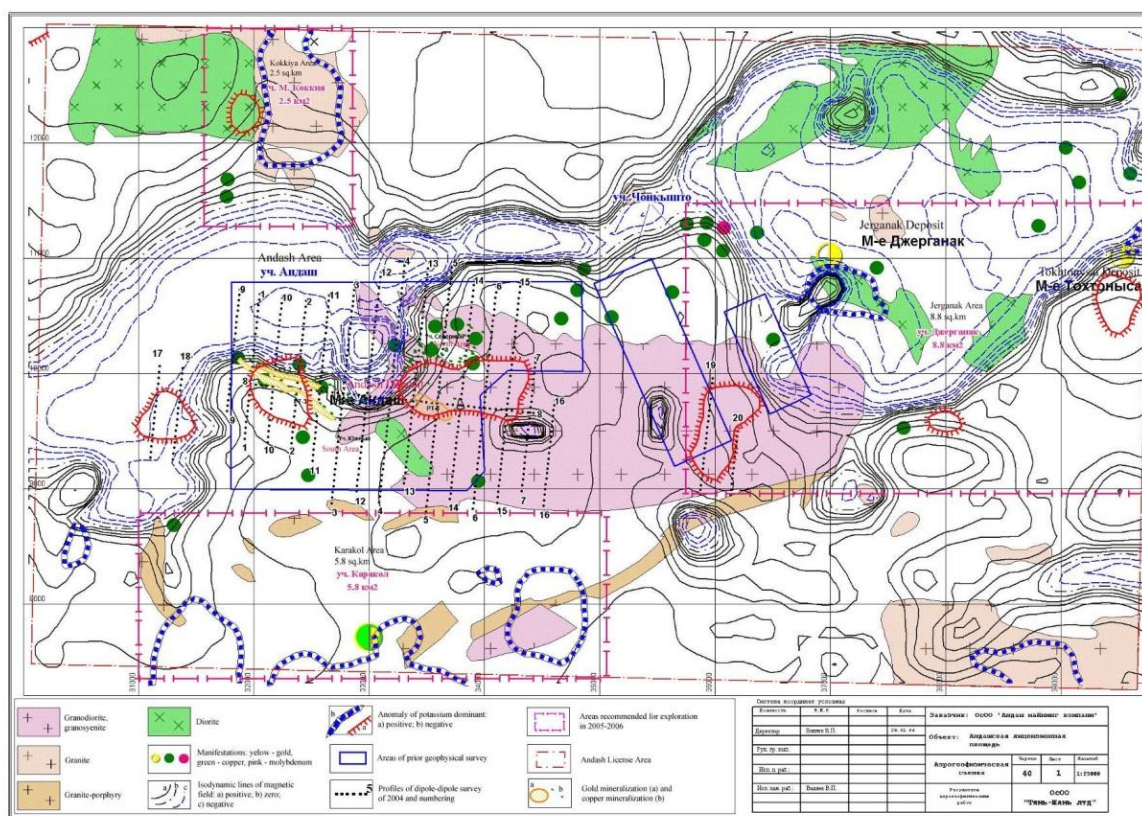


Source: Reference 14.

4.2 LOCAL GEOLOGY

The Andash Gold/Copper deposit is a quartz-sulphide stockwork, hosted in a breccia body, possibly an eruptive breccia, within a Devonian-aged granodiorite apophysis as shown in Figure 4.2. The breccia includes clasts of seemingly unaltered granite, locally porphyritic. There is a pervasive sericite alteration and there is a prevalence of chlorite in both the clasts and the breccia matrix; magnetite is also a characteristic of the mineral-related alteration. The brecciation is believed to have formed within the granodiorite mass seemingly a result of hydraulic explosion and sometimes more passive brecciation e.g. mosaic breccias. There are a number of later, barren, Permian porphyry dykes, 5-20m wide, which cut through the deposit roughly on a parallel axis to the deposit's dominant direction. There is a thin veneer of Quaternary cover, which is up to 7m thick in the valley floors. Minor faulting is associated internally with the deposit, the occasional rubble/clay zone is seen in the core, but the deposit does not appear to be significantly fault bounded at its margins.

Figure 4.2 — Andash Deposits

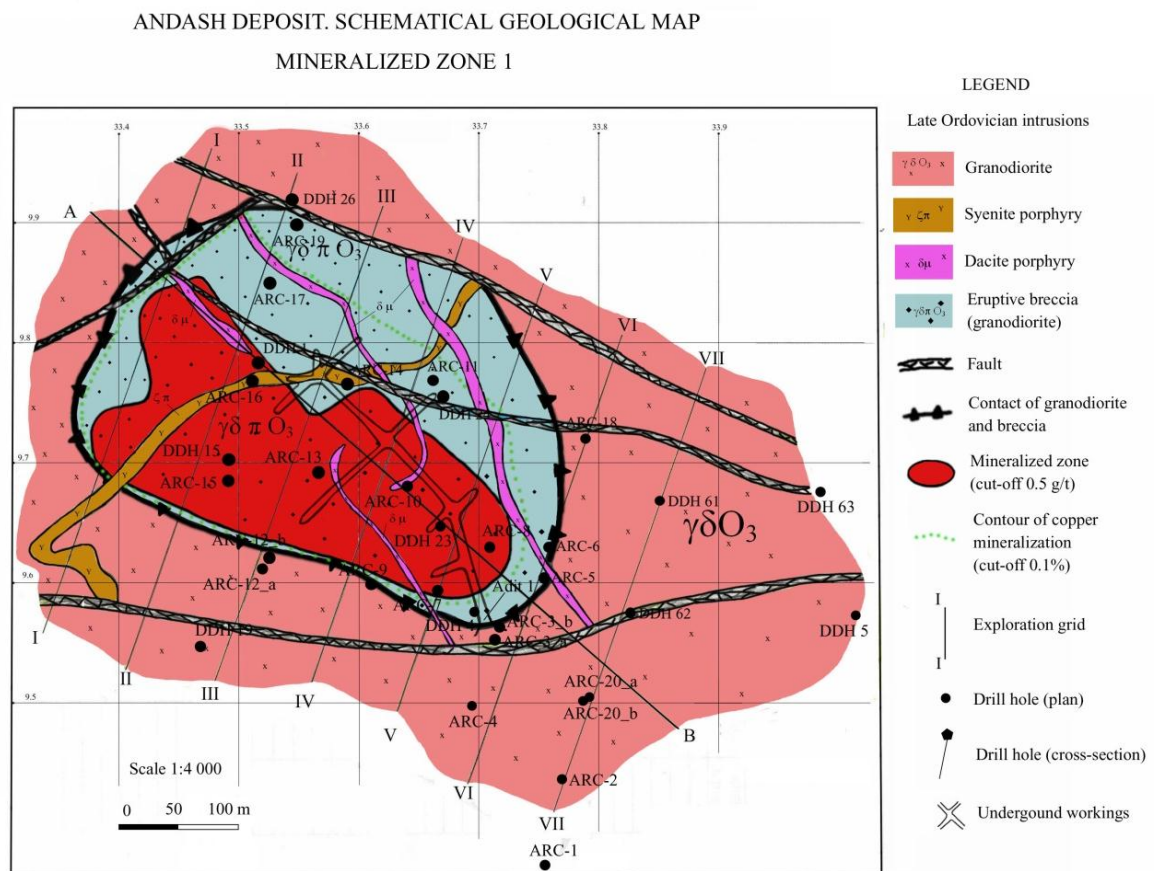


Source: Reference 14.

Primary economic mineralisation consists of chalcopyrite as disseminations, veinlets and recrystallised blebs. Gangue minerals include pyrite, quartz and magnetite. Gold occurs as fine grained free gold associated with quartz veining and as very fine disseminations or in chalcopyrite and pyrite. It is not clear what are the controls on the mineralisation, in particular if the mineralisation boundaries are diffuse or correspond to a marked change in either the granodiorite alteration phase or the primary rock type.

The Andash deposit setting is shown in Figures 4.3 and 4.4.

Figure 4.3 — Andash Deposit Geology Map

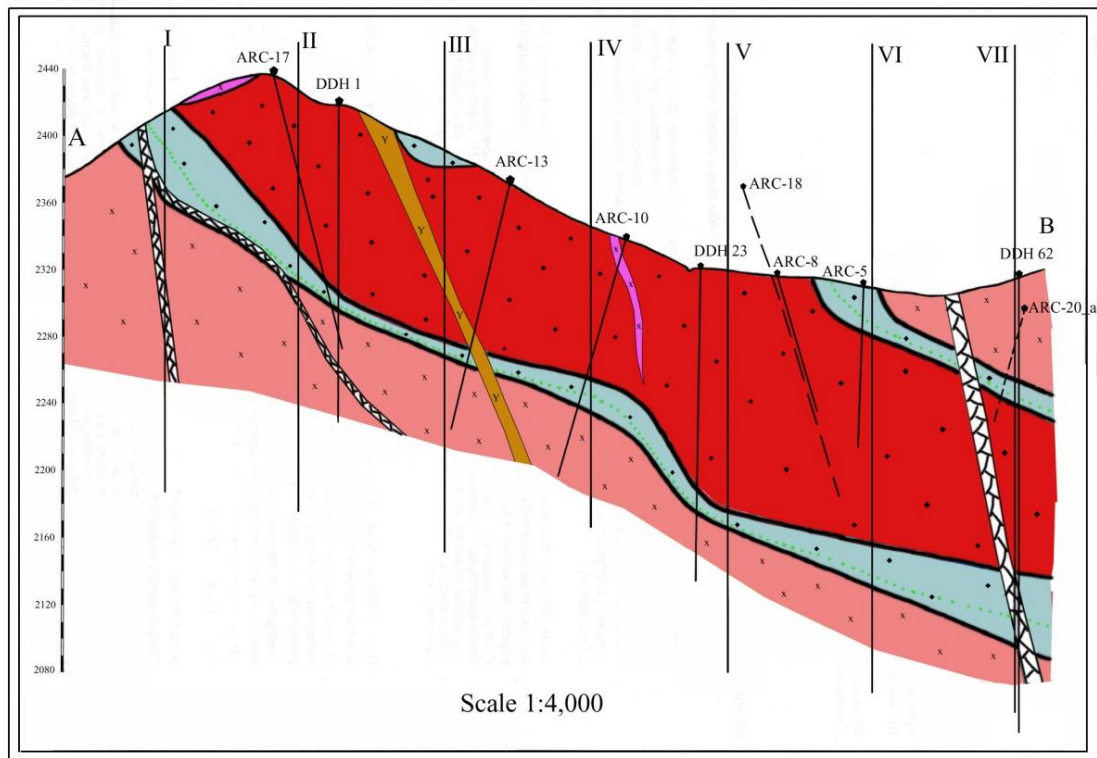


Source: Reference 14.

There has been a significant weathering overprint on the rocks which has converted a substantial amount of copper sulphide mineralisation to malachite. The weathering appears to be partial in that a lot of the host rock is only partly affected. There is no obvious evidence of any significant supergene effect with the majority of the malachite appearing to be formed from in situ oxidation of the copper sulphide species generally chalcopyrite. Of potential significance to mineral processing is the fact that the malachite mineralisation appears at depths of greater than 100m. It is noted that at greater depths the partial oxidised/fresh rock transition is quite variable with fresh rock interspersed with the weathered material. Chalcopyrite was readily visible in spoil material from the underground development.

Figure 4.4 — Andash Deposit Long Section

ANDASH DEPOSIT. LONG-SECTION AB
MINERALIZED ZONE 1



Source: Reference 14.

4.3 RESOURCE ESTIMATES

The deposit is a northwest to southeast striking elongate cylinder, tapering slightly at its southeast end with a 30° plunge to the southeast. Its dimensions are 600m of strike length with an average diameter of 150m. The mineralisation outcrops at its northwest end where its width is in excess of 200m.

There is a loosely defined central core of higher grade material (>1g/t Au) associated with the deposit, which has its long axis roughly parallel to the mineral shape.

The current resource estimation shown in **Table 4.1** was completed by Wardell Armstrong International (WAI). Through the resource estimation procedure, WAI used a 0.5g/t gold equivalent (Auequ) Cut Off Grade (COG) to identify the mineralised envelope. The 0.5g/t Auequ COG was used in historical resource evaluations and this has been supported by statistical study. Determination of the cut-off grade is detailed below:

$$\text{Sulphide Zone: } Au_{eq} = Au + 6,500/525 \times 31.1/100 \times Cu \times 64/67$$

where Au – gold grade g/t

6,500– assumed copper price (\$/t)

525 – assumed gold price (\$/oz)

Cu – copper grade (%); grade <0.15% considered as non recoverable and has no value;

67% and 64% – expected metallurgical recoveries for gold and copper respectively

$$\text{Oxide Zone: } Au_{eq} = Au + 6,500/525 \times 31.1/100 \times Cu \times 43/64$$

where Au – gold grade g/t

6,500– assumed copper price (\$/t)

525 – assumed gold price (\$/oz)

Cu – copper grade (%); grade <0.20% considered as non-recoverable and has no value;

64% and 43% – expected metallurgical recoveries for gold and copper respectively.

Resource estimation used a total 8,380 gold samples and 7,990 copper samples. Source data comprised drilling, surface trenching and underground adit sampling. These samples were composited on 2m intervals and were modelled using Ordinary Kriging. Search distances were 30 by 30 by 15m for Measured and 60 by 60 by 30m for Indicated Resources with the minimum number of data of 5 for Measured and 4 for Indicated with a 4 octant constraint for Measured. The data was loaded into a block model with a block size of 20 by 20 by 10m. An average density of 2.6t/m³ was used for oxide material and 2.7t/m³ for sulphide material. Reporting of the resources used a 1.25g/t Auequ as cut off. Barren dyke material and underground development had also been factored into the block model.

Table 4.1 — Andash Resource Summary @1.25g/tAuequ COG

Category	Type	Tonnage (kt)	Grade		Metal	
			Au (g/t)	Cu (%)	Au (kg)	Cu (t)
Measured	Oxide	923	0.88	0.50	808	4,638
	Sulphide	3,160	1.21	0.47	3,819	14,900
Indicated	Oxide	810	0.85	0.43	690	3,510
	Sulphide	14,305	1.11	0.38	15,910	54,260
Measured + Indicated		19,200	1.10	0.40	21,120	77,300
Inferred	Sulphide	379.6	0.93	0.25	351.4	950.2

Source: Reference 1.

Additional low grade resources were reported for the blocks with <1.25g/t Auequ within the mineral wireframe and are shown in Table 4.2.

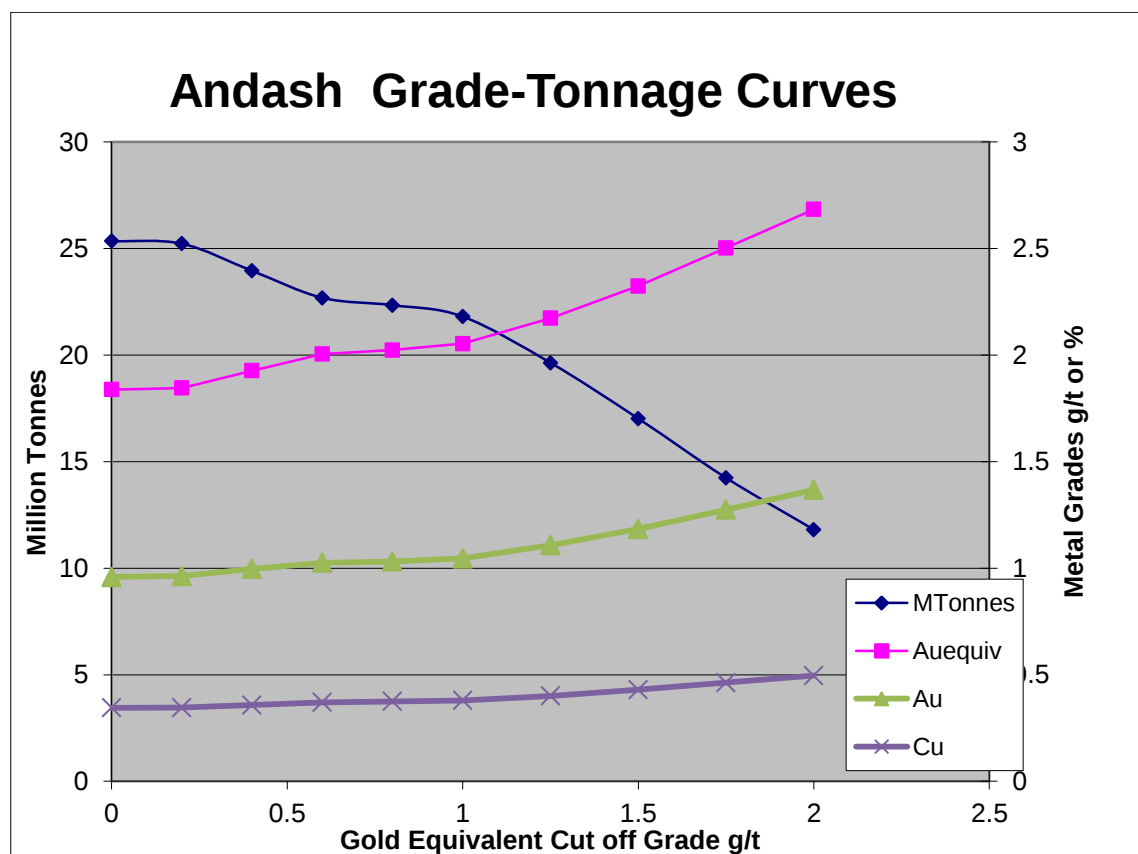
Table 4.2 — Andash Low Grade Resource Summary <1.25g/tAuequ COG

Category	Type	Tonnage (kt)	Grade		Metal	
			Au (g/t)	Cu (%)	Au (kg)	Cu (t)
Measured	Oxide	190	0.49	0.21	92	392
	Sulphide	100	0.40	0.17	40	177
Indicated	Oxide	550	0.50	0.17	280	953
	Sulphide	4,900	0.44	0.14	2,150	7,108
Measured + Indicated		5,740	0.44	0.15	2,562	8,630
Inferred	Sulphide	400	0.43	0.15	172	600

Source: Reference 1.

The results of reporting global resources for a range of gold equivalent cut offs is included as a set of grade tonnage curves (Figure 4.5).

Figure 4.5 — Andash Grade-Tonnage Curves



The resource estimates in **Tables 4.1 and 4.2** use a gold value of US\$525/oz, this is considerably less than the current price of approximately US\$1,400/oz. Thus conceivably a lower cut off could be used for the mineral shape definition causing an increase in the overall size of the deposit with a corresponding lowering of overall grade. The effects of lowering the cut off for reporting the resources can be seen in the grade tonnage figure above ie a modest increase in the resource with an accompanying modest drop in grade.

4.4 RESOURCE ESTIMATE QUALIFICATIONS

Risks to the resource estimates include:

- The search parameters are considered generous whereby it might be considered that there is an overstating of the amount of Measured and Indicated Resource;
- There are QA/QC problems with the historical data including some assay issues. The historical data accounts for more than 50% of the work completed on Andash;
- There are no recoveries for the Aurum diamond drilling following on from reports of 60-70% recovery with the earlier NKGE diamond drilling. The NKGE drilling accounts for over 60% of the diamond drilling;
- The modelling method used a grade shell without any geological control. This can lead to overstating of grade particularly around the margins of the mineralisation;
- The interpretation of the barren dykes is open to the possibility of different interpretations, even flatter-lying dykes. This could impact on block grade distribution, rather than the overall resource size;
- Possible effects on the mining of the resource associated with the oxidation zone and the possibility of a transitional zone. In respect to copper mineralisation the base of oxidation is considerably deeper than the supplied surface would seem to indicate;
- Possible effects on mineral recovery with the oxidation coatings on the chalcopyrite sulphide mineralisation.

5 MINING

5.1 ORE RESERVES

The mine design for the Andash deposit is based on an open pit, using contemporary mine planning techniques encompassing an optimised open pit using Lerch Grossman techniques, with high grade material mined as early as possible. The resultant design has been configured to allow for an arterial road along the northeast axis of the ore zone, matching the rugged and steep terrain.

The mineable reserves are based on a dilution of 5% (internal and external) and a mine recovery figure of 97% (ore losses). A cut-off grade of 0.18g/t Auequ has been used in the study.

The life of mine material movement is 27.38Mt, with waste comprising 11.39Mt. This gives an overall stripping ratio of 0.7 waste to ore.

The ore reserves derived from the mine design are shown in **Table 5.1**.

Table 5.1 — Ore Reserves for Andash Sulphide and Oxide Ore (10 July 2009)

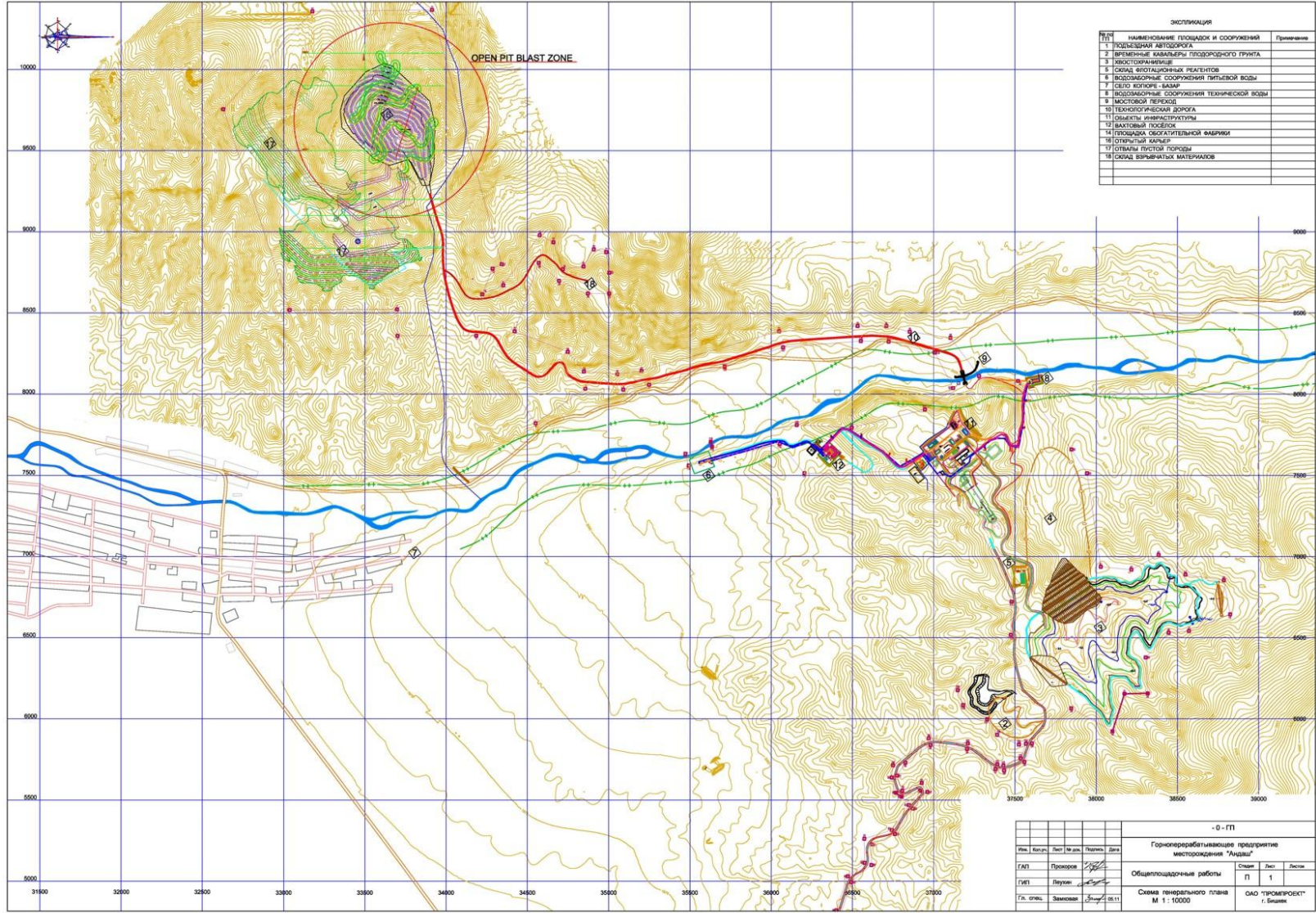
	Tonnes (kt)	Au (g/t)	Cu (%)	Au (oz)	Cu (t)
Proven Reserves					
Oxide	1,129	0.77	0.43	27,995	4,867
Sulphide	2,921	1.17	0.46	110,210	13,408
Subtotal	4,050			138,205	18,275
Probable Reserves					
Oxide	1,389	0.68	0.31	30,155	4,315
Sulphide	10,559	1.09	0.39	371,370	40,896
Subtotal	11,948			401,525	45,211
Total Reserves					
Oxide	2,519	0.72	0.36	58,150	9,182
Sulphide	13,480	1.11	0.40	481,580	54,304
Total	15,999			539,730	63,486

Source: Reference 1.

5.2 SITE LAYOUT

The overall site layout is shown in **Figure 5.1**. As can be seen there is a 6km one way haul from the pit to the treatment plant located near the tails emplacement, this requires a crossing of the river. Pumping of tails over the river was not allowed.

Figure 5.1 — Overall Site Layout



5.3 PRODUCTION PLANNING AND SCHEDULING

Ore reserves within the final pit are 16Mt at 1.05g/t Au and 0.40% Cu with an average waste to ore ratio of 0.72:1. This includes applying a nominated mining dilution of 5% with 3% loss of tonnes.

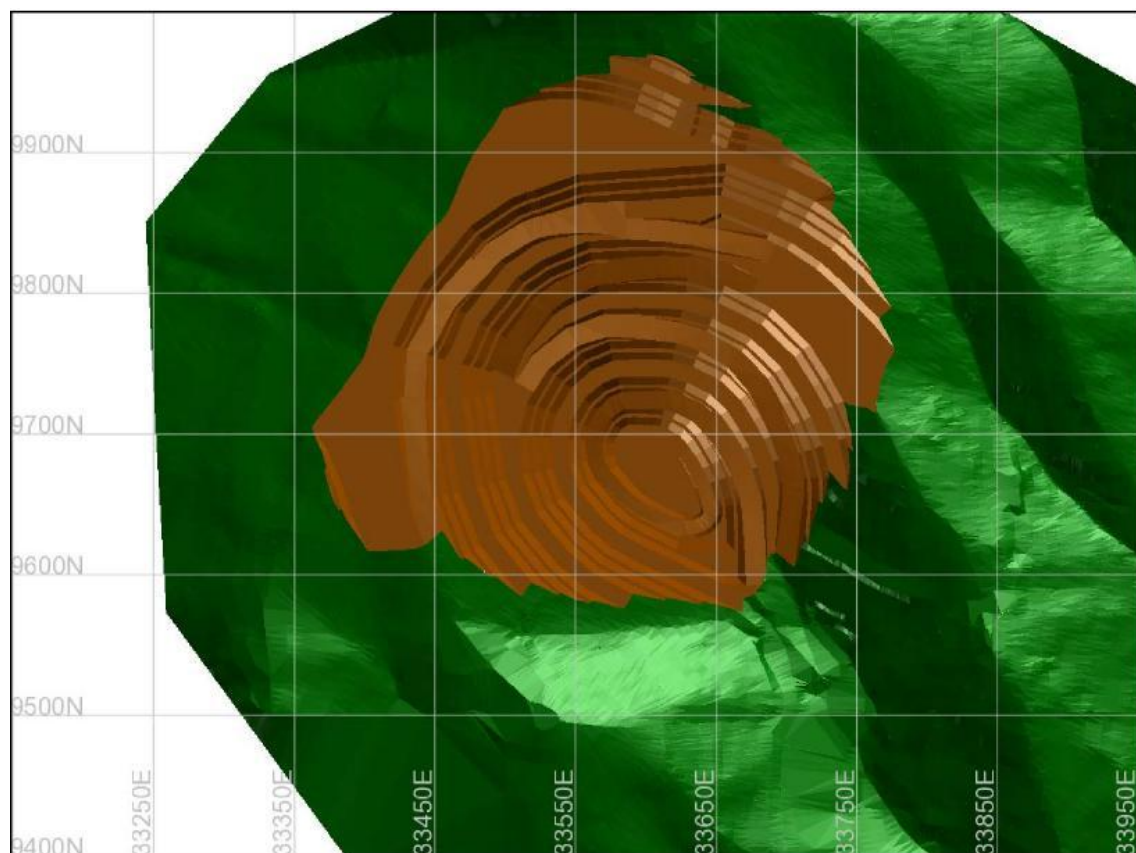
The mine schedule was based on a two stage pit development sequence. The starter pit essentially focused on extracting high grade without the large quantities of waste that would be required if only the final design was used (i.e. a single stage pit).

The production schedule runs for almost seven years with just under six years of mining and an additional year of mill feed from oxide ore stockpiles.

To improve cash flow, high grade sulphide ore with an elevated cut-off grade of AU1g/t was used as mill feed for as long as possible. The second source of mill feed is the low grade sulphide material which is stockpiled and blended with the high grade sulphide as required (i.e. when insufficient high grade exists to feed the mill at capacity). The final mill feed type is oxide ore which is stockpiled and will be processed after all sulphide ore is exhausted. All waste material is assumed to be stockpiled close to the pit.

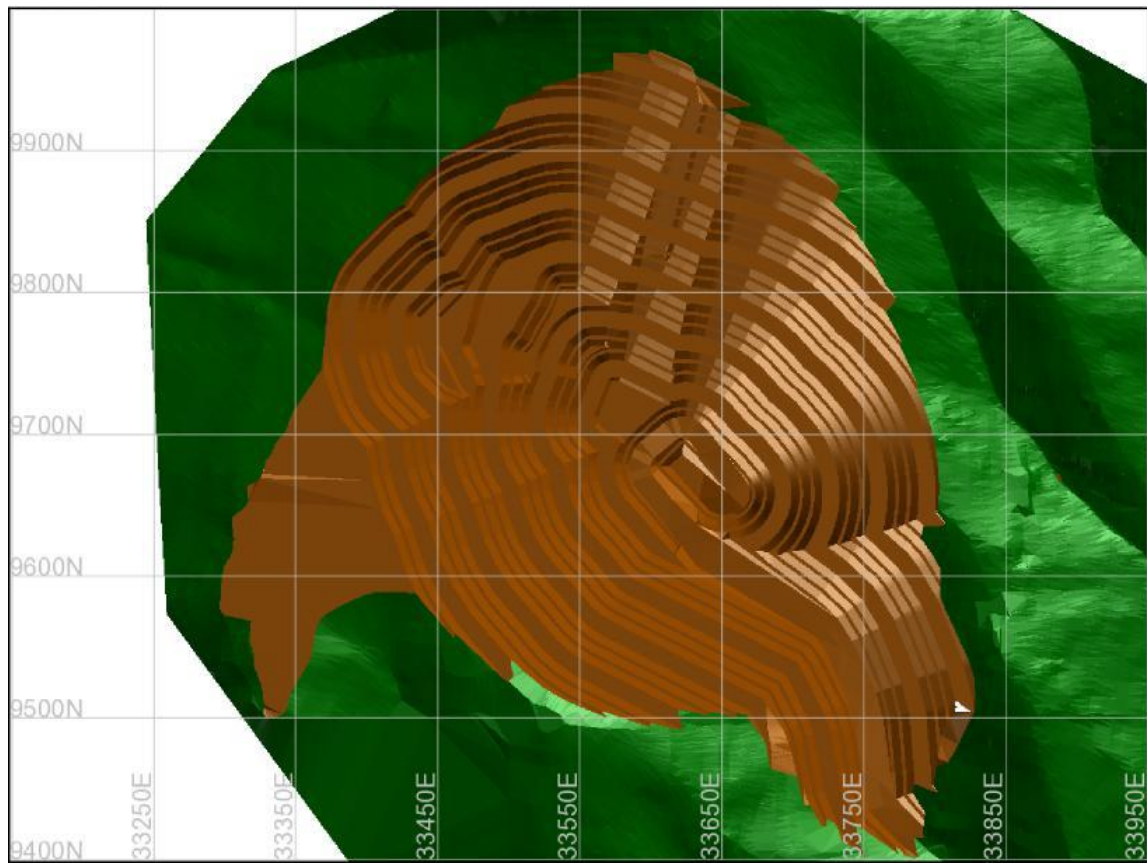
The mill requires a feed rate of 1.5Mtpa in the first 1.5 years of its operation and 3Mtpa thereafter.

Figure 5.2 — Plan View of Starter Pit



Source: Reference 1

Figure 5.3 — Plan View of Stage 2 (Final Design)



Source: Reference 1

Some aspects of the mining schedule are:

- Mining maintains a total rate (waste and ore) of 170,000bcm per month from Year 1, Month 1 until Year 3, Month 4;
- Low grade sulphide ore is processed in Year 1, Month 9 to commission the mill. After this time high grade sulphide becomes the main source of mill feed until availability is reduced and low sulphide ore is required to be blended;
- First high grade sulphide ore is mined in Year 1, Month 4. By the start of processing in Year 1, Month 9 a stockpile of 139,000t of high grade sulphide ore is accumulated;
- Mining commences on the final pushback (Stage 2) in Year 2, Month 4 becoming the sole production source when the starter pit is finished in Year 3, Month 4. The final pit is completed in Year 6, Month 11;
- Sulphide feed finishes in Year 6, Month 12. After this oxide is the sole ore type;
- From Year 3, Month 5 the total mining rate decreases to 140,000bcm per month. At Year 5 Month 3 it is further reduced to 124,000bcm per month and then the final four months of the pit life it steadily decreases to 43,000bcm per month;
- Ore processing continues into Year 7, Month 10 to deplete the oxide stockpile.

Table 5.2 — Ore Mining Schedule

Stage	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Ore Mined (kt)								
Starter	6,416	2,589	3,221	606	0	0	0	0
Stage 2	9,584	0	527	1,796	2,408	2,499	2,354	0
Total	16,000	2,589	3,748	2,403	2,408	2,499	2,354	0
Au g/t								
Starter	1.08	0.74	1.18	2.00				0
Stage 2	0.98	0	0.78	0.82	0.91	1.13	1.06	0
Total	1.03	0.74	1.12	1.12	0.91	1.13	1.06	0
Cu %								
Starter	0.43	0.37	0.44	0.63				0
Stage 2	0.36	0	0.36	0.35	0.33	0.39	0.36	0
Total	0.39	0.36	0.43	0.42	0.33	0.39	0.36	0

Source: Reference 1

Table 5.3 — Mine Movement Schedule

Stage	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Ore (kbcm)								
Starter	2,403	975	1,203	225	0	0	0	0
Stage 2	3,559	0	198	666	895	928	872	0
Total	5,962	975	1,402	891	895	928	872	0
Waste (kbcm)								
Starter	1,281	1,048	233	0	0	0	0	0
Stage 2	2,985	0	387	901	786	598	313	0
Total	4,266	1,048	620	901	786	598	313	0
Waste to Ore Ratio								
Starter	0.53	1.07	0.19	0	0	0	0	0
Stage 2	0.84	0	1.95	1.35	0.88	0.64	0.36	0
Total	0.72	1.07	0.44	1.01	0.88	0.64	0.36	0
Waste + Ore (kbcm)								
Starter	3,683	2,022	1,436	225	0	0	0	0
Stage 2	6,544	0	586	1,567	1,681	1,526	1,185	0
Total	10,227	2,022	2,022	1,792	1,681	1,526	1,185	0

Source: Reference 1

5.4 MINE EQUIPMENT FLEET

Table 5.4 presents the mining fleet that Andash Mining has purchased for the mine. It is expected that three more haul trucks will be purchased for the commencement of mining as the current fleet is unable to support the 6km haul to the ROM pad. Some additional light vehicles will also be required to provide adequate resources for the proposed operation.

Table 5.4 — Current Mining Equipment Fleet

Major Plant and Equipment	Size/Capacity	Fleet
PC 1250 Excavator	110t operating weight	1
PC 450 Excavator	43t operating weight	1
HM 400-1 Articulated Haul Truck	36t payload	9
Komatsu D375 Bulldozer	60t	1
Komatsu GD675 Grader		1
Water Trucks	15,000 litre	2
Service Truck		1
Komatsu WA600 Front End Loader		1
In-Pit Dewatering Pump	4 Inch Diesel	1
Atlas Copco ROC D7 Drill Rig		2
Explosives Mixing and Delivery Truck		1

Source: Reference 1

5.5 EX-PIT WASTE DUMPS

The waste emplacement will be close to the open pit. Previous studies have found the waste rock to be benign (i.e. non-acid generating) therefore no environmental considerations were taken into account for the waste emplacement other than sediment control.

Knight Piésold studies indicate the dump to be stable under normal conditions up to and including Operating Basis Earthquake (OBE) conditions.

5.6 MINE OPERATIONS

Sulphide ore will be hauled to the ROM pad for direct dumping to the crusher or placement on the ROM stockpile for later re-handle to the crusher by the Komatsu WA600 front end loader. Low grade material and oxide ore will be stockpiled and used later to supplement the mill feed when the processing rate is increased. The oxide ore is planned to be processed after all sulphide material is exhausted from the pit and stockpiles.

5.7 WORKFORCE

It is estimated that each piece of machinery will require one operator per shift on a four shift roster, a total of four operators per machine. Leave relief is estimated on the basis of five weeks per year for each operator (9.6%).

In addition to the operators AMDAD estimated a KGL gold technical services team of 16 employees. This team includes mine manager, maintenance supervisor, four shift supervisors, two mining engineers, two geologists, a surveyor, three technical assistants and two clerical staff.

Table 5.5 — Mine Workforce

Position	Number
Excavator Operators	4
Truck Drivers	48
Blast Hole Drillers	4
Blast Crew	8
Water Truck Drivers	4
Grader Operators	4
Bulldozer Operators	4
Earthworks Crew	3
Stockpile Loader Operator	4
Leave Relief	8
Service Crew	2
Maintenance Crew	23
Shift Supervisor	4
Maintenance Supervisor	1
Clerical Staff	2
Mine Manager	1
Mining Engineer	2
Geologist	2
Surveyor	1
Technical Assistants	3
TOTAL	132

5.8 MINERVE REVIEW

5.8.1 Boundaries and Permits

Section 2.3 of the DFS Executive Summary explains the permits obtained to enable the Project to proceed. Figure 2 shows a Mining Licence area, which does appear to cover the open pit excavation. It is stated that the Mining Licence is valid until 31 December 2017 – however, there is no elaboration on the possibility of extension beyond this date, which would be required for a six to seven year project commencing after 2013. This situation should be clarified.

The file “GA of Andash.pdf” shows the Land Allotment boundary. Whilst it covers all the elements of the site layout shown on the GA, Minserve is concerned that it is close to installations in several areas. The detailed design phase may have difficulty in accessing some areas inside the boundary due to the hilly terrain. Access and working roads for activities and installations such as environmental monitoring, sediment traps and dams, clean water diversion drains, topsoil storage and rehandling needs to be provided.

Whilst not explicitly covered in Section 17 of the DFS Executive Summary, there does not appear to be any cultural heritage restrictions over the areas required by mining.

A check on possible sterilisation of resources was done by comparing the Andash Prospects (Figure 12.1) with the overall site layout (Figure 5.1). It shows that the waste rock emplacement (WRE) position to the south of the pit could clash with the Andash South prospect, whilst the possible WRE to the west of the pit would go close to the Andash 2_3



prospect. As these prospects have been given zero value in section 12, this may not be a problem, however KGL are advised to review possible sterilisation of resources by the WRE.

5.8.2 Site Layout and Designs

General Arrangement

There is some confusion about the final proposed site layout, due to inconsistencies in figures and text in the various DFS documents:

- WRE location:
 - The file “GA of Andash.pdf” shows several WRE’s to the south and southwest of the pit;
 - The site layouts in the DFS Chapters 5 and Executive Summary show a WRE south of the pit;
 - It is assumed that the position south of the pit is the final WRE selected location.
- ROM pad location:
 - Section 6.6 of the DFS indicates that the ROM is on the northern side of the Talas River, whilst section 6.11.2 says “The average haul distance to stockpile is 4.3km”, again indicating a site north of the river;
 - Figure 7.1 of the DFS shows an area to the east of the WRE labelled “Crushing Area”, yet section 7.4.1 discusses a 6km haul to the ROM;
 - The DFS Executive Summary refers to a 6km haul to the ROM, with Figure 5 showing the crushing system being on the south side of the river;
 - It has been assumed that the final location is on the south side of the river, with a 6km haul.

Road Design

Table 6.7 of the DFS shows the haul road assumptions to arrive at a 17.5m total road width. Note that the reference to a 15m wide road in DFS Section 6.4 is assumed to be erroneous. This appears satisfactory for the specified articulated trucks. It is assumed that the winding green road over the pit area in the file “GA of Andash.pdf” is the initial access road, used to haul down for the Stage 1 pit. The geometry of this road would limit the speeds attained by the trucks. Some widening in switchbacks or tight corners would be beneficial for haul speeds if topography allowed. No data has been provided to check the validity of cycle times for trucks using this road.

It is assumed that water controls will be incorporated into the road design in the detailed design phase. In particular, intercepting sediment and possible contamination running down the road toward the river will need to be addressed.

Pit Design

The pit designs are shown in **Figure 5.2** and **Figure 5.3**. These designs appear sound overall, with adequate width and smooth shapes. Whilst no provision for dewatering infrastructure appears to have been made, the low expected inflow rates indicate this is unlikely to be an issue.

Minserv do raise a possible issue with the operability of the Stage 1 pit design where it interfaces with Stage 2. Blasting activities in Stage 2 will throw material over onto the haul ramp left behind in the northeast wall of Stage 1. Unfortunately, Figures 7.8 to 7.13 in the DFS Section 7 do not show external roads, but it is assumed that hauling from Stage 2 is via the ramp left behind in the Stage 1 pit wall. Blasting rill would reduce ramp width, forcing single lane sections of road until the ramp could be cleaned out safely. Either the haul cycle times need to allow for delays through these areas, or preferably an extra lane is added to affected haul roads to allow for containment of the spillage whilst still enabling two-way hauling.

Waste Rock Emplacement Design

There is insufficient detail in the documents to determine the operability of the WRE. It is unclear what the intermediate and final WRE would look like, or how it would be accessed. Some key issues that should be investigated further by KGL are:

- Verify the construction method for the WRE. If it has to be built from the bottom up in small lifts to ensure stability in an earthquake zone, then roads down the valleys will need to be built, and trucks will have long downhill hauls. This could have a significant impact on mining costs;
- Long term access requirements to the WRE and the toe need to be considered. Rehabilitation, maintenance, water management, and environmental sampling may require access to some or the entire dump, yet there appears to be no roads or ramps left behind;
- There does not appear to be any water controls such as sediment dams, clean water diversion drains, or drop chutes in either the designs or costs.
 - Consideration should be given to what controls may be required if water quality off the WRE is found to be impacting adversely on the river downstream, especially considering the location of the town relative to the runoff from the WRE. Conditions do not need to be acidic for some metals and metalloids to mobilise and exceed allowable discharge levels applicable in Australia. Minserv is not informed of the relevant water quality standards in the mine area – this should be checked and considered by KGL;
- There does not appear to be any provision for topsoil stockpiles around the WRE for later rehabilitation.

Mine Infrastructure Designs

There are no designs available of mine infrastructure such as crib rooms, hardstands, maintenance facilities, magazines or offices, so little input can be provided.

The location of the magazine appears to be well selected, with suitable separation distances from other infrastructure.

The location of the mining offices and crib huts outside the blast radius is noted.

The maintenance workshop is a significant distance from the mine, so only wheeled equipment will practically be able to be maintained in the facility. Tracked machines will need to be maintained in the field.

The only diagram of the ROM has been Figure 14 of the DFS Executive Summary. No detail on the ROM pad or its capacity is provided. Given the distance of the ROM from the mine, and lack of planned dozer capacity, the wheel loader feeding the crusher will have to maintain the stockpiles for the trucks. As the mine plan calls for high grading of the deposit in early years, as well as treating oxide ore at the end of the mine life, reasonable stockpiles will be required. In the evidence available to Minserve, there does not appear to be adequate provision for these stockpiles.

Another aspect to consider when sizing the ROM pad is campaign mining of ore. There is only one production digger planned for the site, and ore is to be mined on day shift only where possible. This means that the digger will have to tram between ore and waste faces, possibly in separate stages. This will reduce the productive time of the load and haul fleet. In order to minimise production losses, the number of walks between pit stages would be kept to a minimum – this would result in mining and stockpiling enough ore for to allow for a reasonable time mining in Stage 2. Ideally, the ROM would be able to hold at least 2 weeks' worth of ore.

5.8.3 Operations

Ore Mining

Figure 4.3 and the associated text in section 4.2 indicate that the economic part of the orebody appears to be a porphyry style deposit in a pipe shape, with consistent distribution of ore. Dilution sources may be limited to the periphery of the pipe, plus at the contacts with barren dyke intrusions. Without further detailed geological cross sections showing blocks above cut-off grade, it is not possible to review the dilution and loss figures used for the study. However, operating practices would need to be good to achieve these figures, and would need to include:

- Careful drill and blast practices around the dilution contacts, including blast movement measurement;
- Control of blast throw at the boundary of the pit stages 1 and 2, where ore could be thrown over the high wall;
- Careful ore spotting and mark-up, and control of flitch height, to enable selective mining around dykes and contacts. Managing loss and dilution on the flat dipping contacts will be particularly important.

Given Andash's aims to maximise employment from the local areas (DFS Executive Summary Section 12), it would be prudent to contract several experienced technical and operations personnel in the early part of the project to quickly develop practices to achieve the ore loss and dilution targets whilst the skills of the locals are being built up. Experts in drill and blast,

excavator operation, grade control and surveying would be required. There is no mention of such a strategy in the DFS, so it is unknown if the cost estimate allows for such expertise. Thus, extra operating costs in Year 1 may be required.

Grade control is to be based on blasthole sampling (DFS Executive Summary Section 4.2). It will be important to sample each flitch individually when working around dykes and the orebody periphery to properly identify the ore-waste interface. Excavation direction should be selected to enable clean mining of contacts, especially when working on the flat dipping footwall of the orebody. The selection of 6m benches in ore, which would be mined in approximately two 3.25-3.5m flitches after heave, is acceptable and suited to the PC1250 excavator. The plan to mine ore on day shift only is ideal.

Waste Mining

Assuming that there is a lack of any waste rock types requiring identification, handling and storage for environmental management, then waste mining would be relatively straightforward. Waste would be marked up as one type, and dumped in the most convenient location in the WRE.

Drill and Blast

The drill and blast parameters are sound and acceptable for this level of study. Due to their width (typically 4-6m) and similar hardness, the dykes are unlikely to cause abnormal drill and blast results.

Increasing the bench size from 6m to 12m in waste only benches would likely yield lower drill and blast costs, through more efficient drilling practices and being able to open up the pattern more for the same powder factor.

As discussed previously, a highly experienced drill and blast expert would be recommended in Year 1 to ensure dilution and ore loss assumptions can be achieved.

Ancillary Works

There is little discussion of ancillary works in the DFS. Section 7.4.3 mentions stockpiling of topsoil for use later, but there are no topsoil stockpiles shown around the pit or WRE, and no schedule activity for either stockpiling or rehandling of topsoil in the cost model. This appears to be an oversight.

Road maintenance and the use of a PC450 for ancillary works are discussed through the report. These types of machines are suitable for the ancillary works. It is assumed that the TSF construction is separate to mining activities, as there appears to be no ancillary machines such as compactors and more dozers and water carts to condition material.

Crusher Feed

A WA600 should be capable of achieving the desired plant feed rate, assuming leads are kept less than 125m and operating hours are high. The loader will have to maintain the stockpiles at the ROM also.

5.8.4 Equipment Assumptions

Due to the number of parameters to be checked and discussed, dot points will be used in this section.

Load and Haul

The main production machine for the pit is a Komatsu PC1250-7 excavator. The assumptions for the digger loading the articulated trucks are presented below, along with Minserve's assumptions.

Table 5.6 — Load and Haul Assumptions

Parameter	Unit	DFS	Minserve
Material type		Ore/waste	Ore/waste
Material density	t/bcm	2.65	2.65
Hydraulic Excavator			
Model		PC1250-7	PC1250-7
Configuration		Backhoe	Backhoe
Operating Weight	Kg	109,500	109,500
Bucket size	m3	6.70	6.70
Fill factor	%	90%	90%
Swell	%	135%	150%
Loose per pass	cu.m	6.03	6.03
Prime per pass	cu.m	4.47	4.02
Seconds per pass	Sec	35	35
Spotting time	Sec	30	35
Passes to load truck	#	3.70	3.70
Actual passes	#	3	3
Truck load	t	35.5	32.0
Truck load	cu.m	18.1	18.1
Proportion of truck weight capacity	%	97%	88%
Proportion of truck volume capacity	%	81%	81%
Truck			
Model		HM400-1	HM400-1
Weight capacity	t	36.50	36.50
Volume capacity	cu.m	22.30	22.30
Fleet			
Time to load one truck	sec	135	140
Dig rate per hour fully trucked	bcm/hr	358	310
Truck presentation factor	%	100%	92%
Hourly dig rate	bcm/hr	357.6	285.3
Schedule			
Shift per day	#	2.0	2.0
Hours per shift	hr	12.0	12.0
Dig hours per shift	hr	9.0	10.0
Dig hours per day	hr	18.0	20.0
Shifts per week	#	14	12
Days per year	d	364	309
Weekends	d	0	0
Public holidays	d	2	2
Shutdowns	d	5	5
Wet weather	d	5	5
Days per year	d	352	297
Dig hours per year	hrs	6,336	5,948
Annual movement	bcm/yr	2,265,754	1,696,995
	tonnes/yr	6,004,247	4,497,037

It is Minserve's opinion that many of the DFS parameters are representative of very good mining practices – a situation that is unlikely to be present **on average** at Andash. An explanation of some of the differences is given here:

- The PC1250 bucket size is given as 6.7m³. This must be a mass excavation set-up, with a short boom and stick. At Minserve's assumed 50% swell factor into the bucket and tray, this meets Komatsu's specification that this bucket is for materials up to 1.8t/m³ density only.
 - The machine would be operating out of specification with the DFS assumptions. Given the intention to run this machine for 35,000 hours, this is not recommended without increases in maintenance costs and downtime for boom and stick repairs;
- A 30 second spot time is for good operations. On average, Minserve finds that this is not usually achieved;
- The truck payload used by the DFS costs is 36.5t, despite the analysis above for the DFS indicating 35.5t. This is the OEM rated payload for the machine. Careful specification of the body is required to achieve these ratings in the real world. Given that trucks were purchased for this site, checks of the actual payload in materials of similar SG should be undertaken to verify the payload. Mining productivity and costs are particularly sensitive to payload.
 - Minserve expect a more realistic 32t average payload, consistent with 3 pass loading, should be used as a long term average;
- A truck presentation factor of 100% is unrealistic. Variability in cycle times will always result in bunching unless the fleet is grossly under-trucked. Minserve's experience from actual mine dispatch data is around a 6% inefficiency factor. Also, there will be time lost with the excavator tramming between ore and waste, and for blasts. This was assumed to be 2% of time;
- The DFS then estimated annual operating hours for the fleet. There appears to be no allowance for downtime in this – though it is noted that an average of 9.0 hours per shift is conservative.
 - Instead, Minserve have assumed operations will achieve 10 hours per shift on average when the fleet is working normally, but the number of shifts per week are only 85% of the calendar time, to represent machine availability.

The net impact of these differing assumptions is that the fleet could reasonably be expected to achieve only 75% of the DFS annual material movement. A detailed strategy justifying how very good to best practices would be achieved by this site before higher numbers could be assumed as a base case.

A review of the other haul parameters generated the following comments:

- The downhill loaded truck haul speed has been assumed in the DFS to be 25km/h. This is reasonable; however road maintenance practices will be important during slippery winter conditions;
- The DFS assumed a dump time of 1.0 minutes.

- Minserv believe this is acceptable for tipping on a waste dump, but tipping on a small ROM pad or into a crusher is usually slower. Minserv recommend 1.5 minutes, considering the low strip ratio;
- The DFS cost model allowed for a delay of 0.5 minutes per cycle. As discussed above, a value of 6% is recommended for truck inefficiency. The average cycle time was 25 minutes, generating a delay per cycle of 1.5 minutes;
- The haul cycles were examined and found to have several problems.
 - Errors in formulas were looking up incorrect haul distances, making many longer than they should have been. These were corrected;
 - The haul to the WRE was simply to the top of the dump. This would only be applicable if remote dozing and possibly dump slope stability radar monitoring was used. As this is not normal practice, approximate hauls to model construction of the dump from the toe up was added in. Note that this is only an allowance, as topography and waste dump designs were not available;
- Overall, the LOM haul hours increased by around 18%.

A comparison of the operating hour's assumptions is made in **Table 5.7**. Minserv do not expect that 90% availabilities of main production machines can be sustained at the Project. Harsh conditions, remoteness and a lack of a detailed maintenance execution plan are considered to not warrant high availabilities. Reliance on an OEM to provide maintenance services does not necessarily result in a high standard of maintenance practices.

Table 5.7 — Load and Haul Fleet Operating Hour Assumptions

ID	Model	DFS			Minserv Estimate		
		Availability	UofA	Hrs/yr	Availability	UofA	Hrs/yr
Exc 1	PC1250	90%	81%	6,145	85%	82.5%	5,941
Truck	HM-400	90%	81%	6,145	85%	82.5%	5,941

These changes in assumptions will alter the fleet output and numbers. Given that the excavator and 9 trucks have already been purchased some time ago, it is unlikely that the digger could be upgraded to a larger PC2000 that could meet the required schedule. Rather, there are two possible courses of action:

1. Revise the mining schedule to match the output of the PC1250.
2. Add more digging capacity in the form of an extra production machine.

It is not considered realistic to expect the PC450 to mine full-time to meet the current schedule, as it will be reasonably busy with ancillary and capital work such as rockbreaking on the ROM, scaling, drains, sumps, and road construction. Also, at 11 pass loading, it would struggle to physically load the trucks. A viable option would be to purchase a second WA600 wheel loader to supplement mining, and provide back-up to the main PC1250 and ROM loader. This makes sense for another reason, as will be explained.

A review of the revised haul cycles for ore and waste showed that for most hauls other than the upper benches in Stage 1, the hauls to the ROM pad are significantly longer than those to the WRE. Typically, the difference is 5 to 6 trucks. The number of trucks required for ore hauling to keep up with the PC1250 is from 9 to 11 operating trucks (at 100% availability), whilst the waste hauls only require from 3 to 6. Therefore, when hauling ore (which occurs for a significant amount of time due to the low strip ratio), there are 5 to 6 trucks available to be used. The back-up loader could use these spare trucks to achieve full utilisation of the truck fleet, matching the current schedule. When the PC1250 was on ore, there would only be 2 trucks spare, so it could be used for ancillary works such as loading stemming, rehandling topsoil, and aiding the dozers. Thus, schedule option 2 is preferred, though extra capital would be required.

Table 5.8 shows an estimate of the revised load and haul fleet compared to the DFS. Note that this excludes any tailings dam or rehabilitation requirements. On average, the WA600 would work 101 hours per month on moving waste to meet the required schedule from Year 1 to the end of Q1 Y3. A smaller machine could not be selected as it would not have the production rate required when trucks were available to meet the schedule targets, nor would it keep up with crushing.

Table 5.8 — Revised Load and Haul Fleet

Machine	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
DFS						
PC1250	1	1	1	1	1	1
WA600	1	1	1	1	1	1
Trucks	9-12	12	12-8	8	8	8
Minsolve						
PC1250	1	1	1	1	1	1
WA600	2	2	2	2	2	2
Trucks	10-14	14-15	15-10	10	9	9-8

Ancillary

Ancillary tasks have not been well defined in the DFS schedule. There seems to be several earthworks tasks such as clearing, topsoil stripping and rehandling, and drain formation that has been overlooked or incorporated into total machine hours without being separated out. As such, ancillary fleet requirements can only be approximated by Minsolve.

The immediate concern to Minsolve is the lack of dozer capacity in the DFS. One 375 dozer is grossly inadequate for a site layout such as Andash. The duties for a dozer on site would include:

- Support at the digger in the pit, including levelling of the blasted surface for the digger to sit on Preparation of drill patterns in the pit
- Clearing of topsoil and vegetation in advance of the pit;
- Clearing of topsoil and vegetation in advance of the WRE;
- Pushing tip-heads at the WRE.

Thus, it is obvious that there are two discrete locations for a dozer – in the pit, and on the waste dump. Due to the physical separation of the dump from the pit, one machine cannot cover both areas, and a wheel dozer would not be suitable. At least two track dozers are required to support the operation, with a case to be argued for a third machine in the early years when pioneering and clearing requirements are higher. However, instead of a third track dozer, the second WA600 wheel loader could assist the dozing fleet, as it can push dumps and clean up around the digger using its bucket.

It was also considered that the grader and water cart fleet was inadequate in the DFS in the early period when 15 trucks were in the fleet. Extra units are recommended.

The operating hours of the machines were adjusted also to better match Minserv's experience with open pit operations.

Table 5.9 — Ancillary Machine Fleet and Hours

Machine	Hours per year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
DFS							
PC450	6,145	1	1	1	1	1	1
Water cart	6,145	1	1	1	1	1	1
Grader	6,145	1	1	1	1	1	1
Dozer	4,575	1	1	1	1	1	1
Service truck	6,145	1	1	1	1	1	1
Minserv							
PC450	4,956	1	1	1	1	1	1
Water cart	4,054	2	2	2-1	1	1	1
Grader	5,242	2	2	2-1	1	1	1
Dozer	5,776	2	2	2	2	2	2
Service truck	3,050	1	1	1	1	1	1

Drill and Blast

The assumptions for drilling appear sound. The DFS nominated two drill rigs, but operating on day shift only, as that was all that was required. Minserv agrees with this assumption. The mine could drop back to one rig operating double shift from May Year 3 on, but there is little advantage as the rig would be already owned by the mine.

One explosives truck would be adequate for the small volumes of product to be used.

Miscellaneous

The cost model in the DFS only had 4 light vehicles (LV's), in addition to 1 existing vehicle. This appears far below what would be required. Minserv estimate 12 would be required (mining supervisor, bomb crew, dump crew, pit crew, services, maintenance x 3, technical services and management x 4).

Also, the lighting plant allowance of 1 (in cost model) to 4 (in DFS tables) seems inadequate. Minserv would allow for 2 in the pit, 2 on the dump, and 3 for road intersections, giving a

total of 7. It is assumed that the ROM would have permanent lighting in the rare case of hauling ore on night shift.

5.8.5 Labour Assumptions

The assumptions used in the DFS for personnel per machine are sound – however, the number of machines has now changed for Minserve's estimate. This has driven a change in the total number of personnel (**Table 5.10**). Additionally, the technical services numbers have been increased. Minserve believe that continuous coverage would be required, so 1 surveyor and 3 technical assistants would not work.

Table 5.10 — Comparison of Labour Numbers

Position	DFS Number	Minserve Number
Excavator Operators	4	4
Truck Drivers	48	60
Blast Hole Drillers	4	4
Blast Crew	8	8
Water Truck Drivers	4	8
Grader Operators	4	8
Bulldozer Operators	4	8
Earthworks Crew	3	3
Loader Operator	4	8
Leave Relief	8	11
Service Crew	2	2
Maintenance Crew	23	30
Shift Supervisor	4	4
Maintenance Supervisor	1	1
Clerical Staff	2	2
Mine Manager	1	1
Mining Engineer	2	2
Geologist	2	2
Surveyor	1	2
Technical Assistants	3	4
TOTAL	132	171

In addition to this, an allowance has been made in the Year 1 costs for experienced contractors/consultants to assist the operations in getting up to speed. It was assumed that expertise in geology, drill and blast, operations and projects would be required.

It has been assumed that the following functions are covered by other departments:

- Training of mine operators;
- Mine health and safety;
- Tailings dam construction and supervision;
- Initial capital projects, such as road, drain and water control construction;
- Mine closure and rehabilitation at the end of mine life.

5.8.6 Mining Schedule

The mining schedules for the DFS on the whole appear sound. Material movements are balanced, and higher grade sulphide feed is bought forward to increase early revenue. However, schedules of ancillary activities are not well defined. As outlined previously, activities such as topsoil stripping and rehandle, drain formation, and waste dump construction are not detailed. Also, ore stockpile rehandling is not in the schedule.

5.8.7 Mining Operating Costs

A thorough review with checks on local costs has not been possible in the time allowed.

A copy of the DFS cost model was modified with the changed assumptions as detailed in the preceding sections. So equipment operating assumptions and labour numbers were altered.

The rehandling of ore stockpiles does not seem to be in the cost model. No stockpile locations are shown on the plans, so Minserve is unable to accurately define what the impact on operating costs and fleets may be. However, it appears that about 500kt is stockpiled up at the WRE area early in the mine life, whilst approximately 9.1Mt has haul costs allowed down to the ROM pad area. As most of the activity occurs when the mining rate slows down and 4-5 trucks are no longer required, these machines may be used for this purpose. It was assumed that 4 trucks and a WA600 would do the rehandling – this was estimated to cost around \$4.2M. This was added into the operating costs.

Without changing any prices, the impact of the changes to operating assumptions is in the order of a 20% higher mining operating cost. Further updates have been made to the prices of some items, based on a recent mining cost estimate for an open cut operation in Kazakhstan. The key changes made and their impacts on the total LOM operating cost are listed here:

- Diesel price change from \$0.57/L to \$0.80/L - +\$7.8M;
- Changes in salaries - \$+4.9M
 - Operators increased to around \$14,000 to \$20,000 pa, fitters \$20,000pa, supervisor \$25,000pa, technical staff \$10,000 to \$40,000pa;
- Ammonium Nitrate from \$410/t to \$700/t - +\$1.0M.
- Added allowances in for mine safety, training, and infrastructure cleaning and maintenance.

The revised total operating costs are summarised in **Table 5.11**.

Table 5.11 — Comparison of Mining Operating Costs

Mining Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
DFS - \$k	6,675	10,518	8,824	8,267	8,020	6,941	0	49,244
Minserve - \$k	9,958	14,740	13,056	12,397	11,672	10,183	1,288	73,293

5.8.8 Mining Capital Costs

Minserv are not familiar with capital costs for items in this geographic location, so capital costs are based on similar items in Australia.

Table 5.12 — Minserv Capital Cost Estimate

Item	Unit	Cost/Unit	No. of Units	Total Cost (\$k)	
Buildings	lump sum	1,488k	1	1,488	As per Merit review
Magazine	lump sum	60k	1	60	Merit
Software	ea	45k	3	136	DFS
Detailed Design phase study	lump sum	250k	1	250	Allowance
Geotechnical study	lump sum	250k	1	250	Allowance
GPS equipment	lump sum	100k	1	100	Allowance
WA600 loader	ea	2,500k	1	2,500	2010 price
Articulated truck	ea	550k	6	3,300	2012 quote
Water truck – 15kL	ea	300k	1	300	2012 quote
Grader	ea	1,000k	1	1,000	Discounted for Komatsu brand
Dozer	ea	1,800k	1	1,800	Cost database
Lighting plant	ea	35k	6	210	Cost database
Light vehicles	ea	45k	11	495	Allowance
Workshop forklift/tyre handler	ea	200k	1	200	Cost database
25t crane	ea	300k	0	0	Assume can borrow
Bus	ea	150k	1	150	Allowance
Poly Pipe	m	20	10,000	200	Allowance
Misc pumps	ea	15k	2	30	Allowance
Safety signs, lights, barricades	lump sum	25k	1	25	Allowance
First fill stores	lump sum	1,000k	1	1,000	Allowance
Water cart standpipe	ea	50k	1	50	Cost database
Drill consumables trailer	ea	30k	1	30	Cost database
Radio's	ea	1,000	22	22	Quote 2013
Recommission fleet	lump sum	1,000k	1	1,000	Allowance
Workshop tooling	lump sum	450k	1	450	Allowance
Pre-production Mining	lump sum	3,702	1	4,504	Allowance
TOTAL				19,551	

It is assumed that capital for the training centre where mining operators would be trained has been included in another capital budget. Additionally, tailings dam construction and raising has not been considered to be part of mining. It has been assumed that use of a Franna crane by the mine maintenance department from other departments is possible. It has been assumed that initial site earthworks for the mining area also allowed for building sediment traps and drains around the dump, pit and access road areas.

Sustaining capital is summarised in the **Table 5.13** below.

Table 5.13 — Minserve Sustaining Capital Estimate

Mining Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Minserve - \$k	0	100	100	100	100	50	0	450



6 METALLURGY AND TREATMENT PLANT

6.1 REVIEW BASIS

The metallurgical and treatment plant review was based on documentation referenced in Chapter 13.

The review in this Chapter was restricted to the general application of the metallurgical results summarised in the DFS and the validity of the process plant design based upon the metallurgical testwork determinations as presented by AMEC Minproc. As no detailed metallurgical testwork reports were provided for review, the validity of the AMEC Minproc assessments at a high level of detail cannot be made. However, as part of the Minserve review process, a meeting was held with one of the senior process engineers from AMEC Minproc to discuss key process design elements and testwork interpretation. In addition, it is noted that the testwork outcomes from the AMEC Minproc DFS are generally in alignment with the earlier work undertaken by Wardell Armstrong as part of their PFS in 2008. This provides some confidence with regard to the basis of treatment plant design.

6.2 METALLURGICAL TESTWORK

6.2.1 Samples

A decision was made by KGL not to drill metallurgical testwork holes for the DFS program. As a result, AMEC Minproc examined the existing drill core in November 2009 and determined that the core was in reasonable condition. Whilst the core quantity was not as large as ideally required, a decision was made to progress in conjunction with KGL to progress with the DFS. This appears to have resulted in some compromises with regard to the testwork program. The key issues with aged sample for a project such as this is loss of toughness and reduced flotation performance. Loss of toughness results in an under estimate of comminution requirements. The reduced flotation performance results in an underestimate of metal recovery. These two issues do not appear to be significant with regard to the financial performance of the Andash project as is detailed below.

6.2.2 Testwork Program

The testwork program was incomplete by the time of publishing the DFS. The comminution work was started first and completed in time for the DFS publication. Much of the flotation work was completed but locked cycle tests and some gold assays were not completed in time. Specifically, the use of a combined cleaner circuit for sulphide and oxide concentrates was proposed by the DFS based on preliminary work yet the DFS retained the more costly and more complex split cleaner circuit.

It was always envisaged that the final results of the test work program would be considered during the early stages of detailed design to ensure that the final design reflected the test work.

It is noted that the final Process Flow Diagrams circa 2011 (flowsheets) do differ from those presented in the DFS in some instances. This is to be expected, especially given that the testwork was not finalised at the time the DFS was finalised. Based on the documents reviewed, there is no trail to support the changes between the DFS and the approved for

construction Process Flow Diagrams. One of the more significant changes was the implementation of the combined cleaner circuits as noted above. This would be an advantage with regard to capital cost reduction as well as simplifying the circuit.

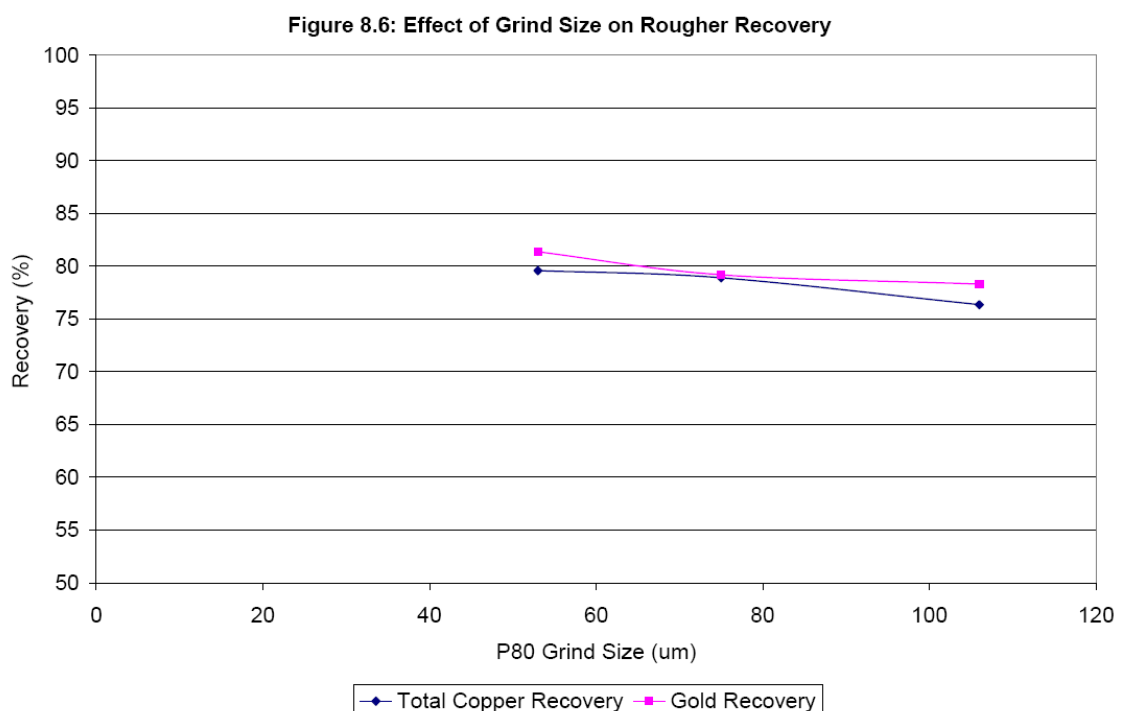
The following extract was taken from the DFS regarding combined cleaning:

"When treating either the sulphide dominant copper ore or oxide dominant ore, combining the sulphide flotation and oxide flotation rougher concentrates into a single cleaner stream produced improved copper recovery and grade, when compared to split cleaner treatment. This appears due to different copper minerals misplaced in rougher concentrate being more effectively recovered in the combined cleaner circuit".

Following discussion with AMEC Minproc processing staff who worked on the project, it is now believed other mechanisms are present and providing this benefit. The testwork supports the combined cleaner outcome whatever the mechanism. Re-configuring the circuit to split the cleaners would not be prohibitive should the benefit not be found in practice and it is considered this flowsheet deviation from the DFS is not of significant project risk. The work index variation in the fresh rock mineralisation is low. AMEC Minproc undertook testwork with due consideration of the grind size to be used suggesting that the values determined will provide a valid design with regard to mill sizing.

Figure 6.1 was taken from the DFS. It shows that the ore is not overly grind sensitive. Whilst a design of 80% passing 53 μm was selected as the operating grind, should harder ore types be experienced, the loss in metal recovery will not be dramatic. Consequently short term excursions in ore hardness will not impact metal production to a great degree. In fact, depending on metal revenue and power costs, coarsening the grind may in fact be cost effective under some circumstances.

Figure 6.1 — Effect of Grind Size on Rougher Recovery



The ore body exhibits significant variability in total copper rougher recovery and minor variability in rougher gold recovery. The wide copper variability is reportedly directly related to copper mineral variability. There are many different copper minerals present having differing metallurgical responses.

A sulphide composite and an oxide composite were formed and used to develop and refine the flowsheet selected. The flowsheet was further evaluated by testing twenty seven individual samples to determine variability in flotation responses.

The recovery of copper sulphides is reported as 96% rougher recovery when no copper oxides are present, declining to 90% at a copper oxide to copper sulphide ratio of 0.8.

The rougher copper oxide recovery is reported to be heavily dependent on the split between acetic acid soluble copper carbonates and weak acid soluble oxides. When copper carbonates are the only oxide copper minerals present their recovery is expected to approach 75%. When weak acid soluble copper species dominate the oxide copper recovery decreases significantly.

Anticipated life of mine average copper recovery is 69.5% and a gold recovery of 74.7%. These estimates were based on the AMDAD interpolation of copper mineralogy into the block model and the February 22nd 2010 processing schedule and associated metallurgical testwork. It is understood following discussion with AMEC Minproc processing staff who worked on the project that the application of the metallurgical responses to the AMDAD interpolation into the block model provides a confident if not conservative estimate of metallurgical response.

Part of Table 8.23 from the DFS is presented below. This table shows the variation in recovery for the variability results. Only 22 results are presented from the described 27 samples. The missing data was not explained. The data shows that copper recovery varies from lows of around 40% up to highs of 96% depending on the mineralogy and oxidation state. The representivity of the variability samples and method of application of the metallurgical responses to the estimates of metal production could easily influence the estimates in both a positive or negative way. The DFS refers to a report that was to be produced titled "Integration of the Mine Plan and Process Schedule with DFS Testwork". This document was not identified or reviewed as part of this review process, however it is considered likely to be a document key to understanding and appreciating the sensitivity of the issues described herein.

Table 6.1 — Variation in Recovery

Sample	Sample Designation	Duty	Overall Float		
			Recovery (%)		
			Cu	Au	Solids
1	Oxide	Rgh	58.7	69.0	11.3
2	Oxide	Rgh	64.4		12.0
4/5	Oxide	Rgh	57.2		12.2
7	Oxide	Rgh	56.8		10.2
8	Oxide	Rgh	52.0		9.3
9	Oxide	Rgh	73.6		8.7
10	Oxide	Rgh			
11	Sulphide	Rgh	92.6	89.4	11.4
12	Sulphide	Rgh	84.7	84.5	12.5
16	Oxide	Rgh	81.7		8.7
17	Sulphide	Rgh	93.9	91.2	11.2
18	Sulphide	Rgh	83.6		14.4
19	Oxide	Rgh			9.8
20	Sulphide	Rgh	87.1		7.4
21	Sulphide	Rgh	96.4		5.2
22	Sulphide	Rgh	83.9		14.3
23	Sulphide	Rgh	83.4		13.0
24	Sulphide	Rgh	67.0		14.0
25	Sulphide	Rgh	87.4		10.3
26	Oxide	Rgh	62.2		10.4
27	Oxide	Rgh	43.4		14.3
28	Oxide	Rgh	40.82		12.2
AVERAGE		72.5	83.5	11.1	3.7
Std Dev		17.2	10.1	2.4	2.4

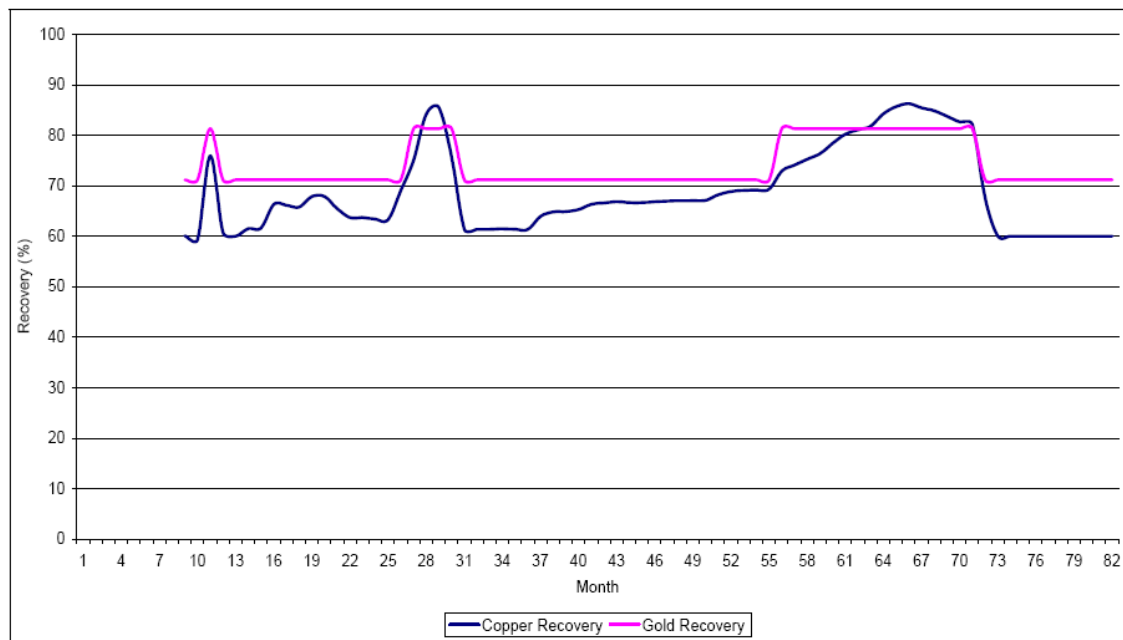
Source: DFS 2010 Reference 1.

It is anticipated that copper oxide dominant ore will produce a final concentrate between 23% Cu and 25% Cu, while copper sulphide dominant ore will produce a final concentrate grade between 20% Cu and 21% Cu.

At the time of writing it is not known if the recovery estimates used a fixed percentage applied to each block of ore or if the head grade of copper (and gold) were allocated a residue grade based on residue forecasting algorithms and the recovery as a percentage was then calculated. The latter method is the preferred as often the recovery as a percentage is a function of the head grade. Application of the recovery as a percentage assumes a linear relationships and this can influence production estimates. The documents reviewed do not provide the necessary information to establish the method of calculation and if this would influence production outcomes.

The following graph taken from the Executive Summary of the DFS shows the gold extraction as a percentage over time. It would appear that gold extraction has been used as the metal forecasting input independent of grade given the extended periods at constant value. This point is worthy of further investigation and consideration.

Figure 12: Average Copper and Gold Recovery for Life of Mine



Source: Reference 1.

6.2.3 Further Work

The following ongoing testwork recommendations were included as part of the DFS:

Comminution

Conduct Crusher Index tests to confirm crushing power requirements.

Flotation

1. Trial gold specific promoters to enhance gold recovery.
2. Conduct further test work to confirm the benefits of combined versus split cleaner circuits.
3. Conduct further rougher concentrate grinding/flotation tests.
4. Conduct further oxide rougher flotation tests to increase the recovery of Weak Acid Soluble copper.
5. Conduct rougher flotation tests to evaluate temperature extremes on recovery.

Gravity

Conduct gravity tests to evaluate the amount and recoverability of metallic copper.

Ancillary Testwork

1. Conduct concentrate and tailing settling tests to evaluate various flocculants.
2. Conduct concentrate filtration tests.
3. Conduct flotation tests for production of sufficient concentrate for smelter evaluation.

4. Conduct leach tests on the rougher tailing to evaluate the economics of recovering Weak Acid Soluble copper.

Following discussion with AMEC Minproc processing staff who worked on the project it is believed not all of this recommended work was completed. Of the work nominated there is little if any that would be considered project threatening. In fact, many of the recommendations are to explore opportunities and enhancements over what is understood to be the "base case" on which the project was defined in the DFS. The exception could be the issue of un-defined crushing characteristics and this is discussed further below in Section 6.3.

6.3 PROCESS DESIGN CRITERIA ASPECTS AND OUTSTANDING TESTWORK

6.3.1 Viscosity

The Process Design Criteria notes viscosity values are assumed. This element was not noted in the testwork as something that had to be defined/completed. As viscosity can play a significant part in piping and pumping design, especially for concentrates. This aspect requires confirmation that either the work has been undertaken or designs allow for high viscosity where it could be anticipated, such a filter feed pumping and similar.

6.3.2 Crushing

Both the DFS and the Process Design Criteria (approved for construction) present the crusher design is based on an 89% availability and a 90% utilisation to give an overall utilisation (actual running time) of 80%. This equates to a design throughput for Phase 2 of 428 tph. The design throughput of 450 tph was selected. It is proposed the crushing circuit will be upgraded from Phase 1 to Phase 2 by installing additional secondary and tertiary crushers.

It is considered that the actual running time of 80% is too high as *the basis of design* for a three stage crushing circuit. Similarly it is considered that the design circuit capacity of 450tph as *a basis of design* does not have enough additional capacity allowed for an actual mean throughput requirement of 428 tph given the typical surges and start-up/shut-down variations in such plant, particularly for a three stage circuit.

For Phase 1 the operation of the crushing circuit to provide a consistent production of fine material for a single stage ball mill grinding to a fine 80% passing size of 53 μm will be an important consideration. Coarsening up the crusher product to increase throughput will have an adverse effect on the mill. Phase 2 will not be as sensitive to coarser crusher products because of the two stage milling, however this phase will have a higher dependency on the jaw crusher availability. As the crushing characteristics of the ore were not defined with testwork and the crushing work index used in the design was supplied by KGL (specific source unknown), the issue may or may not be significant with regard to the capacity the crushers themselves can maintain. This aspect of actual crusher capacity is in addition to the physical capacity of the plant (450 tph) to screen, convey and transfer the actual crusher products.

The design of a 450 tph crushing circuit does not mean it will be restricted to this tonnage. Nor do the comments above mean that the circuit will not achieve tonnage. The point being *the basis* of the design appears restrictive. The data and level of review undertaken herein does not allow the circuit to be fully assessed.

The capacity of the circuit will also depend to a large degree on the level of conservatism applied by the engineer when selecting equipment. There are ways to manipulate the crushing circuit capacity that are low capital, such as modification of manganese components in the crushers, changing screen sizes and biasing feeds to multiple stage crushers amongst others.

A design evaluation is outside the scope of this review, however it would appear pertinent to undertake same to ensure the nominated throughput is possible.

6.3.3 Thickener

In the case of the recommendation to undertake thickening testwork, it is understood this has not been undertaken. The design settling rate utilised in the design of the concentrate thickener appears typical of such an application, and given the concentrate thickener is sized for the Phase 2 case, it should be more than adequate for Phase 1 where its operation could be optimised prior to Phase 2.

6.3.4 Filtration

Similar comment can be made regarding the concentrate filtration rate except that the filter cake moisture may be problematical given climate and fineness of the grind used. There are techniques available to address this issue, and again, opportunity in Phase 1 allows potential problems to be addressed prior to the more demanding Phase 2 scenario. Risk of loss of production is therefore greatly reduced. The DFS did note this lack of data as a risk and also that conservative filter sizing had been applied so as to mitigate.

The concentrate filter has been designed with an operating utilisation of 86% (90% availability, 95% utilisation). This equates to a maximum capacity of 8tph. As for the crushing circuit total operating hours per annum, this value is considered high for this type of equipment. Due to the conservative (yet assumed) filtration rate applied, the issue of high availability/utilisation is mitigated to some extent, especially when the Phase 1 throughput will be significantly lower than Phase 2. This will allow modification to be made as appropriate should filtration issues arise.

6.3.5 Other Aspects

Other assumptions made in the Process Design Criteria appear to be within the ranges normally anticipated for the criteria in question.

6.4 OTHER OBSERVATIONS

6.4.1 Flowsheet and Capital Cost Deferral

The Approved for Construction flowsheets present the different equipment and configuration of the plant over Phase 1 and Phase 2. It is likely that the methodology of implementation will result in a capital cost penalty due to re-mobilisation of construction personnel and

construction equipment. More costly "multiple" pieces of equipment are defined in some instances where one single unit would have sufficed. Whilst it is appreciated that financial aspects may have driven the implementation strategy, opportunity exists to reduce the total capital cost if the flowsheet/implementation were to be revisited.

In addition, there are the aspects of operating cost and downtime considerations such as:

- Multiple pieces of equipment operated in parallel that could be replaced by one larger unit typically results in increased downtime, as well as being more difficult to operate and more costly to implement;
- Multiple equipment items require more maintenance for a given duty and typically have combined operating cost in excess of one larger unit of the same total capacity;
- Staged implementation results in downtime due to installation tie-ins. There will be periods of time where the plant will be shut down to allow new equipment to be installed. Such downtime results in lost production;
- Additional construction tasks undertaken through the winter periods result in reduced productivity and increased cost of construction.

There is opportunity to improve on the real project returns when such factors are considered in place of the current implementation plan. It may be a hybrid position can provide a good mix of deferred capital as well as cost reduction.

6.4.2 Commissioning Ramp-up

No detail was provided regarding commissioning period of the project. As there is a two phase approach, both will require some discount on design tonnage and recovery in the financial analysis.

6.4.3 Mining Influences

The following mining aspects are highlighted:

- The methodology and inputs of the mining cut-off in the current financial climate may offer opportunity to present more ore to processing. This may impact on waste production in the early years of the mine when the tailings management facility is to be built;
- The tailings management facility is to be built from waste. There is an eight month period for this to occur prior to production however the facility will also need to be able to store water for commissioning. The volume of waste and practical aspects of the construction period available should be confirmed, especially given the low strip ratio.

6.4.4 Various

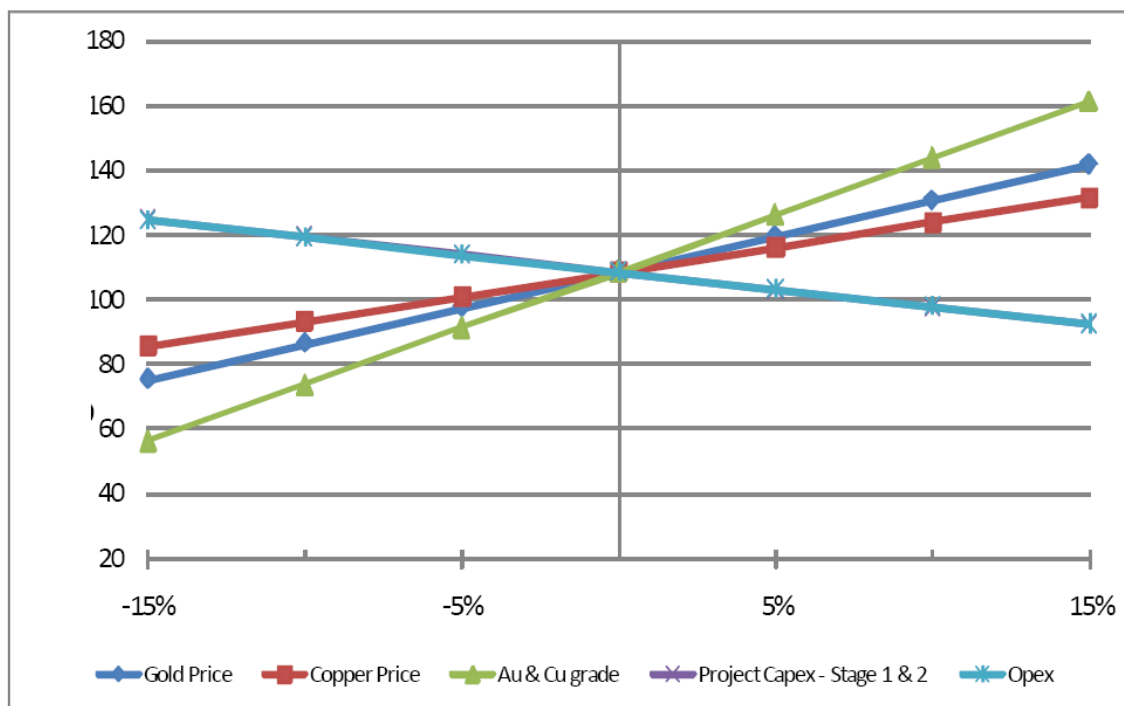
The following points are made:

- The tailings have been described as "... studies [have] characterised the tailings as relative fast settling sandy silt material". Given the design grind size is 80% passing 53 μm it seems unlikely the material is "sandy silt". It is important to establish the

material used to establish tailings characteristics has the same grind as the current design and was evaluated at the same pH as the process.

- Mine closure costs are presented in the DFS at USD 1 million. This is very low by current standards unless there is a significant cost applied as sustaining capital over the operating life of mine.
- The financial sensitivity did not look at the impact of recovery of either copper or gold. Refer to the figure extracted from the Executive Summary of the DFS presented below.

Figure 18: NPV at 8% (real) - Sensitivity



- Whilst the sensitivity did look at variation in copper and gold price, which can be interpreted as the same sensitivity as recovery, recent dynamic fluctuations in metal prices suggest both aspects need to be considered. It appears that a 4% to 5% loss in IRR would result from a 10% reduction in either copper or gold recovery. Under current metal prices, this suggests a robust project remains based on the analysis presented in the DFS.

6.5 CONCLUSIONS

The following conclusions are made:

- The DFS testwork program, whilst undertaken on limited and aged sample set, had addressed the key design parameters necessary to define the project. Whilst additional work was recommended, AMEC Minproc have used typical if not conservative design criteria to mitigate risk;
- Use of aged sample could present an undersized comminution circuit which is a capital and throughput risk in that plant may be undersized for harder ores. Given the low grind sensitivity of the samples tested, this is not considered a high risk;



- Use of aged sample could present an under estimate of the flotation recovery. Consequently the recovery model/revenue flow would have an element of conservatism included;
- Risk still exists in some areas however there are remedial actions that can be implemented that will address such risks with minimal capital cost;
- Some design criteria are considered impractical. Namely crusher and filter availability. There are strategies that can be implemented to address these issues including re-configuration of plant and revised design for Phase 2. Consideration should be given as to if the current design basis is overly aggressive and what mitigation strategies can be applied should the facility fail to meet design;
- The recovery model applied to the block model may have used a fixed percentage extraction model. Such a model can both over and under estimate metal production depending on the department of metal values by ore type and the representivity of the samples tested. This suggests sensitivity needs to be understood and financial evaluations should consider this in conjunction to fluctuations in metal prices;
- There appears to be opportunity to reduce capital and operating costs as well as plant downtime if the implementation strategy of the Phase 1 and Phase 2 approach could be revisited. This would require more up-front capital to be spent. Given the short period of time between the implementation of Phase 1 and Phase 2, the benefit of deferred capital from the staged approach would be expected to be minimal and in fact more costly when extended construction period, seasonal issues and additional tie-in/downtime aspects are considered;
- There are a number of areas presented in the DFS that require either additional definition or more investigation. This comment is based on the high level review of only part of the available documentation and it is appreciated the points raised could be irrelevant. Similarly, in the time since the DFS they could well have been addressed. None of these areas are considered to be project threatening based on the information reviewed.

7 INFRASTRUCTURE

7.1 INTRODUCTION

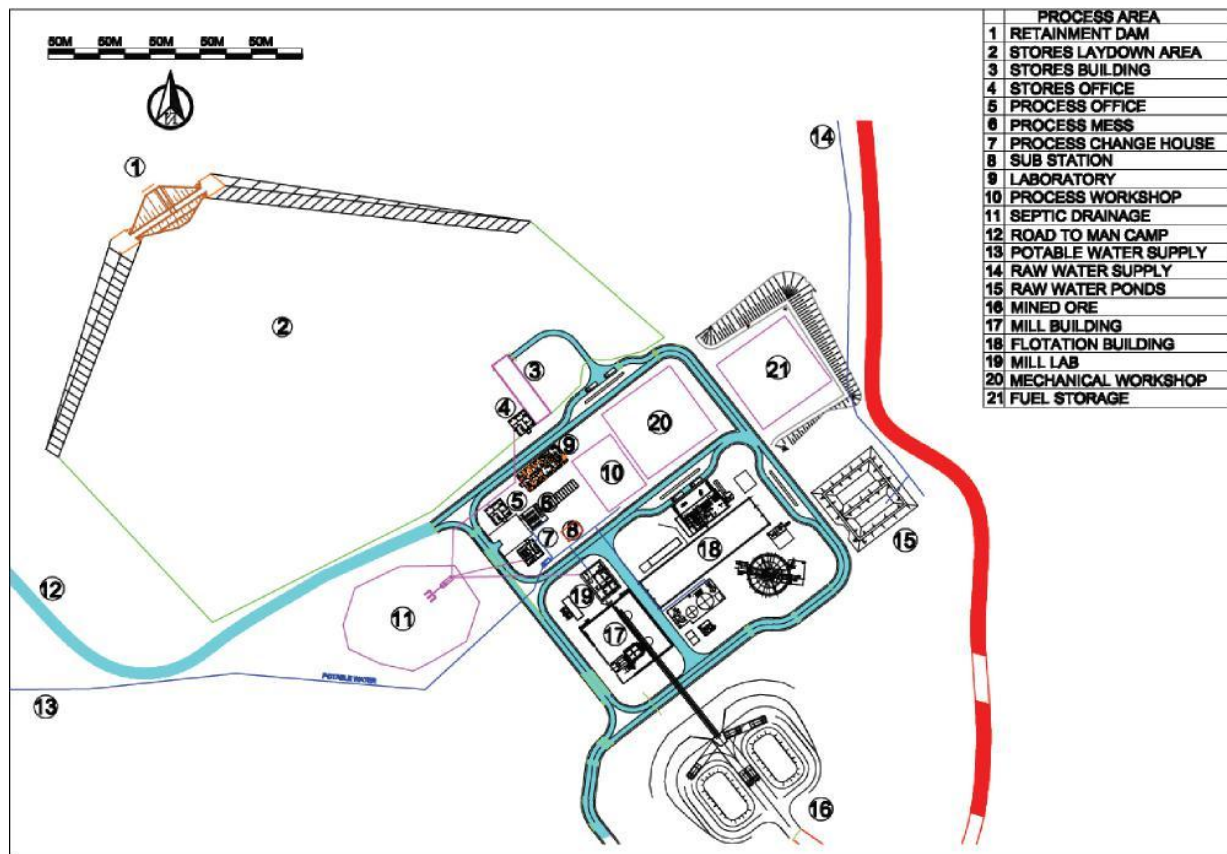
The owner's representatives for Andash Mining Company will be responsible for the construction of the Infrastructure in addition to site supervision of the EPCM contractor and all other contractors at site.

On site infrastructure will consist of:

- Water supply – industrial and potable
- External high voltage power supply
- Temporary and permanent accommodation camps
- Offices (including training, medical and security facilities)
- Fuel storage facilities
- Mechanical workshop
- Assay laboratory
- Explosives and chemical storage facilities
- Mine warehouse
- Roads
- Communications
- Sewage
- Sanitary protection zones
- Fire fighting measures
- Mine fencing.

The major items are described below and the layout of major process area items is shown in **Figure 7.1**.

Figure 7.1 — Andash Project Process Area Layout



7.2 WATER SUPPLY

The industrial water will be supplied from the Karakol River, where a pump station will be installed. This will supply the plant water for the crushing system and the process plant. Both these sites will have water storage ponds located nearby.

The potable water will be supplied from boreholes near the Karakol River. The water will be pumped to tanks at an elevation higher than the man camp allowing gravitational flow. Purification units will also be installed to ensure contaminant free water.

7.3 FUEL SUPPLY

A 300t fuel facility will be installed at the mine along with water and sediment removers. The tanks used will be 60t railway wagons which are already certified for use and can be easily positioned to give a decant configuration. The main fuel supply will be from a 5,000t fuel farm, 180km from the mine, owned by OAO Gazprom, a major Russian energy company.

7.4 POWER SUPPLY

The power source for the project is from the main power supply system of the Talas region (Alabel substation 500/220/10kV). This sub-station is situated 10km from the process plant site.

For the project the preferred option is to supply the mine from the Alabel substation using the 10kV supply. It will be necessary to carry out the following works:

- Installation of a 10/35kV Step up Transformer at the Alabel substation;
- Construction of a power line to the site using 35kV pylons;
- Installation of a 35/6kV step down substation adjacent to the process plant.

Installation of a diesel emergency services generator will ensure that the project has two independent power sources.

7.5 CAMP AND OFFICES

The temporary camp, to be installed for site preparation and construction activities has already been manufactured and is stored at Maimak railway station, 150km west of Andash.

Once the camp is erected a container type workshop with fenced yard will be constructed nearby to service the open pit fleet that will prepare the roads and level the building sites.

The supply of the permanent camp, offices, training, medical and security facilities will be on a turnkey basis for pre-fabricated buildings. The supplier will manufacture, deliver and erect these buildings. Andash Mining will site level and cast the bases prior to their arrival in addition to supplying services to nominated points. The contract will also provide the pre-fabricated mess, change house and office units at the process office and open pit sites.

Due to the distance between the open pit and the process plant, the optimum site for the main security office, training centre, medical unit and administrative offices will be adjacent to the permanent camp.

7.6 STORAGE FACILITIES

Three main storage facilities are planned. These will be steel structures with insulated cladding for the main stores and reagents whilst the explosives storage will be made from containers. For the main stores, a fenced area will hold major items whilst the building itself will hold consumables.

7.7 MAIN MECHANICAL WORKSHOP

This will be a steel structure with insulated cladding. Three bays are provided for the maintenance of the open pit fleet whilst two small bays at the end of the shop will service smaller vehicles. Other adjacent buildings, made from containers, will house auto-electric, machining sections etc.

7.8 ROADS

The roads will primarily be built using the open pit fleet. A system of roads has been planned so that the local village of Kopuro Bazar is by-passed. All roads will be made from gravel and dust suppression in the form of water trucks utilised.

7.9 COMMUNICATIONS

The mine area is already well serviced by mobile telephone providers. It is intended to install fast internet access along with telephones and a local area network. A Motorola radio communication system will be installed. For the camp, a satellite television system installation is to be provided.



8 ENVIRONMENTAL ASPECTS

8.1 PRE KGL PURCHASE IN 2010

Source: Reference 1

After the Feasibility Study was completed, WAI produced an Environmental and Social Impact Assessment (ESIA) document in March 2008. The ESIA was prepared to meet the World Bank, IFC European Bank for Reconstruction and Development (EBRD) standards. Furthermore the ESIA is submitted to meet the requirements of the Equator Principles (EP) which serve as a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing.

These principles provide a set of categorisation, assessment and management standards designed to identify and address any potential environmental and social risks that a proposed project may present. In addition to an overall assessment of the environmental and socio-economic conditions, the EP set out a wide range of concerns that the ESIA must address in the context of the business of the project including:

- Compliance with applicable host country laws and international treaties;
- Impacts on the environment and indigenous communities; and
- Consideration of feasible environmental and socially preferable alternatives.

The ESIA requirements under the Kyrgyz procedure are slightly different in terms of process, method and presentation to those required by international funding agencies. Therefore the two processes were undertaken following parallel paths and are based on common baseline data and project parameters.

Although the Andash Project has the potential to incur significant environmental and social impacts, which could possibly have an effect beyond the site boundary, these are manageable to prevent or to minimise. The project would be considered as a Category A project under the EP, accordingly the ESIA examines the potential environmental measures needed to prevent, minimise, mitigate or compensate for adverse effects and to improve environmental performance.

Consistent with the policies and requirements of the Government of the Republic of Kyrgyzstan and potential financial lending institutions, the ESIA comprises the following key components:

- Executive summary;
- Legislative framework;
- Project description and consideration of alternatives;
- Baseline information;
- Scoping;
- Emissions, outputs and releases;
- Impact assessment;

- Mitigation measures;
- EHS management plans;
- Community development;
- Public consultation and participation;
- Environmental and social action plan.

In short the objectives of the ESIA are to document potential environmental and socioeconomic impacts associated with the development of the Andash Project, relative to the baseline conditions, to design and present such mitigation measures necessary to ensure that the impacts are confined within acceptable limits. In addition an Environmental Management Plan (EMP) is presented which draws on the conclusions of the ESIA and addresses mitigation, action plans, monitoring, management of risk and schedules. For lenders, the EMP can form the basis for monitoring compliance throughout the life of the project as can the Framework Mine Closure and Rehabilitation Plan, Occupational Health and Safety Plan and Community Development Plan.

The residents of the local village have previously protested against the development of the Andash Project. This local opposition was said to have been politically generated. The community appears to feel that Andash Mining has not been in close communication with them and this continues now with no current active community relations program in place.

8.2 POST PURCHASE ENVIRONMENTAL ACTIVITY

8.2.1 Background

ESIA is a process used to evaluate the potential impacts on the environment and the community of proposed developments, and its overall aim as part of a feasibility study is to minimise negative impacts. ESIA is also a tool to assist the financial institutions, state authorities and the wider international community, in the evaluation of environmental and society related factors.

The Kyrgyz environmental permitting procedure encompasses two distinct phases; project initiation (which essentially covers project development and construction) and operation. Environmental, health and safety (and other) issues are expected to be addressed during each of these stages culminating in the production of a full scale assessment of environmental impacts, known by the acronym “OVOS”, an abbreviation for “assessment of impacts on the environment”. The procedure is subject to State Environmental Expert Review. The OVOS regulations contain general requirements as to how developers must conduct the assessment of environmental impacts. Approval of an OVOS submission, for the Andash Project will need to be made and approved by the State authorities before mining operations can commence.

Essentially the OVOS procedure is broadly compatible with ESIA process applied internationally and incorporates a description of the development, a characterisation of the existing environment, impact predictions, an assessment of the significance of impacts and details of proposed mitigation measures. Statutory and public consultations are expected throughout the preparation of the OVOS.

The ESIA requirements under the OVOS procedure and that required by international funding agencies are somewhat different in terms of the procedures, methods and presentation such that it is difficult to produce a single OVOS/ESIA report that will satisfy both audiences. Consequently, the two processes are undertaken, following parallel paths and based on common baseline data and project parameters. The “bankable” ESIA for project financing will be prepared by WAI, compatible with internationally recognised methodologies, standards, guidelines and principles. The OVOS is intended to fulfil the requirements of State permitting and will follow accepted Kyrgyz standards and procedures.

A full ESIA document will be submitted once the DFS is complete. Since much of the baseline data collected between 2004 and 2006 is still relevant to the project, it is intended to draw largely upon the draft ESIA report produced by WAI in March 2008 to inform the final ESIA production. The ESIA will be produced to meet international standards, namely the Equator Principles, the IFC Performance Standards and the World Bank Environmental and Health and Safety Guidelines.

Environmental and social impacts described in this report are based on baseline data received through review of the Kyrgyz Feasibility Study and the 2006 OVOS submission.

8.2.2 Environmental Impacts

Surface Water

The hydrological system of the Andash deposit is characterised by temporary and permanent water flows. Permanent water flows include the Karakol River, which is fed by snow melt water, and the Uzun-Bulak stream, which is mainly fed from groundwater. Temporary flows include gorges which are mostly dry during the year, and have surface flow in periods of heavy snow melt and rainfall.

The proposed site development will likely result in little change to the surface water flows, given the intention to have a recycled water circuit wherever possible. Release of chemicals to the surface water would be limited to extreme storm events, or emergency situations. There is some potential for tailings water infiltration to groundwater and this will need to be monitored. Similarly, the water treatment plant effluent will need to be investigated, to ensure that discharge water quality is acceptable.

Groundwater

The hydro-geological conditions on the mining site are relatively simple. Groundwater beneath the site does not share a common aquifer and is associated with crushing and tectonic zones. Free flow underground waters were encountered in various genesis fractures by various underground openings. Chemical analyses indicate that groundwater is rich in sulphates and calcium carbonate, with mineralisation levels at 0.504g/l to 0.600g/l.

One of the potential hazards arising from the TSF is a rise in groundwater levels between the TSF and the Karakol River. There is also potential for a deterioration of water quality down gradient of the TSF. Testwork indicates a low risk of acid mine drainage. Potential pathways exist for contamination through water flow and contaminant migration through surface water streams and dam seepage, or from vertical flow and migration through the unsaturated zone towards the water table, then down gradient to the abstraction points. The expected impact on the river is likely to be low, and initially there will be a low risk to groundwater below the

TSF, which may increase to a moderate risk during operations. Further information on groundwater quality, permeability of the substrate below the TSF, and the nature of the proposed containment system will be required before impacts can be characterised accurately.

There is also a potential impact on creek and spring flow in the Uzun-Bulak Gorge, since the upper reaches of the Uzun-Bulak Stream are higher than the proposed base of the excavation for the open pit, and dewatering of the open pit may impact the flow of the creek and associated springs.

Air Quality

No significant impacts are expected on air quality. However, further information will be required to detail the range of potential dust dispersal, especially from the TSF, which is likely to have the most significant effect both in terms of land degradation, and creation of nuisance dust. On-going monitoring will be required to ensure that air quality is not significantly affected as a result of operations.

Soils and Land Use

There is evidence to suggest that the baseline soil quality, in terms of contamination, is fairly good, with some elevated levels of metals and other elements. Overall, soil fertility is low and the vegetation and soil quality are typical of those associated with a steppe type environment.

The project could have impacts on soil quality however, the implementation of environmental and management control measures, particularly those relating to dust generation, should mitigate these impacts.

Land-take would be the most significant impact on land use, an impact that is unavoidable in a project of this type. The anticipated loss of land despite rehabilitation is not significant in socioeconomic terms.

Flora and Fauna

The faunal composition at the investigated area is poor in comparison with other areas of the Kyrgyzstan Range. Additionally, the soil cover at the Andash open pit site is undeveloped and hosts poor vegetation, and does therefore not support wide biodiversity. Pertinent observations were:

- There are no significant sites for bird nesting at the Andash deposit;
- The main bird migration route passes across a flat valley;
- Mammals were observed at Andash although overall species composition is considered poor to average;
- The main ecological corridors of mammals (mountain crossings, ridges, streams and mountain rivers) are through mountain passes.

Consequently it is not expected that the project will have a significant impact on flora and fauna in the project area. On-going monitoring both of flora and fauna, and project emissions will be required to ensure that the local communities are not being negatively affected by the

project. Birds, insects and mammals are considered to be sufficiently flexible to adapt to project changes.

Habitat and vegetation loss are not considered significant, given the relatively low biodiversity, and lands lost will be compensated appropriately. Education of local workers will be important to ensure that the mine workforce does not cause environmental damage as a result of habitat destruction or hunting activities.

8.2.3 Socioeconomic Impacts

Demography

Given the high levels of unemployment and underemployment nationally and regionally, the demographic impact of the project locally, in the absence of a company agreed local labour sourcing policy, would be very significant, as the mining project would attract a relatively large influx of people, in proportion to the current local population, seeking and undertaking employment at the mine and its associated facilities.

The company has committed in its investment agreement, however, to recruiting and training no less than 70% of its construction and operational workforce locally. Although this will still result in increases to the local population, predominantly to the male population, of approximately 200 in the short term and 150 in the medium and long term, it will prevent any serious deleterious demographic imbalance locally.

Ethnicity and Culture

Although Kyrgyz society as a whole is being affected by globalisation and cultural modernity, the rural locality of the proposed project remains ethnically homogenous and relatively traditional in its observance of customs and behavioural codes. The company's local labour sourcing policy will prevent rapid large scale inward migration and, therefore, any significant ethnic or cultural challenges to existing community norms.

Nevertheless, the inward migration of some construction and operation workers, including expatriates, with different, often urban, behavioural customs and codes, accompanied by the introduction of a predominantly cash based economy, and the material expectations arising from this, will certainly strongly influence the ethnic balance and cultural values of the existing community.

Social Infrastructure

The existing social infrastructure is comparable to other territories in the district, and is already being provided company support through its work with the kindergarten, local clinic, and women's group, the territory's social infrastructure is, in absolute terms, in need of further investment. If undertaken, the proposed project will help to provide much of this additional investment and enhancement by:

- Reconstructing and improving potable water supply and treatment facilities;
- Constructing a new substation capable of supplying electricity to all residents;
- Providing aid for construction of a youth sports centre and sports equipment;
- Developing a workforce training centre and training grants program.

Given KGL's proposed schedule and technique, blasting is not anticipated to have any significant deleterious impact on the housing stock. In the unlikely event of damages to housing, the company has committed to undertaking an inventory of the structural condition of all houses prior to blasting works at the deposit and the establishment of a special insurance fund and committee for reimbursement.

Health and Wellbeing

Assuming that local authorities use the additional tax revenues from the project to enhance health service provision, and that the company meets its commitment to compile medical charts and provide free annual medical examinations for villagers in addition to free medical services to the workforce, the impact of the project on the general physical health of the territory's population will be positive. In the short-term, however, mental health and wellbeing will be unavoidably affected, albeit at a low level, given the changes that will ensue following the development of an industrial project in hitherto agricultural area.

Economy and Land Use

The project will positively impact the national economy through workforce income tax, and, more significantly and directly, through concession and revenue payments. The project will also positively and directly impact the local economy because the juridical registration of the company within the local territory means all other company related taxes will be distributed to the Talas region, district and territory budget.

The local economy will further benefit from project and employee spending, and from vertical and horizontal economic linkages like retail services. Such developments will be boosted by company commitments to local food sourcing.

There are two potentially negative economic impacts of proposed project development. The first concerns the impact on the agricultural sector, which currently dominates economic activity locally, through the displacement by mining of farmlands used for crop cultivation and livestock rearing. The second concerns inflationary pressures through surplus demand generated by mining activity on goods, services and housing.

For the community as a whole, increased costs, and any loss in land and agricultural production, will be more than offset in the medium and long-term by the new economic activity generated by the project. However, although farming yields relatively low earnings, and the use by the project of such lands will be compensated for, the project displaces a more economically sustainable livelihood for those directly affected.

Employment and Income

In an area suffering high unemployment and underemployment, the project employment opportunities represent a very positive development for beneficiaries and their families, for whom incomes will be raised, poverty alleviated, and self-esteem enhanced. The proposed mining training centre and university scholarship program will also increase the transferable local skill base and future income generation prospects of beneficiaries.

8.2.4 Environmental Management and Monitoring

A framework Environmental Management System (EMS) has been initiated but will need further development and refinement as the final configuration of the operation is designed in detail. The EMS includes the system for control of industrial emissions to the atmosphere, measures for monitoring surface and underground waters quality, controls for change to biological resources at the project area, climate, etc.

The framework should ultimately take the following format:

- Baseline conditions- additional or more detailed baseline studies as identified in the ESIA;
- The identification of potential environmental impacts based on a register of emissions, discharges, etc. This may be based, initially, on the work undertaken for the ESIA, but will require review and possibly revision in line with the final design and operations. This register will be required for environmental permitting under Kyrgyz regulations;
- The definition of environmental standards and quality objectives. In many cases the standards will be set by the appropriate regulatory authority, however there may be instances where other appropriate standards are adopted. The standards should be accompanied by a system for responding to identified breaches of the standard;
- The definition of control systems for limiting the impacts of the identified emission/discharges to ensure compliance with standards. This will include, for example, a dust control strategy, waste water treatment, etc.;
- The specification of an environmental monitoring program to confirm and demonstrate the efficiency of control measures. This will include, for example, ground and surface water monitoring;
- Development of a progressive rehabilitation plan for the site. This will incorporate rehabilitation of all abandoned areas. A full mine closure plan is inappropriate at this stage, but should be developed as a part of the operational plans.

The emphasis is on practical control measures to limit potential environmental impacts, and on monitoring the efficiency of these control measures.

8.2.5 Decommissioning and Rehabilitation

In accordance with international best practice for the mining industry it will be necessary to develop a Mine Closure and Rehabilitation Plan (MCRP) for the Andash Project during the detailed engineering design phase, following the feasibility study, to ensure that it is properly rehabilitated.

The MCRP will be designed to ensure that:

- Future public health and safety are not compromised;
- Environmental resources are not subject to physical and chemical deterioration;
- The after use of the site is beneficial and sustainable in the long term;

- Any adverse socioeconomic impacts are minimised;
- All socio-economic benefits are maximised.

The MCRP section of the ESIA will provide a framework against which short term actions can be measured during the life of the operation whilst ensuring that adjustments can be accommodated to achieve successful final closure and providing a view on the potential future for the community's economic and social life.

9 COSTS

9.1 CAPITAL COSTS

An initial capital cost estimate comparison is shown in **Table 9.1**.

Table 9.1 — Capital Costs Comparison

Project Area	2012 Review \$M	Minserv Review 2013 \$M
Plant general	39.5	46.4
Services general	1.10	1.1
Mining	6.48	25.8
Onsite infrastructure and utilities	30.90	30.9
Offsite infrastructure and utilities	0.51	0.5
Indirect costs	16.10	25.5
Owners costs	7.40	7.5
Provisions	9.70	9.7
Sunk Costs	21.66	-
Less (US\$5.3M) of costs in the purchase	(5.3)	-
Total cost	133.4	147.5

Source: Reference 1.

The sunk costs shown in 2012 and 2013 (Minserv review) include:

- A mill that now has to be purchased again at an estimated cost of US\$6-7M (KGL estimate);
- Detailed engineering by AMEC (AS\$5.3) which is part of the sale;
- All the original quotes for the construction etc. which will have to be repeated/re-validated for the execution of the project;
- Sustaining Capex Life of Mine was assessed to be US\$15.9M primarily for the treatment plant. The additional items in mine capital have an operating life equivalent to the mine life and therefore do not require sustaining capital;
- In addition to the initial capital the following capital expenditure items are required over the mine life:
 - Stage 1 pre-production costs of \$8.4 million;
 - Stage 2 costs for the plant of US\$25.9 million;
- Rehabilitation costs on closure have been assessed at \$1M in 2010 or \$1.5M as per the Minserv review;
- The **Mine capital** increase for the Minserv review are detailed in **Table 5.12**.

Note: Based on advice from KGL the exchange rate has changed by about 10%, 44.2 → 48.2 Soms/USD. These may flow on to higher capex but also higher revenue.

9.2 TOTAL OPERATING COSTS

In 2012 25% was added to the 2010 operating costs to cover inflation and other cost increases. The Minserve review worked off the 2010 DFS base.

Table 9.2 — Average Unit Cost of Production – US\$/oz basis

Parameter	US\$/oz 2010	Minserve Review 2013 Year 3
Mining	130	229
Processing	306	406
G&A	92	120
Total Site Operating Costs	529	755
Transport	51	66
TC/RC	46	46
Other Offsite Costs	4	5
Total Operating Cash Costs	629	872
Copper credits	(656)	
Total Operating Cash Costs less Credits	(27)	
Royalties	65	
Total Production Costs	38	

Source: Reference 1.

9.3 MINING COSTS 2010 DFS

9.3.1 Summary

Total mine operating cost (as presented in **Table 9.3** and **Table 9.4**) is US\$49.2M (excludes four months pre-production mining) averaging US\$1.92/t, or US\$5.15/bcm, of ore and waste over the mine life. Expressed as a cost per ore tonne, mine operating costs average US\$3.08/t of ore processed as estimated in 2010.

Table 9.3 — Yearly Mining Operating Costs (Excludes Pre-Production) \$M

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
6.67	10.52	8.82	8.27	8.02	6.94	49.24

Table 9.4 — Life of Mine Operating Cost Breakdown

Item	Estimated Cost (US\$M)
Equipment Operating	13.01
Fuel	16.10
Explosives	10.15
Owner Labour	8.47
Other	1.51
Total	49.24

Table 9.5 — Mine Unit Cost Breakdown 2010

Item	Estimated Cost (US\$M)	Unit Cost (US\$/t)
Drill & Blast	13.19	0.52
Load	4.55	0.18
Haul	18.13	0.71
Ancillary Gear	8.67	0.34
Grade Control	1.26	0.05
Dewatering	5.44	0.004
Tech Services	3.35	0.13
Total	49.24	1.92

9.3.2 Equipment Costs

Equipment costs were calculated based on hourly operating costs applied against the estimated fleet hours for the excavators, trucks and blasthole drills and against assumed daily hours for the support equipment. Hourly costs were compiled for each machine based on cost of similar machinery in Australia. In this case the hourly costs include insurance, maintenance parts, overhaul parts, tyres, ground engaging tools and lubricants. Diesel fuel is estimated separately.

Operator and maintenance labour is included in the workforce costs.

9.3.3 Diesel Fuel

Fuel consumption was estimated for each piece of equipment and haul truck fuel consumption considered as to if the truck is empty or full and travelling up, down, flat or idle. Equipment availability and utilisation (as presented in **Table 9.6**) was estimated to calculate fleet hours for total fuel consumption.

In 2010 KGL advised that a diesel price of US\$0.57 should be used for the operating cost estimate.

Table 9.6 — Mining Equipment Availability, Utilisation and Operating Cost 2010

Major Plant and Equipment	Availability	Utilisation	Operating Cost US\$/SMU
PC 1250 Excavator	90%	81%	60.47
PC 450 Excavator	90%	81%	28.14
HM 400-1 Articulated Haul truck	85%	81%	21.58
Komatsu D375 Bulldozer	90%	60%	27.50
Komatsu GD675 Grader	90%	81%	15.27
Water trucks	90%	81%	9.57
Service Truck	90%	81%	4.24
Komatsu WA600 Front End Loader	85%	81%	31.70
Lighting Plants	90%	50%	0.65
In-Pit Dewatering Pump	90%	33%	1.95
Light Vehicles	95%	20%	1.27
Atlas Copco ROC D7 Drill Rig	90%	81%	37.77
Explosives Truck	90%	45%	9.57

Source: Reference 1.

9.3.4 Workforce Costs 2010

Annual base salaries for each workforce classification were supplied by KGL which included oncosts (e.g. superannuation, payroll tax, workers compensation and other employer costs). An “uplift” cost factor of 2.02 was applied to account for altitude allowance (40%), employee’s income tax liability (10%), employee’s social fund liability (10%) and the employer’s social fund liability (17.25%).

Table 9.7 — Mine Workforce Salaries

Position	Annual Salary (US\$)	Number
Excavator Operators	11,635	4
Truck Drivers	8,242	48
Blast Hole Drillers	9,211	4
Blast Crew	9,696	8
Water Truck Drivers	8,242	4
Grader Operators	8,242	4
Bulldozer Operators	11,635	4
Earthworks Crew	8,242	3
Stockpile Loader Operator	8,242	4
Leave Relief	8,242	8
Service Crew	8,242	2
Maintenance Crew	14,544	23
Shift Supervisor	18,180	4
Maintenance Supervisor	150,000	1
Clerical Staff	12,120	2
Mine Manager	150,000	1
Mining Engineer	19,392	2
Geologist	21,816	2
Surveyor	24,240	1
Technical Assistants	7,272	3

9.3.5 Explosive Costs 2010

Bulk explosives quantities (ANFO and emulsion) and accessories such as detonators, primers and trunk lines were estimated on a monthly basis for the nominated blast pattern applied against the mining schedule quantities. Unit prices are from the current Australian Orica price list and converted to US dollars at an assumed rate of US\$1.00 to A\$1.11 with the exception of the price of explosive grade Ammonium Nitrate (US\$410/t) which was provided to AMDAD by KGL. A service charge of US\$20,000 per month was applied to cover explosives delivery and technical support from Orica.

9.3.6 Other Mining Costs

Other mining costs in the estimate include:

- US\$500 per month for mining software maintenance charge;
- US\$5,000 per month for consultants to advise on geology, resource modelling, grade control and mine planning as required.

9.4 MINING COSTS MINSEVE REVIEW 2013

9.4.1 Summary

Minserve has reviewed the operating costs presented in the DFS and made changes to the availability and utilisation of the mining fleet.

Costs have also been sourced from another operation in the same operating environment.

A comparison is shown in **Table 9.8**.

Table 9.8 — Comparison of Mining Operating Costs

Mining Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
DFS - \$k	6,675	10,518	8,824	8,267	8,020	6,941	0	49,244
Minserve - \$k	9,958	14,740	13,056	12,397	11,672	10,183	1,288	73,293

9.4.2 Equipment Costs

(See model.)

9.4.3 Diesel Fuel

Minserve were advised to use 80 cents/litre by KGL.

9.4.4 Workforce Costs

(See model.)

9.4.5 Explosives Costs

(See model.)

9.4.6 Other Mining Costs

(See model.)

9.5 TREATMENT COSTS

The DFS included the following treatment costs per tonne for the two production rates.

Table 9.9 — Treatment Plan Operating Costs 2010

Description	Operating Cost Estimate (US\$/t)	
	Phase 1 (1.5Mtpa)	Phase 2 (3Mtpa)
Power	2.35	1.99
Labour - Expatriate	0.72	0.17
Labour - National	0.86	0.43
Reagents	0.94	1.28
Consumables	2.71	2.61
Maintenance	0.69	0.48
Miscellaneous	0.16	0.08
Total	8.41	7.05

Information on cost changes from 2010-2013 from KGL:

Inflation Rates, CPI – Annual

- 2010 19.2%
- 2011 5.7%
- 2012 7.5%
- 2013 YTD 1%
- Therefore, January 2010 to April 2013 CPI inflation is 37%.

Exchange Rate, soms per USD

- January 2010 44.2 Soms/USD
- April 2013 48.2 Soms/USD

Electricity

- Unchanged in soms.

Diesel Fuel

- January 2010 24.2 KGS/litre, or USD 0.55/litre
- April 2013 38.5 KGS/litre, or USD 0.80/litre

National Average Monthly Earnings

- January 2010 USD 143.6/month
- April 2013 USD 207.5/month

Therefore, in USD:

- Electric power –8.3%
- Labour +45%
- Reagents (from US Dept. of Statistics, US industrial commodities index) +8.8%
- Maintenance (from US Dept. of Statistics, US machinery and equipment index) +6.3%

These recommended changes have been applied to the 2010 costs shown in **Table 9.9** and the increased costs are shown in **Table 9.10**.

Table 9.10 — Operating Costs Minserv Review 2013

Description	Operating Cost Estimate (US\$/t)	
	Phase 1 (1.5Mtpa)	Phase 2 (3Mtpa)
Power	2.35	1.99
Labour - Expatriate	1.04	0.25
Labour - National	1.25	0.62
Reagents	1.03	1.40
Consumables	2.98	2.87
Maintenance	0.73	0.51
Miscellaneous	0.17	0.08
Total	9.55	7.72

9.6 ADMIN COSTS

Increased by 30%.

9.7 TRANSPORT COSTS

Increased by 30%.

9.8 OTHER COSTS/OFFSITE

Increased by 25%.

9.9 TAXES AND ROYALTIES

The following taxes and royalties apply to the operations of AMC:

- A royalty of 5% on the gross value of gold in concentrate exported;
- A royalty of 3% on the gross value of gold in concentrate exported;
- 1.5% sales tax on the gross proceeds of sale of concentrate;
- Gold production is now exempt from income tax. Gold production however is subject to a sliding scale of revenue tax ranging from zero at the gold prices less than US\$1,200 per ounce to 20% for gold prices above US\$2,500 per ounce;
- Withholding tax of 10% on dividends paid to foreign shareholders.

There is no export tax payable. Export of copper concentrate, including gold in copper concentrate where the concentration of gold is less than 2%, is zero rated for the purposes of VAT.

Land tax for the land allotment is payable at the rate of US\$2,800 per month at current exchange rates.



10 RISK ASSESSMENT

10.1 KGL'S ASSESSMENT OF RISK AND THEIR MITIGATION

Source: Reference 1.

10.2 INTRODUCTION

All risks associated with the Andash Project are assessed to be manageable and of a magnitude that will not impact the forecast estimated cost and schedule. Mine start timing and commencement of revenue receipt is more problematic.

10.3 RESOURCES ESTIMATE

At current gold prices of around \$1,400 US/oz the resource should be larger than stated.

10.4 MINING

Risk in the mining area include:

- Waste dump failure – good design are gradual build up;
- Ore loss and dilution may be higher than planned.

10.5 TREATMENT PLANT

Technical Risks identified as 'significant' are listed below, together with their impact. No 'high' risks were identified in the total project areas and mitigation plans.

Table 10.1 — Treatment Risk Mitigation

Facility	Issue	Mitigation
Primary ball mill	Relining of mill	Installation of a mill mast
Flotation	Raw water temperature less than 10°C	Address in detailed design
Flotation	Slurry stream less than 10°C	Address in detailed design
Regrind circuit and classification	Sizing of regrind mill	Detailed design analysis
Reagents	Toxic materials	Consider layout and manual handling in more detail
Flocculant mixing	Spillage in Flocculant Area	Allow for elevated work way to negate slip hazard
Concentrate filtration	Insufficient testwork	Ongoing testwork program
Tailings thickening	Insufficient testwork	Sampling during phase 1
Flotation	Integration of mine plan and metallurgical testwork	Report post DFS

Source: KGL, Reference 1.

Having identified the major risks to the Project KGL will develop management and mitigation strategies that will provide protection against the potential impact these risks may have on the technical and financial success of the Project. Commercial risk mitigation techniques will be applied to items such as insurance, contract tendering and award procedures, warranties and guarantees.

Opportunities exist in the following areas:

- Early award of contracts or orders for critical equipment;
- High level of expediting resources;
- Logistics – high level of logistics control and inventory;
- Operations and Maintenance skills – recruitment and training approach;
- Project Controls – implementation of systems and procedures.

10.6 OTHER

- Hold up on concentrates to rail;
- Delayed start;
- Longer workforce training time.

10.7 MINERVE ASSESSMENT OF PROJECT RISKS AND THEIR MITIGATION

Minserve believes the project risks to be manageable; they are assessed as follows:

Risk	Mitigation
Delay to project start	Improve local relationships. Cash flow NDL calculation based on project start end Year 1 and construction completed end Year 3.
Waste dump failure	Built from bottom up with appropriate catchment.

11 OTHER PROSPECTS DISCUSSION AND VALUATION

11.1 INTRODUCTION

Historical exploration work for the greater Andash area has consisted of rock chip sampling, ground based geophysics including magnetics, resistivity and IP, trenching and diamond drilling. The main areas of interest are Andash 2_3 located 1km to 1.5km west of the main Andash Au/Cu deposit and the Toktonysai Cu/Au prospect, 8km ENE from Andash. Additional historical work in the Andash 2_3 area has included an exploration adit with cross cuts. Summary geology and details of exploration anomalism for the whole Andash licence area is included as **Figure 11.1**.

11.2 ANDASH 2_3 PROSPECT

11.2.1 Geology

The area consists of a relatively small but complex arrangement of the Andash monzodiorite-granite intrusive occurring at the contact between basalts and volcanoclastic sediments (**Figure 11.1**). The intrusive is mapped as an elongate northwest to west-northwest striking body possibly representing a tilted apophysis to the main Andash porphyry which lies 1km to the east. The sub-surface extent of the intrusive is unknown due to a lack of geological information from the drilling, but there is an opportunity for Andash porphyry-style mineralisation. There is a complicated arrangement of later faulting and syenite dykes; in some instances later northwest to east to west striking faults have appeared to truncate both the porphyry and the mineralisation.

Mineralisation recorded in the surface trenches and the adit work indicates the gold is related to pyrite and chalcopyrite mineralisation i.e. similar to Andash. Some of this mineralisation has been partially to strongly oxidised to limonite and malachite. Trench Cut-7 mentions the presence of magnetite associated with the mineralisation (re Andash Main deposit).

The magnetic data indicates that there are some spot highs associated with the surface and near surface mineralisation in the Andash 2_3 area e.g. DDH9 and DDH13. However there is no coherent magnetic feature linking the mineralisation or giving some indication of its strike length, suggesting a possible lack of mineral continuity. A larger, positive magnetic feature coincides with the mapped basalt/trachyandesite i.e. a formational geophysical feature. Another possible formational feature occurs just to the northeast of the main body of surface mineralisation (**Figure 11.2**). This modest anomaly may be more significant in that there are localised monzodiorite outcrops within it and that one of the best mineralised holes in the Andash 2_3 area sits at its centre i.e. hole DDH27. This anomaly may be significant for large scale mineralisation albeit blind mineralisation.

Figure 11.1 — Andash Prospects and Summary Map

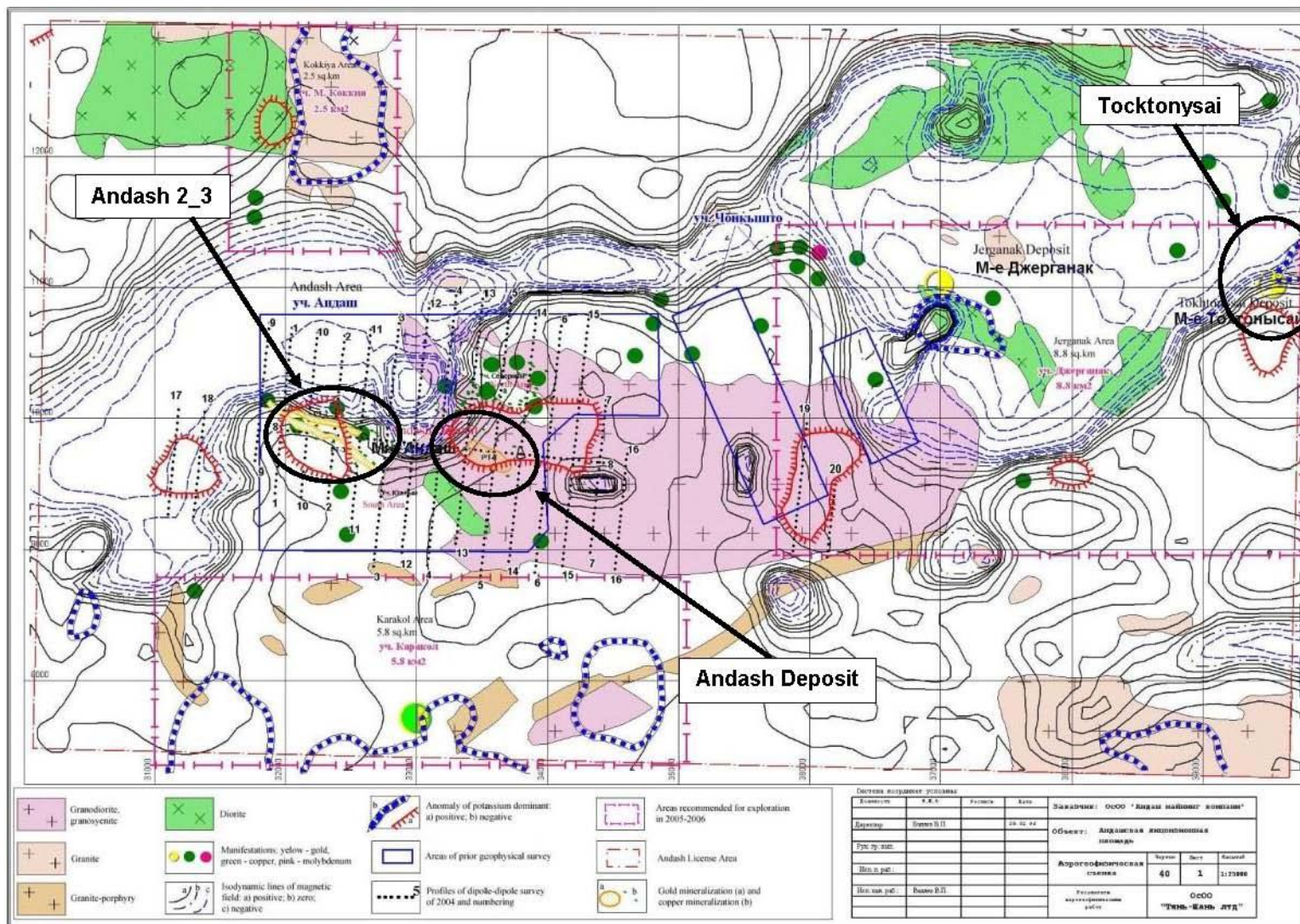
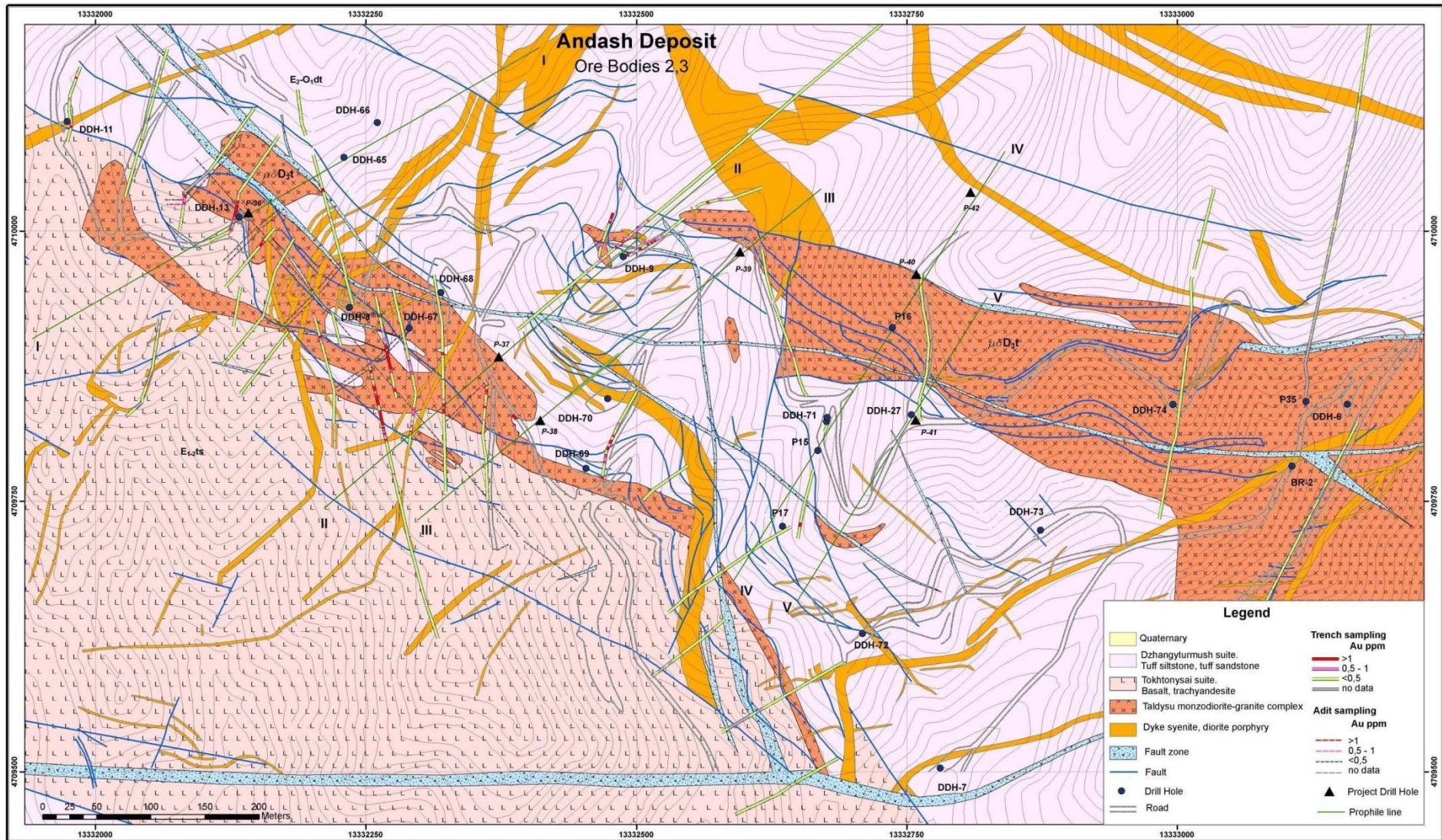


Figure 11.2 — Andash 2_3 Geology and Exploration Summary Map



11.2.2 Adit Data

The underground adit data appears to be somewhat disappointing in the outcomes achieved. Significant mineralisation was only encountered in two cross cuts, namely 1 and 9, which occur at opposite ends of the workings. The adit mineralisation in Cross Cut 1 is approximately 35m below the surface. The lack of coherency in the adit sampling indicates considerable complexity to the mineralisation continuity.

11.2.3 Trench Data

The anomalism associated with the trench data has a complex surface pattern but it appears to be related to the exposed monzodiorite intrusive. The anomalism is generally gold-dominant with minor anomalous copper mineralisation and appears to be consistent with the drilling data. There are slight concerns with some aspects of the drilling in relation to the surface anomalism in particular the lack of mineralisation in hole DDH67. In this instance substantial surface mineralisation is not intersected in a drillhole <25m away. This may be due to an unknown fault truncating the downdip extension of the mineralisation or indicates that the mineralisation is dipping to the southwest. In either case it indicates complexity to the geology which will require a considerable amount of drilling and careful surface mapping to resolve.

11.2.4 Exploration Potential

An exhaustive iterative process of reviewing the data has allowed for the identification of an Exploration Target for the area. The exploration model involves four moderately anomalous zones of gold mineralisation of similar tenor to the Andash deposit, three dip to the NE and one has been interpreted to dip to the SW although this is open to reinterpretation. The strike length for the mineralisation is estimated at 1.1km with an average thickness of 25m (using the drilling details from the intercept table) and an average dip length of 250m with an assumed average density of 2.65t/m³. It is anticipated that the target would be mined by an open pit operation. There would be some minor copper credits although the likely average copper grade is anticipated to be around the 0.1% level.

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

11.2.5 Exploration Risks

1. The lack of drillhole geology precludes making a better assessment of the mineralisation at Andash 2_3.
2. There is no QA/QC data available to verify the accuracy of the gold and copper analyses.
3. There appears to be recovery issues associated with the diamond drilling; any bias needs to be investigated with more drilling.
4. The level of geological interpretation presented implies quite a degree of complexity to the geology. In several cases it appears that faulting has truncated mineralisation.
5. Discrepancies between the drillhole results and the surface mapping need explaining.

6. The amount of exploration work completed to establish the exploration target is limited and there is no guarantee that further exploration will delineate a resource of the estimated size.

11.2.6 Other

Development of any deposit found at Andash 2_3 could be severely impacted by the proximity of the nearby village.

11.3 TOKHTONYSAI PROSPECTIVITY

11.3.1 Introduction

The Toktonysai Cu/Au prospect occurs on the eastern margin of the Andash licence. Historical exploration work has consisted of rock chip sampling, ground based geophysics including magnetics, resistivity and IP. Also included has been some trenching, 7 trenches for 703.2m and diamond drilling, 6 holes for 568.5m.

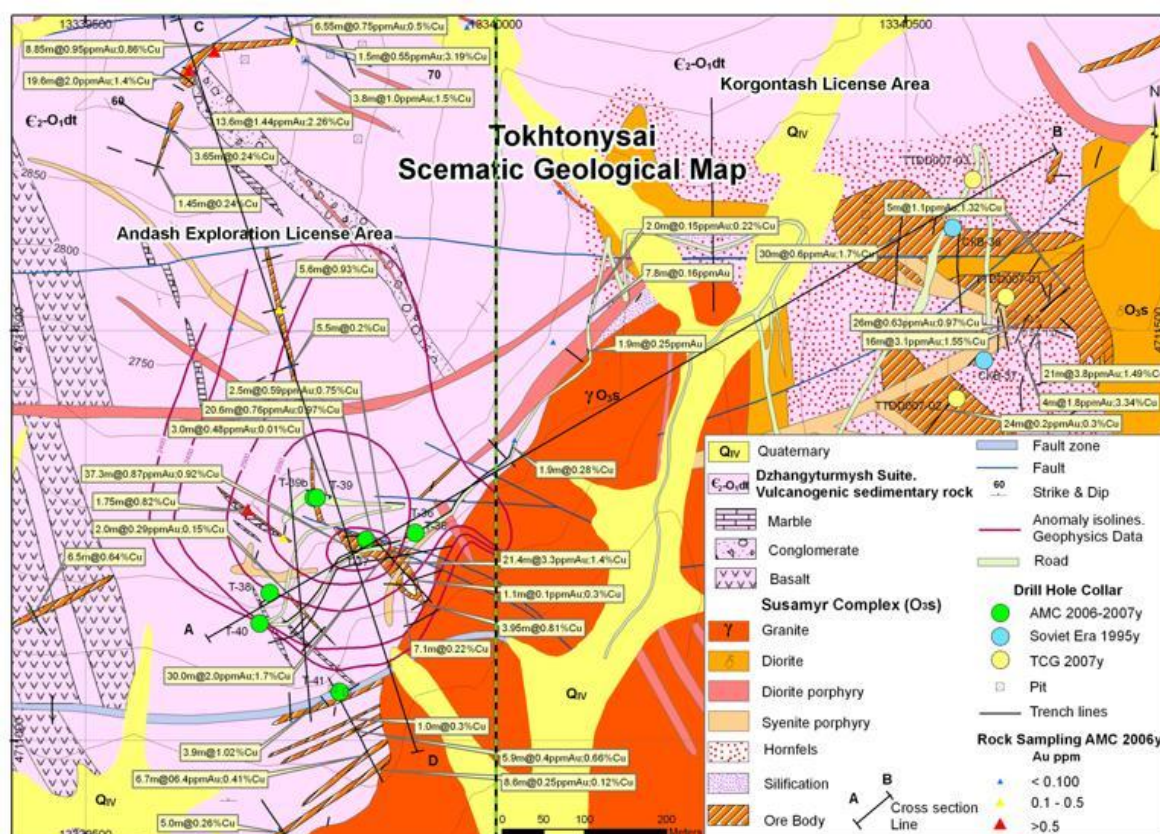
11.3.2 Geology

The geology of the Tokhtonysai deposit consists of a steeply NE dipping Lower Palaeozoic volcano-sedimentary sequence intruded by a granite with some later cross cutting syenitic porphyry dykes (**Figure 11.3**). The sedimentary sequence includes limestone bands which have been subject to thermal metamorphic effects that have produced skarn. The deposit type is attributed to a gold-copper skarn-type, similar to the Aktash deposit (5kms further east), hosted in Cambrian limestones and volcanics proximal to substantial granite/granodiorite intrusions of the same age as at Andash (Ordovician).

The main area of mineralisation lies just inside the eastern boundary of the Kentor licence where a series of “Ore Bodies” are recorded on the enclosed map. Some of the mineralised bodies are strike parallel to the host volcano-sedimentary sequence i.e. to the NW, with mapped mineralisation identified to occur over a strike length of 125m and up to 30m thick. A cluster of “Ore Bodies” presumed mineralised veins, occurs just south of the main area of drilling and strike ENE with an average strike length of 125m. Two “Ore Bodies” occur 200m further to the NW of the main area of drilling and appear to be bed parallel structures. Further to the NW by about 400m there is an area of surface mineralisation that appears to have a lot of low and some moderate grade copper and gold mineralisation. The main area of interest is located in close proximity to the granite contact <200m away.

Copper (and gold) mineralisation comprises chalcopyrite as fine grained disseminations and veinlets associated with heavily altered and fractured epidote/garnet skarn. The chalcopyrite has been locally weathered to malachite. Occasionally there is a magnetite association with the copper mineralisation.

Figure 11.3 — Tokhtonysai Summary Map



11.3.3 Exploration Target

An Exploration Target can be identified for the skarn mineralisation encountered in surface trenches and drillhole T-36. This target has a possible strike length of 100 to 125m with a possible true thickness of 35m to 45m and a down dip extent of 100m to 120m. This equates to a size range of 350,00m³ to 650,00m³ which with an average density of 2.65t/m³ would indicate a potential tonnage of 1Mt to 1.5Mt. Possible gold and copper grades could range from 0.8-1.5g/t Au and 0.8-1.5% Cu.

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

11.3.4 Exploration Risks

- The skarn type of mineralisation is often predisposed to a poddy, discontinuous nature; often giving high grades but only over short distances. The mineral type is usually attributed with an irregular geometry. However, there has been significant exploration success at the Aktash prospect where coherent skarn mineralisation has been defined with the identification of significant resources (under the Russian classification system);
- There is no QA/QC data available to verify the accuracy of the gold and copper analyse;

- The level of geological interpretation presented, along with core photographs of hole T-36, implies a degree of complexity to the geology;
- Drillhole T-36 was a vertical hole and may have been drilling into steeply dipping mineralisation and thus the downhole widths may not be true widths. The hole also seemingly intersected the main granodiorite body at just over 100m depth and thus there is a likely depth limitation to the size of any skarn mineralisation;
- There might be issues over the accuracy in the location of some of the drillholes. It is important to establish why T-37 drillhole had no significant mineralisation.

11.4 MINSERVE VALUATIONS OF OTHER PROSPECTS

Conservative valuations assigned by Minserve are as follows:

	\$M	
Andash 2-3	0	Poor results in adit
Tokhtonyasai	0	No resource defined
Total:	0	
	===	

12 REVIEW REFERENCES AND MINSERVE'S INDEPENDENCE

12.1 MINSERVE REVIEW REFERENCES

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2. Andash Economic Model Update 2012 – 2013, KGL.
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15. Tokhtonysai Exploration Potential, 29 September 2010.
16. Andash Purchase Recommendation To The KGL Board, October 2009.
17. The metallurgical and treatment plant review was based on review of the following additional documents:
 - Process Flow Diagrams approved for design, originating from AMEC Minproc Limited, nominally from the year 2010 with revisions into 2011;
 - Andash Definitive Feasibility Study - Part 8, Metallurgical Testwork. March 2010. AMEC Minproc Limited;
 - Andash Definitive Feasibility Study - Part 9, Process Plant. March 2010. AMEC Minproc Limited;
 - Kentor Gold Ltd Andash Gold/Copper Project, Process Description. Revision 3, March 2011, AMEC Minproc Limited;
 - Andash Gold/Copper Project, Process Design Criteria. Revision 1, March 2011, AMEC Minproc Limited.

12.2 VALMIN CODE 2005 INDEPENDENCE REQUIREMENT

The Minserve Group Pty Ltd (Minserve) is an independent firm providing specialist mining industry consultancy services in the fields of resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and coal preparation and corporate services.

Minserve operates from an office in Brisbane has prepared independent expert's reports and mineral asset valuations on a variety of mineral commodities. The Minserve valuation team consisted of:

- Jeff Jamieson as Project Manager;
- Simon Tear for Geology aspects;
- Drew Herbert for mining and resources; and
- Stuart Smith for metallurgy.

This report was prepared in accordance with the Australasian Institute of Mining and Metallurgy's (AusIMM) Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Experts Reports (the VALMIN Code) and Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code).

Neither Minserve nor those involved in the preparation of this report have any material interest in the companies or mineral assets considered in this report. Minserve is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.



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