



**Kentor Gold Ltd**

**Date of Lodgement: 20/2/12**

**Title: “Company Insight – Updates 3 Emerging Near Term Projects”**

**Highlights of Interview**

- Explains 4 stage expansion at approved Murchison Gold Project.
- Larger Andash & Jervois projects to follow.
- Andash ready for development and waiting final approval – exceptionally low costs.
- Jervois potentially the largest project & with strong exploration upside.
- Scoping Study at Jervois nearing completion & expected to enter feasibility stage shortly.

**Record of interview:**

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Kentor Gold Limited (ASX code: KGL; market cap of ~\$111million) announced that it had approved the Murchison Gold Project (KGL 100%) in Western Australia comprising the Burnakura and Gabanintha deposits. The initial production will be 24,000 ounces at \$1,223/oz operating cost. This is Phase 1 of a planned four stage expansion. Can you explain in broad terms how you might increase production and reduce operating costs over the 4 stages of expansion?

**Managing Director, Simon Milroy**

The key to the Murchison Project is not just that we can get into production early, but that we can increase production without commensurate increases in capital expenditure and the workforce. In the first phase, we are setting up and funding the core mining and processing plant which is actually the re-activated plant at Burnakura supplemented by some of the plant brought from the closed Indee mine.

But the second phase, heap leaching, oxide ore is what really makes the project perform as this will increase the gold output and reduce the operating costs. The heap leach operation will have a relatively modest capital cost as we already own most of the equipment required.

In the third phase, we will be doubling the capacity of the CIP plant to 500,000 tonnes a year, and in the fourth phase, we envisage processing copper-gold ore from nearby Gabanintha.

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Capital for Phase 1 is \$14.8 million with \$2 million already spent. When do you expect first production? Why have you decided to go ahead with the Murchison Gold Project at a fairly small scale production and high operating cost?

**Simon Milroy**

The Murchison Project should be kept in perspective. It is the smallest of Kentor Gold's current pipeline of three projects, but with real immediate value and future potential for growth and extension of its life. It is a low risk way of getting us into production very soon – in June this year. The project has very low metallurgical risk as we are treating the same ore in the same plant which originally achieved 94% recovery. The initial phase 1 plans have only included mining from four of the 20 open pits at the project and we expect that we will be able to include further resources and mine life as the results of the current drilling become available.

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How will you approach adding to Resources of ~700,000 ounces at the Murchison Gold Project?

**Simon Milroy**

We have a 20,000m exploration program underway at the Murchison project. The programme is designed with infill drilling around the initial mining areas to increase confidence, and to extend the resource. The drill rig has averaged over 200m per day since it commenced in early February.

After completing the initial work at Burnakura, the rig will move across to Gabanintha where it will test the gold-copper mineralisation targets identified in a recent HeliTEM survey.

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How does the Murchison Gold Project compare with your two other emerging projects – Jervois in the Northern Territory and Andash in the Kyrgyz Republic – in terms of size and importance to the Company?

**Simon Milroy**

Andash is ready to be developed as a significantly larger producer than Murchison and, of course, at an incredibly low operating cost of US\$29/oz after copper credits and royalty payments. We have been making progress towards obtaining a social licence – the approval of the local people – and once that is obtained we will gain site access to begin development which is scheduled to take 12 months. That will have us in production at an initial rate of 70,000 oz gold and 7,400 tonnes copper for the first six years, with excellent extension and expansion prospects.

If we meet those target numbers we will produce free cash flow each year that is equal to our current market capitalization.

Jervois is shaping up as a pretty major multi-metal mine, and it could well emerge as the largest of the three current projects.

We completed an initial Mineral Resource Estimate after we acquired the property last year, and already this has been substantially increased as a result of our own exploration. We have increased the copper and silver resources in the last two months by around 30% to 150,500 tonnes copper and 9.66 million oz silver, and our consultants, Hellman & Schofield, have indicated a substantial Exploration Target beyond that. Gold is present in assays that appear to be increasing in grade with depth, but no gold figure has been included in the resource estimates yet.

Jervois extends over a 12km strike length, and all known mineralisation is still open at depth and along strike. We are currently engaged in a scoping study which will be completed next month. The scoping study is examining the economics of a 1.5 mtpa flotation concentrator producing a copper concentrate with significant precious metal credits. We are also investigating the production of a magnetite concentrate from the flotation tailings.

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Yes, you reported recently that Kentor Gold has increased the copper resource estimate at the Jervois Project in the Northern Territory by 33% and the silver resource estimate by 27%. The total Inferred Resource is now 11.9 million tonnes at 1.3% copper and 25.2 g/t silver containing 150,500 tonnes of copper and 9.66 million ounces of silver. Can you describe the dimensions of the total mineralization?

**Simon Milroy**

The Resources are located at four deposits and there is great potential for expanding the resource base throughout the 12km strike length. However, the recent increase in resource estimates was mainly at the Reward and Bellbird deposits, giving us a strong focus for initial mine development there.

As for scale, when you take the new copper-silver resource estimate, and you consider the increasing presence of quite high grade gold in the drill assays that is not yet included in the resource estimates, and you add the substantial Exploration Target that Hellman & Schofield have indicated, then Jervois is entering the ranks of one of Australia's most significant copper deposits.

The Exploration Target for the Reward and Bellbird deposits was given as 5 to 10 Mt at 0.75% to 1.25% copper and 10 to 25 g/t silver at a 0.5% copper cutoff for 50,000 to 100,000 tonnes copper and 3 to 5 Moz silver. This is not an upside limit, this is what we expect to define when we have infilled the areas immediately adjacent to the existing Inferred Resource.

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.

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Given what you know about the current resource, what is the likelihood of upgrading the resource above Inferred status? What about expanding the current resource?

**Simon Milroy**

We expect that this year's current drilling program will move a portion of the Inferred Resource into the Measured and Indicated categories. The planned drilling also includes some extensional work and also some metallurgical drilling to generate the samples required for further metallurgical test work as part of a feasibility study. We are particularly interested in the high grade areas at depth and along strike to the north of Bellbird and the high grade area to the north of Reward.

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Do you have any idea of possible production rates from Jervois?

**Simon Milroy**

Our current concept is of Jervois commencing production in 2014 as a mid-size copper mine with considerable silver and gold credits. We need to complete the present scoping study and progress to the full feasibility study to give us a firm plan, however given the scale of the plant we are considering, the project has the potential to produce around 20,000 tonnes of contained copper per year in concentrate.

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Historically, not many drill holes were assayed for gold at Jervois. It is Kentor's intention to re-assay historical, and assay future drill holes for gold. How much value could gold add to revenues?

**Simon Milroy**

We intend to include gold in the Resource Estimate for Jervois later this year. The presence of gold at the Reward deposit has been known for years, but unfortunately only 20% of the historical drilling was assayed for gold. It is not possible to re-assay the old core because most of it no longer exists, however we should have sufficient information after the planned drilling to come up with a reliable estimate on the gold content of the resource.

The gold will add significantly to the revenue because of the grade and the relationship to the high grade copper, although it's premature to estimate a figure. As an indicator, the hole used for metallurgical test work late last year assayed 72m at 3.27% copper, 0.25% lead, 0.11% zinc, 51.33 g/t silver, 1.16 g/t gold from 414 metres. I should mention that the test work achieved exceptional results - a best response of a concentrate with a grade of 26% copper for a 94% recovery.

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Can you summarise key milestones across each project for 2012/13 - drilling programs (at site and regionally), scoping studies, feasibility studies, first production and any other important anticipated events?

**Simon Milroy**

In Western Australia, Kentor Gold is on track to be in production at the Murchison Gold Project in June, with gold production to increase and cash costs to decline from next year when the second phase heap-leach stage comes on line.

The Andash Gold-Copper Project in the Kyrgyz Republic is ready to go to the development stage, and we are looking forward to achieving local approval that will see us in production there next year.

In the Northern Territory, the Jervois Copper-Silver-Gold Project's scoping study is nearing completion and should progress to full feasibility.

During 2012, we are committed to drilling programs at Murchison and Jervois to upgrade and expand Resources.

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Thank you Simon.

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## Appendix 1 KGL Group Resources

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

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

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

Kentor Gold own 80% of the Andash project

## Competent Persons Statements

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

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

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

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

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