

A REVOLUTIONARY PROCESS

A positive result from its recently completed feasibility study and the introduction of a new, interim government has reinforced Kentor Gold's confidence in its Andash gold-copper project.

THE ANDASH GOLD-copper project is the priority of Kentor's gold and geothermal energy assets in the Kyrgyz Republic.

Kentor owns 80% of Andash, which it has targeted to commence production in 2011.

A recently completed definitive feasibility study at Andash confirmed company expectations of what the project has to offer.

The Andash gold-copper project emerged from the DFS as an economically robust project with what all miners like to see – low operating costs and high margins.

Key outcomes of the study showed the Andash gold-copper project to be capable of an average annual production of 60,000 ounces of gold and 6800 tonnes of copper in a single concentrate over an initial mine life of 6.5 years.

"The mining at Andash is extremely straightforward," Kentor Gold managing director Simon Milroy told *RESOURCESTOCKS*.

"It will be an open pit mine with a strip ratio of 0.72 tonne waste to one tonne of ore.

"It is basically just a big, wide pipe of ore measuring about 250

metres across, that is all ore that outcrops the whole way.

"We already own a fleet of mining equipment which is in the country and ready to go.

"We will be producing a very high-grade concentrate from Andash that is going to come out at around 65 grams per tonne gold and around 24.5 per cent copper with absolutely no impurities in it at all.

"That means no penalty elements."

The high-grade concentrate to be produced at Andash is already in equally high demand from smelters in the immediate region due to a shortage of good quality feedstock.

The project is close to smelters in Kazakhstan and China, and is agreeably linked to mainland Europe by rail, giving it an instant, strong customer base.

"The initial capital cost of the project is \$US102 million with a further \$US28 million for an expansion in year three," Milroy explained.

"We have extremely low cash costs – so once you take off the copper by-product credit we are actually sitting at around negative \$US30 an ounce.

"When you add

on the royalties, the gold cash costs come up to \$38 per ounce.

"That includes all transport, refining charges – the works. It is not an onsite cost; that is an everything included, all-up cost.

"We are also confident – as was the DFS – that we will significantly increase the resources and therefore extend the mine life of Andash by exploration in the high-potential licence area in and around the project."

Kentor shared a brief but nervous time with the entire country last month following an uprising against the regime of President Kurmanbek Bakiev.

Bakiev was elected in 2005 after his predecessor, President Askar Akaev, was deposed amid accusations of nepotism, corruption and other abuses of power.

Unfortunately, history was to repeat itself with Bakiev being the subject of similar suspicions.

The final crunch came when Bakiev's son, Maksim, was criticised for using his governmental position to promote his own business interests.

These included the privatisation of the country's telecommunications and electricity services, which resulted in unpopular price rises for both.

Protest groups grew to form a united opposition, which appointed Roza Otunbayeva as its leader.

After demonstrations in the country's capital, Bishkek, the short but at times violent uprising in which lives were tragically lost led to the installation of the interim government headed by Otunbayeva and the resignation and departure from the country of Bakiev.

Milroy says Kentor has the important advantage of being established in the Kyrgyz Republic for

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SIMON MILROY
KENTOR GOLD





several years, with the management team there led by a Russian-speaking Australian, executive director Hugh McKinnon.

Assessing the impact of the change in government, Milroy says that the interim government has given reassurances of its commitment to mining development and foreign investment.

With regard to the Andash project, he stated candidly:

“We expect the biggest effect that the recent political change is going to have for us, the worst possible case, is that it delays the debt component of the project financing.

“Subject to financing coming together, we are looking to get started in July this year with about a year for construction and commissioning in the fourth quarter next year.

“Onsite there has been no effect at all.

“We currently have a team of people out there recommissioning a complete construction and mining fleet that we acquired with the Andash project, and they have just worked every day. It didn’t affect them at all.”

Even with all the troubles occurring in the capital city of Bishkek, Kentor only had to shut its office there for one day.

“Nobody in the country expected

the rapid change of government,” Milroy said.

“It happened so quickly but it also resolved itself very quickly and by all accounts everybody feels very optimistic for the future of the country.

“Government has definitely changed for the better.

“The leadership has made it clear they want a fair and more democratic society, and they value economic development and foreign investment..”

Otunbayeva and her government have said they will put a revised constitution to a referendum and hold elections within six months.

The new constitution will be changed to a parliamentary system designed to prevent the recurrence of a small group of people holding so much power and influence.

In a letter to Kentor Gold shareholders, company chairman John Barr described Otunbayeva to be “a respected political leader and former diplomat, highly regarded as a leading moderate.

“A fluent English speaker, she is a former foreign minister and former ambassador to each of the United States and the United Kingdom.”

Kentor is now confident it is operating in a country that is in reliable, capable hands and that its shareholders can feel the same about

its company board of directors.

To complement Milroy and Barr, and to boost the development of the Andash project, the company recently made some new appointments.

Gerard Kelly has joined as chief financial officer after more than 20 years in international corporate finance, which included five years as group controller for Rio Tinto in Southeast Asia.

New general manager of corporate finance Kelvin Russell arrives with many years of experience in banking in the UK and Australia, and as a consultant to the mining industry.

The position of general manager operations for the Andash project has been taken up by Guy Cordingley following 10 years of senior management experience in mining projects with a strong focus on copper-gold flotation.

Looking at the Andash project, Milroy easily listed its many highlights.

“The highlights are – extremely low cash costs, relatively modest capital costs,” he said.

“I think another of our great strengths is the time we have been in the country and being so well connected there.

“The rapidly improving political situation also provides us with a clear path forward.”

The Kentor Gold mining fleet on the ground at the Andash project