



KENTOR GOLD LTD ANNUAL REPORT 2006



KENTOR GOLD LTD

ABN 52 082 658 080

CORPORATE DIRECTORY

directors

CHAIRMAN

W.H. John Barr, AM

MANAGING DIRECTOR

David Royle

EXECUTIVE DIRECTOR

Hugh McKinnon

NON-EXECUTIVE DIRECTOR

Andrew Daley

company secretary

Bruce Paterson

chief financial officer

Greg Burgess

registered office

Kentor Gold Ltd (ABN 52 082 658 080)

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Melbourne VIC 3000

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auditors

Deloitte Touche Tohmatsu

180 Lonsdale Street

Melbourne VIC 3000

share registry

Link Market Services Limited

Level 4

333 Collins Street

Melbourne VIC 3000

stock exchange listing

The Company is listed on the
Australian Stock Exchange Limited
ASX Code: **KGL**

bankers

National Australia Bank Limited

Level 2, 330 Collins Street

Melbourne Victoria 3000

financial adviser

Investor Resources Finance Pty Ltd

Level 3

15 Queen Street

Melbourne VIC 3000

www.kentorgold.com



chairman's letter

Dear Shareholders,

It is my pleasure to present this Annual Report of Kentor Gold Limited for the 12 months ended 31 December 2006, which has been a very challenging year for the Company.

The Company's prime objective continues to be the discovery and development of profitable gold and base metal deposits in both the Kyrgyz Republic and other prospective parts of the Tien Shan belt in Central Asia.

The Company's major exploration focus in 2006 was the Akbel exploration licence area, directly along strike from the multi-million ounce Kumtor deposits and operating gold mine. The Akbel licence (365 km²) has been granted until the end of 2009 and the Bashkol licence (1,259 km²), which is also along strike from the Kumtor deposits, has been granted until the end of 2007, with extensions for up to a total of ten (10) years being available for both Licences.

Due to a shortage of drill rigs capable of operating in the harsh Akbel environment until late in 2006, the drilling campaign has been much slower than planned. However, by the end of February 2007, there were two drill rigs on site thus enabling the Company to complete the 2006 programme commitments.

Negotiations with the Kyrgyz State Agency for Geology and Resources are underway in relation to the Company's required drilling commitment at Akbel for 2007. If those negotiations are successful, it is the Company's intention to continue drilling at Akbel, with the rigs currently on site, until the 2007 commitment is met. That will be much more cost effective and will provide a greater amount of drill data, assays and other technical information for assessment later in 2007.

Throughout 2006 the Company continued with assessment of its exploration areas elsewhere in the Kyrgyz Republic, which areas had been generated from geophysical and geochemical programmes undertaken in 2004 and 2005. Unfortunately none of those areas justified continued exploration and were relinquished by year end.

Considerable effort was also applied during 2006 in identifying, and evaluating advanced gold and/or copper projects. Although most of these projects were rejected on technical grounds, some at year end, and still in Kyrgyzstan, were considered to be worthy of more detailed technical assessment. This work is ongoing.

David Royle, our Managing Director, and Hugh McKinnon, our Country Manager in the Kyrgyz Republic and an Executive Director, are to be congratulated for their achievements in 2006, notwithstanding the numerous and varied challenges they have faced.

As announced to the ASX on 23 February 2007, David Royle has resigned from the Company for personal reasons and finished his 4 years of service with Kentor on 30 March 2007. The Board wishes to record its appreciation of the key role David undertook in the Company's successful IPO and initial listing on the ASX in 2005, as well as establishing a strong springboard of prospective projects in the Kyrgyz Republic, particularly the Akbel Project.

The Board has determined that Hugh McKinnon should undertake the CEO's role until the requirements of the Company, as it moves forward, can be more closely defined. In the meanwhile Hugh has initiated within the Kyrgyz Republic some possible energy related projects, which will hopefully build upon the excellent Government and business relationships that we have developed to date in that country.

I look forward to reporting further positive progress about Akbel and some detail of those new projects at our Annual General Meeting on 24 May 2007.

Yours faithfully



W.H. John Barr AM
Chairman

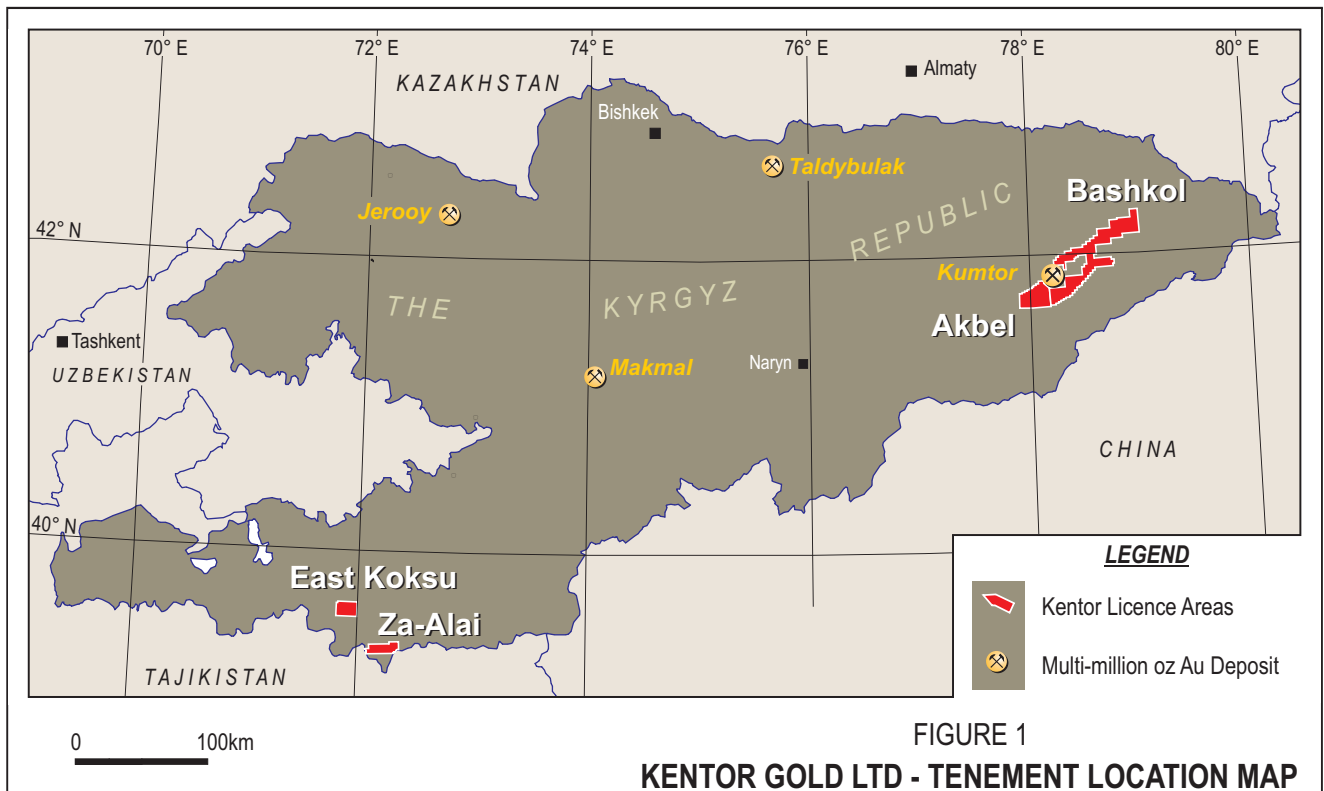
introduction

Kentor's success depends both on systematic exploration around the Kumtor Mine and exploration and acquisition activities elsewhere in the Kyrgyz Republic

Kentor Gold Ltd ("Kentor") continued with its programme to locate extensions to and repetitions of the world class Kumtor gold deposit in areas of the Kyrgyz Republic adjacent to Centerra Gold Inc's licence area and successful mining operation. The major focus of the programme has become the Akbel area, where the prospective horizons lie hidden at a depth of over a hundred metres below glacial moraine. Systematic geological, geochemical, and geophysical programmes over several years have revealed targets that must now be drilled to reveal their potential. A drilling programme conducted intermittently through the year encountered frustrations and delays because of the nature of the overlying glacial moraine. Several modifications to drilling technique were introduced. Drill performance in the campaign that started with the northern hemisphere winter is much improved, and Kentor is now systematically drill-testing a number of targets in the Akbel area.



Geological assessment of all of Kentor's projects in the Kyrgyz Republic has led to a focussing of effort on the Akbel and Bashkol areas surrounding Centerra's Kumtor operation.





exploration projects

Akbel remains the flagship project for Kentor - systematic drilling is in progress

AKBEL

Akbel remains the flagship exploration project in the Kentor portfolio. The project lies along the southwest extension of the prolific Kumtor Trend where Centerra Gold Inc operates the multi-million ounce Kumtor Gold Mine. Through its exploration

programme over the past three years, Centerra has defined a series of shale-hosted gold deposits stretching for 12km along the Kumtor Fault Zone.

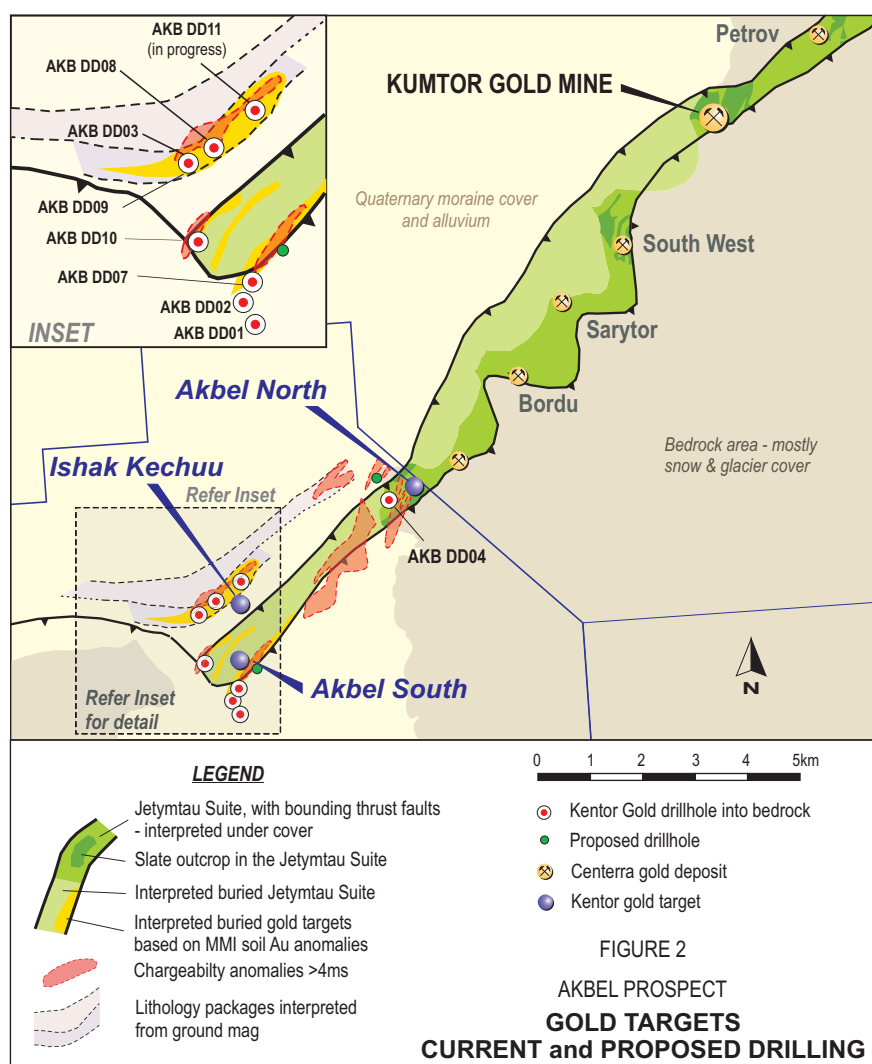
Kentor defined attractive geophysical (IP and ground magnetics) and MMI geochemical anomalies at Akbel during

2005 in a moraine covered area. Drill testing of these anomalies below the glacial moraine commenced in October 2005, and is continuing. A total of 2903m RC/diamond drilling was completed on the project to the end of 2006.

Three phases of drilling were attempted in 2006. The first phase of RC/diamond drilling commenced at the beginning of April, when the worst of the winter weather was considered to be over. One hole (AKB-DD004) at Akbel North was successfully drilled to target depth of 277m (Figure 2). Subsequently, challenging drilling conditions penetrating the glacial moraine cover at Akbel South frustrated and delayed the programme. On recommendations from the drilling contractor, the method was changed and operations were halted while new equipment was sourced. A second attempt with the recommended equipment also ran into difficulties, and the programme was again suspended with no hole having penetrated the moraine.

Finally, Kentor commenced a winter diamond drilling program in the December Quarter focusing on the highest priority MMI gold and coincident IP anomalies at Akbel South. The drilling technique that has evolved over the past year is now quite reliable. At the time of writing, three holes (AKB DD07, AKB DD08 and AKB DD09) had been successfully completed for a total of 1,200m (Figure 2).

The first hole of the winter programme, AKB-DD07, was drilled to 384m at Akbel South, and targeted a combined MMI gold and IP geophysical anomaly. Bedrock was reached beneath moraine cover at a vertical





depth of 135m. The geology intersected in AKB DD07 consisted of a conformable sedimentary sequence of tillite, a facies change marked by a significant graphitic shear zone, then a shale dominant sequence with several shear zones typically forming in black shale horizons. Pyrite mineralisation observed in the tillite and shale is largely diagenetic. In terms of stratigraphic position, this sequence of rocks is interpreted to be the Kumtor Mine hanging wall sequence of the Vendian-aged Baikonur Formation. Not surprisingly, all 33 niche samples analysed failed to return any anomalous gold.

The second hole, AKB-DD08 terminated at 391.4m before reaching target depth of 450m. This was due to extreme caving associated with an unprotected section of moraine and numerous fault/shear zones in the hole. The target tested by AKB-DD08 was a coincident IP chargeability high / resistivity low with a coincident MMI Au anomaly. Bedrock was reached at a vertical depth of 143m. The rock package consisted of steeply SW-dipping, dark grey to black foliated pyritic shale with numerous major graphitic shear zones throughout. Major core loss occurred in these fault/shear zones. Quartz-feldspar±pyrite veins increased in abundance down hole from about 325m. The sequence has the appearance of the Kumtor Mine host

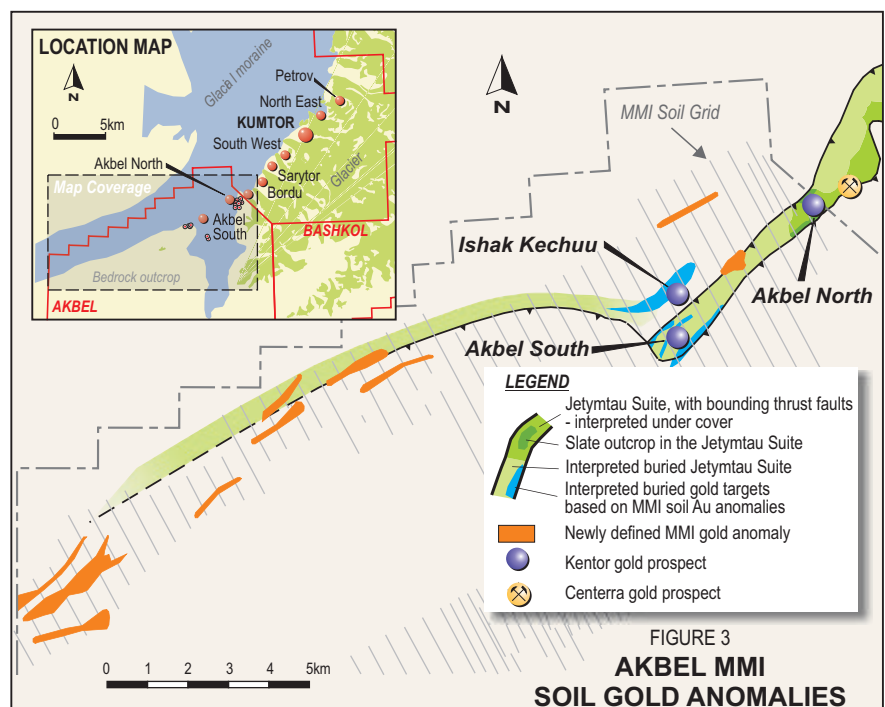
sequence (Jetymtau Fm) of intensely foliated, strongly carbonaceous shales. The classic pink/cream coloured pervasive albite-Kfeldspar-quartz-pyrite alteration associated with gold mineralisation along the Kumtor trend has not yet been observed. The presence of minor feldspar associated with quartz veins in the lower section of the hole is however an encouraging feature of this hole suggesting possible proximity to mineralisation. The entire core from 184m was split and sampled in one metre intervals. Assays confirmed that anomalous gold values occurred over an intersection of tens of metres where there was an increase in quartz-feldspar veining in pyritic carbonaceous shale. Such a result is consistent with Kumtor-style mineralisation.

Hole AKB-DD09 reached bedrock at a vertical depth of 144m beneath moraine and drilled through a sequence of black carbonaceous shale and graphitic fault zones very similar to AKB-DD08 to a final depth of 426m. This is the same site that hole AKB-DD03 was drilled from in late 2005. AKB-DD03 collapsed at 206m in black shale before reaching target depth.

The target is a very strong IP + MMI gold anomaly in the same zone NE trending zone as AKB-DD08. Assay results are awaited.

An independent review during 2006 of Akbel by Australasian Mineral Exploration Consultants (AUSMEC) headed by Rod Dawney has confirmed the presence of a favourable geological setting for a major gold discovery. AUSMEC completed a synthesis of all geological data, including Landsat images, geological mapping, geochemistry including Mobile Metal Ion (MMI) results, and geophysics. The geophysics consisted of conductivity, chargeability, and geo-magnetics. The consistency between the data sets was striking, and led to the mapping of what appear to be footwall and hangingwall structures of the Jetymtau Suite. The Jetymtau Suite is host to the Kumtor orebody. The data synthesis also pointed strongly to the presence of a transfer fault running approximately along the course of the Akbel River.

AUSMEC's data review provided a geologically sound explanation for the distribution of chargeability anomalies and





BASHKOL

Kurgak Tepchi is the best gold target in the Ertash region outside of the Kumtor Trend

mobile metal ion geochemical anomalies, and related these anomalies to four discrete stratabound zones in a tensional structural setting which is normally essential for the generation of gold deposits of the Kumtor type (Figure 2). The practical outcome of the review is that Kentor now has clear and explicit targets for drilling below the moraine cover, with a high degree of confidence resulting from the congruence of many indicators and the consistency of Kentor and AUSMEC findings.

MMI soil sampling of extensions, and in-fill of the existing grid, was completed during the 2006 summer field season. Assays indicated numerous new MMI gold anomalies along the Kumtor Mine Trend as previously reported. These results have better defined the existing priority gold-tungsten anomalies, and close off open-ended anomalies in the main Akbel area.

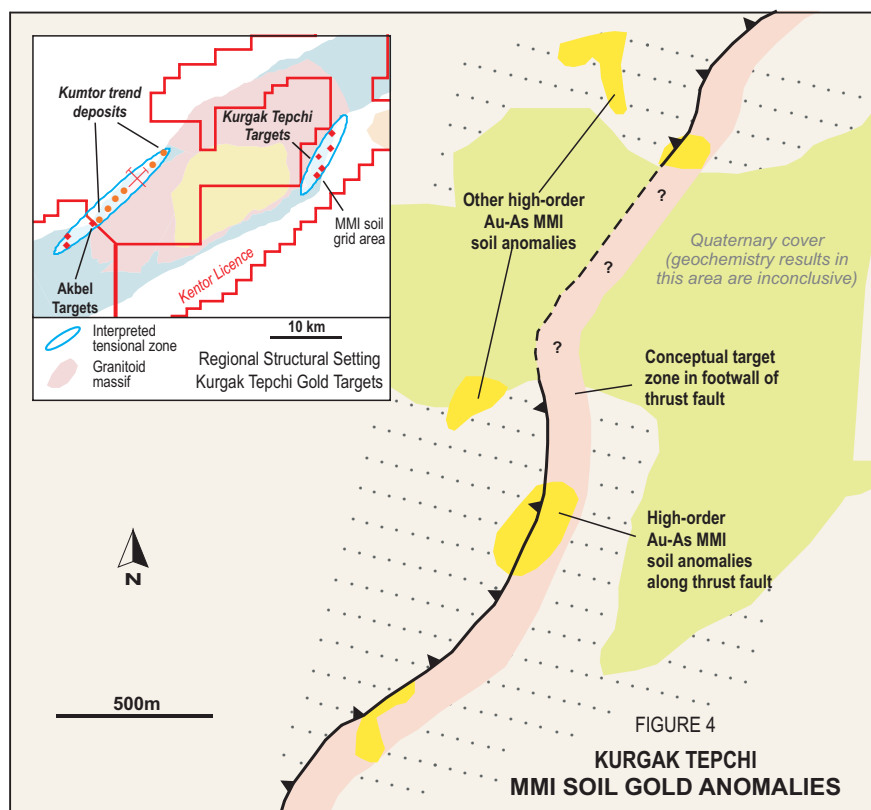
Elsewhere, the geochemical gold anomalies form a series of semi continuous, sub-parallel, lens-shaped zones extending over 20km of the mineralized trend (Figure 3). Of particular note are anomalies that coincide with the interpreted position of the Jetymtau Fm - the black shale host rocks of the Kumtor Mine (see Figure 3). We are encouraged that these new results have opened up new areas with scope for further drill testing.

Systematic follow up of some of the more attractive prospect areas within the Bashkol Licence area at Karasai, Kuylu and Kurgak Tepchi was initiated in the 2006 summer field season to identify high-priority targets for early drill testing. The highlight of that work was the identification several gold-arsenic geochemical soil anomalies at Kurkak Tepchi that suggest a bedrock source that warrant more detailed evaluation including scout drill testing (Figure 4).

Kurgak Tepchi occurs in a highly prospective geological and structural setting ("a mirror image of the Kumtor

Trend"). Exploration results spanning many years of reconnaissance and over 55,000 stream and rock samples indicates that Kurgak Tepchi is the best gold target in the Ertash region outside of the Kumtor Trend.

Kentor will need permission to conduct high impact exploration at Kurkak Tepchi as it lies just inside the boundary of the Sarychat-Ertash State Natural Reserve. Permission will be sought, but it is expected to take a number of months before a decision is made by the various Government agencies involved.



project generation

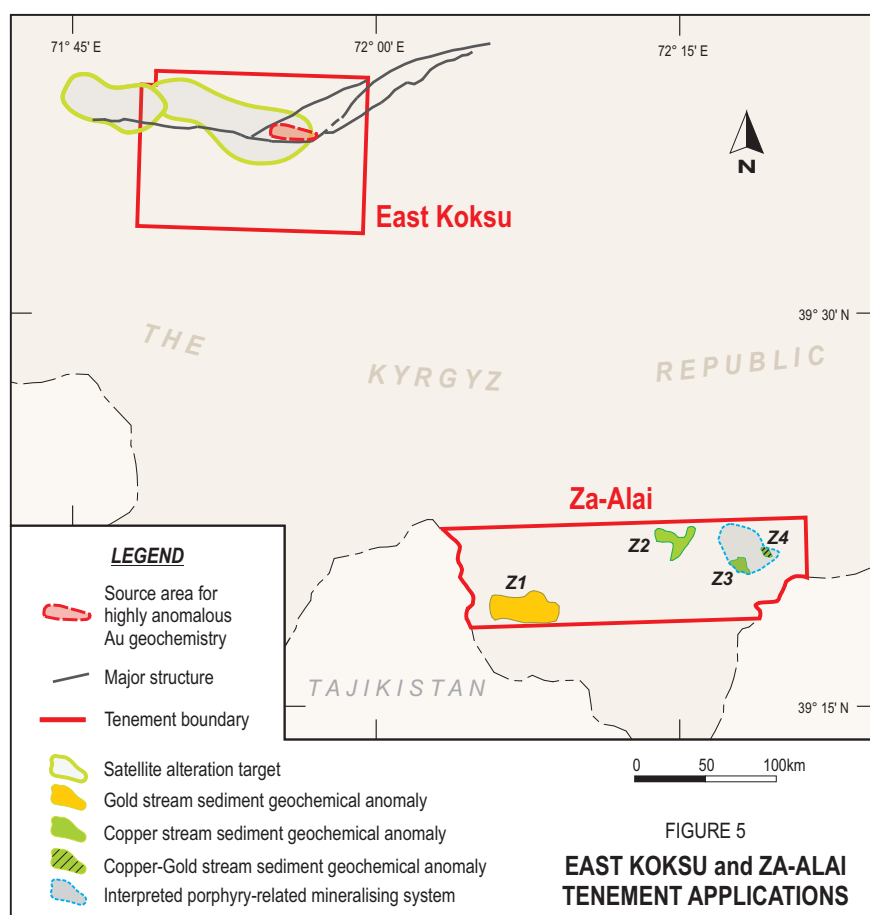
Kentor's focus is the discovery and acquisition of large gold deposits in the Tien Shan metallogenic belt of Central Asia

Kentor's primary focus is the discovery of multi-million ounce gold and gold-copper deposits in the Kyrgyz segment of the Tien Shan metallogenic belt of Central Asia. The Company's generative exploration has concentrated on the important southern extension of the Tien Shan belt within the Kyrgyz Republic. Assessment of the 2005 results of work completed led to the application and subsequent granting of two new tenements at East Koksau and Za-Alai (Figure 5).

Emphasis over 2006 changed from regional grassroots generative studies to identification and evaluation of existing projects using Kentor's substantial proprietary Kyrgyz database and its local network.

EAST KOKSU

At East Koksau analysis of 2005 reconnaissance stream results highlighted an impressive four kilometre long drainage



anomaly. Multi-element analysis shows the drainage anomalies have a strong gold-arsenic-antimony association (Figure 5).

Follow-up of these stream anomalies using detailed BLEG geochemical sampling during the 2006 summer field season returned some significantly anomalous results, from moderate (>5 ppb Au) to extremely high (>200 ppb Au).

The most significant gold anomalous zone, with a maximum BLEG result of 466 ppb Au, is defined by several highly gold anomalous and contiguous BLEG samples in an area of 3200 x 800m.

Twenty-one reconnaissance bedrock samples were taken in this area in an attempt to locate the source of gold, however results were generally low, apart from two samples with >0.1 ppm Au.

Even though these reconnaissance rock samples returned low gold results, the area is considered worthy of detailed geochemical and geological investigation in the 2007 field season as the source of the gold in the streams has not been explained.



ZA-ALAI

Kentor was originally attracted to the Za-Alai area by ASTER generated alteration features. Subsequent compilation and analysis of Soviet era exploration work lead to the identification of four geochemical anomalies that indicated possible gold, copper and copper-gold mineralisation – refer Figure 5.

Re-sampling of the Mednoye “porphyry” (Targets Z3 & Z4) during 2006 has confirmed the low tenor of gold and copper in this system. Of the 26 selective rock samples taken, all gold assay results are below or only slightly above detection limits ($<0.005\text{ppm}$). The maximum gold assay is 0.027 ppm . Similarly, most copper assays are low and less than 100 ppm . Several isolated samples assayed from 0.2 to 0.7% Cu.

Attempts to follow-up the highly anomalous auriferous area (Anomaly Z1) in the south-western corner of the license area were hindered by high river levels and rugged mountainous terrain (Figure 5). The Company will investigate the appropriateness of helicopter access to the area in 2007.

OTHER PROJECTS

Detailed examination of the best prospects in the Talas-Kemin group of tenements has not identified any targets indicative of a medium-sized, gold-enriched porphyry or orogenic gold system. Accordingly the Uzunbulak, Karabalta and Barkol licences were not renewed at the end of 2006 as well as the Kyldoo Licence following the withdrawal of Perseus from the Kyldoo Joint Venture during the June quarter 2006.

These evaluations and decisions provided the opportunity for Kentor to focus its effort during the 2006 summer field season on its core Akbel-Bashkol licences.



TENEMENTS

Kentor's current tenements in the Kyrgyz Republic are shown on Figure 1.

TENEMENT SCHEDULE

Tenement Number	Licensed Holder	Name & Area of Subject of Licence	Area (km ²)	Current Beneficial Interest	Renewal Date
AP340	CJSC Kentor	Akbel Area, Issykul Oblast, Djetyoguz Region	365.0	80% (1)	31 Dec 09
AP341	CJSC Kentor	Bashkol Area, Issykul Oblast, Djetyoguz Region	1,259.0	80% (1)	31 Dec 07
AP442	CJSC Kentor	East Koks, Osh Oblast, Chon Alai Region	175.0	80% (1)	20 Mar 08
Ap443	CJSC Kentor	Za-alai, Osh Oblast, Chon Alai Region	165.0	80% (1)	20 Mar 08

Notes:

(1) CJSC Kentor owns 100% of these licences. CJSC Kentor is an 80% owned subsidiary of Kentor Gold Ltd

corporate



PLACEMENT RAISES A\$625,000

On 15 December 2006 the Company announced that it had raised A\$625,000 by way of a placement to a number of clients of Haywood Securities Inc of Vancouver, Canada, including employees of that firm investing on their own account. The placement comprised the issue of 5 million fully paid ordinary shares at A\$0.125 each, together with a further 2.5 million options to be issued, subject to shareholder approval at Kentor's AGM scheduled for 24 May 2007. Those options, if approved, will be exercisable within 2 years of their issue date, being exercisable at A\$0.20 per share within 12 months and at A\$0.30 per share in the second year.

Haywood Securities Inc is a Canadian investment dealer with offices in Vancouver, Calgary and Toronto. This strategic investment both broadens the Company's shareholder base and gives Kentor an exposure to Haywood's extensive network of North American and European resource investors.

LICENCE AND JOINT VENTURE AGREEMENT WITH MONARO MINING N.L.

On 22 December 2006 the Company executed an Intellectual Property Licence & Joint Venture Agreement with Monaro Mining N.L. ("Monaro") enabling Monaro to access that part of the Company's exploration database covering Monaro's exploration areas in the western half of the Kyrgyz Republic.

Over the past 4 years Kentor has developed a significant geochemical, geophysical and mining information database over the entire Kyrgyz Republic. The Agreement will enable Monaro to utilise this valuable database to advance its own understanding of the uranium potential of Monaro's tenements, which are some hundreds of kilometres from any of Kentor's current tenements.

Under the terms of the Agreement, a once only licence fee of US\$50,000 has been paid to the Company by Monaro. In addition Kentor has the first right of refusal (subject to the exclusion of already known occurrences) to enter into, manage and earn a majority interest in joint ventures with Monaro to explore and develop any gold and/or base metal projects that may be identified by Monaro within the areas covered by the Licence, during the its 10 year term.





KENTOR GOLD LTD

ABN 52 082 658 080

Annual Directors Report and Statement of Financial Performance

forming part of the 2006 Annual Report

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CORPORATE GOVERNANCE STATEMENT

Corporate Governance

As a listed company with Australian Stock Exchange Limited (ASX), Kentor Gold Limited must comply with the ASX Listing Rules, which were amended on 1 January, 2003 to enhance compliance by listed companies with corporate governance best practice.

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

Principle 1 Lay solid foundations for management and oversight

Recommendation 1.1 - Formalise and disclose the functions reserved to the Board and those delegated to management.

The Board of Directors has been charged by members to oversee the affairs of the Company to ensure that they are conducted appropriately and in the interests of all members. The Board defines the strategic goals and objectives of the Company, as well as broad issues of policy, and establishes an appropriate framework of corporate governance within which Board members and management must operate. The Board is proactively involved with management in key matters of strategic direction.

The Board has delegated to the Chief Executive Officer responsibility for the formulation of strategy and management of the day-to-day operations and administration of the Company, consistent with the objectives and policies set down by the Board. The Chief Executive Officer is directly accountable to the Board for the performance of the management team.

Principle 2 Structure the Board to add value

Recommendation 2.1 - A majority of the Board should be independent directors

Recommendation 2.2 - The chairperson should be an independent director

Recommendation 2.3 - The roles of chairperson and chief executive officer should not be exercised by the same individual

Recommendation 2.4 - The Board should establish a Nomination Committee

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report under the section headed "Directors". Directors of Kentor Gold Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a director's exercise of judgement on behalf of the Company and its shareholders.

In accordance with the definition of independence above, the following directors of Kentor Gold Limited are considered to be independent:

Name	Position
W H J Barr	Chairman, Non-Executive Director
A E Daley	Non-Executive Director

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

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

The Directors' terms of appointment are governed by the Constitution of the Company. A Director appointed to fill a casual vacancy, or as an addition to the Board, only holds office until the next general meeting of members and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each annual general meeting of members. The term of office held by each director in office at the date of this Annual Report is set out in the Directors Report.

All Directors of the Company have direct access to the management of the Company and, where necessary, to external advisers.

Each Director has the right to request independent professional advice at the expense of the Company, which request is not to be unreasonably withheld.

Principle 3 Promote ethical and responsible decision-making

Recommendation 3.1 - Establish a code of conduct to guide the directors, the Managing Director, the Chief Executive Officer and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the Company's integrity; and

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has adopted a Code of Conduct, which is posted on the Company's website at www.kentorgold.com

Recommendation 3.2 - Disclose the policy concerning trading in Company securities by directors, officers and employees.

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

Principle 4 Safeguard integrity in financial reporting

Recommendation 4.1 - Require the Managing Director and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

For the financial year ending 31 December 2006, the Chief Executive Officer and the Chief Financial Officer have provided a statement to the Board that, in their view, the Company's financial statements present a true and fair view of the Company's financial position at that date, and are based on a sound system of internal control.

Recommendation 4.2 - The Board should establish an Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit & Compliance Committee.

The Audit & Compliance Committee also provided the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

Recommendation 4.3 - Structure the Audit Committee so that it consists of;

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the Board
- at least three members

The Audit & Compliance Committee comprises A E Daley (Chairman of the Committee and independent non-executive director) and W H J Barr (non-executive director), supported where necessary by appropriate external consultants and advisors. Messrs Daley and Barr each have had many years experience in the financial management of public companies.

Recommendation 4.4 - The Audit Committee should have a formal charter

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

Principle 5 Make timely and balanced disclosure

Recommendation 5.1 - Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Board has adopted an ASX Disclosure Compliance Policy and Procedures document, which is posted on the Company's website.

Principle 6 Respect the rights of shareholders

Recommendation 6.1 - Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of the Annual Report, Half-Yearly Report, Quarterly Activities Reports, Appendix 5B cashflow reports, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. The Company also maintains a website - www.kentorgold.com - where all of the Company's ASX announcements and media releases can be viewed at any time.

Recommendation 6.2 - Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

This will be done by way of letter from the Company to the external auditor.

Principle 7 Recognise and manage risk

Recommendation 7.1 - The Board or relevant Board Committee should establish policies on risk oversight and management.

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the exploration for, development and mining of mineral deposits.

Specifically, in relation to risk oversight the Board is conscious of its responsibilities to: ensure compliance in legal, statutory and ethical matters; monitor the business environment; identify business opportunities; and monitor the systems established to ensure proper and appropriate responses to member complaints and enquiries.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the consolidated entity to the Audit & Compliance Committee.

*Recommendation 7.2 - The Managing Director and the Chief Financial Officer should state to the Board in writing that:
7.2.1 the statement given in accordance with best practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

For the financial year ending 31 December 2006, the Chief Executive Officer and the Chief Financial Officer have provided a statement to the Board that, in their view: the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 Encourage enhanced performance

Recommendation 8.1 - Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives.

Such a performance evaluation for the Board and its members and key executives has not taken place in the reporting period.

Principle 9 Remunerate fairly and responsibly

Recommendation 9.1 - Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current financial year is included in the Remuneration Report, which is contained within the Directors' Report (which immediately follows this Corporate Governance Statement)

Details of the Company's remuneration policy and the total remuneration, including monetary and non-monetary components, payable to each Director and specified executive is included in Note 22 of the Financial Statements.

Recommendation 9.2 - The Board should establish a Remuneration Committee

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

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

Recommendation 9.3 - Clearly distinguish the structure of Non-Executive Director's remuneration from that of executives

The Constitution of the Company provides that the aggregate remuneration of all Directors, in their capacity as Directors, must not exceed \$150,000 per annum, or such other sum as the Company in general meeting may approve. This amount is to be apportioned amongst them in such manner as the Directors agree and, in default of agreement, equally. Non-Executive Directors who chair any of the Board committees do not receive additional remuneration for such duties.

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

Principle 10 Recognise the legitimate interests of stakeholders

Recommendation 10.1 - Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Board has adopted a Code of Conduct, which is posted on the Company's website at www.kentorgold.com

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2006.

DIRECTORS

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Barr AM

MAICD

Non-Executive Chairman
Appointed 10 November 2004

John Barr has had a long involvement with the Australian minerals and metals industry having been Managing Director of Metallgesellschaft's Australian subsidiary since the company's inception in 1974 until his retirement in 1994. He is a former Director of Iluka Resources Limited, Acacia Resources Ltd, Oxiana Limited, and Transurban City Link Ltd. In August 2005 he retired as Chairman of Utilities of Australia Pty Ltd, a major unlisted infrastructure investment fund.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
Oxiana Limited, Transurban City Link Ltd, Iluka Resources Limited.

Andrew Daley

BSc (Hons)(Mining)

Non-Executive Director
Appointed 10 November 2004

Andrew Daley is a mining engineer and resources finance executive. Andrew spent several years working on mining projects in Africa before relocating to Australia as Senior Engineer with Fluor Australia in 1981. Since then he has had a long career in international investment banking and held senior positions with NAB, Barclays, and Chase Manhattan. He is a Chartered Engineer, a former Director of Oxiana Limited, a Director of Pan Australian Resources Limited, Dragon Mining NL, Gladstone Pacific Nickel Ltd (listed on AIM), a Member of IOM3 and a Fellow of the Australasian Institute of Mining and Metallurgy.

Other Current Directorships of Listed Companies
Pan Australian Resources Limited, Dragon Mining NL, Gladstone Pacific Nickel Ltd.

Former Directorships of Listed Companies in last three years
None.

Hugh McKinnon

BEng (Mining)

Executive Director
Appointed 28 May 1998

Hugh McKinnon has been involved in the mining industry in Australia, Africa, and Asia for 30 years in activities ranging from exploration ventures to mine production. Since early 1996 he has worked on mining and exploration projects across Central Asia from Tajikistan to Mongolia, with a particular interest in the Kyrgyz Republic. Hugh speaks competent Russian.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

David Royle
BSc (Hons) (Geology)

Managing Director
Appointed 1 March 2004
Resigned 30 March 2007

David Royle has extensive international experience in exploration for precious metals, base metals and diamonds with major multinational resource companies over the past 30 years. He has a track record for the discovery of a number of significant minerals deposits through grass roots exploration. He is a Fellow and CP of the Australasian Institute of Mining and Metallurgy and Fellow of the Society of Economic Geologists.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

COMPANY SECRETARY

Bruce Paterson

Appointed 31 March 2006

Mr Paterson is a lawyer with over 30 years of secretarial, legal and commercial experience in the mineral resources and energy sectors.

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

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

Name of Director	Ordinary Shares	Options over Ordinary Shares	Option expiry date
W H J Barr	90,000	-	n/a
A E Daley	381,470	-	n/a
H McKinnon	2,064,627	900,000	n/a*
D Z Royle	833,951	1,366,667	n/a*

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

CORPORATE INFORMATION

Corporate Structure

Kentor Gold Limited is a company limited by shares that is incorporated and domiciled in Australia. Kentor Gold has prepared a consolidated financial report incorporating the entities that it controlled during the financial year and which are outlined in note 10 of the financial statements.

Principal Activities

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

Employees

The consolidated entity employed 10 employees as at 31 December 2006 (2005: 10 employees).

CONSOLIDATED RESULTS

The loss for the consolidated entity after income tax and providing for outside equity interests was \$1,451,562 (2005: loss of \$1,169,974).

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Group Overview

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

Exploration Overview

Please refer to the Review of Activities for details of exploration activities undertaken during the financial period.

Financial Overview

Operating Results for the Period

The loss for the consolidated entity after income tax was \$1,591,655(2005: loss of \$1,223,877). This result was in line with expectations of costs associated with managing the exploration programme. During the year a licence fee of \$63,534 was received from Monaro Mining NL for the provision of a copy of the Company's exploration database in the Kyrgyz Republic. The loss of the consolidated entity included a provision for write down of exploration costs in the amount of \$921,923.

Review of Financial Condition

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

Cash Flows

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

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year, the Company raised \$581,223 (net of capital raising costs) to fund the continuation of the Company's drilling programme and to provide working capital for the Company.

Summary of Shares / Options on Issue - 31 December 2006

At the end of the year the Company has 39,651,132 ordinary shares and 7,533,335 options on issue. The options are broken down as follows:

Expiry Date	Number	In Escrow	Exercise Price
On or before 1 March 2007	4,666,668	1,841,357 until 17 March 2007	\$0.45
On or before 1 July 2007	333,333	333,333 until 17 March 2007	\$0.625
On or before 1 July 2008	266,667	266,667 until 17 March 2008	\$0.75

Duration	Number	In Escrow	Exercise Price
30 days after ceasing employment	846,667	846,667 until 17 March 2007	\$0.625
30 days after ceasing employment	710,000	710,000 until 17 March 2007	\$0.75
30 days after ceasing employment	710,000	710,000 until 17 March 2007	\$0.875

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

GOING CONCERN BASIS

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

As at 31 December 2006, the group recorded losses from continuing operations before taxation of \$3,948,688. In addition, the company had incurred negative cashflows from operations of \$2,572,181 for the financial year and has a surplus of current assets over current liabilities of \$1,725,686 as at 31 December 2006.

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

To continue as a going concern, the consolidated entity requires the generation of sufficient funds from operating activities including successful development of the existing tenements and/or future equity or debt fund raisings.

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

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

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since 31 December 2006, the Company's Managing Director, David Royle has resigned and will leave on 30 March 2007. The Board has determined that Executive Director, Hugh McKinnon should assume the role of Chief Executive Officer until the review of the results of the current drilling programme at Akbel is completed and the requirements of the Company can be more closely defined. No other matter or circumstance has arisen since 31 December 2006 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to continue with the exploration programme in the Kyrgyz Republic focussing primarily on the Akbel - Bashkol tenements. Further details of the Company's prospects are included in the Report on Exploration Projects which forms part of the Review of Activities.

As the Company is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Kentor Gold Limited's securities.

ENVIRONMENTAL REGULATION

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

MEETINGS OF DIRECTORS

The number of meetings of the Directors held during the period and the number of meetings attended by each Director were as follows:

Current Directors	Board Meetings	
	Attended	Held
W H J Barr	12	12
A E Daley	12	12
D Z Royle	12	12
H McKinnon	12	12

Committee membership and meetings

The Audit and Compliance Committee and the Remuneration Committee were established on 17 January 2005. The members of the Committees are the independent directors, Andrew Daley (Chairman) and John Barr. Two meetings of the Audit and Compliance Committee were held during the year, and they were attended by both members. No meetings were held by the Remuneration Committee during the year.

REMUNERATION REPORT

Remuneration philosophy

The Board of Directors of Kentor Gold Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the company.

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

Employment Agreements are entered into with Executive Directors and Specified Executives. The current employment contract with the Managing Director will terminate on 30 March 2007. The employment contract with the Executive Director runs until its termination date of 30 June 2007, unless terminated by the Executive Director who may give four month's notice. The Specified Executive has a contract which provides for one month's notice. Contracts do not provide for any additional termination benefits.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and executives.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in the Company's Constitution adopted on 19 October 2004 which approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors have long been encouraged by the Board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company on whose Board he or she sits.

The remuneration of non-executive directors for the year ended 31 December 2006 is detailed on page 23 of this Director's Report.

Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

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

Structure

In determining the level and make-up of executive remuneration, the Board obtained independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the all senior executives.

Variable Remuneration Long Term Incentives

Objective

The objectives of long term incentives are to:

- recognise the ability and efforts of the employees of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

Structure

No formal plan has been implemented at this time. It is expected that long term incentives granted to senior executives will be delivered in the form of options in accordance with an Employee Share Option Plan. At the commencement of each financial year, the Company and each senior executive will agree upon a set of financial and non-financial objectives related to the senior executive's job responsibilities. The objectives will vary but all will be targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Employment Contracts

David Royle

By an employment agreement dated 6 December 2004 and deed of variation dated 14 December 2006, the Company and Mr David Royle agreed the terms of his employment including inter alia:

- Mr Royle be engaged to provide services in the capacity of Managing Director commencing on 1 January 2004 for a term ending on 31 March 2007 at an annual salary of \$140,000.*
- A restraint on Mr Royle undertaking employment in the Kyrgyz Republic for a period of 6 months after termination.
- An obligation on Mr Royle to maintain confidentiality in respect of proprietary information obtained during employment
- The grant of 1,366,667 options to a company associated with Mr Royle in 3 tranches:
 - a) 546,667 options exercisable at \$0.625
 - b) 410,000 options exercisable at \$0.75
 - c) 410,000 options exercisable at \$0.875

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

* Mr Royle has resigned from his position as Managing Director and will leave the Company on 30 March 2007.

Hugh McKinnon

By an employment agreement dated 1 December 2004, the Company and Mr Hugh McKinnon agreed the terms of his employment including inter alia:

- Mr McKinnon be engaged to provide services in the Kyrgyz Republic in the capacity of Executive Director and Country Manager for a term ending on 30 June 2007, renewable thereafter for 6 months periods at an annual salary of \$100,000 with annual review. His place of employment is in the Kyrgyz Republic.
- A restraint on Mr McKinnon undertaking employment in the Kyrgyz Republic for a period of 6 months after termination.
- An obligation on Mr McKinnon to maintain confidentiality in respect of proprietary information obtained during employment.
- The grant of 900,000 options to a company associated with Mr McKinnon in 3 tranches:
 - a) 300,000 options exercisable at \$0.625
 - b) 300,000 options exercisable at \$0.75
 - c) 300,000 options exercisable at \$0.875

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

Remuneration of Directors and Executives

Year ended 31 December 2006	Short Term		Post Employment	Share Based Payment	Total
	Salary & Fees \$	Other \$	Superannuation \$	Options \$	\$
Directors					
W H J Barr	60,000	-	5,400	-	65,400
A E Daley*	32,700	-	-	-	32,700
H McKinnon	100,000	-	-	-	100,000
D Z Royle	140,000	-	12,600	-	152,600
Other key management personnel					
J W Rawling	21,440	-	1,445	-	22,885
Greg Burgess**	-	17,000	-	-	17,000
Bruce Paterson***	-	40,550	-	-	40,550
	354,140	57,550	19,445	-	431,135

Year ended 31 December 2005	Short Term		Post Employment	Share Based Payment	Total
	Salary & Fees \$		Superannuation \$	Options \$	\$
Directors					
W H J Barr	47,419	-	4,268	-	51,687
A E Daley*	25,925	-	-	-	25,925
H McKinnon	100,000	-	-	-	100,000
D Z Royle	140,000	-	12,600	-	152,600
Other key management personnel					
J W Rawling	48,165	-	4,335	-	52,500
	361,509	-	21,203	-	382,712

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a company which is controlled by Andrew Daley.

** Fees were paid to Investor Resources Services Pty Ltd for the services of Greg Burgess

*** Fees were paid to Australian Corporate Secretariat Pty Ltd, a company which is controlled by Bruce Paterson

Options granted as part of remuneration

No options were issued or granted during the reporting period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with the Directors and the Company Secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Kentor Gold Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is set out in the preceding section of this Annual Report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the declaration included on page 25 of this Annual Report from the auditor of Kentor Gold Limited.

Non-Audit Services

No non-audit services were provided by the entity's auditor, Deloitte Touche Tohmatsu.

This report has been made in accordance with a resolution of the Directors.



W H J BARR AM
Director



D Z ROYLE
Director

Melbourne, 29 March 2007

AUDITORS' INDEPENDENCE DECLARATION

DTT Victoria

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ABN 96 080 779 423
180 Lonsdale Street
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Auditor's Independence Declaration

The Board of Directors
Kentor Gold Limited
Level 3, 15 Queen Street
MELBOURNE VIC 3000

Dear Board Members

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Kentor Gold Limited.

As the lead audit partner for the audit of the financial statements of Kentor Gold Limited for the financial year ended 31 December 2006, I declare to the best of my knowledge and belief that there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DTT Victoria

Chartered Accountants

Craig Bryan
Partner

Melbourne: 30 March 2007

Liability limited by a scheme approved under Professional Standards Legislation.
DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 14 August 2006.

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Consolidated		Company	
	Note	2006 \$	2005 \$	2006 \$	2005 \$
Revenue	2	178,625	223,754	172,301	215,062
Foreign exchange gains		330,538	-	-	-
Employment related costs		(622,835)	(499,913)	(573,512)	(431,554)
Depreciation and amortisation expense		(46,229)	(39,959)	(20,352)	(12,704)
Office expenses		(61,144)	(75,792)	(32,196)	(41,017)
Travel related expenses		(98,229)	(113,995)	(97,910)	(94,964)
Administrative expenses		(250,023)	(174,752)	(240,176)	(146,673)
Impairment of investments		-	(14,251)	-	(14,251)
Finance cost		-	(23)	-	(23)
Impairment of amount receivable from foreign controlled entity		-	-	(1,533,318)	(642,799)
Exploration and evaluation costs written off		-	(207,161)	-	-
Impairment of exploration and evaluation costs		(921,923)	(214,468)	-	-
Other expenses from ordinary activities		(100,435)	(107,317)	(99,337)	(110,085)
Loss before income tax expense	2	(1,591,655)	(1,223,877)	(2,424,500)	(1,279,008)
Income tax expense	3	-	-	-	-
Net loss for the year		(1,591,655)	(1,223,877)	(2,424,500)	(1,279,008)
Net loss attributable to minority interest		140,093	53,903	-	-
Net loss attributable to members of Kentor Gold Limited		(1,451,562)	(1,169,974)	(2,424,500)	(1,279,008)
Basic earnings per Share (cents per share)	4	(4.53)	(3.89)		
Diluted earnings per Share (cents per share)	4	(4.53)	(3.89)		

BALANCE SHEET AS AT 31 DECEMBER 2006

		Consolidated		Company	
	Note	2006 \$	2005 \$	2006 \$	2005 \$
Current Assets					
Cash and cash equivalents	18(b)	1,465,255	3,496,273	1,453,921	3,437,726
Trade and other receivables	5	370,500	295,547	12,042	48,142
Other	6	14,605	15,195	14,605	15,195
Total Current Assets		1,850,360	3,807,015	1,480,568	3,501,063
Non-Current Assets					
Trade and other receivables	7	-	-	3,137,221	3,038,484
Plant and equipment	8	140,194	146,363	27,061	36,413
Deferred exploration and evaluation costs	9	2,725,968	2,679,972	-	-
Other financial assets	10	-	-	27,135	27,135
Total Non-Current Assets		2,866,162	2,826,335	3,191,417	3,102,032
Total Assets		4,716,522	6,633,350	4,671,985	6,603,095
Current Liabilities					
Trade and other payables	12	69,789	170,829	25,252	140,574
Provisions	13	54,885	27,396	54,885	27,396
Total Current Liabilities		124,674	198,225	80,137	167,970
Total Liabilities		124,674	198,225	80,137	167,970
Net Assets		4,591,848	6,435,125	4,591,848	6,435,125
Equity					
Parent Entity Interest					
Issued capital	14	9,666,630	9,085,407	9,666,630	9,085,407
Reserves	15	(862,868)	(30,023)	(79,578)	(79,578)
Accumulated losses	16	(3,948,688)	(2,497,126)	(4,995,204)	(2,570,704)
Total parent entity interest in equity		4,855,074	6,558,258	4,591,848	6,435,125
Minority interest	17	(263,226)	(123,133)	-	-
Total Equity		4,591,848	6,435,125	4,591,848	6,435,125

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Consolidated		Company	
	Note	2006 \$	2005 \$	2006 \$	2005 \$
Foreign currency translation		(832,845)	320,433	-	2,285
Net expenses recognised directly in equity		(832,845)	320,433	-	2,285
Net loss for the year		(1,591,655)	(1,223,877)	(2,424,500)	(1,279,008)
Total recognised income and expense for the year		(2,424,500)	(903,444)	(2,424,500)	(1,276,723)
Attributable to:					
Equity holders of the parent entity		(2,284,407)	(957,347)	(2,424,500)	(1,276,723)
Minority interest		(140,093)	53,903	-	-
		(2,424,500)	(903,444)	(2,424,500)	(1,276,723)

CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Consolidated		Company	
	Note	2006 \$	2005 \$	2006 \$	2005 \$
Cash Flows From Operating Activities					
Payments to suppliers and employees		(1,530,297)	(883,495)	(1,030,737)	(811,680)
Payment for exploration costs		(1,150,651)	(1,962,974)	(473,730)	(708,342)
Interest received		108,767	192,884	108,767	192,801
Interest paid		-	(17)	-	(17)
Net Cash Flows Used in Operating Activities	18(a)	(2,572,181)	(2,653,602)	(1,395,700)	(1,327,238)
Cash Flows From Investing Activities					
Purchase of plant and equipment		(40,060)	(93,151)	(11,000)	(15,604)
Funds transferred to subsidiary		-	-	(1,158,328)	(1,447,643)
Purchase of investment		-	3,330	-	-
Net Cash Flows Used in Investing Activities		(40,060)	(89,821)	(1,169,328)	(1,463,247)
Cash Flows From Financing Activities					
Proceeds from issue of ordinary shares		625,000	6,223,078	625,000	6,223,078
Payment of share issue costs		(43,777)	(645,636)	(43,777)	(645,636)
Net Cash Flows From Financing Activities		581,223	5,577,442	581,223	5,577,442
Net (Decrease)/Increase in cash and cash equivalents		(2,031,018)	2,834,019	(1,983,805)	2,786,957
Cash and cash equivalents at the beginning of the financial year		3,496,273	662,254	3,437,726	650,769
Cash and cash equivalents at the end of the financial year	18(b)	1,465,255	3,496,273	1,453,921	3,437,726



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

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Note 1. Summary of Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosures requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented with the consolidated financial statements of the group.

The financial statements were authorised for issue by the directors on 29 March 2006.

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these standards has had no impact on the financial results of the company.

At the date of authorisation of the financial report, the following standards were in issues but not yet effective:

- | | |
|---|--|
| • AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • AASB 101 'Presentation of Financial Statements' – revised standard | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • Interpretation 7 'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies' | Effective for annual reporting periods beginning on or after 1 March 2006 |
| • Interpretation 8 'Scope of AASB 2' | Effective for annual reporting periods beginning on or after 1 May 2006 |
| • Interpretation 9 'Reassessment of Embedded Derivatives' | Effective for annual reporting periods beginning on or after 1 June 2006 |
| • Interpretation 10 'Interim Financial Reporting and Impairment' | Effective for annual reporting periods beginning on or after 1 November 2006 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The issue of Interpretation 7, Interpretation 8 and Interpretation 9 do not affect the Group's present policies and operations. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 January 2007

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies

(b) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. A list of subsidiaries appears in note 10 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(c) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Amounts receivable from foreign controlled entity

Ultimate recovery of amounts receivable from the foreign controlled entity is dependent upon success in exploration and evaluation or sale or farm-out of the foreign controlled entity's exploration interests. Therefore the parent entity makes provision against the amount receivable from the foreign controlled entity to the extent that the net assets of the foreign controlled entity do not increase the net assets of the consolidated entity.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(e) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies

(e) Income Tax (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(f) Share-based payments

Equity settled share-based payments are measured at fair value at grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the share-based payments is expensed on a straight line basis over the vesting period.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies (continued)

(h) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(i) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

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

(j) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies (continued)

(k) Exploration and Evaluation Assets

The consolidated entity applies AASB 6 *Exploration For and Evaluation of Mineral Resources*. Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs are determined on the basis that restoration will be completed within one year of abandoning a site.

(l) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies (continued)

(m) Plant and Equipment

i) Acquisition

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

ii) Depreciation

Plant and equipment are depreciated on a straight line basis at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-6 years (2005: 3-6 years).

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The consolidated entity has no finance leases as at 31 December 2006.

(o) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the share proceeds received.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(q) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 1. Summary of Significant Accounting Policies (continued)

(r) Earnings per Share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Comparatives

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

(t) Going Concern Basis

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

As at 31 December 2006, the Group recorded losses from continuing operations before taxation of \$3,948,688. In addition, the company had incurred negative cashflows from operations of \$2,572,181 in the financial year and has a surplus of current assets over current liabilities of \$1,725,686 as at 31 December 2006.

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

To continue as a going concern, the consolidated entity require the generation of sufficient funds from operating activities including successful development of the existing tenements; and/or future equity or debt fund raisings.

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

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

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

Notes to the Financial Statements for the financial year ended 31 December 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 2. Revenue and Expenses				
(a) Revenue				
<i>Revenue from continuing operations consisted of:</i>				
Interest – Other persons/corporations	108,767	215,469	108,767	215,062
Other revenue	69,858	8,285	63,534	-
Total revenue from continuing operations	178,625	223,754	172,301	215,062
Total Revenue	178,625	223,754	172,301	215,062

(b) Loss before income tax

Loss before income tax has been arrived at after crediting/(charging) the following expenses

Depreciation	46,229	37,312	20,352	12,704
Amortisation	-	2,646	-	-
Interest expense – Other persons/corporations	-	23	-	23
Operating lease payments	16,626	16,626	16,626	16,626
Foreign exchange losses	3,383	-	3,383	-

Note 3. Income Tax

- (a) The prima facie tax, using tax rates applicable in the country of operations, on operating loss differs from the income tax provided in the financial statements as follows:

Prima facie tax benefit on loss for the period	477,497	367,163	727,350	383,702
Tax effect of permanent differences				
- Impairment of receivables	-	-	(459,995)	(192,840)
- Impairment for exploration costs write-down	-	(62,148)	-	-
- capital raising costs allowance	-	1,080	-	1,080
Timing differences and tax losses not brought to account	(477,497)	(306,095)	(267,355)	(191,942)
Income tax benefit attributable to ordinary activities	-	-	-	-

(b) Income tax losses

Future income tax benefit arising from tax losses not brought to account at reporting date as the benefit is not regarded as virtually certain

1,614,951	1,137,454	1,303,841	978,698
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This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Notes to the Financial Statements for the financial year ended 31 December 2006

Consolidated
2006 2005

Note 4. Earnings per Share

The following reflects the income and share data used in calculating basic and diluted earnings per share:

Net loss	\$1,591,655	\$1,223,877
Basic and diluted loss per share (cents per share)	4.53c	3.89c
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	35,116,885	31,460,307

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 31 December 2006 as potential ordinary shares. As at 31 December 2006, the Company has on issue 7,533,335 options over unissued capital and has incurred a net loss. As the notional exercise price of these options is significantly greater than the current market price of the shares they have not been included in the calculations of diluted earnings per share.

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 5. Trade and other receivables – Current				
Deposits	1,524	1,524	1,524	1,524
GST receivable (net)	10,286	24,848	10,286	24,848
Other receivables	358,690	269,175	233	21,770
	370,500	295,547	12,042	48,142

Terms and conditions relating to the above financial instruments

- (i) Other receivables are non interest bearing and have repayment terms between eight and ninety days.
- (ii) Details of the terms and conditions of any related party receivables are set out in Note 24.

Note 6. Other Current Assets

Prepayments	14,605	15,195	14,605	15,195
	14,605	15,195	14,605	15,195

Note 7. Trade and other receivables – Non Current

Amount receivable from foreign controlled entity	-	-	5,313,338	3,681,283
Less impairment	-	-	(2,176,117)	(642,799)
	-	-	3,137,221	3,038,484

Ultimate recovery of amounts receivable from the foreign controlled entity is dependent upon success in exploration and evaluation or sale or farm-out of the foreign controlled entity's exploration interests.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 8. Plant and Equipment

	Consolidated			Company		
	Plant & Equipment & low value pool	Computer Equipment & Software	Total	Plant & Equipment & low value pool	Computer Equipment & Software	Total
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2006						
At 1 January 2006, net of accumulated depreciation	122,673	23,690	146,363	12,723	23,690	36,413
Additions	30,060	10,000	40,060	1,000	10,000	11,000
Depreciation expense	(29,733)	(16,496)	(46,229)	(3,856)	(16,496)	(20,352)
At 31 December 2006, net of accumulated depreciation	123,000	17,194	140,194	9,867	17,194	27,061
At 1 January 2006						
Cost	206,683	37,754	244,437	16,906	37,754	54,660
Accumulated depreciation	(84,010)	(14,064)	(98,074)	(4,183)	(14,064)	(18,247)
Net carrying amount	122,673	23,690	146,363	12,723	23,690	36,413
At 31 December 2006						
Cost	236,743	47,754	284,497	17,906	47,754	65,660
Accumulated depreciation	(113,743)	(30,560)	(144,303)	(8,039)	(30,560)	(38,599)
Net carrying amount	123,000	17,194	140,194	9,867	17,194	27,061
Year ended 31 December 2005						
At 1 January 2005, net of accumulated depreciation	72,079	12,783	84,862	7,885	12,783	20,668
Additions	77,667	21,146	98,813	7,303	21,146	28,449
Depreciation expense	(27,073)	(10,239)	(37,312)	(2,465)	(10,239)	(12,704)
At 31 December 2005, net of accumulated depreciation	122,673	23,690	146,363	12,723	23,690	36,413
At 1 January 2005						
Cost	129,016	16,608	145,624	9,603	16,608	26,211
Accumulated depreciation	(56,937)	(3,825)	(60,762)	(1,718)	(3,825)	(5,543)
Net carrying amount	72,079	12,783	84,862	7,885	12,783	20,668
At 31 December 2005						
Cost	206,683	37,754	244,437	16,906	37,754	54,660
Accumulated depreciation	(84,010)	(14,064)	(98,074)	(4,183)	(14,064)	(18,247)
Net carrying amount	122,673	23,690	146,363	12,723	23,690	36,413

Notes to the Financial Statements for the financial year ended 31 December 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 9. Deferred Exploration and Evaluation Costs				
Balance at beginning of the year	2,679,972	937,562		
Current year expenditure	1,182,387	2,164,039	-	-
Write-off during financial year	-	(207,161)	-	-
Provision for licence areas to be relinquished	(1,136,391)	(214,468)	-	-
Balance at end of the year	2,725,968	2,679,972	-	-
Deferred Exploration and Evaluation Costs	3,862,359	2,894,440	-	-
Provision for licence areas to be relinquished	(1,136,391)	(214,468)	-	-
	2,725,968	2,679,972	-	-

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

Deferred Exploration and Evaluation Costs includes expenditure amounting to \$21,992 (2005: \$22,948) incurred at the Pchan licence area through the joint venture entity CJSC Kyldoo, in which the consolidated entity has a 40% interest.

Note 10. Other Financial Assets – Non Current

Investment in foreign controlled entity at cost(i)	-	-	27,135	27,135
Available-for-sale financial assets at fair value				
Shares in Action Hydrocarbons Ltd (ii)	14,251	14,251	14,251	14,251
Impairment	(14,251)	(14,251)	(14,251)	(14,251)
	-	-	27,135	27,135

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

	Country of Incorporation	2006 % Held	2005 % Held
CJSC Kentor	Kyrgyz Republic	80%	80%

(ii) Action Hydrocarbons Ltd is an Australian unlisted public company which has been placed into liquidation and the investment has been fully provided for.

Note 11. Intangible Assets

Geological information & licences at cost	-	9,303	-	-
Less accumulated amortisation	-	(9,303)	-	-
	-	-	-	-

Note 12. Trade and other payables - Current

Trade payables	66,010	137,493	21,418	117,330
Other payables	3,779	33,336	3,834	23,244
	69,789	170,829	25,252	140,574

Terms and conditions relating to the above financial instruments:

- (i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
- (ii) Other payables are non-interest bearing and have an average term of 30 days.

Note 13. Provisions - Current

Employee benefits (see Note 21)	54,885	27,396	54,885	27,396
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Notes to the Financial Statements for the financial year ended 31 December 2006

Consolidated		Company	
2006	2005	2006	2005
\$	\$	\$	\$

Note 14. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	9,666,630	9,085,407	9,666,630	9,085,407
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Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in shares on issue

Details	Year ended 31 December 2006		Year ended 31 December 2005	
	Number of Shares Issued	Issued Capital \$	Number of Shares Issued	Issued Capital \$
Beginning of the financial year	34,651,132	9,085,407	22,151,132	3,513,580
Movements during the year				
- share placements	5,000,000	625,000	12,500,000	6,105,000
Less: costs of share issues (see below)	-	(43,777)	-	(533,173)
Closing balance	39,651,132	9,666,630	34,651,132	9,085,407

Capital Transactions

5,000,000 ordinary shares were issued on 20 December 2006 at 12.50 cents per share.

(c) Terms and condition of issued capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Share Options

Options over Ordinary Shares

At the end of the financial year, there were 7,533,335 (31 December 2005: 9,219,557) unissued ordinary shares in respect of which the following options were outstanding:

	<i>Expiry date/Duration</i>	<i>Number</i>	<i>In Escrow</i>	<i>Exercise price</i>
<i>Unlisted Options</i>	On or before 1 March 2007	4,666,668	1,841,357 until 17 March 2007	\$0.45
	On or before 1 July 2007	333,333	333,333 until 17 March 2007	\$0.625
	On or before 1 July 2008	266,667	266,667 until 17 March 2008	\$0.75
		<u>5,266,668</u>		
<i>Executive Options</i>	30 days after ceasing employment	846,667	846,667 until 17 March 2007	\$0.625
	30 days after ceasing employment	710,000	710,000 until 17 March 2007	\$0.75
	30 days after ceasing employment	710,000	710,000 until 17 March 2007	\$0.875
		<u>2,266,667</u>		
TOTAL		<u>7,533,335</u>		

Since 31 December 2006 no further options have been issued and no options have been exercised.

Notes to the Financial Statements for the financial year ended 31 December 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 15. Reserves				
Foreign currency translation reserve (a)	(905,168)	(72,323)	(121,878)	(121,878)
Share option reserves (b)	42,300	42,300	42,300	42,300
	(862,868)	(30,023)	(79,578)	(79,578)
(a) Foreign Currency Translation Reserve				
Opening balance	(72,323)	(392,756)	(121,878)	(124,163)
Currency translation differences	(832,845)	320,433	-	2,285
Closing balance	(905,168)	(72,323)	(121,878)	(121,878)
(b) Share Option Reserves				
Opening balance	42,300	42,300	42,300	42,300
Share based payments	-	-	-	-
Closing balance	42,300	42,300	42,300	42,300

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign controlled entity. Share option reserves are used to record the value assigned to share-based payments.

Note 16. Accumulated Losses

(a) Accumulated Losses

Accumulated losses				
at the beginning of the financial year	(2,497,126)	(1,327,152)	(2,570,704)	(1,291,696)
Net loss attributable to members of Kentor Gold Limited	(1,591,655)	(1,223,877)	(2,424,500)	(1,279,008)
Net loss attributable to minority interest	140,093	53,903	-	-
Accumulated losses at the end of the financial year	(3,948,688)	(2,497,126)	(4,995,204)	(2,570,704)

(b) Franking Credits

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

Note 17. Minority Interest

Minority interests in controlled entities comprises:

Contributed equity	6,784	6,784	-	-
Accumulated losses	(270,010)	(129,917)	-	-
	(263,226)	(123,133)	-	-

Notes to the Financial Statements for the financial year ended 31 December 2006

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 18. Cash and cash equivalents				
(a) Reconciliation of loss from ordinary activities after tax to net cash flows from operations				
Net loss for the year	(1,591,655)	(1,223,877)	(2,424,500)	(1,279,008)
<i>Non cash flows in operating result</i>				
Depreciation of property, plant and equipment	46,229	37,313	20,352	12,704
Amortisation of intangible assets		2,646	-	-
Provision for annual leave	27,490	27,396	27,490	27,396
Provision for diminution of investments	-	14,251	-	14,251
Provision for write-down of amount receivable from foreign controlled entity	-	-	1,533,318	642,799
Exploration costs written off	-	207,161	-	-
Provision for write-down of exploration and evaluation costs	921,923	214,468	-	-
<i>Operating cash flows not expensed</i>				
Payments for exploration costs	(1,150,651)	(1,962,974)	(473,730)	(708,342)
<i>Changes in assets and liabilities</i>				
Decrease/(Increase) in receivables	(700,048)	139,378	36,690	103,678
Increase/(Decrease) in payables	(125,469)	(109,364)	(115,320)	(140,716)
Net cash used in operating activities	(2,572,181)	(2,653,602)	(1,395,700)	(1,327,238)
(b) Reconciliation of cash				
Cash and cash equivalents comprise:				
Cash on hand and at call	732,423	996,273	721,089	937,726
Term deposits	732,832	2,500,000	732,832	2,500,000
	1,465,255	3,496,273	1,453,921	3,437,726
(c) Financing Facility				
The group has no available finance facilities at balance date.				
(d) Non-Cash Financing and Investing Activities				
The group did not have any non-cash financing activities during the period.				

Note 19. Expenditure Commitments

The company has no expenditure commitments at the end of the financial year, except commitments under tenement licences in the Kyrgyz Republic where the controlled entity is required to rehabilitate each licence area to its original state after any exploration works.

Note 20. Leases

Operating lease relate to the use of office facilities.

Lease payments				
Lease not longer than 1 year	16,626	16,626	16,626	16,626

Note 21. Subsequent Events

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

Notes to the Financial Statements for the financial year ended 31 December 2006

Consolidated		Company	
2006	2005	2006	2005
\$	\$	\$	\$

Note 22. Employee Benefits and Superannuation Commitments

Employee Benefits

The aggregate employee benefit liability comprises:

Accrued salaries, wages, fees and on-costs	3,779	16,986	3,834	6,894
Provisions (current)	54,885	27,396	54,885	27,396
	58,664	44,382	58,719	34,290

Executive Options

No options over unissued shares of the Company were granted during the year.

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

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	2,266,667	\$0.74	2,266,667	\$0.74
- granted	-	-	-	-
- lapsed/exercised	-	-	-	-
Balance at end of year	2,266,667	\$0.74	2,266,667	\$0.74

Options held at the beginning and end of the reporting year

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price	Fair Value at grant date
546,667	6 December 2004	6 December 2004	n/a*	\$0.625	\$0.625
410,000	6 December 2004	6 December 2004	n/a*	\$0.75	\$0.75
410,000	6 December 2004	6 December 2004	n/a*	\$0.875	\$0.875
300,000	1 December 2004	1 December 2004	n/a*	\$0.625	\$0.625
300,000	1 December 2004	1 December 2004	n/a*	\$0.75	\$0.75
300,000	1 December 2004	1 December 2004	n/a*	\$0.875	\$0.875

* The options have no expiry date except, in the event of the cessation of employment, 30 days after the date of cessation of employment.

No options were granted or exercised during the reporting year

Superannuation

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

Notes to the Financial Statements for the financial year 31 December 2006

Note 22. Key Management Personnel Remuneration

(a) Key Management Personnel

The directors of Kentor Gold Limited during the year were:

W.H.J. Barr	Chairman (non-executive)
A.E. Daley	Director (non-executive)
H. McKinnon	Executive Director (executive)
D.Z. Royle	Managing Director (executive), resigned 30 March 2007

The other key management personnel of Kentor Gold Limited during the year were:

B.J. Paterson	Company Secretary, appointed 31 March 2006
G.J. Burgess	CFO, appointed 31 March 2006

(b) Compensation of Key Management Personnel

(i) Compensation Policy

The Board of Directors of Kentor Gold Limited is responsible for determining and reviewing compensation arrangements for the directors and executives. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executives. Such officers will be given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the company.

To assist in achieving these objectives, the Board links the nature and amount of executive officers' emoluments to the company's financial and operational performance. All directors and executives will have the opportunity to qualify for executive options under an Executive Share Option Plan which will provide incentives where specified performance criteria are met. The plan has not yet been formalised by the Board.

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in the Company's Constitution adopted on 19 October 2004 which approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

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

In determining the level and make-up of executive remuneration, the Board obtained independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the all senior executives.

Employment Agreements are entered into with Executive Directors and other key management personnel. The current employment contract with the Managing Director will terminate on 30 March 2007. The employment contract with the Executive Director runs until 30 June 2007 renewable thereafter for 6 months periods, unless terminated by the Executive Director who may give four month's notice. Contracts do not provide for any additional termination benefits.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 22. Key Management Personnel Remuneration (continued)

(ii) Compensation of Key Management Personnel

Year ended 31 December 2006	Short Term Salary & Fees \$	Other \$	Post Employment Superannuation \$	Share Based Payment Options \$	Total \$
Directors					
W.H.J. Barr	60,000	-	5,400	-	65,400
A.E. Daley*	32,700	-	-	-	32,700
H. McKinnon	100,000	-	-	-	100,000
D.Z. Royle	140,000	-	12,600	-	152,600
Other key management personnel					
J.W. Rawling	21,440	-	1,445	-	22,885
Greg Burgess **	-	17,000	-	-	17,000
Bruce Paterson***	-	40,550	-	-	40,550
	354,140	57,550	19,445	-	431,135

Year ended 31 December 2005	Short Term Salary & Fees \$	Other \$	Post Employment Superannuation \$	Share Based Payment Options \$	Total \$
Directors					
W.H.J. Barr	47,419	-	4,268	-	51,687
A.E. Daley*	25,925	-	-	-	25,925
H. McKinnon	100,000	-	-	-	100,000
D.Z. Royle	140,000	-	12,600	-	152,600
Other key management personnel					
J.W. Rawling	48,165	-	4,335	-	52,500
	361,509	-	21,203	-	382,712

* Directors fees were paid to Dalenier Enterprises Pty Ltd, a company which is controlled by Andrew Daley

** Fees were paid to Investor Resources Services Pty Ltd for the services of Greg Burgess

*** Fees were paid to Australian Corporate Secretariat Pty Ltd, a company which is controlled by Bruce Paterson

(iii) Compensation by Category: Key Management Personnel

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short Term	411,690	381,509	411,690	381,509
Post Employment	19,445	21,203	19,445	21,203
	431,135	402,712	431,135	402,712

(c) Remuneration Options: Granted and vested during the period

No options were issued or vested during the reporting period.

(d) Share issued on exercise of remuneration options

No shares were issued on the exercise of remuneration options during the reporting period.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 22. Key Management Personnel Remuneration (continued)

(e) Option holdings of Directors and other key management personnel

Unlisted options held by Directors and other key management personnel. Details of options are contained in Note 14

31 December 2006	Opening Balance 1 January 2006	Granted as remuneration	Options Exercised	Net Change Other	Closing Balance 31 December 2006	Vested and exercisable at 31 December 2006
Directors						
A E Daley	174,690	-	-	-	174,690	174,690
H. McKinnon	1,033,334	-	-	(133,334)	900,000	900,000
D.Z. Royle	1,866,667	-	-	(500,000)	1,366,667	1,366,667
Total	3,074,691	-	-	(633,334)	2,441,357	2,441,357
31 December 2005	Opening Balance 1 January 2005	Granted as remuneration	Options Exercised	Net Change Other	Closing Balance 31 December 2005	Vested and exercisable at 31 December 2005
Directors						
A E Daley	174,690	-	-	-	174,690	174,690
H. McKinnon	1,033,334	-	-	-	1,033,334	1,033,334
D.Z. Royle	2,366,667	-	(500,000)	-	1,866,667	1,866,667
Total	3,574,691	-	(500,000)	-	3,074,691	3,074,691

(f) Shareholdings of Key Management Personnel

31 December 2006	Opening Balance 1 January 2006 No.	Granted as remuneration No.	On exercise of Options No.	Net Change Other No.	Closing Balance 31 December 2006 No.
Ordinary Shares					
Directors					
W H J Barr	50,000	-	-	40,000	90,000
A E Daley	381,470	-	-	-	381,470
H McKinnon	2,064,627	-	-	-	2,064,627
D Z Royle	833,951	-	-	-	833,951
Other key management personnel					
J W Rawling	5,000	-	-	-	5,000
Total	3,335,048	-	-	40,000	3,375,048
31 December 2005	Opening Balance 1 January 2005 No.	Granted as remuneration No.	On exercise of Options No.	Net Change Other No.	Closing Balance 31 December 2005 No.
Ordinary Shares					
Directors					
W H J Barr	-	-	-	50,000	50,000
A E Daley	381,470	-	-	-	381,470
H McKinnon	2,064,627	-	-	-	2,064,627
D Z Royle	331,951	-	500,000	-	833,951
Other key management personnel					
J W Rawling	-	-	-	5,000	5,000
Total	2,778,048	-	500,000	55,000	3,335,048

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

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 22. Key Management Personnel Remuneration (continued)

(g) Other transactions and balances with Key Management Personnel

Corporate advisory services totalling \$nil and \$42,500 (2005: \$33,516 and \$10,000) were provided by Investor Resources Limited and Investor Resources Finance Pty Ltd, companies with which Andrew Daley is associated.

These services were provided in accordance with a Corporate Advisory Agreement between Kentor Gold Limited and Investor Resources Finance Ltd which currently runs until 17 March 2007.

At year end, \$5,000 of current liability payable to Investor Resources Finance Pty Ltd remained outstanding (2005: \$10,000). There were no other transactions between Kentor Gold Limited and Investor Resources Finance Pty Ltd.

As described in Note 22(b)(ii), directors fees payable to Andrew Daley are paid to Dalenier Enterprises Pty Ltd. Fees payable to Greg Burgess and Bruce Paterson are paid to Investor Resources Services Pty Ltd and Australian Corporate Secretariat Pty Ltd respectively.

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Note 23. Auditors' Remuneration				
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
<input type="checkbox"/> audit or review of the financial statements of the entity and any other entity in the economic entity	22,900	20,000	22,900	20,000
Remuneration of other auditors of controlled entity				
<input type="checkbox"/> audit or review of the financial statements of controlled entity	1,151	405	-	-

Note 24. Related Party Disclosures

(a) The Directors during the financial year were:

William Henry John Barr AM
Andrew Edward Daley
Hugh McKinnon
David Zouch Royle

(b) Information on remuneration and retirement benefits of Directors is disclosed in Note 22.

(c) Directors' shareholding

At year end, the current Directors held directly and indirectly, 3,370,048 shares (2005: 3,330,048) and 2,441,357 options (2005: 3,074,691) in the Company.

During the year the directors increased their shareholdings by 40,000 shares. Options held by the directors were reduced by 633,334.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 24. Related Party Disclosures (continued)

(d) Other related party transactions:

There were no related party transactions other than those described in Note 22(g).and described below.

	2006	Consolidated	2005
	\$		\$
Consolidated revenue includes the following amounts arising from transactions with key management personnel or their related parties			
Interest revenue	-		-
Other	-		-
Consolidated profit includes the following expenses arising from transactions with key management personnel or their related parties			
Interest expense	-		-
Other	42,500		43,516
Total assets arising from transactions other than loans and amounts Receivable in relation to equity instruments with key management personnel or their related parties			
Current	-		-
Non-current	-		-
Total liabilities arising from transactions other than compensation with key management personnel or their related parties			
Current	5,000		10,000
Non-current	-		-

(e) Ultimate Parent:

Kentor Gold Limited is the ultimate Australian parent company.

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 25. Segment Information

Segment products and locations

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

Segment accounting policies

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

Geographical segments	Australia	The Kyrgyz Republic	Total
Year ended 31 December 2006	\$	\$	\$
<i>Revenue</i>			
Revenue from external customers	63,534	6,324	69,858
<i>Result</i>			
Segment results	(891,182)	(700,473)	(1,700,422)
Interest Income			108,767
Net loss for the year			(1,591,655)
<i>Assets and Liabilities</i>			
Segment assets	1,507,629	3,208,893	4,716,522
Segment liabilities	80,137	44,537	124,674
<i>Other Segment Information</i>			
Acquisition of segment assets	11,000	29,060	40,060
Depreciation	20,352	25,877	46,229
Provision for write-down of exploration and evaluation costs	-	921,923	921,923
Other non-cash expenses	27,490	-	27,490
<i>Cash Flow Information</i>			
Net cash flow from operating activities	(1,395,700)	(1,176,481)	(2,572,181)
Net cash flow from investing activities	(11,000)	(29,060)	(40,060)
Net cash flow from financing activities	581,223	-	581,223
Year ended 31 December 2005	\$	\$	\$
<i>Revenue</i>			
Revenue from external customers	-	8,285	8,285
<i>Result</i>			
Segment results	(636,209)	(587,668)	(1,439,346)
Interest Income			215,469
Net loss for the year			(1,223,877)
<i>Assets and Liabilities</i>			
Segment assets	3,529,491	3,103,859	6,633,350
Segment liabilities	167,970	30,255	198,225
<i>Other Segment Information</i>			
Acquisition of segment assets	28,449	70,364	98,813
Depreciation	12,704	24,608	37,312
Amortisation	-	2,646	2,646
Exploration and evaluation costs written off	-	207,161	207,161
Provision for write-down of exploration and evaluation costs	-	214,468	214,468
Other non-cash expenses	27,396	-	27,396
<i>Cash Flow Information</i>			
Net cash flow from operating activities	(1,327,238)	(1,326,364)	(2,653,602)
Net cash flow from investing activities	(15,604)	(74,217)	(89,821)
Net cash flow from financing activities	5,577,442	-	5,577,442

Notes to the Financial Statements for the financial year ended 31 December 2006

Note 26. Financial Instruments

(a) Credit Risk Exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Note	Weighted average interest rate	Floating interest rate \$	1 year or less \$	Fixed interest maturing in: over 1 to 5 years \$	5 years or more \$	Non- interest bearing \$	Total \$
31 December 2005								
Financial assets								
Cash and deposits	18(b)	5.2%	1,465,255	-	-	-	-	1,465,255
Receivables	5	N/A	-	-	-	-	370,500	370,500
			1,465,255	-	-	-	370,500	1,835,755
Financial liabilities								
Payables	12	N/A	-	-	-	-	(69,789)	(69,789)
Net financial assets/(liabilities)			1,465,255	-	-	-	300,711	1,765,966
31 December 2005								
Financial assets								
Cash and deposits	18(b)	5.2%	3,496,273	-	-	-	-	3,496,273
Receivables	5	N/A	-	-	-	-	295,547	295,547
			3,496,273	-	-	-	295,547	3,791,820
Financial liabilities								
Payables	12	N/A	-	-	-	-	(170,829)	(170,829)
Net financial assets/(liabilities)			3,496,273	-	-	-	124,718	3,620,991

N/A – not applicable for non-interest bearing financial instruments.

(c) Fair Values

All financial assets and liabilities have been recognised at the balance date at lower of cost and realisable value which approximates their fair value.

Note 27. Contingent Liabilities and Contingent Assets

No contingent liabilities or contingent assets existed at the reporting date except under tenement licences in the Kyrgyz Republic where the controlled entity is required to rehabilitate each licence area to its original state at the completion of any exploration works.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
 - a. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the period ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001.
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2006.

On behalf of the Board



W H J BARR AM
Director

Melbourne
29 March 2007

AUDIT REPORT

DTT Victoria

Independent Audit Report to the Members of Kentor Gold Limited

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Kentor Gold Limited (the company) and the consolidated entity, for the year ended 31 December 2006 as set out on pages 10 to 37. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and comply with the Corporations Act 2001. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over the financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

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DTT Victoria

Audit Opinion

In our opinion, the financial report of Kentor Gold Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
- (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

DTT Victoria

Chartered Accountants



CMJ BRYAN

Partner

Melbourne: 30 March 2007

ASX ADDITIONAL INFORMATION

Shareholder Information as at 22 March 2007

Fully Paid Ordinary Shares

(a) Number of Shareholders	358
(b) Total Shares Issued	39,651,132
(c) Percentage of Shareholding by or on behalf of 20 largest Shareholders	67.88%
(d) Shareholders with less than a marketable parcel of 1,852 Shares	10
(e) Distribution Schedule of Shareholdings	

Size of Holding	No. of Holders	No. Of Shares
1 - 1,000	1	1,000
1,001 - 5,000	119	477,750
5,001 - 10,000	76	661,964
10,001 - 100,000	106	3,942,040
100,000 and over	56	34,568,378
Total Holders	358	39,651,132

- (f) Voting rights: Every member present personally or by proxy or attorney etc shall, on a show of hands, have one vote and on poll shall have one vote for every Share held.

(g) Twenty largest holders of Fully Paid Ordinary Shares as at 22 March 2007

	Name	Number of fully paid ordinary shares held	% of issued capital
1	ANZ Nominees Limited <Cash Income A/C>	4,944,000	12.47%
2	Citicorp Nominees Pty Limited	3,334,786	8.41%
3	HSBC Custody Nominees (Australia) Limited-GSI ECSA	2,380,525	6.00%
4	Graham Tuckwell	2,300,000	5.80%
5	Hugh McKinnon	2,064,627	5.21%
6	Poolette Holdings (Vic) Pty Ltd	1,900,000	4.79%
7	D&D Nominees Pty Ltd	1,243,000	3.13%
8	Natalia Tihomirova	898,028	2.26%
9	Westpac Custodian Nominees Limited	854,546	2.16%
10	Zouch Resources Pty Ltd <DZ Royle A/C>	833,951	2.10%
11	Professor Michael Gross	783,334	1.98%
12	Australian Investors Pty Ltd	754,546	1.90%
13	Hooperbailie Industries Pty Ltd	728,030	1.84%
14	Co-opr8 Investments PLC	688,854	1.74%
15	Mr Frank Hudson	600,000	1.51%
16	Mr Garry John Lloyd	600,000	1.51%
17	Sand Cort Investments Pty Ltd	534,162	1.35%
18	Ian Desborough Ennis & Gwenda Louise Ennis <Ennis Super Fund A/C>	500,000	1.26%
19	Bronwyn Burgess	492,162	1.24%
20	Edwina Margaret Pribyl	482,177	1.22%
TOTAL		26,916,668	67.88%
Shares on issue as at 22 March 2007		39,651,132	100%

Substantial Shareholders

Name	Shares to which entitled	% of issued capital
ANZ Nominees Limited <Cash Income A/C>	4,944,000	12.47%
Citicorp Nominees Pty Limited	3,334,786	8.41%
HSBC Custody Nominees (Australia) Limited - GSI ECSA	2,380,525	6.00%
Graham Tuckwell	2,300,000	5.80%
Hugh McKinnon	2,064,627	5.21%

UNLISTED OPTIONS ON ISSUE

As at 22 March 2007 a total of 600,000 options, which are not listed on the Australian Stock Exchange, remain outstanding as follows:

- 333,333 options exercisable on or before 1 July 2007 at an exercise price of \$0.625 each;
- 266,667 options exercisable on or before 1 July 2008 at an exercise price of \$0.75 each.

In addition, 2,266,667 executive options have been issued to executives David Royle and Hugh McKinnon as follows:

Exercise Price	D Z Royle	H McKinnon
Exercisable at \$0.625	546,667	300,000
Exercisable at \$0.75	410,000	300,000
Exercisable at \$0.875	410,000	300,000
Total	1,366,667	900,000

These executive options are fully vested, are not transferable and are exercisable at any time during the employment of the executive and for 30 days after the executive ceases employment, after which time they lapse.

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GLOSSARY OF TECHNICAL TERMS

alluvium Recent surface sediments laid down by water.

alteration The change in the mineral composition of a rock, commonly due to hydrothermal activity.

alteration zone A zone in which rock-forming minerals have been chemically changed.

ASTER Advanced Spaceborne Thermal Emission and Reflection Radiometer is an imaging instrument that is flying on Terra, a satellite launched in December 1999 as part of NASA's Earth Orbiting System

base-metal A non-precious metal, usually referring to copper, lead and zinc.

Batholithic A large, generally discontinuous plutonic mass

BLEG Bulk Leach Extractable Gold a chemical analysis technique.

Carbonaceous shale Black shale with significant content of carbon

Carboniferous A period of geological time approximately from 295 Ma to 355 Ma.

complex An assemblage of rocks of various ages and origins intricately mixed together.

conglomerate A sedimentary rock formed by the cementing together of water-rounded pebbles, distinct from a breccia.

Devonian A period of geological time approximately from 355 Ma to 410 Ma.

diamond drilling Rotary drilling technique using diamond set or impregnated bits, to cut a solid, continuous core sample of the rock. The core sample is retrieved to the surface, in a core barrel, by a wire line.

Diorite An igneous rock of intermediate composition

dip The angle at which any planar feature is inclined from the horizontal.

g, g/t gram, grams per tonne.

GIS Geographic Information System. A system devised to present spatial data in a series of compatible and interactive layers.

granitoids A general term to describe coarse-grained, felsic intrusive plutonic rocks, resembling granite.

intermediate Igneous rocks whose composition is intermediate between felsic and mafic rocks.

IP survey Induced Polarization survey - an electrical geophysical survey technique measuring the magnetic field spontaneously induced in a volume of rock by the application of an electric current. This technique is often used to identify disseminated sulphide deposits.

LandSat imagery Reflective light data of the earth's surface collected by the LandSat satellite and commonly processed to enhance particular features. Includes the visible and invisible light spectrums.

Ma Million years ago.

magnetic anomalies Zones where the magnitude and orientation of the earth's magnetic field differs from adjacent areas.

magnetic survey Systematic collection of readings of the earth's magnetic field. The data are collected on the surface or from aircraft.

massive sulphides Rock containing abundant sulphides that constitutes close to 100% of the rock mass.

metamorphosed Mineralogical, structural and textural adjustment due to changes from the environment in which rocks were originally deposited.

MMI Mobile Metal Ion is an advanced exploration technique for locating mineral deposits

Moz Million ounces

Neoproterozoic An era of geological time approximately from 544 Ma to 1000 Ma.

Ordovician An era of geological time approximately from 435 Ma to 500 Ma.

orogenic Adjectival form of orogeny.

orogeny The process of formation of mountains, including thrusting, folding & faulting.

oxide Pertaining to weathered or oxidised rock.

percussion A method of drilling where the rock is broken into small chips by a hammering action.

Permian An era of geological time approximately from 248 Ma to 295 Ma.

plunge The attitude of a line in a plane which is used to define the orientation of fold hinges, mineralised zones and other structures.

Porphyritic Descriptive of igneous rocks containing relatively large crystals set in a finer-grained groundmass.

ppb, ppm Parts per billion, parts per million (quantitative equivalent of g/t).

pyrite A common iron sulphide mineral with the chemical formula FeS₂.

RC drilling Reverse Circulation drilling - a method of rotary drilling in which the sample is returned to the surface, using compressed air, inside the inner-tube of the drill-rod. A more accurate drilling technique than simple percussion drilling, the RC technique minimises contamination.

Riphean A subdivision of the Neoproterozoic, around 650-850 Ma.

Sericite A white, fine-grained mica, usually formed as an alteration product of various silicates in metamorphic rocks and the wall rocks of ore deposits.

shear zone A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress.

silicified The alteration or replacement of primary minerals by silica.

Silurian An era of geological time approximately from 410 Ma to 435 Ma.

skarn A thermally metamorphosed impure limestone.

soil sampling The collection of soil specimens for mineral analysis.

stockwork A network of (usually) quartz veinlets produced during pervasive brittle fracture.

stream sampling The collection of stream sediments for mineral analysis.

strike The direction or bearing of a geological structure on a level surface, perpendicular to the direction of dip.

t, tpa Metric tonne, tonnes per annum.

Thrust fault A fault with a dip of 45° or less, on which the hanging-wall appears to have moved upwards relative to the footwall.

Tilloid Till-like deposit of conglomeratic mudstone.

Triassic Applied to the first period of the Mesozoic era, 203Ma to 248Ma.

Vendian A subdivision of the Neoproterozoic, around 544 to 650Ma.



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