

## CORPORATE GOVERNANCE STATEMENT

The Company is in the process of reviewing and updating all governance policies to align with the amended ASX Listing Rules Principles and Recommendations released amendments to the 2<sup>nd</sup> edition of the Corporate Governance Principles and Recommendations including:

- Gender diversity on Boards and Management;
- Remuneration Committees; and
- Notification, accessibility and record keeping of analyst briefings;

and has decided not to make an early transition to these amended Principles and Recommendations until the financial year ending 31 December 2011.

The Company already embraces diversity, with a focus on female participation, as a significant proportion of women within the Company are currently holding senior executive positions in Australia and Kazakhstan. Diversity is not limited to gender, age, ethnicity and/or cultural backgrounds.

The board of Directors is responsible for the corporate governance of Central Asia Resources Limited (the 'Company'). The Company operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listing rules.

As the framework of how the Company carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Corporate Governance Principles and Recommendations, 2<sup>nd</sup> Edition (the 'Principles').

The eight principles of corporate governance are:

1. Lay solid foundations for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision-making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; and
8. Remunerate fairly and responsibly.

There are a number of recommendations in the Principles with which the Company does not comply due to the size of the Company and the Board, and its practical management requirements.

A summary of the Principles and those recommendations with which the Company does not comply are detailed at the end of this statement.

### **PRINCIPLE 1 – LAY SOLID FOUNDATIONS OR MANAGEMENT AND OVERSIGHT**

Companies should establish and disclose the respective roles and responsibilities of Board and management.

*Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*

The Board is responsible for the governance of the Company. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board's responsibilities are encompassed in a formal charter that is published on the Company's website.

The Board is responsible for:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets;
- monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards;
- ensuring the preparation of accurate financial reports and statements;

- reporting to Shareholders and the investment community on the performance and state of the Company;
- ensuring that appropriate audit arrangements are in place; and
- ensuring that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

Induction procedures are in place to allow new executive management personnel to participate fully and actively in management decision making at the earliest opportunity upon appointment. This induction process will take into account the individuals knowledge of the Company and the industry. The induction program for directors and senior executives is designed to make available the following information:

- the Company's financial position, strategies, operations and risk management policies; and
- the respective rights, duties, responsibilities and roles of the Board and senior executives.

The Board delegates to the Managing Director responsibility for implementing the Company's strategic direction and managing the Company's day to day operations.

*Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.*

The Managing Director is responsible for assessing the performance of the key executives within the Company. The basis of evaluation of senior executives will be on agreed performance measures.

The Chairman, together with the Board, assesses the performance of the Managing Director on a regular basis at Board meetings. The Company intends to implement more formal processes before the next reporting period.

All newly appointed Senior Executives receive a formal letter of appointment detailing their terms of appointment, duties, rights and responsibilities and any entitlements on termination.

The Company's Board Charter is available on the company's website <http://www.centralasia.com.au/governance.html>

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Company's board size and composition is subject to limits imposed by the Company's constitution, which provides for a minimum of 3 directors and a maximum of 10.

*Recommendation 2.1: A majority of the Board should be independent directors.*

The Company considers an independent director to be:

- a Non-Executive Director; and
- is not a substantial holder (i.e. 5% of the voting stock) of the Company or an officer of, or otherwise associated directly with, a Substantial Shareholder of the Company; and
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director of the company after ceasing to hold any such employment; and
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided; and
- is not a material supplier or customer of the Company or other group member who accounts for more than 5% of the Company's consolidated gross revenue, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- is not a supplier to the Company or Group member who accounts for more than 2% of the supplier's gross revenue; and
- has no material contractual relationship with the Company or another group member other than as a director of the Company; and

- (h) has not served on the Board for a period greater than 10 years, or any other period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (i) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

All members of the Board are not independent. The membership and structure of the Board is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board considers that the Company is not currently of a size to justify the appointment and further expense of additional independent Non-Executive directors and believes that the individuals on the Board can, and do, make quality and independent judgments in the best interests of the Company on all relevant issues.

The Board currently consists of 5 members, all non-independent. Three members (including the Chairman) are non-executive.

The Directors in office at the date of this statement are:

Guy, Earl of Warwick	Non-Executive Chairman
Angela Pankhurst	Acting Managing Director
Erulan Kanapyanov	Executive Director
Phillipe Reiser	Non-Executive Director
Robin Gill	Non-Executive Director

Refer to the Director's report for details of each director's profile.

The Board considers that the composition of the Board is appropriate given the size and development of the Company.

*Recommendation 2.2: The chair should be an independent director.*

The Chairman of the Company is Guy, Earl of Warwick. The Chairman is not classed as an independent director as he has a substantial shareholding in the Company. This does not impact on his ability to oversee or assist the executives and their management of the Company.

*Recommendation 2.3: The roles of the chair and managing director should not be exercised by the same individual.*

The roles of the Chairman and the Managing Director are not exercised by the same member. The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at Board level, whereas, the Managing Director is responsible for the efficient and effective operation of the Company.

*Recommendation 2.4: The Board should establish a nomination committee.*

The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Nomination Committee. These include matters relating to the renewal of Board Members and Board Performance.

The Board's composition is subject to review by:

- the company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election;
- periodic review either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board which should match the strategic demands of the Company.

*Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.*

The Board undertakes ongoing self-assessment and review of its performance and of the performance of the Chairman and Individual Directors that:

- compares the performance of the Board with the requirements of its charter;
- sets forth the goals and objectives of the Board for the upcoming year; and

- effects any improvements to the Board charter and corporate governance policies and procedures deemed necessary or desirable.

The evaluation shall be conducted by the Board in any manner it deems fit and shall also consider the annual assessment of the effectiveness of the Board as conducted.

The Company's Plan for Identifying, Assessing and Enhancing Director Competencies is available on the company's website <http://www.centralasia.com.au/governance.html>

### **PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

Companies should actively promote ethical and responsible decision-making.

*Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company is committed to Directors and employees maintaining high standards of behaviour, business ethics and integrity as well as ensuring that activities are in compliance with the letter and spirit of both the law and Company policies.

Directors acquaint themselves with obligations imposed on them and the Company by the Corporations Act. They will also familiarise themselves with other documents prepared by the Company to meet corporate governance requirements:

- The Board Code of Conduct;
- the Employee Code of Conduct; and
- Company's Corporate Governance Practices and Policies.

The Company's Board and Employee Codes of Conduct sets out minimum standards of conduct and integrity to be observed by all employees and Directors and the Corporate Governance Statement advises Shareholders and ASX of the corporate governance practices put in place by the Board.

The Board Code of Conduct, Employee Code of Conduct and the Company's Corporate Governance Principles and Practices Manual are available on the Company's website <http://www.centralasia.com.au/governance.html>.

*Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

The Policy on Directors and Senior Executives dealing in Securities objective is to:

- minimise the risk of Directors and Senior Executives of the Company contravening the laws against insider trading;
- ensure the Company is able to meet its reporting obligations under the ASX Listing Rules; and
- increase transparency with respect to trading in securities of the Company by Directors and Senior Executives.

The Chairman will generally not allow Directors and Senior Executives to deal in securities of the Company as a matter of course in the following periods:

- within the month prior to the release of annual or half yearly results;
- within the month prior to the issue of a prospectus;
- where price sensitive information has not been disclosed because of an ASX Listing Rule exception; and
- within 3 business days after the release of the relevant information before dealing in securities so that the market has had time to absorb the information.

In specific circumstances however, such as financial hardship, the Chairman may waive the prohibition on a Director or Senior Executive dealing in securities at any of the above times on the condition that the

Director or Senior Executive can demonstrate to him that they are not in possession of any price sensitive information that is not generally available to the public.

The Company's Securities Trading Policy is available on the Company's website <http://www.centralasia.com.au/governance.html>.

#### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

*Recommendation 4.1: The Board should establish an audit committee.*

*Recommendation 4.2: The audit committee should be structured so that it:*

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the Board; and
- has at least three members.

The Board has not yet established an Audit Committee as the Board does not currently have sufficient non-executive and independent directors to do so. The Board, as a whole, deals with areas that would normally fall within the Charge of the Audit Committee.

*Recommendation 4.3: The audit committee should have a formal charter.*

The Board has not yet established a formal charter for an Audit committee.

#### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

Companies should promote timely and balanced disclosure of all material matters concerning the company.

*Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters and maintaining compliance systems which ensure the Board and Company adhere to ASX Listing Rules and the Corporations Act.

The Company's Continuous Disclosure & ASX Announcement Policy and Procedures sets out the procedures for:

- identifying material price sensitive information;
- reporting such information to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.
- 

The Company's Continuous Disclosure & ASX Announcement Policy and Procedures is available on the Company's website <http://www.centralasia.com.au/governance.html>.

#### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

*Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Company is committed to the promotion of investor confidence by ensuring that trade in its securities takes place in an efficient, competitive and informed market. The Board Charter recognises the importance of forthright communication as a key plank in building shareholder value and that to prosper and achieve growth the Company must (among other things) earn the trust of employees, customers, suppliers, communities and security holders by being forthright in its communications and consistent in its fulfilment of obligations.

The purpose of the Shareholder Communication Policy statement is to:

- reinforce the Company's commitment to the continuous disclosure obligations imposed by law and to describe the processes implemented by the Company to ensure compliance; and
- outline the Company's corporate governance standards and related processes aimed at ensuring that timely and accurate information is provided equally to all Shareholders and market participants.

Shareholders will be provided with the following reports and communications:

- Annual Report;
- Notice of Annual General Meeting; and
- any other documents which the Board deems appropriate.

At the Annual General Meeting of the Company, Shareholders will be encouraged to ask questions of the Board and the Company's Auditor.

The Company commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach and communicate promptly.

The Company's Shareholder Communication Policy is available on the Company's website <http://www.centralasia.com.au/governance.html>.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

Companies should establish a sound system of risk oversight and management and internal control.

*Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

*Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from currency movements, operational efficiency, exploration and, investments in new projects. To mitigate these risks, the company has in place an experienced Board, regular Board meetings, six monthly financial audits and rigorous appraisal of new investments.

*Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Managing Director and the Finance Director confirm in writing to the Board that the financial reports of the Company for the financial period:

- 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;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's Policy on Risk Management, Internal Compliance and Control is available on the Company's website <http://www.centralasia.com.au/governance.html>.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

*Recommendation 8.1: The Board should establish a remuneration committee.*

The Board has not established a remuneration committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Remuneration Committee.

*Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The Company Remuneration Policy has been put in place to ensure that:

- remuneration policies and systems support the Company's wider objectives and strategies;
- Directors' and Senior Executives' remuneration is aligned to the long-term interests of Shareholders within an appropriate control framework; and
- there is a clear relationship between the executive's performance and remuneration.

The policy defines the overall remuneration structure and document the structure of remuneration for three main groups:

- Executive Directors;
- Senior Executives; and
- Non-Executive Directors.

Further information on directors' and executives' remuneration is set out in the directors' report.

The Company's Remuneration Policy is available on the Company's website <http://www.centralasia.com.au/governance.html>.

**DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS**

From 1 January 2010 to 31 December 2010, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than the recommendations specified in the table below.

<b>RECOMMENDATION</b>	<b>NOTIFICATION OF DEPARTURE</b>	<b>EXPLANATION FROM DEPARTURE</b>
2.1	A majority of the Board are not independent directors.	The Board believes that the individuals on the Board can, and do, make quality and independent judgements in the best interests of the Company on all relevant issues.
2.2	The chair is not an independent director.	The Chairman is not classed as an independent director because of the size of his shareholding. This does not impact on his ability to oversee or assist the executives and their management of the Company.
2.4	The Board has not established a nomination committee.	The whole Board carries out the duties which would otherwise be undertaken by the nomination committee. The need for a nomination committee will be reviewed annually.
4.1, 4.2 & 4.3	The Board has not established an audit committee.	The whole Board carries out the duties which would otherwise be undertaken by an audit committee. The need for an audit committee and formal charter will be reviewed annually.
8.1	The Board has not established a remuneration committee.	The whole Board carries out the duties which would otherwise be undertaken by the remuneration committee. The need for a remuneration committee will be reviewed annually.