

Corporate governance report

Corporate governance concerns the regulations and structure that exist to govern and manage a company in an effective and controlled way. Corporate governance is primarily aimed at meeting the shareholders' requirements with regard to returns on their investment and to provide all interested parties with comprehensive and correct information about the company and its development. The governance of Central Asia Gold AB (publ), referred to below as Central Asia Gold, CAG or the Company, is based on the Swedish Companies Act, the Swedish Corporate Governance Code, the Articles of Association and other applicable laws and rules. Central Asia Gold AB (publ) is a Swedish public limited company with its registered office in Stockholm, Sweden. CAG is a Swedish mining company with business operations in eastern Siberia, Russia. Central Asia Gold AB was formed in 2004 and listed on the NGM Equity, Nordic Growth Market on March 29, 2005. Its shares are traded under the abbreviation "CAG". CAG has applied the Swedish Corporate Governance Code (the Code) since July 1, 2008, except for deviations below. The Code is based on the principle of "follow or explain," which means that companies applying the Code can deviate from the individual rules, but they must give an explanation for such deviation.

Governance, management and control of CAG are divided between the shareholders at the AGM, the Board of Directors and the Chief Executive Officer. This report has not been reviewed by the Company's auditor.

Annual General Meeting of the Shareholders

The shareholders' right to decide on CAG's business is exercised at the AGM, which is a company's highest decision-making body.

2009 AGM

CAG's 2009 AGM was held on Wednesday, the 27th of May, 2009 in Stockholm. The minutes from this meeting are available at www.centralasiagold.se.

The following principal decisions were taken:

- The Board of Directors and the Chief Executive Officer were discharged from liability for the past financial year.
- The number of members of the Board for 2009 should be 8 without alternates.

- To the board 2009 the following members were re-elected: Preston Haskell, Lars Guldstrand, Risto Silander, Mike Nunn, Patric Perenius, Sergej Gorbajov, Alice Volgina, and Maxim Kondratjukin.
- Preston Haskell was re-elected Chairman of the Board.
- The Board's fees were set at TSEK 200, whereof TSEK 40 to Lars Guldstrand, Patric Perenius, Risto Silander, Alice Volgina and Mike Nunn. To the other three Board members, ie. Preston Haskell, Maxim Kondratyukin and Sergey Gorbachev no compensation shall be paid.
- Remuneration to the Company's auditor is paid according to the invoiced amount following an agreement.
- The AGM approved the principal shareholders' proposal for the establishment of principles for appointing the election committee.
- The AGM approved the Board's proposal of guidelines for the remuneration of senior executives.
- The AGM resolved in favour of mandating the Board to make a decision on a new issue of shares in the Company. The mandate authorises the Board until the next AGM to take decisions on one or more occasions regarding a new issue of up to 880 million shares (what after completion of aggregation, according to decisions taken at the Annual General Meeting on the March, 12th, 2009, is equivalent to 4.4 million new shares), implying a share capital increase of up to SEK 44,000,000, corresponding to a dilution of about 19.9% of the Company's share capital and the total number of voting rights. Issues shall be carried out on marketbased terms. This dilution has been calculated as the number of shares and votes that can be issued divided by total shares and votes after such issuance. The aim of such a mandate and the reason for a possible deviation from preferential rights for shareholders is so that, in the event that a private placement is carried out for reasons of time or for business considerations, this will be more advantageous for the company. The subscription price shall, in deviation from the shareholders preferential rights, be as close to market value as possible.

2010 AGM

The Annual General Meeting of the Shareholders will be held on Monday June

28th, 2010 at IVAs Conference Center, Grev Turegatan 16, Stockholm. The AGM will start at 3:00 pm, and doors open at 2:30 pm. The annual report for 2009 will be available on the Company's website as of April 30.

Election committee

Principles for the appointment of the election committee, approved by the AGM of May 27, 2009.

The principal owners propose that the AGM establish the following principles: The company shall have an election committee consisting of the Chairman of the Board and four other members representing each of the four owners with the greatest voting rights. Those shareholders with the greatest voting rights will be contacted on the basis of the Company's record – provided by the Swedish Central Securities Depository – of registered shareholders (by owner group) at October 31, 2009. Those shareholders that are not registered with the Swedish Central Securities Depository and that wish to make use of their voting right should apply to the Chairman of the Board and must be able to demonstrate the ownership relationship. At the earliest convenience after the end of October the Chairman of the Board shall contact the four shareholders with the greatest voting rights, as set out above, and ask them to each appoint a member. If any of the shareholders decline their right to appoint a member to the election committee, the shareholder with the next most voting rights shall be provided with the opportunity to appoint a member. The names of the owner representatives and the names of the shareholders that they represent shall be made public no less than six months before the AGM. The election committee's mandate period continues until a new election committee has been appointed. The Chairman of the election committee shall, unless the members agree otherwise, be the member that represents the largest shareholder. If a member leaves the election committee before its work is complete, and if the election committee deems that it is necessary to replace this member, the election committee shall appoint a new member. No fee shall be paid to the members of the election committee. The election committee may charge fair and reasonable expenses for travel and reports to the Company.

The election committee shall make proposals to the AGM for: (i) the election of AGM Chairman; (ii) the number of members of the Board; (iii) the election of the Chairman of the Board and other Board members; (iv) the Board's fee, divided between the Chairman and other members; (v) any remuneration for committee work; and (vi) the election and payment of auditors and alternate auditors (where applicable). In addition, the election committee shall make proposals for decisions about principles for establishing a new election committee.

The names of the owner representatives shall be published on the Company's website at the earliest convenience after they have been appointed. Proposals may be sent to valberedning@centralasiagold.se or sent by post to Central Asia Gold AB at: Election Committee, Engelbrektsplan 2, 4 fl, 114 34 Stockholm. The election committee up to the 2010 AGM has consisted of: Lars Guldstrand, Peter Lindh representing Bertil Holdings Ltd, Roger Hassanov representing Greypson Investments Ltd, Viggo Leisner representing Spencer Energy AS and Jörgen Durban representing Landä AB.

Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organisation of the Company and the administration of the Company's business, and shall continually assess the Company's and Group's financial situation. The Board of Directors deals with issues of material significance such as business plans with profitability targets, budgets, interim reports and annual reports, the acquisition or sale of companies, significant property acquisitions or sales, the establishment of important policies, the structure of internal control systems, and significant organisational changes.

The Board's procedural rules and written instructions regarding financial reporting and the division of work between the Board, the Chief Executive Officer and the Chief Operational Officer.

Each year CAG's Board establishes procedural rules and written instructions regarding financial reporting and the division of work between the Board and the Chief Executive Officer. The procedural

rules regulate, among other things, the Board's duties, the minimum number of Board meetings each year, how notifications to attend meetings take place and which documents need to be distributed before Board meetings and how the minutes of Board meetings are to be drawn up. The written instructions regarding financial reporting regulate the reporting system that exists, since the Board needs to be able to continually assess the Company and Group's financial situation and the division of work between the Board and the Chief Executive Officer.

Chairman of the Board of Directors

During 2009 Central Asia Gold's Chairman of the Board led the Board's work and ensured that the Board fulfilled its duties. The Chairman of the Board has continually followed the group's business and development through contact with the Chief Executive Officer and through his own frequent meetings or conversations with the heads of the subsidiaries.

Members of the Board of Directors

At year-end 2009 Central Asia Gold's Board consisted of six members elected by the AGM. The Chief Executive Officer is a member of the Board of Directors. The members of the Board are presented in more detail further on this document, together with details of the members' independence from the Company and the Company management.

The Board's work in 2009

During 2009 the Board held 12 meetings, where of two (by phone) were held before the merger 2 March 2009. There after the new board has held 10 meetings two of which were by correspondence and six were held by telephone. The two other meetings were physical meetings.

The important issues dealt with by the Board in 2009, in addition to the approval of the annual report and the interim reports, establishing a business plan and the related budgets, were as follows:

- The Company's financial position and liquidity
- Strategic decision-making
- Merger with New Mining Company via an acquisition through an issue in kind
- Reorganization of management team

Board members' attendance at Board meetings

Name	Position	Present
Lars Guldstrand	Chairman of the Board	10/10
Preston Haskell	Member	10/10
Maxim Kondratyukin	Member	9/10
Risto Silander	Member up to and including August 19, 2009	4/4
Alice Volgina	Member	7/10
Mike Nunn	Member	10/10
Patric Perenius	Member	10/10
Sergey Gorbachev	Member up to and including October 26, 2009	6/6

Board's division of work

There was no verbal or written division of work for the members of the Board during the 2009 financial year.

Board committees

CAG's Board of Directors chose not to establish any special audit or remuneration committees in 2009. The Board found it more appropriate to allow the Board to perform the tasks of the committees with regard to remuneration- and audit-related issues. These issues have been dealt with along with ordinary Board work.

Board fees

The Board of Directors' fees are decided by the AGM. At the AGM of May 27, 2009 it was decided that the fee for the Board for the financial year should be SEK 40,000 to each Board member, except for Preston Haskell, Maxim Kondratyukin and Sergey Gorbachev to whom no compensation was to be paid.

Chief Executive Officer and other senior executives

The Chief Executive Officer, who is also the Head of the Group, has the task of providing ongoing management of the Company. The Board's written instructions establish the division of work between the Board and the Chief Executive Officer. The CEO's work is evaluated once a year, latest at the Board meeting in December 2009. Preston Haskell is Chief Executive Officer and Head of Group for Central Asia Gold since September 2009.

Remuneration of Executive Management

For information about the remuneration policy and the remuneration of the Chief Executive Officer, senior executives and other employees please see Note 2 in the annual report for 2009.

Auditor

The AGM appoints an auditor to the Company once every four years. The auditor's task is to review the Company's annual report and accounts, as well as the management by the Board and the Chief Executive Officer. The AGM of June 12, 2008 elected, for a period of four years (until the 2012 AGM), Authorised Public Accountant Johan Arpe of audit company Ranby Björklund, which is now part of PriceWaterhouseCoopers. The audit is conducted in accordance with generally accepted auditing standards in Sweden. The audit of the annual accounts mainly occurs in January to April. The process is started, however, when the review of the nine-month accounts is started from October of the accounting year. The 9 months interim report was subject to review during the financial year.

The Board's description of internal control of financial reporting

Internal control is often defined as a process that is influenced by the Board, the company management and other staff, and that is developed to provide a reasonable assurance that the Company's targets are being met in terms of the business being adapted to its purpose and efficient, financial reporting being reliable and the application of relevant laws and regulations. Internal control consists of various aspects: control environment, risk assessment, control activities, information and communication, as well as monitoring.

Control environment

Internal control is underpinned by the control environment, which comprises the culture that the Board and company management communicate and according to which they operate, and that provides the discipline and structure for the other aspects of internal control. The control environment primarily consists of the organisational structure, responsibility and powers, management philosophy, ethical values, staff competence, policies and guidelines, as well as routines. Besides the relevant legislation, the framework within which Central Asia Gold's Board works

consists of the owners' aims and the Code. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO that the Board establishes each year in its written instructions. The Board has established procedures for its work. The CEO is able to delegate a degree of decision-making to other senior executives. Two members of the Board have the authority to sign for the company.

Risk assessment

All business operations involve risk. A structured risk assessment make it possible to identify the material risks that have an effect on internal control with regard to financial reporting and where these risks exist within the organisation. CAG's Board continually assesses the Company's risk management. This work consists in assessing what preventative measures need to be taken to reduce the Company's risks, which involves, for example, ensuring that the Company has appropriate insurance and that the Company has the necessary policies and guidelines in place. This annual report sets out the Board's review and assessment of risk factors under the heading Significant Risks and Points of Uncertainty.

Control activities

Control measures are required to prevent, detect and correct errors and discrepancies. Each quarter, CAG's finance department compiles financial reports that provide details of earnings and cash flow for the past period at subsidiary and group level. Deviations from budgets and forecasts are analysed and commented on. Documented processes exist for the compiling of the information on which financial reports are based.

Information and communication

Central Asia Gold has an information policy, which comprises guidelines for both internal and external information from the Company. External information is provided in accordance with financial markets and securities legislation, other relevant laws and regulations, the rules of the Swedish Financial Supervisory Authority and the stock market listing agreement with NGM. The company provides the market with information on an on-going basis about important events within the group, including its financial position. Information is provided in the form of interim and annual reports. In addition, press

releases are issued about news and events that are deemed to be price-sensitive information. All financial information and other press releases are published via NG News to recipients within the financial and daily press, news agencies, analysts and to the Company's website. Information relevant to CAG's employees is distributed by e-mail. Internal dissemination of price-sensitive information is first carried out after Central Asia Gold has provided the stock market with the information. In addition, all managers are responsible for providing their co-workers with such information that is to be distributed within the organisation.

Monitoring

Financial monitoring is carried out on a quarterly basis for all profit centres and at group level. In addition to this, group management receives operational reports on a weekly and monthly basis. Monitoring is then carried out in comparison with budgets. CAG is a mining company that is in its early stages, which is why no earnings or sales forecasts are currently provided externally. Instead of this, the financial report in February of each year provides targets for expected volume of gold production for the full year. This target is then revised as often as is deemed necessary. Since the gold production is currently highly seasonal, this usually occurs, at the earliest, in the summer months, when production has begun in earnest.

The Board continuously evaluates the information provided by the company management. Each month the COO reports to the Board on the Company's performance with regard to the targets in the business plan. The Company has chosen not to have a separate internal audit unit. Given its size, the company finds that it is not viable with a separate internal audit unit. However, if the Board finds it appropriate internal control will be further expanded. The issue of internal control and a separate internal audit unit is annually reviewed by the Board and will be discussed again in 2010.

Members of the Board during the 2009 financial year

Lars Guldstrand (born 1957)

Chairman of the Board, elected 2009.

Lars Guldstrand is a Swedish citizen, born 1957, with more than 25 years' experience in international leadership and investment in the telecoms, media and technology

sectors. He has also worked with corporate turnarounds and reorganisations, and M&A activities in a number of other areas, including the finance and Internet sectors.

During his career Lars Guldstrand has held leading positions in a number of privately owned and publicly listed companies in Europe and the U.S., including Eniro AB. Lars Guldstrand is a partner and Chairman in GKL Growth Capital AB, Chairman of Paynova AB, Eco Energy, Centum Finance Services International AB, KMW Energi AB and G-Life AB.

He is also member of the board of Loxystem AB and Amari Resources Ltd. Lars Guldstrand holds an MBA from California Coast University, California in the U.S.

Shares in Central Asia Gold: 64,800 via company

Warrants in Central Asia Gold: 0

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **No**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Preston Haskell

(see under Group Management)

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **No**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Maxim Kondratyukin (born 1981)

Board member, elected 2009.

Maxim Kondratyukin is a Russian citizen, born 1981. He studied financial management at the Siberian-American School of Management (1998–2003) at Irkutsk State University. Parallel with this (1998–2002) he also studied Business Management at University of Maryland College. Since 2006 he has been in charge of project development at MIEL Regional Investments for property investments. Prior to this he was Head of Marketing at Teletrade DJ International Consulting Ltd. During 2003–2005 he was in charge of strategic planning for Sibirtelecom in Irkutsk. He is also on the boards of LLC Sun Republic in Riga, Latvia and ZAO Almazinvest in Omsk, Russia.

Shares in Central Asia Gold: 3,765,000 via company

Warrants in Central Asia Gold: 627,500 via company

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Alice Volgina (born 1966)

Board member, elected 2009.

Alice Volgina is a Russian citizen, born 1966. Alice has a degree in English translation from Moscow's State University of Linguistics. Since 1999 she has been a partner in and CFO of Preston Haskell's Colliers International investment group. Between 1996–1999 Alice worked as Vice President of HIB Limited and in 1988–1996 she worked in customs at Moscow's Sheremetyevo airport.

Shares in Central Asia Gold: 0

Warrants in Central Asia Gold: 0

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Mike Nunn (born 1959)

Board member, elected 2009

Mike Nunn, a South African mining entrepreneur born in 1959, is the founder of Amari Holdings, a business that drew on his experience and success in the commodities industry and his African business network.

Mike Nunn is a global pioneer within the Tanzanite segment. Tanzanite is a gemstone. As founder and former CEO of TanzaniteOne Ltd (listed on London's AIM) he developed a local operation into one of the world's foremost producers of and market leaders for tanzanite. Nunn also founded the Tanzanite Foundation, an industry organisation that oversees the global marketing of tanzanite.

Among his other mineral-related activities, Nunn was involved in turning around MDM, an old mining engineering company that has since become a leading African mining consulting company whose shares were listed on the AIM in 2008.

In 2005 Nunn founded Xceldiam Ltd, an Angolan diamond prospecting company that was successfully floated on the AIM in 2006 and was later sold to Petra Diamonds.

Nunn consolidated part of his mining interests in mid-2006 and created AMARI, an Africa focused mining and mineral resources investment company with interests in gold, platinum, uranium, manganese, nickel, coal and iron ore.

Nunn is currently Working Chairman of AMARI and is based in Johannesburg, South Africa.

Shares in Central Asia Gold: 0

Warrants in Central Asia Gold: 0

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **Yes**

Patric Perenius (born 1951)

Board member, elected 2004

Patric Perenius is a Swedish citizen, born 1951. Patric graduated 1977 with a M.Sc in mining from the Royal Institute of Technology in Stockholm. After working with oil exploration with Swedish Petroleum Exploration and Norsk Hydro, Patric participated as founder of several oil and mineral exploration companies, such as Secab, Tricorona, Aurex, Gexco, Yield Archelon and Svenska Capital Oil and Geotermica. In addition to Central Asia Gold, Patric Perenius is also member of the boards of Archelon Mineral, Svenska Capital Oil, Benchmark Oil&Gas and Geotermica.

Shares in Central Asia Gold: 3,500

Warrants in Central Asia Gold: 0

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**

Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **Yes**

All Board members, except for Patric Perenius, were elected at the Extraordinary General Meeting March 12, 2009, in connection with the merger with New Mining Company.

Group management

Preston Haskell (born 1966)

Chief Executive Officer, Head of Group, and Board member of Central Asia Gold AB (from 2009).

Preston Haskell is U.S. citizen, born 1966, and has been active as a businessman in Russia since the early 1990s. Haskell is a Board Member of Colliers International Russia and Ukraine and has worked in Russia since 1993.

Haskell is also a member of the Board of Fleming Family and Partners Real Estate Development Fund Ltd.

Preston Haskell has a degree in economics from the University of Southern California in the U.S.

Shares in Central Asia Gold: 11,235,000 via company

Warrants in Central Asia Gold: 1,872,500 via company

Significant assignments outside the company:

GKL Growth Capital AB – BM
Colliers International – BM
Fleming Family and Partners Real Estate Development Fund-BM

The CEO's all significant assignments outside the company were approved by the Board.

Pavel Olishevsky

Chief Operating Officer (COO)

Pavel is a Russian citizen born 1973. Pavel has a Masters Degree in Chemistry (MS degree in Chemistry) from Georgetown University in Washington, DC, and as financial analysts (Chartered Financial Analyst, CFA) with extensive experience in the mining sector, last responsible for the construction of a mining operation in fluorite mining.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0

Håkan Claesson

Financial Officer (CFO)

Håkan is a Swedish citizen born 1964. In recent years, Håkan has run his own consultancy specializing in economics. Previous positions as CFO and controller included a great deal of international experience in companies such as Balco AB, IKEA International A/S and ABB Fläkt Industri AB. Since December 2009, Håkan

is financial officer of Central Asia Gold AB.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0

Long-term incentive programs

The Board regularly evaluates the need for long-term incentive programs. Currently there are no outstanding incentives in the company.

Deviations from the Swedish Code of Corporate Governance

Central Asia Gold AB chooses to deviate from the code in the following points:

- The entire Board of Directors performs the duties of the audit and compensation committees. Given the clear ownership structure, Preston Haskell, the CEO and majority shareholder participates in committees' work.
- In 2009, the Board did not have any meetings with the auditor in absence of the CEO and other members of management. The Board's opinion in this case was that the questions were of a nature that it was considered appropriate and effective to let the CEO and senior management participate in meetings with the auditor.
- CAG didn't publish the date for the Annual General Meeting 2010 in a timely manner, which should have been done in the interim report for Jan – Sept 2009, where should also be stated at what time a request to have a matter considered at the meeting must be received by the CAG. The information was published on the Company's website first in January 2010. The Company's management considers that even if the deadline was not met, the shareholders were given sufficient time to send its request.

CAG has not complied with the code on the following points:

- The Chairman of the Board shall as soon as possible at the end of October contact the four largest shareholders and ask them to appoint a member of the election committee, the Chairman of the Board is the fifth member of the committee. The deadline was not kept. The information was published on the Company's website first in February 2010, due to the fact that no information on composition of election committee was available earlier.

This report has not been reviewed by the company's auditor.

Stockholm, April 30, 2010

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