

CENTRAL ASIA GOLD LIMITED



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BOARD OF DIRECTOR'S CHARTER

The Board of Directors (the "Board") is elected by and is accountable to the shareholders of Central Asia Gold Limited (the "Company"). The mandate of the Board is to supervise the management of the Company and to be the steward of the Company with a view to the best interests of the Company.

Although directors may be elected by the shareholders to bring special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency exclusively and must act with a view to the best interests of the Company at all times.

The Board, through its deliberations and actions, should be mindful of the expectations for the following constituencies of the Company:

- Investors - to enhance value for those who risk their financial resources to assist in the growth and expansion of the Company
- Employees - to provide an equitable, challenging, participative and safe work environment for those who commit time, careers and livelihood to the Company.

1. TERMS OF REFERENCE

The Board's Terms of Reference include the following:

- Review and approve strategic, business and capital plans for the Company including its subsidiaries on a consolidated basis and monitor the Company's human, technology and capital resources, the constraints on implementing such plans and management's execution of such plans **[TSX Guidelines, s.474(1); CCGG Guideline Ten - Minimum Standard]**
- Oversee the adoption of a strategic planning process **[TSX Guidelines, s.474(1)(a)]**
- Review the principal risks of the Company's business and monitor the implementation by management of appropriate systems to manage such risks including, but not limited to, safety, environmental and treasury programs **[TSX Guidelines, s.474(1)]**
- Discuss with management its analysis of the strategies of competitors or 'quasi' competitors **[CCGG Guideline Ten, Best Practice]**
- Review at every meeting recent developments that may impact the Company's growth strategy **[CCGG Guideline Ten, Best Practice]**
- Develop and implement programs for management and Board succession planning including development within the organization **[TSX Guidelines, s.474(1)]**
- Review, approve and amend as required, the Corporate Disclosure Policy and monitor the practices of management to ensure appropriate, fair and timely communication of information concerning the Company **[TSX Guidelines, s.474]**

- Ensure specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof **[TSX Guidelines, s.474(1)]**
- Review and approve corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements. Examples include but are not limited to the size and composition of the Board, the compensation of directors, the assessment of the performance of the Board, its committees and Directors and approval of appropriate policies and procedures **[TSX Guidelines, s.474]**
- Duties and responsibilities of the Board under the Corporation's incorporating statute (the "Act") and other applicable laws and regulations

2. BOARD MEMBERSHIP

The Board is elected by the shareholders and shall be comprised in accordance with applicable law and its articles and by-laws. The Board is currently composed of 4 members. It is believed that this is an appropriate number to represent the interests of all of the shareholders of the Company. It is intended however to supplement the Board with one Canadian based director on listing on the TSX.

The Board shall endeavor to be comprised of a majority of "unrelated" directors as defined by the TSX, a majority of independent Directors as defined under applicable law and regulation and a majority of Directors who do not have interests in or relationships with either the Company or any significant shareholder (as defined by the TSX) of the Company and which fairly reflects the investment in the Company by shareholders other than any such significant shareholder. **[TSX Guidelines, s.474(2); Proposed Nasdaq rule; MI 52-110 "Audit Committees"]**.

All members of the Board shall meet the requirements of the Act, the Toronto Stock Exchange ("TSX"), the Ontario Securities Commission and other applicable laws and regulations.

Directors must submit a resignation to the Chair of the Board if they change their principal employment or province of residence on the grounds that a change of employment or residence could alter their suitability or availability as a director or, in the case of a change of employment, create a material conflict of interest **[CCGG Guideline Eight – Minimum Standard]**. The Board will decide whether it is in the best interests of the Company to accept or reject such resignation.

Directors are expected to avoid any outside activity, financial interest or relationship that may present a possible conflict of interest or the appearance of a conflict. Directors are required to disclose any conflict of interest to the Chair of the Nominating and Corporate Governance Committee and otherwise comply with applicable law concerning disclosure and refraining from voting where applicable.

Directors whose Board and committee attendance falls below 75% in any twelve month period will not be allowed to stand for re-election to the Board unless such attendance was due to health reasons or other extenuating circumstances acceptable to the Board. The Company shall disclose in its annual information circular Board attendance records. **[CCGG Guideline Eight - Minimum Standard]**

3. OPERATIONAL GUIDELINES FOR THE BOARD AND COMMITTEES

Meetings

The Board and each Board committee shall meet quarterly and at such other times as the Chair of the Board or Chair of the committee, respectively, shall require.

Annually, a schedule of Board meetings and Board committee meetings shall be approved by the Board and applicable Board committees, respectively. Additional meetings of the Board and its committees shall be held as appropriate.

The Chair of the Board and each Board committee may delegate his/her responsibility to a Vice-Chairman who should be an independent director.

The Corporate Secretary or his/her nominee shall act as the Secretary of the Board and Secretary of each Board committee.

Meetings of the Board and each Board committee shall be called by the Secretary of the Board or Board committee at the request of the Chair of the Board or Board committee.

Unless otherwise agreed and in accordance with applicable law, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Board and the applicable committee no fewer than 3 days prior to the date of the meeting where possible.

The Secretary of the Board and Secretary of each Board committee shall minute the proceedings and resolutions of all Board and Board committee meetings. Minutes of each Board and Board committee meeting will be distributed to all Board members and committee members, respectively, within two weeks of the meeting.

It is the responsibility of the Secretary of the Board to ensure all action items are addressed by the responsible person and brought forward to the next meeting.

Decisions of the Board and each committee will be made by majority rule.

The Chair of the Board and the Chair of each Board committee shall attend the Annual Meeting of shareholders prepared to respond to any shareholder questions on the Board's or Board committee's activities, or where attendance is not possible, appoint a representative and brief them appropriately.

Non-directors may attend portions of the Board meetings by invitation of the Board.

Information

Agenda and advance material will be sent to the relevant Directors at least one week in advance of each Board meeting and/or the applicable Board committee meeting, where possible.

Advance material for Board meetings will include relevant information that provides a meaningful perspective on the matters to be considered by the Board, including, without limitation: review of strategy, financial summaries, capital expenditure requests, quarterly and annual shareholder communications, environmental reports, health and safety reports, major human resource issues, operational reports, any committee reports and other relevant material as directed by the agenda. Advance material for Board committee meetings will include relevant information that provides a meaningful perspective on the matters to be considered by the committee.

Information such as financial summaries, capital requests etc. will be standardized for ease of review.

Presentations at Board meetings and Board committee meetings will be standardized as much as possible, be concise, and only provide highlights of advance material.

Although Directors may have access to any employee, it is expected that requests for specific information will be channeled through the President and Chief Executive Officer.

The Company's strategic plan and business profile of each division will be provided annually to the Board.

Company consolidated financial reports will be distributed to all Directors.

4. **KEY PRACTICES**

The Board shall abide by the following key practices:

(i) Role of Board and Management

While the Board is called upon to supervise the management of the business, the President & Chief Executive Officer ("CEO") is charged with the day-to-day leadership and management of the Company. The CEO's prime responsibility is to lead the Company. The CEO formulates company policies and proposed action plans in conjunction with the Executive Leadership Team and presents same to the Board for approval. The Board approves the goals, the objectives and policies within which the Company is managed and then reviews and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the progress of the Company towards achievement of its established goals and of all material deviations.

(ii) Qualifications and Independence

The Nominating and Corporate Governance Committee shall recommend to the Board individuals as director nominees who demonstrate the personal qualities and time commitment expected of Directors and who meet the criteria set forth above. Directors should be loyal to the Company and shall exercise care, diligence and skill in their exercise of their duties and responsibilities on behalf of the Company.

Minimum standards for individual Directors and the Board as a whole include integrity and high ethical standards; career experience and expertise relevant to the Company's business purpose, financial responsibilities and risk profile; proven understanding of fiduciary duty; financial literacy and/or financial accreditation; well developed listening, communicating and influencing skills which would enable the individual director to actively participate in Board discussions and debate; track record of business success, leadership, fairness, decisiveness and sufficient time availability to serve effectively as a Director by not over-committing to other corporate and not-for-profit boards. **[CCGG, Guideline One Minimum Standares]**

An inside director is a present employee elected to bring internal expertise and knowledge of the business to the decision-making process of the Board and help determine the broad strategy of the Company and monitor the Company's performance. An inside director must wear "two hats" and be able to see the broader picture beyond his/her functional responsibilities. An insider director must operate at a strategic level and not distract the Board in tactical detail.

(iii) Size of Board and Selection Process

The Directors are elected each year by the Company's shareholders at the annual meeting of shareholders (or on rotation in accordance with the Company's Constitution. The Board, together with the assistance of the Nomination and Corporate Governance Committee, reviews the composition of its membership on an annual basis and determines the appropriate size of the Board.

(iv) Board Committees

The Board has established the following committees to assist it in discharging its responsibilities:

Audit Committee
Corporate Governance Committee
Disclosure Committee
Compensation Committee

The current charters, key practices and accountabilities of these committees may be published in whole or summarized in the Company's information circular or other public disclosure document **[MI 52-110, s. 5.1 requires the Audit Committee Charter to be reproduced in the AIF]** and will be mailed to shareholders on written request to the Corporate Secretary. The Chair of each Board committee shall report the highlights of the committee's meetings to the full Board following each such meeting.

(v) Self-Evaluation

The Board and each Board committee will perform an annual self-evaluation. Each May, the directors are requested to provide their assessments of the effectiveness of the Board and the Board committees on which they serve. The individual assessments are organized and summarized by the Corporate Secretary. **[CCGG Guideline Seven - Minimum Standard]**

(vi) *Setting the Agenda*

Each of the Board and its committees is responsible for its own agenda. At each of the June meetings of the Board or committee, as the case may be, the Executive Chair and Lead Independent Director, in the case of the Board, or committee Chair, in the case of a committee, will propose for the approval of the Board or committee key issues of strategy, risk and integrity to be scheduled and discussed during the course of the next calendar year. Before such meeting, the Board or committee, as the case may be, will be invited to offer its suggestions. As a result of this process, a schedule of major discussion items for the following year will be established. Prior to each meeting of the Board or committee, as the case may be, the Executive Chair and Lead Independent Director, in the case of the Board, or committee Chair, in the case of a committee, will discuss the other specific agenda items for the meeting with the CEO. The Executive Chair, the Lead Independent Director, CEO or committee chair, as applicable, shall determine the nature and extent of information that shall be provided regularly to the Directors before each scheduled Board or committee meeting. Directors are urged to make suggestions for agenda items, or additional pre-meeting materials to the Executive Chair, the Lead Independent Director, the CEO or appropriate committee chair.

(vii) *Ethics and Conflicts of Interest*

The Board expects Directors, officers and employees to act ethically at all times in accordance with the Company's Code of Business Ethics and Conduct, which may be published in whole or summarized in the Company's information circular or other public disclosure document. If a potential or actual conflict of interest arises, a Director shall promptly advise the Chair of the Corporate Governance Committee and otherwise in accordance with applicable law or regulation. The Board will decide whether the Director should resign from the Board. The Board shall also resolve any conflict of interest question involving any executive, including Vice Presidents, the President and CEO and the Executive Chair. All Directors must excuse themselves from any discussion or decision affecting their personal, business or professional interests.

(viii) *Reporting Accounting and Auditing Complaints/Concerns*

Directors, officers and employees may and should forward any accounting and auditing concerns to the Corporate Secretary in a sealed envelope addressed to the Chair of the Audit Committee, care of the Corporate Secretary. These concerns may be forwarded on an anonymous basis. The envelope should be marked "Confidential Internal Concern." The Corporate Secretary will then forward the sealed envelope to the Audit Committee Chair.

The foregoing shall be communicated to employees.

Complaints submitted by the public regarding accounting, accounting control and auditing matters should be sent to the Corporate Secretary. The Corporate Secretary will then forward the complaint or submission to the Chair of the Audit Committee.

The foregoing are subject to any procedures and policies that the Audit Committee may establish regarding such complaints and concerns. **[MI 52-110, s. 2.3(7) and SEC require Audit Committees to establish such procedures]**

(ix) Compensation of Board

The Compensation Committee is responsible for, among other things, recommending to the Board compensation and benefits for non-employee Directors. The Company's Directors' compensation is designed to:

- align with shareholders' long-term interests by being closely tied to the performance of the Company as reflected in the market price of its shares;
- pay Directors fairly for work required in a company of the Company's size;
- accurately reflect the risks and responsibilities involved in being an effective director; and
- be simple and easy for shareholders to understand.

The current compensation structure is more fully discussed in the Compensation Committee mandate.

(x) Indemnification Agreements

Additionally, Directors are party to individual indemnity agreements with the Company pursuant to which the Company has agreed to indemnify such directors from liability arising in connection with the performance of their duties. Such indemnity agreements shall comply with the provisions of applicable law.

(xi) Directors' and Officers' Liability Insurance

The Company will purchase insurance for the benefit of the Company's directors and officers against liability incurred by them in their capacity as such. The premium, and other details are to be advised.

(xii) Succession Plan

The Board shall approve, review annually and maintain a succession plan for the CEO and the Executive Leadership Team. **[CCGG Guideline Nine - Minimum Standard]**

(xiii) Annual Compensation Review of the President and CEO and the Executive Leadership Team

The Compensation Committee is responsible for, among other things, the performance evaluation of the CEO with input from the Board. The Compensation Committee and the CEO shall agree on the objectives and performance standards of the CEO in January of each year.

The Compensation Committee shall also annually approve the compensation structure of the Executive Leadership Team.

(xiv) Access to Independent Advisors

The Board is authorized to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. Individual directors are authorized to obtain, at the Company's expense, outside legal or other professional advice on any matters within their responsibilities or duties with the approval of the Executive Chair of the Board or the Lead Independent Director in accordance with applicable policies.

(xv) Director Orientation

The Corporate Secretary and Executive Chair are responsible for providing an induction program for new Directors and for periodically providing materials for all Directors on subjects that would assist them in discharging their duties. When a new Director is elected to the Board, he or she will be given a letter of appointment outlining his or her duties, responsibilities, remuneration and an induction package including material that will assist with the familiarization of the Director with the Company. Within two months of election to the Board, each new Director shall spend one day at the corporate office for personal briefing by the Executive Leadership Team on the Company's values, strategic plans, financial statements and key policies. **[TSX Guidelines, s.474(6); CCGG Guideline One - Best Practices]**

(xvi) Continuing Education of Directors

The Lead Independent Director and Executive Chair shall alert Directors to opportunities to better understand their corporate governance responsibilities through continuing education programs. Directors are expected to keep themselves current on such issues by way of continuing education. The Company shall assist Directors in this regard.

5. AUTHORITY

The Board may exercise all such authority and powers of the Company and do all such lawful acts and things as it may be permitted by law. In carrying out its supervisory or oversight responsibilities, the Board (or specific committees of the Board) shall have the following specific responsibilities and authorities set out in mandates approved by the Board.