

**CENTRAL ASIA  
RESOURCES LIMITED**

**ABN 13 113 816 158**

**INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED**

**30 June 2011**

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# INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2011

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## DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 30 June 2011 for Central Asia Resources Limited (the "Company") and its controlled entities (together "the Group").

### DIRECTORS

The names of Company's directors in office during the six months and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Guy, Earl of Warwick (Non-Executive Director - Chairman)  
 Mrs Angela Pankhurst (Managing Director – appointed 1 February 2011)  
 Mr Erulan Kanapyanov (Executive Director)  
 Mr Philippe Reiser (Non-Executive Director)  
 Mr Robin Gill (Non-Executive Director)  
 Mr Jason Stirbinskis (Managing Director – resigned 31 January 2011)

### REVIEW OF OPERATIONS

Results of operations attributed to the parent for the half-year to 30 June 2011 was loss of \$2,074,178 (2010: loss of \$854,059).

Central Asia Resources has spent the first half of 2011 developing its Dalabai Project to mine and process 20,000 ounces per year of gold and 140,000 ounces per year of silver. Mining will commence in Q3 2011 and production in Q4 2011.

At 30 June 2011, all major equipment had been ordered, the heap leach pad had been prepared, and the crushers and adsorption circuit were in-transit to Dalabai. Since then, development has continued on schedule and on budget.

In June, Central Asia Resources announced a 28% increase in the JORC Resource at Dalabai to 3.98Mt at 0.97g/t gold (0.2g/t cut-off) for 124,000 ounces of gold. Increasing the Group's total JORC Resource to 1.285 million ounces.

Prospect	Local Subsidiary	CVR Ownership	Total Ounces	CVR Portion	Metal
<b>Altyntas</b>	Altyn-Tas LLP	95%	598,000	568,100	Gold
<b>Kepken</b>	Altyn-Tas LLP	95%	438,000	416,100	Gold
<b>Kengir</b>	Altyn-Tas LLP	95%	125,000	118,750	Gold
<b>Dalabai</b>	Onzhas Ltd	90%	124,000	111,600	Gold
<b>Bizhe</b>	Altynsai-Geo Ltd	90%	Greenfield		

*Prospect and Company Inventory*

Deposit	Indicated Category			Inferred Category			Total		
	Tonnes Mt	Grade g/t	Ounces	Tonnes Mt	Grade g/t	Ounces	Tonnes Mt	Grade g/t	Ounces
<b>Altyntas</b>	4.67	0.98	147,000	9.25	1.52	451,000	13.92	1.34	598,000
<b>Kepken</b>	8.01	1.03	264,000	5.75	0.94	174,000	13.76	0.99	438,000
<b>Kengir</b>	1.44	1.30	56,000	1.48	1.4	69,000	2.92	1.35	125,000
<b>Dalabai</b>	2.85	1.06	97,000	1.13	0.74	27,000	3.98	0.97	124,000
<b>Total</b>	<b>16.97</b>	<b>1.04</b>	<b>564,000</b>	<b>17.61</b>	<b>1.27</b>	<b>721,000</b>	<b>34.58</b>	<b>1.16</b>	<b>1,285,000</b>

*Summary of Mineral Resource Estimates Reported according to JORC Category and Deposit*

## MANAGEMENT

During the year, CVR appointed several senior management personnel including Mrs Angela Pankhurst as Managing Director, Mr Chris Campbell-Hicks as Country Manager Kazakhstan, Mr Duncan Greenaway as Exploration Manager and Ms Michelle Kong as Chief Financial Officer and Company Secretary.

Mrs Pankhurst has been an Executive Director of the Company since the listing on the ASX. Mrs Pankhurst is a Chartered Accountant with a background in corporate governance and finance and an in-depth knowledge of the Company's business in Kazakhstan.

Mr Campbell-Hicks has more than 30 years' experience in all aspects of gold processing from design and supervision of test work programs to staffing, plant commissioning and post commissioning optimisation. His worldwide experience in gold operations has already delivered measurable benefits to the project.

Mr Greenaway has more than 35 years of wide-ranging, international experience in exploration, mining and contract drilling throughout Australasia, southern Africa and Eastern Europe. His experience includes 22 years in gold exploration and production.

Ms Kong is a Certified Practising Accountant with more than 10 years of experience in finance and accounting, working for large accounting firms and multi-national companies listed on the Australian, Canadian and London Stock Exchanges.

## CAPITAL RAISING

The Company raised a total of \$13,159,474 through the issue of 377,752,872 shares to fund the development of Dalabai and exploration of its prospects. It also issued 108,413,763 options to date exercisable at 3.5c on or before 19 May 2014 to directors and an employee, and as payments in relation to the capital raising and loans received.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the six months ended 30 June 2011.

This report is signed in accordance with a resolution of the Board of Directors.



**Angela Pankhurst**  
**Managing Director**

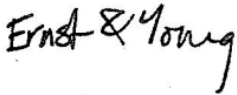
Perth, 13 September 2011

The information in this report that relates to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Duncan Greenaway who is employed by Central Asia Resources Limited. Mr Greenaway is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources. Mr Greenaway consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Statements regarding Central Asia Resources' plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Central Asia Resources' plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Central Asia Resources' will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Central Asia Resources' mineral properties.

## Auditor's Independence Declaration to the Directors of Central Asia Resources Limited

In relation to our review of the financial report of Central Asia Resources Limited for the half-year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



J C Palmer  
Partner  
Perth  
13 September 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2011

	CONSOLIDATED	
	6 MONTHS TO 30 JUNE 2011	6 MONTHS TO 30 JUNE 2010
	\$	\$
Revenue		
Interest	46,150	17,365
	<u>46,150</u>	<u>17,365</u>
Other Income		
Sub-lease rental income	-	35,524
Foreign exchange gain	22,832	229,461
	<u>68,982</u>	<u>282,350</u>
Loss on disposal of assets	(4,593)	-
Depreciation	(46,237)	(32,677)
Finance costs	(96,762)	(4,891)
Legal and professional expenses	(264,464)	(334,159)
Occupancy costs	(41,786)	(118,805)
Employee expenses	(1,164,642)	(404,690)
General administration	(456,808)	(223,768)
Other expenses	(84,825)	(25,829)
<b>LOSS BEFORE INCOME TAX</b>	<u>(2,091,135)</u>	<u>(862,469)</u>
<b>INCOME TAX EXPENSE</b>	-	-
<b>NET LOSS FOR PERIOD</b>	<u>(2,091,135)</u>	<u>(862,469)</u>
<b>NET LOSS ATTRIBUTABLE TO:</b>		
Non-controlling Interest	(16,957)	(8,410)
Members of the Parent	<u>(2,074,178)</u>	<u>(854,059)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		
Net foreign currency translation	(627,183)	291,480
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(2,718,318)</u>	<u>(570,989)</u>
<b>COMPREHENSIVE NET LOSS ATTRIBUTABLE TO:</b>		
Non-controlling Interest	(24,268)	7,833
Members of the Parent	<u>(2,694,050)</u>	<u>(578,822)</u>
	<u>(2,718,318)</u>	<u>(570,989)</u>
<b>BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS (CENTS PER SHARE)</b>	(0.54)	(0.46)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		CONSOLIDATED	
		30 JUNE 2011	31 DEC 2010
	NOTES	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	10,719,988	1,033,304
Trade and other receivables		1,458,855	239,162
Inventory		460,529	5,984
<b>TOTAL CURRENT ASSETS</b>		<b>12,639,372</b>	<b>1,278,450</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	4	6,858,749	10,771,125
Property, plant and equipment	5	6,617,905	529,523
Financial assets		207,869	122,522
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,684,523</b>	<b>11,423,170</b>
<b>TOTAL ASSETS</b>		<b>26,323,895</b>	<b>12,701,620</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		587,249	389,194
Provisions		41,229	50,908
Borrowings	6	60,484	3,380
<b>TOTAL CURRENT LIABILITIES</b>		<b>688,962</b>	<b>443,482</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		538,942	411,792
Borrowings	6	2,417,108	4,225
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,956,050</b>	<b>416,017</b>
<b>TOTAL LIABILITIES</b>		<b>3,645,012</b>	<b>859,499</b>
<b>NET ASSETS</b>		<b>22,678,883</b>	<b>11,842,121</b>
<b>EQUITY</b>			
Contributed equity	8	40,940,819	29,212,432
Reserves		(4,843,618)	(6,050,439)
Accumulated losses		(13,520,750)	(11,446,572)
<b>PARENT INTEREST</b>		<b>22,576,451</b>	<b>11,715,421</b>
<b>NON-CONTROLLING INTEREST</b>		<b>102,432</b>	<b>126,700</b>
<b>TOTAL EQUITY</b>		<b>22,678,883</b>	<b>11,842,121</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2011

CONSOLIDATED	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	OPTION RESERVE	EQUITY RESERVE	ACCUMULATED LOSSES	NON- CONTROLLING INTEREST	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$	\$
<b>AT 1 JANUARY 2011</b>	29,212,432	(5,168,498)	94,387	(976,328)	(11,446,572)	126,700	11,842,121
Net loss for the period	-	-	-	-	(2,074,178)	(16,957)	(2,091,135)
Other comprehensive income	-	(619,872)	-	-	-	(7,311)	(627,183)
Total comprehensive loss for the half-year, net of tax	-	(619,872)	-	-	(2,074,178)	(24,268)	(2,718,318)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	13,159,474	-	-	-	-	-	13,159,474
Share issue costs	(1,431,087)	-	-	-	-	-	(1,431,087)
Share based payment	-	-	1,826,693	-	-	-	1,826,693
<b>AT 30 JUNE 2011</b>	<b>40,940,819</b>	<b>(5,788,370)</b>	<b>1,921,080</b>	<b>(976,328)</b>	<b>(13,520,750)</b>	<b>102,432</b>	<b>22,678,883</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE HALF YEAR ENDED 30 JUNE 2011

CONSOLIDATED	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	OPTION RESERVE	EQUITY RESERVE	ACCUMULATED LOSSES	NON- CONTROLLING INTEREST	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 January 2010</b>	25,195,408	(3,575,520)	95,475	(976,328)	(9,293,093)	155,174	11,601,116
Net loss for the period	-	-	-	-	(854,059)	(8,410)	(862,469)
Other comprehensive income	-	275,237	-	-	-	16,243	291,480
Total comprehensive loss for the half-year, net of tax	-	275,237	-	-	(854,059)	7,833	(570,989)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	3,427,766	-	(20,000)	-	-	-	3,407,766
Share based payment	(61,635)	-	-	-	-	-	(61,635)
Minority interest arising during the period	-	-	11,086	-	-	-	11,086
<b>At 30 JUNE 2010</b>	28,561,539	(3,300,283)	86,561	(976,328)	(10,147,152)	163,007	14,387,344

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2011

	NOTES	CONSOLIDATED	
		6 MONTHS TO 30 JUNE 2011	6 MONTHS TO 30 JUNE 2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		-	39,606
Payment to suppliers and employees		(3,179,375)	(747,644)
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>		<b>(3,179,375)</b>	<b>(708,038)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		46,150	17,365
Payment for exploration & evaluation		(777,014)	(1,142,892)
Rehabilitation fund		-	(4,440)
Purchase of plant and equipment		(1,771,685)	(18,243)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(2,502,549)</b>	<b>(1,148,210)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Equipment lease payments		(3,050)	(1,690)
Interest expense		-	(765)
Proceeds from interest-bearing loans and borrowings		3,057,104	-
Proceeds from issue of securities		13,056,974	3,407,766
Capital raising costs		(720,283)	(61,635)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>15,390,745</b>	<b>3,343,676</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>9,708,821</b>	<b>1,487,428</b>
Net foreign exchange differences		(22,137)	17,631
Cash and cash equivalents at the beginning of the period		1,033,304	1,538,104
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	3	<b>10,719,988</b>	<b>3,043,163</b>

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of Preparation

This general purpose condensed financial report for the six months ended 30 June 2011 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 31 December 2010 and considered together with any public announcements made by Central Asia Resources Limited during the six months ended 30 June 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below and adoption of accounting policies, the accounting policies and methods of computation are the same as those adopted in the most recent financial report.

### Changes in accounting policy

From 1 January 2011, the Group had adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 January 2011. Adoptions of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- *AASB 124 Related Party Disclosures* simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
  - (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other.
  - (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.
  - (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.
- *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]* emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
- *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments* clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of AASB 139. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.
- *AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## Adoption of accounting policies

### (a) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### Funding for start-up operations

As at the date of this report, the Group has \$7.5 million in cash. Commitments as at this date total \$3.9 million.

The development of the Group's Dalabai project is nearing completion with the first production scheduled for Q4 2011. First cashflows from the project are expected in Q4 2011.

While the Group expects existing cash resources to be sufficient to meet its obligations for the next 12 months, there exists some uncertainty should there be significant delays to the start of processing, or the amount of gold recovered.

Notwithstanding the above matters, the ability of the Group to continue as a going concern as at the date of this report is dependent on the following:

- (i) The Group's ability to achieve budgeted production levels; and
- (ii) Net cashflows from operation achieving budgeted outcomes.

Should the Group be unable to materially achieve the matters set out above, there is uncertainty as to whether the Group will be able to meet its debts as and when they fall due, and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, nor do the amount or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## 2. SEGMENT REPORTING

For management purposes the Group has been organised into one main operating segment, exploration and development for gold and other minerals. The Group operates in one geographical location, being Kazakhstan, where the exploration and development activities are conducted. All of the company's activities are interrelated, and financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

### Information about geographical areas

#### Geographical location of non-current assets

	CONSOLIDATED	
	30 JUNE 2011	31 DEC 2010
	\$	\$
Australia	20,560	23,077
Kazakhstan	13,663,963	11,400,093
<b>Total</b>	<b>13,684,523</b>	<b>11,423,170</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 2. SEGMENT REPORTING (CONTINUED)

### Revenue

Interest revenue of \$46,150 (June 2010: \$17,365) was earned in Australia. The interest was earned primarily from one financial institution.

## 3. CASH AND CASH EQUIVALENTS

### Cash held in Australia<sup>1</sup>:

- Australian Dollars

- United States Dollars

### Cash held in Kazakhstan<sup>2</sup>:

- Kazakhstan Tenge

- United States Dollars

Total cash at bank

CONSOLIDATED	
30 JUNE 2011	31 DEC 2010
\$	\$
6,456,380	439,031
3,825,769	464,734
430,039	91,146
7,800	38,393
10,719,988	1,033,304

1. Held in at call accounts with Westpac Bank

2. Held in at call accounts with Centre Credit Bank in Kazakhstan

## 4. EXPLORATION AND EVALUATION EXPENDITURE

Opening balance at beginning of period

Additions

Transferred to property, plant & equipment

Foreign exchange movements

Closing balance at end of period

CONSOLIDATED	
30 JUNE 2011	31 DEC 2010
\$	\$
10,771,125	10,413,358
777,014	2,156,136
(4,400,741)	-
(288,649)	(1,798,369)
6,858,749	10,771,125

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 5. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED	
	30 JUNE 2011	31 DEC 2010
	\$	\$
Machinery and equipment – at cost	747,794	303,675
Less accumulated depreciation	(103,201)	(92,694)
	<u>644,593</u>	<u>210,981</u>
Office equipment – at cost	64,266	46,117
Less accumulated depreciation	(27,371)	(27,325)
	<u>36,895</u>	<u>18,792</u>
Land and Buildings – at cost	61,331	63,385
Less accumulated depreciation	(13,399)	(21,535)
	<u>47,932</u>	<u>41,850</u>
Capitalised work in progress – at cost	1,487,744	257,900
Less accumulated depreciation	-	-
	<u>1,487,744</u>	<u>257,900</u>
Mine properties & development expenditure – at cost	4,400,741	-
Less accumulated depreciation	-	-
	<u>4,400,741</u>	<u>-</u>

### CARRYING AMOUNT AT THE BEGINNING AND END OF THE PERIOD

CONSOLIDATED	CAPITAL WORK IN PROGRESS	MINE PROPERTIES & DEVELOPMENT EXPENDITURE	MACHINERY & EQUIPMENT	OFFICE EQUIPMENT	LAND & BUILDINGS	TOTAL
	\$	\$	\$	\$	\$	\$
1 January 2011	257,900	-	210,981	18,792	41,850	529,523
Additions	1,283,522	-	491,678	25,635	11,397	1,812,232
Disposal	-	-	(1,018)	(375)	(1,032)	(2,425)
Transferred from exploration and evaluation expenditure	-	4,400,741	-	-	-	4,400,741
Depreciation	-	-	(36,764)	(6,237)	(3,236)	(46,237)
Foreign exchange movement	(53,678)	-	(20,284)	(920)	(1,047)	(75,929)
30 June 2011	<u>1,487,744</u>	<u>4,400,741</u>	<u>644,593</u>	<u>36,895</u>	<u>47,932</u>	<u>6,617,905</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 5. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

CONSOLIDATED	CAPITAL	MINE	MACHINERY	OFFICE	LAND &	TOTAL
	WORK IN	PROPERTIES	&	EQUIPMENT	BUILDINGS	
	PROGRESS	DEVELOPMENT	EQUIPMENT	EQUIPMENT		
	\$	EXPENDITURE	\$	\$	\$	\$
1 January 2010	-	-	214,861	22,123	43,460	280,444
Additions	257,900	-	88,626	10,800	16,055	373,381
Depreciation	-	-	(59,210)	(12,819)	(5,822)	(77,851)
Foreign exchange movement	-	-	(33,296)	(1,312)	(11,843)	(46,451)
31 December 2010	257,900	-	210,981	18,792	41,850	529,523

Office equipment with a carrying value of \$5,915 (2010:\$7,605) is pledged as security for interest bearing liabilities as disclosed in note 6.

## 6. BORROWINGS

30 Jun 2011	Lease Equipment (i) \$	Millstar Loan (ii) \$	Insurance Funding (iii) \$	Total
Current	3,380	-	57,104	60,484
Non-Current	2,535	2,414,573	-	2,417,108
Total	5,915	2,414,573	57,104	2,477,592

31 Dec 2010	Lease Equipment (i) \$	Millstar Loan (ii) \$	Insurance Funding (iii) \$	Total
Current	3,380	-	-	3,380
Non-Current	4,225	-	-	4,225
Total	7,605	-	-	7,605

(i) The lease agreement is related to the office equipment lease, which is repayable in 60 fixed monthly instalments at a fixed rate of 9.06% per annum.

(ii) The loan from Millstar is a A\$3.0 million facility that is non-interest bearing, unsecured and is repayable in full on 31 December 2012. This loan is initially recognised at fair value of the consideration received and is subsequently measured at amortised cost using the effective interest method.

(iii) The insurance funding is related to the funding of our insurance policy over a twelve month period, which is repayable in 10 fixed monthly instalments at a fixed rate of 6.00% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 7. CAPITAL AND OTHER EXPENDITURE COMMITMENTS

### Capital Commitments

#### Drilling Contracts

As at 30 June 2011 there were no outstanding drilling contracts (Dec 2010: Nil).

#### Exploration Commitment

Commitments in relation to the Group's licenses are determined by work programs agreed with the government, or the signing of the license agreement and then on an annual basis. Work program amendments can be applied for, if required.

Under the agreed exploration and development work programs, the estimated commitment required to be paid over the next few years is:

< 1 Year	> 1 Year < 5 Years	Total
\$5,206,602	\$-	\$5,206,602

### Lease Commitments

#### Operating lease commitments – Consolidated entity as lessee

On 1 August 2010 the Company entered into a property lease agreement to secure office space for a minimum of 2 years to 31 July 2013.

An option exists to extend the period of lease for a further 2 years to 31 July 2015.

The lease requires a minimum fixed 4% annual rent increase, with an annual market revaluation.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2011 are:

	CONSOLIDATED	
	30 JUN 2011	31 DEC 2010
	\$	\$
Within one year	35,958	43,269
More than one and less than five years	3,152	25,240
	39,110	68,509

#### Finance lease commitments – Consolidated entity as lessee

	Consolidated	
	30 JUN 2011	31 DEC 2010
	\$	\$
<b>OFFICE EQUIPMENT LEASE</b>		
Within one year	4,910	4,910
More than one and less than five years	3,683	6,138
Total minimum lease payment	8,593	11,048
Less amounts representing finance charges	(2,678)	(3,443)
Present value of minimum lease payments	5,915	7,605
<b>Included in the financial statements as:</b>		
Current borrowings	3,380	3,380
Non-current borrowings	2,535	4,225
	5,915	7,605

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

8. CONTRIBUTED EQUITY	CONSOLIDATED AS AT 30 JUNE 2011		CONSOLIDATED AS AT 31 DEC 2010	
	NUMBER OF SHARES	\$	NUMBER OF SHARES	\$
<b>Issued Capital</b>				
Issued ordinary capital	673,163,156	43,581,374	295,410,284	30,421,900
Capital raising costs	-	(2,640,555)	-	(1,209,468)
Balance at end of period	673,163,156	40,940,819	295,410,284	29,212,432

<b>Movements in ordinary shares on issue</b>	CONSOLIDATED 6 MONTH PERIOD TO 30 JUNE 2011	
	NUMBER OF SHARES	\$
Beginning of the period	295,410,284	29,212,432
Placement at \$0.032 per share	20,610,020	659,473
Placement at \$0.035 per share	28,571,457	1,000,001
Issue of ordinary shares at \$0.035 per share	328,571,395	11,500,000
Capital raising costs	-	(1,431,087)
Balance at end of period	673,163,156	40,940,819

## TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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.

Ordinary shares are fully paid and have no par value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2011

## 9. OPTION RESERVE

	CONSOLIDATED AS AT 30 JUNE 2011		CONSOLIDATED AS AT 31 DEC 2010	
	NUMBER OF OPTIONS	\$	NUMBER OF OPTIONS	\$
<b>Options on issue</b>				
Issued options	87,413,763	1,921,080	4,900,000	94,387

	CONSOLIDATED 6 MONTH PERIOD TO 30 JUNE 2011	
	NUMBER OF OPTIONS	\$
<b>Movements in options</b>		
Beginning of the period	4,900,000	94,387
Options vested during period	-	746
Options forfeited, cancelled & expired	(3,900,000)	(29,961)
Options issued to employee (i)	9,000,000	237,581
Options issued for loan (ii)	50,487,237	670,620
Options issued to broker (iii)	26,926,526	710,804
Options issued to directors (iv)	-	236,903
Balance at end of period	87,413,763	1,921,080

(i) Options were issued on 19 May 2011 to employee and are exercisable at \$0.035 each.

(ii) Options were issued on 19 May 2011 to Millstar for loans received and are exercisable at \$0.035 each.

(iii) Options were issued on 19 May 2011 to equity placement agent and are exercisable at \$0.035 each.

(iv) 22,000,000 options were issued to directors on 18 July 2011 following shareholder's approval. The share based payment costs were accrued for at 30 June 2011 in respect of services performed for the period to 30 June 2011 and the options are exercisable at \$0.035 each.

## 10. CONTINGENT LIABILITIES

There are no material contingent liabilities that exist as at the reporting date.

## 11. EVENTS AFTER THE BALANCE DATE

There are no material subsequent events to report after 30 June 2011.

## DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 30 JUNE 2011

In accordance with a resolution of the directors of Central Asia Resources Limited, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- (i) Giving a true and fair view of the financial position as at 30 June 2011 and the performance for the six months ended on that date of the consolidated entity; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.
- (b) Subject to the matters set out in Note 1, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the board



**Angela Pankhurst**  
**Managing Director**

Perth, 13 September 2011

## Independent review report to members of Central Asia Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Central Asia Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Central Asia Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

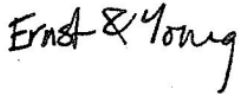
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Central Asia Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Inherent uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



J C Palmer  
Partner  
Perth  
13 September 2011