

# Central Asia Gold

INTERIM REPORT DATED FEBRUARY 26, 2010

## Central Asia Gold AB (publ)

Interim report for the twelve-month period January – December 2009

(NGM: CAG)

- Consolidated income for January - December 2009 amounted to TSEK 366,694 (TSEK 102,606). A one-off negative goodwill dissolution item amounting to TSEK 195,396 (TSEK 0) is included in the income for the report period and applies to Q1. The consolidated income excluding the negative goodwill was 171,298 TSEK
- For the quarter October-December 2009, consolidated income amounted to TSEK 61,415 (TSEK 12,001).
- The net result after tax and minority interest for January-December 2009 was TSEK 142,213 (TSEK -57,368). Excluding negative goodwill effect, the result was -53,183 TSEK for the twelve-month period.
- For the quarter October - December 2009, the net result was TSEK -6,858 (TSEK -40,944).
- EPS was SEK 8.27 (SEK -3.82) for January-December 2009. For the quarter October-December 2009 EPS amounted to SEK -0.39 (SEK -2.73).
- Approved gold reserves C1/C2 on current licenses are expected to reach 30 - 35 tons during 2010. As per the report date they amount to approximately 24 tons.
- Gold sales was 666 kg (276 kg) during the twelve months of 2009, whereof 282 kg (126 kg) were sold during Q4.
- A reversed split 200:1 was carried out in July 2009. The new number of outstanding shares is thereafter 17,653,125.
- Management change took place during the Q4 when Preston Haskell, the main owner of CAG, was appointed as new CEO. Lars Guldstrand was appointed as new chairman of the board, Pavel Olishevski was appointed as new COO (Chief Operational Officer) and Håkan Claesson was appointed as new CFO (Chief Financial Officer).

### *Comments by the Managing Director*

The year 2009 has been unsatisfactory from an operating point of view. The merger of the companies dragged out in time longer than initially expected, resulting in that preparation and operation started too late in the year, this in addition to some severe weathers did hurt the 2009 performance.

During the 4th quarter we have seen some stabilization and improvement of the operations, but more importantly in 2009 is the work done to secure the operation and development for the future. We have spent a significant amount of time ensuring and assessing technology in order to optimize mineral extraction for the future.

This review of the company's licenses and previous work has brought us to change the company's strategy for the next few years. This strategy is a combination of increased production with focus on ore mining to capitalize on established minable reserves, together with a systematic exploration of the license areas with the objective to unlock a multimillion oz potential implied by favorable geological settings and numerous gold occurrence. With the new strengthened organization under Pavel Olishevki's management I'm confident we have the team needed to be able to execute on the plan.

Development plans for 2010 are focused on:

1. Launching two Heap Leach (HL) operations:
  - a. A new Tardan HL plant sized for an annual production capacity of 1200 kg, built in 2 stages
    - i. 2010 – crushing, stacking, HL, ADR (no mining; ore and tailings stocks use)
    - ii. 2011 – mining, copper removal, plant building
  - b. Solcocon HL Plant restart with a 250 kg annual production target.
2. Continue alluvial gold mining at Irkutsk and Chita regions in 2010 with profitability being the single criteria for operations to go on.
3. Resuming exploration at the company's sizeable license areas.
4. Evaluate acquisition opportunities of gold exploration properties.

All licenses– Uzhunzhul, Tardan, Kara-Beldir, and Staroverinskaya – were initially identified and acquired as a prospective, large size early-stage exploration properties which can potentially host a multimillion oz deposits.

Yet exploration programs so far were targeted at detailed studies of the historically localized ore bodies with little or no systematic studying of the license areas.

This strategy gave us current minable reserves at Tardan and Staroverinskaya - the value of which the company is keen to capture in the years to come through Tardan and Solcocon heap leach projects.

At the same time, the localized exploration programs of the previous years did not allow us to make any significant development in terms of resources addition, with an exception of Kara-Beldyr, where exploration in cooperation with Centerra Gold was active in 2009 with very

good results.

We are currently focusing on the preparation for the start of production on current assets, as well as the design, plans, suppliers and financing of the Tardan build out, with target to have the plant ready by Q3 2010.

Even though we don't have the full capacity in Tardan until 2011, our plan for the consolidated company in 2010, is to increase gold production with more than +50% on year-to-year basis to a total in excess of 1000 kg.

I'm convinced that the activities combined have created a strong platform that can be leveraged going forward towards a solid cash generating business with great reserves - we have just begun our journey.

*Preston Haskell, Managing Director*

## **Background**

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. CAG AB has in March 2009 completed the merger with Russian gold mining group New Mining Company ("NMC") by way of an issue in kind. As a result of the acquisition, CAG AB became parent company of an enlarged group of Russian gold mining subsidiaries. The merger also resulted in the previous shareholders of NMC, primarily the American entrepreneur Preston Haskell, becoming main owner of CAG AB. Before completing the merger, CAG AB on December 30, 2008 divided out all the shares in its subsidiary Kopylovskoye AB pro rata to the CAG AB shareholders.

The group structure consists of the Swedish joint stock parent company, which controls ten subsidiaries in Russia. The Russian subsidiaries are of the limited liability type ("OOO"). The operations involve exploration and production of gold, primarily in the Tyva, Tchita and Irkutsk regions in Russia.

The group's main assets comprise a large number of mineral licenses held by the various subsidiaries. The licenses, as at the end of twelve months period of 2009, are estimated to contain almost 760,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 24 tons).

CAG AB was publicly listed on the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005. The number of shareholders was some 4, 292 as at January 29, 2010.

## GOLD RESERVES 2010

Company	Alluvial / Ore	2009 actual Gold reserves C1/C2 (ton)	Gold reserves Planned reg. 2010 C1/C2 (ton)	Prognostic Recourses P1/P2 (ton)	Gold sales 2009 (kg)
<u>CAG units</u>					
Tardan Gold	Ore	7,6		20	90
Kara Beldyr (JV Centerra)	Ore / Exploration			40	
Uzhunzhul	Ore / Exploration			30	
Artel Tyva	Alluvial	2,1			77
Artel Lena	Alluvial	3,9			267
<u>NMC units</u>					
GRE (Staroverinskaya license)				100	
Nizhnyaya Borzia*	Alluvial	2,4			204
Bogomolovskoye*	Ore	7,6			28
Kozlovskoye*	Ore		9,2		
Solocon	asset holder				
Boreservice	drilling works				
Gold borzia	alluvial operator				
Rudtechnology	heap-leaching factory operator				
		<b>23,6</b>	<b>9,2</b>	<b>190</b>	<b>666</b>

\*Units are part of GRE (Staroverinskaya licence)

*C1 and C2 are registered gold reserves according to Russian standards. Please note that according to Russian standards C2 is classified as reserves. Bearing in mind that the difference between western and Russian categories and no linear relationship between the Russian and western categories exists.*

*P1 and P2 are prognostic (forecasted) resources that are estimated on a limited exploration data. This category was used in Soviet Union (and is used in Russia) to quantify the area potential. P1 and P2 as quantitative measures do not exist in Western practice due to its high uncertainty.*

## Results - the Group

On March 2, 2009 Central Asia Gold AB completed the merger with the companies forming the Russian New Mining Company Group (NMC). These consist of five different Russian limited liability companies located in Tchita region, namely GRE-324, Solcocon, Boreservice, Rudtechnology and Zolotaya Borzlya. From the second of March 2009, NMC companies' operations are consolidated in CAG AB's financial statements using the accounting model for "reversed acquisitions". This accounting treatment requires NMC companies to be treated as the accounting acquirer and CAG AB being presented as the acquired. CAG AB will, as the legal parent, continue to be presented as parent company in future financial reports. Thus, "old" CAG AB's group operations for the first two months of the first quarter 2009 are not consolidated in the group's consolidated financial statements for the twelve months ended December 31, 2009. All comparative information refers to NMC companies' financial statements for 2008.

For the twelve month period ended December 31, 2009 the group reports a net result after tax and minority interest of TSEK 142,213 (TSEK -57,368) which corresponds to SEK 8.27 per share (SEK -3.82). It should be emphasized that the reverse acquisition principle implies that a one-off revenue item (dissolution of negative goodwill) arose in the first quarter 2009 amounting to TSEK +195,396. Without this effect the net result would have been TSEK -53,183 (TSEK -57,368) for the twelve-month period. For the fourth quarter of the report period, the group's corresponding net result after tax and minority interest was TSEK -6,858 (TSEK -40,944) corresponding to EPS of SEK -0.39 (SEK -2.73).

Consolidated gold sales revenues were TSEK 155,800 (TSEK 46,973) during the report period. During the quarter October - December 2009 consolidated gold sales amounted to TSEK 66,882 (TSEK 21,222). In total 666 kg (276 kg) of gold was sold during the twelve month report period.

In addition, a revenue component of TSEK 1,650 (TSEK 21,740) is included in the consolidated P/L account for the twelve month period 2009 relating primarily to drilling and transportation services performed by the subsidiary Tardan Gold. The comparable figure for 2008 relates to Boreservice. In 2009 Boreservice did not have any external sales due to very low demand for this type of services.

The change in stock of finished and semi-finished goods amounted to TSEK 3,099 (TSEK -7,487) during the report period. For the last quarter of the report period the stock movement item amounted to TSEK -8,155 (TSEK -16,076).

During the twelve months January - December 2009 total exploration costs of TSEK 10,750 (TSEK 41,379) were capitalized at subsidiary level. For the quarter October- December 2009 the corresponding capitalization component was TSEK 2,484 (TSEK 3,849).

Total operating costs in the group during the report period amounted to TSEK -206,861 (TSEK -139,533). For the last quarter of the report period total operating costs were TSEK -65,141 (TSEK -42,543).

Net financial items were TSEK -18,242 (TSEK -33,795) for the report period. For the quarter October - December 2009 net financial items amounted to TSEK 932 (TSEK -21,265). It should be noted that Mr. Preston Haskell was almost exclusively financing the NMC companies in 2008 via short-term credits. As a part of the merger agreement, credits amounting to the equivalent of some MSEK 70 were converted to equity in NMC-companies. Also, at the same date short-term interest bearing credits from Mr. Haskell to NMC amounting to the equivalent of some MSEK 70 were converted to long term loans at low interest rate.

The tax income for the report period was TSEK 697 (TSEK 13,355). It relates predominantly to a change in deferred tax on subsidiary level. The tax item during the fourth quarter of 2009 was TSEK -4,063 (TSEK 10,864).

The minority share of the net result for the report period was TSEK 76 (0). It relates to the subsidiary OOO Artel Lena. For the quarter October - December 2009 the same minority result was TSEK 0 (0).

Central Asia Gold has entered into a co-operation agreement with CIC Mining Resources Limited ("CIC"), a Chinese mining investment company with Chinese and global investments,

and with its head office in Beijing, China. The key strategic elements that the CIC co-operation will provide to CAG are support in the technical and geological analysis, including identifying cost efficient high quality Chinese equipment and manufacturing partners. CIC will also assist in identifying potential acquisition targets both in China and globally.

In October Preston Haskell, the main owner of CAG, was appointed as new CEO (Chief Executive Officer) / Managing Director for CAG. At the same time Lars Guldstrand was appointed as new chairman of the board. In December Pavel Olishevski was appointed as new COO (Chief Operational Officer). Pavel Olishevski has a long experience in the mining sector, most recent responsible for development of a business in nickel mining. In December Håkan Claesson was appointed as new CFO (Chief Financial Officer). Håkan Claesson has a long experience as Financial manager in Swedish companies with international operation.

## **Mining operations**

### **Tardan Project**

Tardan Field is a 540 km<sup>2</sup> exploration and mining license, where the explicit Tardan Project applies to a 3,3 km<sup>2</sup> area. Tardan Deposit license is located with good infrastructure only 80 km to the east of Kyzyl, the capital of Republic of Tyva.

As of 01.01.2010 Tardan deposit reserves are 2 million tonnes at Au 4.0 g/t average (gold reserve 7.6 tonnes) amenable for open-pit mining and heap leaching. 90 kg of gold was sold from the production at Tardan within a pilot production program in 2009. Technical studies of the deposit minable reserves and processing routes have been completed in 2009.

Based on the results, the company plans for building a 400,000 ton per annum heap leach plant with a gravity pre-treatment of minor high-grade ores. A full-capacity production at the plant will be able to handle approximately 1200 kg of gold annually on average starting from 2011.

Project engineering for the new plant was started in January 2010, currently the work with permits, suppliers and financing is on going.

During 2010 before the new plant is ready (which is planned for Q4, 2010) the gold will be extracted through gravitational production out of ore and tailings stocks use already in place.

### **Solcocon Heap Leach plant**

Solcocon Heap Leach Plant is located on the 220 km<sup>2</sup> Staroverinskaya exploration and mining license area, approximately 200 km from the rail station Borzja in Zabaikalsk region. The plant has been kept on maintenance during the most of 2009 while the company was reviewing Staroverinskaya resources. 28 kg of gold was sold from the production at Solcocon in 2009 from existing heaps originated from Bogomolovskoye.

Exploration of Bogomolovskoe satellite gold occurrences in 2009 has resulted in identifying open-pit minable oxidized ores for heap leaching in two ore bodies. Additional potential resources were established through Staroverinskaya Field exploration. Detailed studies of the newly identified ore bodies will provide Solcocon with reserves for the next several years.

Based on the new discoveries a full-capacity heap leach operation restart is planned at Solcocon in 2010. As a part of the restart program a new crushing, stacking, and absorption units will be installed at Solcocon to improve the plant operation.

### **Alluvial mining**

A total of 548 kg of gold was produced and sold in 2009 by three placer producers (Lena, Tyva, and Borzya).

By the end of the year a decision was made to permanently stop operations of Artel Tyva for economical reasons. The costs of the closure in 2010 will be mostly compensated by the sale of Artel Tyvas's equipment.

The alluvial gold production will be done with profitability being the single criteria for operations to be continued.

### **Exploration activities**

#### **Tardan Field**

Tardan Field is a 540 km<sup>2</sup> exploration and mining license located in Republic of Tyva, 80 km from the capital Kyzyl.

Exploration Project of Tardan Field was approved by regulating authorities in 2009.

Gold mineralization within the license area is associated with skarns and metasomatic rocks. Skarn-type gold mineralization at Tardan Field has been studied historically. A total of 10 tonnes (300,000 oz) P1 resource was assigned to several ore bodies.

The exploration program in 2010 will be focused on identifying new gold anomalies and studying metasomatic mineralized zones as potentially much larger tonnage resource.

Detailed exploration of skarn deposits will commence in later years when Tardan plant life extension will be needed.

#### **Kara-Beldyr**

A 34 km<sup>2</sup> Kara-Beldyr exploration and mining license area is situated in Republic of Tyva, 170 km from the capital Kyzyl.

The exploration work done on Kara-Beldyr is done in a Joint Venture cooperation with Canadian Centerra Gold Inc (Centerra), the largest western-based gold mining and exploration company in Central Asia and former Soviet Union.

Centerra has the right but not obligation to acquire up to 70% of Kara-Beldyr by investing 6.5 MUSD in exploration work in Kara-Beldyr.

Centerra completed a total of 1,700 m of shallow drilling and 2,800 m of diamond drilling in 2009. Geological environment that controls gold mineralization along a strike length of 1600m is found consistent from section to section. Diamond drilling program is likely to be expedited in 2010.

#### **Uzhunzhul**

A 134 km<sup>2</sup> Uzhunzhul exploration and mining license area is situated in Republic of Khakassiya, 80 km from the capital Abakan.

The exploration program in 2009 included geochemical survey of the total license area. Previously discovered mineralization zones and new anomalies will be subject to trenching and drilling program in 2010.

### **Staroverinskaya Field**

A 220 km<sup>2</sup> Staroverinskaya exploration and mining license area is situated in Zabaikalsk region, 200 km from the rail station Borzya.

Trenching and drilling program at satellite ore occurrences of Bogomolovskoe deposit in 2009 resulted in identifying two ore bodies.

Exploration work at Staroverinskaya in 2010 will be mostly aimed at providing open-pit minable reserves for Solcocon operation, together with studies of the most promising mineralization zones of the license area.

It is expected that a "permanent exploitation conditions" will be approved for Bogomolovskoye deposit in 2010. The conditions, according to the subsoil regulation in Russia, will automatically be applied to the ore bodies of the same technological type for the whole Staroverinskaya license area. This will allow to mine any additional reserves found in the future without going through reserve approval process.

In addition, geological reports for Kozlovskoye Deposit and Staroverinskaya Field will be completed in 2010, concluding the previous exploration programs. As a result, we expect to confirm 9,2 tonnes at 9 g/t average C2 reserve at Kozlovskoye and 30 tonnes of P1 resource at Staroverinskaya Field.

### **Investments, liquidity and financing**

Investments in tangible and intangible fixed assets during the twelve months of 2009 amounted to TSEK 10,830 (TSEK 55,617).

Cash in group accounts was TSEK 22,732 (TSEK 144) at the end of December 2009.

The working capital will be guaranteed by Preston Haskell, CEO and major shareholder of CAG. The commitment is limited to 125 MSEK which the Board of CAG considers well above estimated funding demands. 30 MSEK of the funding is executed per end of December 2009.

The Board of CAG currently challenges the intangible assets, such as deposits etc, in the Balance Sheet of the CAG Group. The Board of CAG has not identified any need for impairment of these assets.

### **Securing of bank financing**

In July 2009 a short term loan in the amount of MRUR 18.5 (approx. 600 TUSD) was received by OOO Artel Lena from the Bank of Moscow for the purpose of financing current alluvial operations. The loan was paid out in full.

We have initiated negotiations with banks for their participating in financing of investments and alluvial operations in 2010.



## **The parent company**

The Swedish parent company is a holding company without significant operations. It supports the subsidiary companies with financing, investor relation services and strategy reviews etc. It thus has no income other than interest on loans extended to the subsidiaries from time to time or in respect of bank deposits. Also, the exchange rate effect on assets and liabilities denominated in foreign currency impacts on the result.

The net result for the twelve month period January - December 2009 was TSEK -12,281 (TSEK -28,947). The net result for the last quarter was TSEK -6,967 (TSEK -22,796).

Cash in the parent company was TSEK 14,794 (TSEK 30,456) at end of December 2009.

In the parent company's balance sheet the financial assets and long term liabilities to group companies are reduced 2009 by matching them against each other.

A contribution in kind, then the NMG group was acquired, resulted in a issue of new shares to the value of 180.8 MSEK

## **Employees**

The group had on average 932 (459) employees during twelve months of 2009. As per end of December 2009 the number of employees in the group was 556 (431).

## **Issued shares**

During the first quarter of 2009 the issue in kind to finance the acquisition of the NMC companies was carried out. Thereby 3,000,000,000 new interim shares (in Swedish BTA) and 500,000,000 warrants were issued to the two sellers of the NMC companies. This issue was finally registered by Swedish registration authority Bolagsverket by the end of April 2009.

In July 2009 a reversed split 200:1 was conducted. Therefore the new number of outstanding shares including interim shares is as per the report date 17,653,125. The number of outstanding warrants has also been reduced accordingly, and now amounts to 2,500,000. Said warrants entitle to subscription of one new share per warrant at a strike price of SEK 40 per share as per end of December 2009. The term of the warrants is January 2012.

Finansinspektionen (SFSA) approved the prospectus February 12, 2010 and the interim shares will be converted into ordinary shares March 2, 2010.

At the most recent AGM held on May 27, 2009 in Stockholm the Board of Directors of CAG was authorized, until the next AGM, to conduct share issues with or without observing the shareholders' preferential rights amounting up to 4,400,000 new shares (after the reversed split). The issue price shall in such cases be set as closely as possible to the prevailing market price of the share.

### ***Next report due***

The next financial report due is the interim report for the quarter January –March 2010. It will be released on May 28, 2010. The annual report will be published on April 30, 2010 on the company's Internet website. Other report dates in 2010 are:

12-month interim report 2009	February 26, 2010
Publishing of annual report for financial year 2009	April 30, 2010
Annual General Meeting	June 1, 2010
First quarter report 2010 (Jan-March)	May 28, 2010
Half year report 2010 (Jan-June)	August 27, 2010
9-month report 2010 (Jan-Sept)	November 26, 2010

### ***Company information***

The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head office in Stockholm and the corporate identification number is 556659-4833. The address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34 Stockholm

**Central Asia Gold AB (publ)**

org no 556659-4833

**GROUP PROFIT  
AND LOSS ACCOUNT**  
(all amounts in TSEK)

	3 months 2009-10-01 -2009-12-31	3 months 2008-10-01 -2008-12-31	12 months 2009-01-01 -2009-12-31	12 months 2008-01-01 -2008-12-31
Net sales	66 882	21 222	155 800	46 973
Capitalised costs	2 484	3 849	10 750	41 379
Change in stock of finished and semi-finished goods	-8 155	-16 076	3 099	-7 487
Other operating revenues	205	3 005	1 650	21 740
Dissolution of negative goodwill		-	195 396	-
<b>Total income</b>	<b>61 415</b>	<b>12 001</b>	<b>366 694</b>	<b>102 606</b>
<b>Operating costs</b>				
External costs	-37 855	-36 189	-128 304	-102 504
Personnel costs	-18 920	-4 438	-55 745	-29 805
Depreciation	-8 365	-1 915	-22 812	-7 224
<b>Total operating costs</b>	<b>-65 141</b>	<b>-42 543</b>	<b>-206 861</b>	<b>-139 533</b>
<b>Operating result</b>	<b>-3 726</b>	<b>-30 542</b>	<b>159 834</b>	<b>-36 928</b>
Net financial items	932	-21 265	-18 242	-33 795
<b>Result after net financial items</b>	<b>-2 795</b>	<b>-51 807</b>	<b>141 592</b>	<b>-70 723</b>
The period's tax cost	-4 063	10 864	697	13 355
<b>Net result after tax for the period</b>	<b>-6 858</b>	<b>-40 944</b>	<b>142 289</b>	<b>-57 368</b>
Whereof attributable to the shareholders of the parent company	<b>-6 858</b>	<b>-40 944</b>	<b>142 213</b>	<b>-57 368</b>
Whereof attributable to the minority	<b>0</b>	<b>-</b>	<b>76</b>	<b>-</b>
<b>Earnings per share before dilution, SEK</b>	<b>-0,39</b>	<b>-2,73</b>	<b>8,27</b>	<b>-3,82</b>
<b>Earnings per share after dilution, SEK **)</b>	<b>-0,39</b>	<b>-2,73</b>	<b>8,27</b>	<b>-3,82</b>
Number of shares issued at period end	17 653 125	15 000 000	17 653 125	15 000 000
Average number of shares for the period	17 653 125	15 000 000	17 202 457	15 000 000
Average number of shares for the period after dilution **)	17 653 125	15 000 000	17 202 457	15 000 000

**\*\*)** There are 2.5 million outstanding warrants at end of June 2009 and at the date of this report. The strike price is however SEK 40 per warrant corresponding to one share. Each warrant entitles to subscription of 1 new shares. Last date of exercising the options is end of January 2012. Since the strike price is higher than the prevailing market price, no dilution currently arises due to these warrants.

**Central Asia Gold AB (publ)**

org no 556659-4833

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(all amounts in TSEK)

	3 months 2009-10-01 -2009-12-31	3 months 2008-10-01 -2008-12-31	12 months 2009-01-01 -2009-12-31	12 months 2008-01-01 -2008-12-31
Net result for the period	-6 858	-40 944	142 289	-57 368
<b>Other comprehensive income</b>				
Translation difference	-1 747	1 269	3 060	1 309
<b>Total comprehensive income for the period</b>	<b>-8 605</b>	<b>-39 675</b>	<b>145 349</b>	<b>-56 059</b>
<b>Total comprehensive income for the period attributable to:</b>				
Parent company's shareholders	-8 605	-39 675	145 273	-56 059
Minority	0	-	76	-

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org no 556659-4833

<b>GROUP BALANCE SHEET</b> (all amounts in TSEK)	<b>Dec 31,</b> <b>2009</b>	<b>Dec 31,</b> <b>2008</b>
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets	154 311	43 087
Tangible fixed assets	101 356	47 162
Financial fixed assets	39 065	13 378
<b>Total fixed assets</b>	<b>294 731</b>	<b>103 627</b>
<b>CURRENT ASSETS</b>		
Inventories	85 426	17 831
Current receivables	43 369	41 953
Cash and bank	22 732	144
<b>Total current assets</b>	<b>151 527</b>	<b>59 928</b>
<b>TOTAL ASSETS</b>	<b>446 258</b>	<b>163 555</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	199 515	-54 631
Minority interest	1 681	0
<b>Total equity</b>	<b>201 196</b>	<b>-54 631</b>
<b>Long term liabilities</b>	<b>140 894</b>	<b>162 337</b>
<b>Current Liabilities</b>	<b>104 168</b>	<b>55 849</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>446 258</b>	<b>163 555</b>
<b>ASSETS PLEDGED</b>		
Bank accounts	50	-
Material fixed assets	7 143	-
<b>CONTINGENT LIABILITIES</b>	<b>-</b>	<b>-</b>

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org no 556659-4833

**GROUP CASHFLOW ANALYSIS**

(All amounts in TSEK)

	12 months <b>2009-01-01</b>	12 months <b>2008-01-01</b>
	<b>-2009-12-31</b>	<b>-2008-12-31</b>
Operating activities	159 834	-36 928
Adjustment fot items not included in the cash flow	-172 584	7 216
Paid/received interest and similar items	-2 275	-1 401
Cash flow from operations before changes in working capital	<b>-15 026</b>	<b>-31 113</b>
Changes in working capital	19 612	36 335
Net cash flow used in operating activities	<b>4 587</b>	<b>5 222</b>
Net cashflow used in investing activities	-10 830	-55 617
Net cash flow from financing activities	28 907	46 232
Cash flow for the period	<b>22 663</b>	<b>-4 163</b>
Cash and bank at the beginning of the period	<b>144</b>	<b>4 431</b>
Translation difference in cash and bank	-75	-124
<b>Cash and bank at the end of the period</b>	<b>22 732</b>	<b>144</b>

Central Asia Gold AB (publ)  
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**STATEMENT OF CHANGES IN EQUITY (GROUP)**

(Expressed in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Minority interest	Total equity capital
<b>Equity as at Dec 31, 2007</b>	<b>82 442</b>	<b>-82 396</b>	<b>0</b>	<b>-199</b>	<b>0</b>	<b>-153</b>
Total comprehensive result for the period Jan 1 - Dec 31 2008		-2		-56 060	0	-56 062
Additional financing from shareholders		1 584				1 584
New issue in -kind	23 683	-23 683				
<b>Equity as at Dec 31, 2008</b>	<b>106 125</b>	<b>-104 497</b>	<b>0</b>	<b>-56 259</b>	<b>0</b>	<b>-54 631</b>
Total comprehensive result for the period Jan 1 - Dec 31 2009				145 273	76	145 349
Equity contribution		70 036				70 036
Acquisition in kind, March 2009	70 406	-31 570			1 605	40 441
<b>Equity as at Dec 31, 2009</b>	<b>176 531</b>	<b>-66 031</b>	<b>0</b>	<b>89 014</b>	<b>1 681</b>	<b>201 196</b>

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	12 months <b>2009-01-01</b>	12 months <b>2008-01-01</b>
<b>KEY RATIOS</b>	<b>-2009-12-31</b>	<b>-2008-12-31</b>
<b>Group</b>		
Total assets, TSEK	446 258	163 555
Total equity, TSEK	201 196	-54 631
Equity ratio, %	45,1%	neg
Interest bearing debt, TSEK	140 594	178 305
Employees at period end	556	431
<b>Per share data</b>		
Earnings per share, SEK	8,27	-3,82
Equity per share (SEK)	11,40	neg
Return on equity (%)	85,3%	neg

**Key ratio definitions**

Total assets, TSEK	Total assets at period end
Total equity, TSEK	Total equity including minority at period end
Equity ratio, %	Total equity according to above divided by total assets expressed as a percentage
Interest bearing debt, TSEK	Total interest bearing debt at the period end
Earnings per share	Net result after tax for the period divided by the average number of outstanding shares for the period before dilution
Equity per share (SEK)	Total equity according to above at the period end divided by the total number of shares outstanding at the period end
Return on equity (%)	Net result after tax for the period divided by the average equity according to above for the same period

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**PARENT COMPANY PROFIT  
AND LOSS ACCOUNT**

(all amounts in TSEK)

	3 months 2009-10-01 - 2009-12-31	3 months 2008-10-01 - 2008-12-31	12 months 2009-01-01 - 2009-12-31	12 months 2008-01-01 - 2008-12-31
External costs	-2 441	-534	-9 277	-8 148
Personnel costs	-201	-2 551	-971	-4 804
Depreciation of tangible and non-tangible fixed assets	0	-1	-2	-5
<i>Total operating costs</i>	<i>-2 642</i>	<i>-3 086</i>	<i>-10 249</i>	<i>-12 957</i>
<b>Operating result</b>	<b>-2 642</b>	<b>-3 086</b>	<b>-10 249</b>	<b>-12 957</b>
Net financial items	-4 326	25 882	-2 032	-15 990
Result after net financial items	-6 967	22 796	-12 281	-28 947
The period's tax cost	-	-	-	-
<b>Net result after tax for the period</b>	<b>-6 967</b>	<b>22 796</b>	<b>-12 281</b>	<b>-28 947</b>

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**PARENT COMPANY BALANCE SHEET**

Dec 31,

Dec 31,

(all amounts in TSEK)

**2009****2008****ASSETS****FIXED ASSETS**

Intangible fixed assets	0	392
Tangible fixed assets	0	2
Financial fixed assets	519 000	367 578
<b>Total fixed assets</b>	<b>519 000</b>	<b>367 972</b>

**CURRENT ASSETS**

Current receivables	742	13 561
Cash and bank	14 794	30 456
<b>Total current assets</b>	<b>15 536</b>	<b>44 017</b>

**TOTAL ASSETS****534 535****411 989****EQUITY AND LIABILITIES**

<b>Total equity</b>	<b>488 844</b>	<b>321 895</b>
<b>Long term liabilities</b>	<b>14 802</b>	<b>-</b>
<b>Current Liabilities</b>	<b>30 888</b>	<b>90 094</b>

**TOTAL EQUITY AND LIABILITIES****534 535****411 989****ASSETS PLEDGED**

Bank accounts	50	-
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**CONTINGENT LIABILITIES****-**



**Note 1 Acquisitions** On March 2, 2009 Central Asia Gold AB completed the merger with the five so called NMC companies. In the merger, the owners of the NMC companies contributed the entire share capital of said 5 companies as well as an equity injection of some 10 MUSD in said companies prior to the merger in exchange for 3,000,000,000 ordinary shares issued by CAG (after the reversed split 200:1 the number of shares is 15,000,000). In addition, CAG issued warrants to subscribe for 500,000,000 ordinary shares at an exercise price of SEK 0.20 per share as part of the merger agreement (after the reversed split 200:1 the amounts of warrants are 2,500,000 and with a strike price of 40 SEK). After the successful completion of the merger the financial statements have been prepared using the accounting model for "reversed acquisitions" since the two shareholders of NMC owned 85% of CAG following the transaction. This accounting treatment requires NMC companies to be treated as the accounting acquirer for the consolidated financial information and CAG being presented as the acquired. As a consequence, the assets and liabilities of CAG, being the legal parent, have been recorded at fair value initially in the consolidated financial statements. The assets and liabilities of the legal subsidiaries, the 5 NMC companies, have been recognized and measured in the combined financial statements at their pre-combination carrying amounts. The comparative financial information for the twelve month periods in 2008 represents the NMC companies' financial statements for these periods. CAG as the legal parent continues to be presented as parent company in the financial reports. The consolidated CAG and NMC companies' financial statements have been prepared starting from the third month of the first quarter of 2009 using the prescribed accounting model.

Since the reversed acquisition model has been used for the consolidated financial statements the cost of combination was determined based on the number of CAGAB shares existing at the completion date. On March 2, the fair value of existing 530,625,000 CAG shares was equal to TSEK 31,838. The directly attributable merger costs incurred both by CAG and NMC companies amounted to TSEK 7,000. As a result, the total cost of combination was TSEK 38,838. The total cost of combination has been allocated to CAG's assets and liabilities. The book values and fair market values of the acquired assets and liabilities of CAG are presented in the table below (TSEK). In the group equity the acquisition increased the share capital with 71,406 TSEK and decreased the additional paid in capital with 31,570 TSEK. The result for the acquired companies in the period 2 March 2009 to 31 December 2009 was -26,562 TSEK.

	<b>Book values</b>	<b>Fair values</b>
<b>CAG AB</b>		
Intangible fixed assets	107 721	107 671
Tangible fixed assets	76 787	76 787
Finacial fixed assets	20 091	20 091
Current assets	116 526	111 413
Cash	7 885	7 885
Minority	-1 456	-1 456
Deferred tax	-30 619	-30 619
Provisions	-3 506	-3 506
Long term liabilities	-12 808	-12 808
Short term liabilities	-40 521	-41 224
<b>Net assets</b>	<b>240 100</b>	<b>234 233</b>
Total costs - aquisition		-38 838
<b>Negative goodwill</b>		<b>195 396</b>

During the financial crises in fall 2008 the CAG group had a urgent need for liquidity in Q4 2008. The market valuation at that time was low for the company compared with the long term valuation of the assets in the company. The negative goodwill occurred due to this circumstances.

### **Accounting principles**

#### Group

The consolidated accounts for Central Asia Gold AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in the annual report for financial year 2008.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the Swedish Annual Accounts Act. The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2009 have not had any material effect on the group's profit and loss- and balance sheets.

The revised standard, IAS 1, "Presentation of financial statements", is applied from January 1, 2009. The standard divides changes in shareholders' equity into those resulting from transactions with owners and other changes. The "Statement of Comprehensive income" concept, which shows all income and expense items previously reported under shareholders' equity is also introduced.

As described in other places in this report, the group's financial statements have been prepared using the accounting model prescribed for reversed acquisitions.

#### Parent company

In all significant ways the parent company applies the same accounting principles as the group. In addition, the parent company applies RFR 2.2 *Accounting for legal entities*.

#### **Segment information**

The company's accounts for segments are done in accordance with IFRS 8. At present the company only considers that it has one segment.

#### **Risk and uncertainties associated with this interim report**

The group's risk exposure is presented on page 44 of the 2008 annual report (Swedish version). The Board of Directors believes that the most important risk factors for the time being are:

- 1) *Gold price risk*: The fluctuations of the international gold price directly influence the revenues of a gold producing company.
- 2) *Inflation risk*: The Russian economy has been subject to significant inflation pressure during the last few years. This directly impacts on the production costs in a gold mining company. There can be no guarantee that the inflationary pressure will get reduced in 2009 although there are signs this will happen.
- 3) *Geologic risk*: The recoverable gold reserves of a gold exploration and production company are influenced by geologic and economic factors. The estimation of reserves is therefore at all times dependent on the international gold price, costs associated with the extraction of the gold etc. Therefore the estimated gold reserves of any gold company may change at any point in time. In particular the alluvial subsidiaries of the Central Asia Gold group are sensitive to cost increases.
- 4) *Financial and project risk*: Central Asia Gold AB is a junior gold mining company at an early stage. It is involved in production of gold as well as exploration. The company is still dependent on external financing for developing its business. If the availability of external financing were to get reduced it would negatively influence the future

perspectives of the company. The currently very bad sentiments on the global stock markets must be taken in to account.

5) *Legal risks:* The subsidiary OOO Artelj Lena is involved in various court procedures with certain individuals - former members of Artelj . The issue concerns conditions pertaining to the time before Central Asia Gold took over OOO Artelj Lena. It is as of yet not clear if the reinstatement of previous members of the old workers' collective Artelj Lena in the workers' collective automatically implies that they will get reinstated as co-owners (minority shareholders) of the new limited liability company OOO *Artelj Lena*. Central Asia Gold has assumed the latter and made a provision for this. However, there are no guarantees that not additional old wrongly expelled members of the workers' collective may also try to get their rights back via OOO Artelj Lena.

### **Transactions with related parties**

#### **Loans from shareholders**

CAG AB received in December 2009 a 2,000,000 USD loan from Golden Impala Ltd incorporated under the laws of British Virgin Islands. Golden Impala is the owner of Bertil Holdings Ltd and under the control of Preston Haskell. The main terms of the loan is an annual interest rate of 14% and is granted for 12 months.

In December 2009, Golden Impala also amortized the short credit facility CAG obtained from the private equity fund GKL in May 2009. The Credit facility is replaced with a long term loan from Golden Impala with substantial lower interest. The loan amount is 15.2 MSEK and has an annual interest at 15%.

#### **Shareholder contribution and restructuring of debt in NMC companies in connection with merger CAG-NMC**

In connection with the merger CAG/NMC Mr. Preston Haskell undertook to forgive debts in NMC companies (make a shareholder contribution) amounting to MSEK 70. (approx. 10 MUSD). At the same time he also obliged to convert another approximately 71 MSEK of credits to NMC companies to long term credits with low interest rate. Said 71 MSEK of loans, to which should be added 7 MSEK as accrued interest, has been restructured. The restructured loans carry an interest rate of LIBOR+1% p.a. The interest will only be paid out if there is a positive operating result to pay from. Otherwise the interest will get accumulated in the balance sheet. After shareholder contribution at the end of the report period restructured loans amounted to TSEK 67,781. Interests accrued on such loans during the reporting period amounted to TSEK 5,520.

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

*The board of directors and the managing director confirm that the interim report provides an accurate overview of the company's and the group's operations, position, results and that it describes significant risks and uncertainties that the company and group companies are exposed to.*

Stockholm, February 26, 2010

Central Asia Gold AB (publ.)

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*Chairman*

Maxim Kondratjukin  
*Director*

Mike Nunn  
*Director*

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Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of 2009 estimated to 760,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 24 tons).

**Cautionary Statement:** Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CAG. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including, but not limited to, (i) changes in the economic, regulatory and political environments in the countries where CAG operates; (ii) changes relating to the geological information available in respect of the various projects undertaken; (iii) CAG's continued ability to secure enough financing to carry on its operations as a going concern; (iv) the success of its potential joint ventures and alliances, if any; (v) exchange rates, particularly between the Russian rouble and the U.S. dollar. In the light of the many risks and uncertainties surrounding any gold production and exploration company at an early stage of its development, the actual results could differ materially from those presented and forecast in this report. CAG assumes no unconditional obligation to immediately update any such statements and/or forecasts.