

Central Asia Gold

INTERIM REPORT DATED November 28, 2008

Central Asia Gold AB (publ) **Interim report for the for the nine month period January –** **September 2008**

(NGM: CAG)

- **On November 3, 2008 Central Asia Gold (“CAG”) agreed to merge with the Russian gold mining group “New Mining Company” (“NMC”). Technically this will take place by CAG acquiring NMC via a directed issue in kind. The transaction is subject to approval by an EGM on December 22, 2008.**
- **Prior to the merger with NMC, CAG plans to dividend out the remaining 62.5% of the subsidiary Kopylovskoye AB. The dividend will imply that each owner of one CAG share on the record date will receive one Kopylovskoye AB share.**

CAG group gold production during the report period amounted to 718 kg (815 kg during same period last year), whereof 479 kg during the quarter July – September (715 kg). As per end of November 2008 accumulated group gold production amounts to some 832 kg.

The new gold reserve report in respect of the Tardan deposit was submitted to the relevant authorities for review and approval in end of September. It was finally approved on November 27. The registered reserves are 8.4 tons in the C1 and C2 categories.

- **Consolidated revenues for the nine month period January – September 2008 amounted to TSEK 205,669 (TSEK 150,037). The corresponding figure for the last quarter (July - September 2008) was TSEK 98,089 (TSEK 118,466).**
- **The net result after tax for the report period was TSEK -67,107 (TSEK 6,922). For the third quarter the net result after tax amounted to TSEK -10,382 (TSEK 32,959). The net result for the report period includes an impairment charge relating to OOO Artelj Lena and OOO Artelj Tyva amounting to TSEK -43,996. The impairment charge relating to the last quarter of the report period was TSEK -11,094.**
- **EPS was SEK -0.143 for the nine-month period January – September 2008 (SEK 0.014). For the last quarter July - September, EPS was SEK -0.018 (SEK 0.077).**

Comments by the Managing Director

The third quarter of 2008 and the following two months up to the date of this report have been a very tough period for Central Asia Gold AB and for the global financial markets including the Russian one. Although the international gold price has held up fairly well, gold stocks, and for that matter all types of stocks, have tumbled all over the world. The Board of Directors of Central Asia Gold have against that background intensified the search for a strategic partner who could assist in the development of the company's properties.

The proposed merger with Russian gold mining group NMC leads to the creation of a bigger and financially stronger company. The number of gold projects increases resulting in reduced operational risk and Mr. Preston Haskell, American business entrepreneur resident in Moscow, becomes new main owner of Central Asia Gold. He will bring with him to CAG his own management team and a new Board of Directors. This business combination is planned to be preceded by a dividend of the remaining Kopylovskoye AB subsidiary shares to Central Asia Gold's existing shareholders. The Board of Directors of CAG AB believes that this proposed action plan will maximise shareholder value in our company in these challenging times.

Torbjörn Ranta, Managing Director

Background

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. The group structure consists of the Swedish joint stock parent company, which currently controls three subsidiaries, of which two are in Russia. The Russian subsidiaries are of the limited liability type. The three subsidiaries also own several sub-subsidiaries in Russia. The operations involve exploration and production of gold, primarily in the Tyva and Irkutsk regions in Russia.

The group's main assets comprise a large number of mineral licences held by the various subsidiaries. The licences, as at early January 2008, are estimated to contain 645,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories, as well as 1,049,000 oz of P1 gold resources and 6,255,000 oz of P2 gold resources. The Russian reserve standards do not take account of economic viability to any large extent. The fact that Russian inflation has increased sharply in the last few years implies that the registered gold reserves in primarily the two alluvial subsidiaries may be questionable at this point in time. They amounted to some 210,000 oz (6.5 tons) C1+C2 as at beginning of 2008. An expected rouble depreciation during the coming months may though positively impact on Russian gold production costs in general, and in particular on those of alluvial gold companies.

The gold reserves attributable to the Tardan deposit have now been subject to a new reserve review by the authorities. The geologic documentation was submitted in end of September, and was thereafter followed by the economic feasibility study. The formal session of the reserve committee located in Krasnoyarsk took place on

November 27. The final registered amount of recoverable gold reserves in the C1 and C2 categories is some 8.4 tons. This is in respect of initially in place reserves, and thereof some 400 kg have been produced during 2007 – 2008. In Irkutsk region, 25% of the Kopylovskoye project was sold out to a group of external investors in 2007. Thereafter, in November 2008, a further 12.5% of the shares were sold out. This initially reduces the Kopylovskoye net gold reserves to CAG AB. The remaining shares in Kopylovsoye AB are planned to be dividended out to CAG's shareholders. CAG AB was publicly listed on the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005. The number of shareholders was some 4,000 as at September 30, 2008.

Result – the Group

For the nine month period ended September 30, 2008 the group reports a net result after tax of TSEK –67,107 (TSEK6,922) which corresponds to SEK -0.143 per share (SEK 0.014). For the last quarter of the report period the net result after tax was TSEK –10,382 (TSEK 32,959). This corresponds to EPS of SEK -0.018 (SEK 0.077). In the net result for the report period an impairment charge relating to the alluvial subsidiaries OOO Artelj Lena and OOO Artelj Tyva is included in the amount of TSEK -43,996. The corresponding charge relating to the last quarter of the report period was TSEK –11,094. At the same time, a one-off capital gain of TSEK 25,968 was included in the net result for the 9-month period and for the quarter July – September in 2007.

Consolidated gold sales revenues were TSEK 116,580 (TSEK 102,099) during the financial period. For the quarter July – September 2008 gold sales amounted to TSEK 84,706 (TSEK 89,822). The gold volume sold was 659 kg for the full report period, whereof some 480 kg during the last quarter.

In addition, a revenue component of TSEK 17,651 (TSEK12,044) is included in the consolidated P/L account relating primarily to services performed by the transportation subsidiaries of the group, providing transportation services, partly to external clients. Only the part applicable to external clients is included in the group accounts. The transport revenues were TSEK 3,063 during the last quarter of the report period (TSEK6,927).

The change in stock of finished and semi-finished goods amounted to TSEK 26,929 (18,788). During the last quarter the same change was TSEK -4,385 (9,682).

During the nine-month 2008 report period total exploration costs of TSEK 44,411 were capitalized at subsidiary level. In the corresponding nine month period of 2007 TSEK 16,296 was capitalized as mining permits. For the quarter July – September 2008 the capitalization component amounted to TSEK 14,702 (TSEK13,325).

Total operating costs in the group during the nine-month 2008 report period amounted to TSEK 272,187 (TSEK166,020). For the quarter July – September 2008 the operating costs were TSEK 107,054 (TSEK108,082). The above mentioned impairment charges are included in the operating costs for the full report period as well as for the last quarter. The difference in operating costs between the respective 9-month periods in 2007 and 2008 is also explained by the fact that subsidiary OOO

Artelj Lena was acquired in the middle of 2007, and was therefore in that year only consolidated in the group P/L account as from the third quarter.

Net financial items were TSEK –5,246 for the report period (TSEK 26,902). For the last quarter of the report period the net financial items were TSEK –2,708 (TSEK 25,925). The difference between the years is mainly explained by the above described capital gain that arose in the third quarter of 2007. That gain related to subsidiary Kopylovskoye AB.

The tax income for the report period was TSEK 4,657 (TSEK -3,997) and the minority share of the net result was TSEK -4,006 (TSEK 1,392). For the quarter July – September 2008 the tax income amounted to TSEK 1,291 (TSEK -3,350), and the minority share was TSEK -1,529 (TSEK1,255).

Mining operations

Tardan project in the Tyva region

General overview

A considerable exploration programme involving core drilling, trenching and construction of underground drifts and shafts was carried out in the Soviet period and has been supplemented by new data gathering in 2004 – 2007. The first license applies to a 3.3 square kilometre area, which is located 80 km to the east of the region's capital Kyzyl.

Another exploration and production license with a term of 25 years was won in a public auction in summer 2007. This license area comprises some 520 km² and surrounds the first license area. This new license is called the “Tardan mining district”. A large number of gold occurrences were identified at this license block during the Soviet era, and Central Asia Gold has already commenced with reviewing them.

Reserve status

The Tardan license initially comprised some 229,000 oz (some 7 tons) of gold reserves assigned in the Soviet/early Russian era. The cut-off grade applied then was 2 g/ton and the appraisal work did not go below a depth of 100 m. Of the total gold reserves at that time, the 5 major ore bodies contained some 160,000 oz.

Central Asia Gold has conducted a significant appraisal programme at these ore bodies over the last two years.

The Tardan deposit was during October – November subject to a new reserve examination by the Russian State Mineral Reserve Committee via its local branch (TKZ) in Krasnoyarsk. The Committee had its final meeting on November 27. A quantity of 8.4 tons (272,000 oz) of C1+C2 gold reserves was approved. The average gold grade in the reserves is approximately 4 g/t. This implies that the Tardan project is now ready for the next production phase, namely for the construction of a heap leaching plant. As stated also below, the officially approved gold reserves and the prospects of declining production costs as a result of an ongoing rouble depreciation

make the Board of Directors of CAG see no reason to impair the Tardan project as at the end of September 2008.

Since CAG AB is right now in the process of merging with mining group NMC, the exact time plan for constructing the future Tardan leaching plant will be decided by the new Board of Directors, that will get appointed shortly. The new Board of Directors is expected to make a strategic review of the resulting bigger gold project portfolio, and thereafter set the priorities.

Gold production - the processing plant

Ore volumes processed during January – September 2008 amounted to some 72,000 tons (31,000 tons), whereof approximately 25,000 tons during the last quarter (20,000 tons). The up-time of the plant exceeded 90%. The total volume of chemically pure gold produced during the report period was about 166 kg (95 kg), whereof some 46 kg during the quarter July - September (38 kg).

The processing plant is expected to produce another approximately 24 kg of gold during the last quarter of 2008. Then the gravimetric plant will be closed down and mothballed in December. Thereafter gold production at Tardan will be resumed once the new heap leaching plant has been constructed.

Kopylovskoye deposit in Irkutsk

Kopylovskoye is a gold deposit that holds some 7 tons of gold reserves C1+C2 as per Russian geological standards (some 240,000 oz). The project's potential, however, is significantly larger as the gold reserves registered thus far are only attributable to a depth of some 30 m. The established ore body has an estimated width of some 50 m and a strike of approximately 300 m. The gold in the ground is to a large extent represented by free, large gold grains. This implies that it is important to get representative sample size in the sampling process. After selling out 25% in 2007 and another 12.5% in November 2008, Central Asia Gold AB owns 62.5% of this project.

This year's exploration work was conducted up until autumn months 2008 when the snow again covered the site. During the year, a total 20 surface trenches were constructed with a total length of 3,800 m. These intersect the license block on both sides of the established ore bodies in a total zone of approximately 1.5 km.

During the 9-month period some 2,600 m of core drilling and nearly 3,000 m of pneumatic drilling (shallow RC-type drilling) was undertaken. Some 2,900 channels samples have also been collected. In the sample preparation unit of the company approximately 3,000 samples have been prepared, whereof the major part has been analyzed in two external laboratories. They so far mainly relate to two exploration lines located on the western border of and to the east of the established ore body.

Exploration line 328 is located some 180 m to the East of the ore body. Channel sampling shows a gold mineralized interval at surface of 26 m grading on average 0.8 g/t. Within this interval the gold grade varies. A 5 m interval graded some 3 g/t and a 10 m interval graded about 2 g/t.

Exploration line 316 is located on the western border of the established ore body. Channel sampling showed a 48 m interval at surface grading 0.6 g/t. An 8 m interval graded some 2 g/t.

The retrieved results thus far indicate that the gold mineralized zone continues to the East of the established ore body at surface. However, before drilling results from depth are available it is too early to comment on the gold grades at depth. As above stated core drilling can only show the presence of the gold mineralization at depth but not the true grade. Core well number 509 has been drilled with a 45 degree inclination 100 m to the East of the border of the established ore body. The well is 250 m deep. It intersected a 79 m gold mineralized interval with an average gold grade of 0.2 g/t. Thus the gold mineralization is present also at depth.

An international consultant, an exploration geologist who in the mid 1990ies worked for a couple of years in the Bodaibo region, at the request of Central Asia Gold visited the site in late October 2008. His previous work in Irkutsk was centred on evaluating the giant Suchoj Log deposit, which is located to the North of Kopylovskoye. Suchoj Log is considered to be the second largest gold deposit in the world. The consultant is of the opinion that the origin of the gold at Kopylovskoye is the same as at Suchoj Log. This does of course not guarantee that Kopylovskoye is an economically feasible project, but it is a good indication of the potential of the project.

In April 2008 the at that time 75% owned subsidiary Kopylovskoye AB, bid for the "Prodolny" license block in Bodaibo region. It is located rather closely to the Kopylovskoye license block. The Prodolny block has an area of 141 km² and houses a number of gold occurrences. It is considered to hold some 18 tons (578,000 oz) of gold mineral resources according to Russian standards. However, only limited exploration work has been carried out to date. The license entitles the license holder to carry out exploration work as well as production of gold. The winning auction price amounted to some 3 MSEK.

As above stated, the proposal of the CAG Board is to dividend out the remaining 62.5% of Kopylovskoye AB to the CAG shareholders. The decision must be approved on an EGM scheduled for December 22, 2008. Before this a split will take place in Kopylovskoye AB so as to increase the number of shares to 849,000,000. Thereafter it should, given a slight increase of the number of outstanding CAG shares, be possible to carry out the dividend in the relation 1:1 (one Kopylovskoye AB share for each existing CAG share). The record date will be December 30, 2008. The proposed dividend is believed to meet the so called "Lex Asea" criteria, which means it will in such case be done free of tax for recipients. The plan is then to list Kopylovskoye AB at a suitable market place sometimes in 2009.

The consideration for the above mentioned 12.5% block was MSEK 10. At the same time, as a part of the transaction, CAG has transferred intercompany debt of some 2 MUSD to the Kopylovskoye AB group from subsidiary OOO Tardan Gold. The sale will in the group accounts during the fourth quarter result in a realization loss amounting to some 15 MSEK. In the parent company the corresponding loss will be some 10 MSEK.

The Board of Directors as per the end of the third quarter sees no reason for impairing the Kopylovskoye project as geologic results so far are rather encouraging. The loss recorded on the sold 12.5% interest should be seen in the context of the debt transfer and also in the context of the planned merger with NMC.

The other gold mining projects in the Central Asia Gold portfolio

Kara-Beldyr in Tyva region:

Among Central Asia Gold's other mining projects, concrete exploration work has taken place at Kara-Beldyr (Tyva region) during the first quarter of 2008, and then subsequently in the summer and early autumn months. During the quarter January – March 2008, a shallow drilling programme involving a total 1,100 m was completed. The drilling programme comprised shallow, RC-type drilling holes down to depths of some 10 - 30 m. Three exploration lines were drilled crossing the established gold mineralization "Gordejevskoye". This mineralization has historically been mostly proved at the surface via surface trenches. The purpose of this drilling programme was to verify old data at surface and to test the extension deeper down. The results on the one hand confirmed that the gold mineralized zone continues down to at least 30 m, and further that the mineralization extends to the northwest. During the second half of 2008 a comprehensive ground magnetic and dipole geophysical survey was conducted over a 3 square km area at Kara-Beldyr. This work program was agreed with Canadian gold company Centerra Gold ("Centerra"). CAG and Centerra in September 2008 entered in to an earn in agreement, whereby Centerra has the right but not the obligation to earn up to a 70% interest in the Kara-Beldyr project by investing up to 6.5 million USD in to the project. Centerra will be operator during the earn in period.

Alluvial gold production:

The subsidiary gold placer producers OOO Artelj Tyva (Tyva region) and OOO Artelj Lena (Irkutsk region)

The production season in the alluvial subsidiaries normally begins in the end of May and extends to early October, that is during the warm part of the year. The two alluvial subsidiaries of Central Asia Gold have this year encountered a very difficult external environment along with their colleagues in Russia. The underlying factor for this is the inflation, that has been very high in Russia over the last years. Fuel prices peaked during the summer months 2008 and caused sharp cost increases. The cost increases have also applied to the salary component, and competition on the local labour markets has resulted in high personnel turnover. All this has very negatively impacted on most of the Russian alluvial gold companies. In addition OOO Artelj Tyva encountered very bad weather conditions during September – October this year,

which also negatively effected the operations. During the first nine months 2008 some 552 kg of gold were produced by both subsidiaries (728 kg). The gold production during the last quarter of the report period amounted to 433 kg (560 kg). A further approximately 98 kg have been produced during October – November.

The external factors seem to now in autumn 2008 have changed somewhat for the better, as fuel prices have declined and the rouble has started to depreciate at the same time as unemployment can be expected to increase in Russia during next year. All this will most likely lead to falling production costs in 2009. The factor determining future results and cash flow is the gold price during 2009 and onwards.

Provided the merger with mining company NMC gets completed around year end 2008, the new Board of Directors will evaluate all the new combined company's production assets including the alluvial subsidiaries of CAG as well as NMC. A more firm production target for the alluvial subsidiaries will therefore most likely be communicated in conjunction with the publishing of the 12-month interim report for 2008, which is due in end of February 2009.

As previously stated, a minority of some 5% has been provided for in subsidiary OOO Artelj Lena during the first quarter of 2008. The background is that a couple of workers, previous members of the workers' collective Artelj Lena, have applied to the courts in Irkutsk claiming they were non-lawfully expelled from the former collective. This applies to the period before Central Asia Gold took over OOO Artelj Lena. A local court in Irkutsk has reinstated them as members in the workers' collective. The question is now if they will get the same rights in respect of the new limited liability company OOO Artelj Lena. Central Asia Gold and its legal advisors reject this and have appealed. Certain restructuring measures have also been taken in OOO Artelj Lena to simplify the process no matter what the courts decide in the matter. It is as of now unclear what the final outcome of this will be.

In view of the structural problems encountered in these two alluvial subsidiaries, CAG decided to impair Artelj Lena by 32.9 MSEK in the half year report 2008. In the third quarter of the report period it has been deemed appropriate to also impair Artelj Tyva by some 11 MSEK in the group accounts. The group holding value of Artelj Tyva is now 0 and the holding value of Artelj Lena some 150 million roubles. Corresponding write-downs have been done also on parent company level in Sweden.

Investments, liquidity and financing

Investments in material and immaterial fixed assets during the first nine months of 2008 amounted to TSEK 48,441 (TSEK 123,358). Thereof TSEK 15,412 applies to the third quarter (TSEK 45,874)

Cash in group accounts was TSEK 60,598 at the end of September 2008 (TSEK 54,524).

Sberbank Credit to OOO Tardan Gold

In April 2008 Central Asia Gold's subsidiary OOO Tardan was granted a credit of 102 million RUR (approximately 26 MSEK at the current exchange rate) by the Russian commercial bank Sberbank. The credit is granted only for investment purposes. It must be secured by pledges of material fixed assets, by guarantees from other Central Asia Gold subsidiaries and lastly by personal guarantees from certain leading personnel in OOO Tardan Gold. All this is in accordance with Russian banking practice. The credit must, if drawn upon, be repaid in monthly installments after some three years. The repayment takes place over approximately 36 months. In April 2008 OOO Tardan Gold drew upon 31 million RUR of the credit and has pledged material fixed assets of a corresponding value. Since the credit is subject to a number of conditions, it is not fully certain that Tardan Gold will be able to draw it down in full.

Other received bank loans during the report period

The two alluvial subsidiaries as usual took up short term bank loans in the Russian banking system during the report period for working capital purposes. OOO Artelj Tyva was granted some 2 MUSD of loans from Bank of Moscow and OOO Artelj Lena was granted some 4 MUSD from Standard Bank. The loans have been repaid gradually during 2008, and were repaid in full after the end of the report period.

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. The number of employees was 6 including the Moscow representative office at the end of the report period (8). The net result for the first nine months 2008 was TSEK -51,743 (TSEK -5,937). The corresponding result for the quarter July – September 2008 amounted to TSEK -44,327 (TSEK -1,574). Included in the 9-month result and in the result for the last quarter is an impairment charge relating to subsidiaries Artelj Tyva and Artelj Lena amounting to TSEK -49,610.

Cash in the parent company was TSEK 32,280 as at end of September 2008 (TSEK 7,529).

Employees

The group had 1,061 employees as per the end of the report period (1,129).

Issued shares

As at the end of September 2008 the number of shares outstanding in Central Asia Gold AB (publ) was 530,119,762. The June 2008 preferential rights issue also contained 58,887,152 subscription warrants. They may be converted to an equivalent number of ordinary shares latest by December 5, 2008. The subscription price per

share is SEK 0.55. A limited amount of warrants has been exercised during autumn 2008. As at the date of this report, the outstanding number of CAG shares is therefore 530,127,076.

In addition to this, an options programme directed at leading personnel in the group was approved by last year's Annual General Meeting in Stockholm. In total 14,500,000 options were issued in accordance with this programme. The term of the options is to the end of July 2009 and the strike price was initially SEK 2.25 per option corresponding to one underlying share. The preferential rights issue resulted in a recalculation of the strike price to SEK 2.00 per option corresponding to one share. The options can only be exercised towards the end of the period. The market price of the CAG share is however significantly lower than the strike price of the options as at the end of the report period.

Major events after the end of the report period

Proposed NMC merger

On November 3, 2008 CAG concluded an SPA-agreement with the owners of the Russian gold miner New Mining Company (NMC). Technically the proposed transaction implies that CAG AB takes over the ownership of NMC via an issue in kind. The sellers of the assets, Mr. Preston Haskell and Mr. Andrey Kondratjukin, will together receive 3,000,000,000 new CAG shares as well as 500,000,000 warrants with a strike price of SEK 0.20 per new share and a term of 3 years. Provided an EGM on December 22, 2008 approves of the transaction, the two sellers will together control 85% of the capital and votes of CAG AB. Major shareholders of CAG owning in total slightly more than 48% of today's outstanding shares have obliged to vote in favour of the transaction on said EGM. The completion of the transaction is conditional on inter alia satisfactory due diligence reports. Given that this happens a new Board of Directors and new management will get appointed in CAG AB. NMC group consists of some five different companies located in the Tchita region of Eastern Siberia. The group holds two mining licenses and one alluvial deposit. Gold production is estimated to some 250 kg for 2008. A heap leaching plant exists and is in operation. The two mining deposits will undergo reserve approval procedures in 2009. The estimated gold reserves of the three deposits are some 20 tons for the time being.

Sale of 12.5% of Kopylovskoye AB and proposed dividend of remaining 62.5% of this subsidiary

On the same EGM as above described, it is also being proposed to carry out a dividend of CAG AB's remaining shares in subsidiary Kopylovskoye AB. The background is that CAG sold out 25% of this subsidiary in 2007. In November 2008 a further 12.5% were sold out to the same consortium that acquired shares a year earlier. The sales price for the 12.5% block sold in November was MSEK 10. The remaining 62.5% of the subsidiary are thus proposed to be dividended to the existing CAG shareholders. The record date for the dividend will be December 30, 2008 and thus the dividend will not be payable to the current owners of NMC. The number of

shares in Kopylovskoye AB is now being increased to 849,000,000 via a split 849:1. This should in the end lead to CAG AB dividending out the shares in relation 1:1, that is one Kopylovskoye AB share is proposed to be given out for each existing CAG AB share.

The intention is to then list Kopylovskoye AB at a suitable market place sometimes in 2009 provided the conditions on the global financial markets normalize. Mikhail Damrin, current Moscow office manager of CAG AB, is proposed as new CEO of Kopyloskoye AB.

New reserve report in respect of Tardan project

The gold reserves attributable to the Tardan deposit have now been subject to a new reserve review by the authorities. The geologic documentation was submitted in end of September, and was thereafter followed by the economic feasibility study. The formal session of the reserve committee located in Krasnoyarsk took place on November 27. The final registered amount of recoverable gold reserves in the C1 and C2 categories is some 8.4 tons. This is in respect of initially in place recoverable reserves, and thereof some 400 kg have been produced during 2007 – 2008.

Transfer of transportation vehicles from the partially owned subsidiaries OOO Mars and OOO TKM

Towards the end of the third quarter CAG exited from the joint ownership of the two transportation companies OOO Mars and OOO TKM. The other co-owner has been the oil company OOO STS-Service owned by Swedish oil company Malka Oil AB. At the same time CAG AB via its subsidiary OOO Tardan Gold bought out the part of the fixed assets, primarily vehicles, used by CAG's subsidiary. The transaction was carried out in order to reduce the mutual ties between CAG AB and Malka Oil. OOO Tardan Gold has paid for its purchased equipment via a promissory note. The accounting consequences for CAG AB group of the disposal are expected to be reduced total assets as these two companies are deconsolidated, a reduced amount of external loans and reduced group turnover as the transportation income component is deconsolidated. The effect on costs is believed to be rather neutral. A capital loss of some MSEK 1.6 was recorded in the group accounts as per September 30, 2008 as a result of this transaction.

Appointment of Board election committee

The Board election committee of Central Asia Gold will consist of the following representatives this year: Mr. Viggo Leisner representing Spencer Energy A/S (Chairman), Peter Lind representing Landå AB, Paal Hveem representing Greenwich Land Securities A/S, Clas Romander representing Michail Malyarenko and Patric Perenius representing Benton International Ltd. The committee can be reached via email valberedning@centralasiagold.se or via mail to Central Asia Gold AB, at "Valberedning", Brovägen 9, 182 76 Stocksund, Sweden.

Last date of trading in the CAG warrants issued in summer 2008

The CAG warrants issued to the shareholders in June 2008 preferential rights issue have a strike price of SEK 0.55 per option corresponding to one new share. The last day of trading of these warrants on the NMG Stock Exchange will be December 2, 2008.

Next report due

The next financial report due is the interim report for the full 12-month period 2008. It will be released on February 27, 2009. The report dates in 2009 will be:

12-month interim report 2008	February 27, 2009
Publishing of annual report for financial year 2008	April 30, 2009
Annual General Meeting	May 27, 2009
First quarter report 2009 (Jan – March)	May 27, 2009
Half year report 2009 (Jan – June)	August 27, 2009
9-month report 2009 (Jan – Sept)	November 27, 2009

Company information

The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head offices in Stockholm and the corporate identification number is 556659-4833. The address of the parent company is Brovägen 9, 182 76 Stocksund.

Central Asia Gold AB (publ)

org no 556659-4833

GROUP PROFIT

AND LOSS ACCOUNT

(all amounts in TSEK)

	3 months 2008-07-01 - 2008-09-30	3 months 2007-07-01 - 2007-09-30	9 months 2008-01-01 - 2008-09-30	9 months 2007-01-01 - 2007-09-30	12 months 2007-01-01 - 2007-12-31
Net sales	87 769	94 649	134 231	114 143	180 877
Capitalised costs	14 702	13 325	44 411	16 296	43 255
Change in stock of finished and semi-finished goods *)	-4 385	9 682	26 929	18 788	6 973
Other income	3	810	98	810	492
Total revenues	98 089	118 466	205 669	150 037	231 597
Operating costs					
External costs	-60 245	-62 753	-136 734	-88 861	-115 052
Salary related costs	-28 642	-33 496	-67 647	-56 501	-106 275
Depreciation of tangible and non-tangible fixed assets	-7 073	-11 833	-23 810	-20 658	-35 518
Write-down of fixed assets relating to Artelj Lena and Artelj Tyva	-11 094	-	-43 996	-	-
	-107 054	-108 082	-272 187	-166 020	-256 845
Operating result	-8 965	10 384	-66 518	-15 983	-25 248
Net financial items	-2 708	25 925	-5 246	26 902	34 228
Result after net financial items	-11 673	36 309	-71 764	10 919	8 980
The period's tax cost	1 291	-3 350	4 657	-3 997	-11 669
Net result after tax for the period	-10 382	32 959	-67 107	6 922	-2 689
Whereof attributable to the shareholders of the parent company	-8 853	31 704	-63 101	5 530	-5 766
Whereof attributable to the minority	-1 529	1 255	-4 006	1 392	3 077
<i>Earnings per share before dilution, SEK</i>	-0,018	0,077	-0,143	0,014	-0,014
<i>Earnings per share after dilution, SEK *)</i>	-0,018	0,077	-0,143	0,014	-0,014
Number of shares issued at period end	529 984 374	412 210 070	529 984 374	412 210 070	412 210 070
Average number of shares for the period	498 577 893	412 210 070	440 999 344	403 500 182	405 677 654
Average number of shares for the period after dilution	498 577 893	412 210 070	440 999 344	403 500 182	405 677 654

*) As per September 30, 2008 there exist 58,887,152 outstanding warrants and 14,500,000 incentive options. The strike price for the first serie is SEK 0.55 per warrant corresponding to one share and the strike price for the second serie is SEK 2.00. Since both strike prices are considerably higher than the market price of the CAG share as at end of the reporting period, no dilution arises as at that date.

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GROUP BALANCE SHEET (all amounts in TSEK)	Sept 30, 2008	Sept 30, 2007	Dec 31, 2007
ASSETS			
FIXED ASSETS			
Immaterial fixed assets	236 396	210 427	213 535
Material fixed assets	135 750	166 501	175 882
Financial fixed assets *)	77 892	43 701	52 316
Total fixed assets	450 038	393 585	441 733
CURRENT ASSETS			
Inventories	36 910	42 324	26 848
Current receivables	53 549	107 480	75 989
Cash and bank	60 598	54 524	69 843
Total current assets	151 057	231 372	172 680
TOTAL ASSETS	601 095	624 957	614 413
EQUITY AND LIABILITIES			
Total equity	387 582	402 100	391 505
Minority interest	45 867	37 932	51 324
Long term liabilities	66 326	69 603	84 901
Current Liabilities	101 320	115 322	86 683
TOTAL EQUITY AND LIABILITIES	601 095	624 957	614 413
ASSETS PLEDGED			
Bank accounts	50	50	50
Fixed assets	8 395		
CONTINGENT LIABILITIES			
	-	-	-

*) The financial fixed assets in the group balance sheet as per September 30, 2007 have been restated. In the 12-month figures for 2007 the tailings sand in subsidiary OOO Tardan Gold was reclassified from inventories to financial fixed assets. This reclassification is now done also for 9 months 2007 and the reclassified amount is then TSEK 27,044. This has no effect on the group P/L account.

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GROUP CASHFLOW ANALYSIS

(All amounts in TSEK)

	9 months Jan - Sept 2008	9 months Jan - Sept 2007	12 months Jan - Dec 2007
Operating activities	-1 013	3 510	10 270
Paid/received interest and similar items	-6 630	2 763	4 614
Cash flow from operations before changes in working capital	-7 643	6 274	14 884
Changes in working capital	5 876	-57 025	-11 741
Net cash flow used in operating activities	-1 767	-50 751	3 143
Net cashflow used in investing activities	-48 441	-123 358	-165 403
Net cash flow from financing activities	40 944	146 716	149 790
Increase in cash and bank	-9 264	-27 393	-12 470
Cash and bank at the beginning of the period	69 843	81 947	81 947
Translation difference in cash and bank	19	-30	366
Cash and bank at the end of the period	60 598	54 524	69 843

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STATEMENT OF CHANGES IN EQUITY (GROUP)

(Expressed in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Total equity capital
Equity as at December 31, 2006	73 239	258 512	-6 415	-11 720	313 616
Jan 1 - Sept 30, 2007					
New issues	9 203	78 690			87 893
Issue costs		-5 195			-5 195
translation difference			-1 136		-1 136
The net result for the period				6 922	6 922
Equity as at Sept 30, 2007	82 442	332 007	-7 551	-4 798	402 100
October 1 - Dec 31, 2007					
New issues	0	7 806			7 806
Issue costs		-7 454			-7 454
translation difference			-1 335		-1 335
The net result for the period				-9 612	-9 612
Equity as at Dec 31, 2007	82 442	332 359	-8 886	-14 410	391 505
Jan 1 - Sept 30, 2008					
New issues	23 555	41 397			64 952
Issue costs		-5 617			-5 617
translation difference			3 849		3 849
The net result for the period				-67 107	-67 107
Equity as at Sept 30, 2008	105 997	368 139	-5 037	-81 517	387 582

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	9 months	9 months	12 months
KEY RATIOS	2008-09-30	2007-09-30	2007-12-31
Group			
Total assets, TSEK	601 095	624 957	614 413
Total equity, TSEK	433 449	440 032	442 829
Equity ratio, %	72,1%	70,4%	72,1%
Interest bearing debt, TSEK	54 602	53 443	47 636
Employees at period end	1 061	1 129	1 288
Per share data			
Earnings per share, SEK	-0,143	0,014	-0,014
Equity per share (SEK) *)	0,818	1,067	1,074
Return on equity (%)	-15,32%	1,84%	-0,71%

Key ratio definitions

Total assets, TSEK	Total assets at period end
Total equity, TSEK	Total equity at period end including minority
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 including minority 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 for the same period

*) As per September 30, 2008 there exist 58,887,152 outstanding warrants and 14,500,000 incentive options. The strike price for the first serie is SEK 0.55 per warrant corresponding to one share and the strike price for the second serie is SEK 2.00. Since both strike prices are considerably higher than the market price of the CAG share as at end of the reporting period, no dilution arises as at that date.

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 2007.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the Swedish Accounting Board's recommendation RR 31 "Interim group reporting" (Delårsrapportering för koncerner). The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2008 have not had any material effect on the group's profit and loss- and balance sheets.

Parent company

In all significant ways the parent company applies the same accounting principles as the group. In addition, the parent company applies RR32 *Accounting for legal entities*.

Segment information

The company's accounts are focused on the primary business segment by geographical areas. These are defined as specific countries. The secondary segments are different types of other activities. A few of the group's subsidiaries extend transportation services, partly to external clients. These transportation services are currently not deemed to be of material size. At present (from Q 1/2005) gold is produced in only one country, Russia. Therefore no segment information is currently given.

Risk and uncertainties associated with this interim report

The group's risk exposure is presented on page 39 of the 2007 annual report and on pages 11 – 14 of the spring 2008 rights issue prospectus (only available in Swedish). 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. The gold price has started to fall from peak levels of more than 900 USD/oz during the first half of this year.
- 2) *Inflation risk*: The Russian economy has been subject to significant inflation pressure during the last few years including the current one. This directly impacts on the production costs in a gold mining company. There can be no

guarantee that the inflationary 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:* As described in this report, the subsidiary OOO Artelj Lena is involved in various court procedures. 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 owners 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

Central Asia Gold AB is as all other public Swedish companies listed on the stock exchange NGM Equity subject to the new so called "Code demands" that were introduced on July 1, 2008. The code contains a number of rules and recommendations in respect of corporate governance. The regulatory framework focuses on transparency and recommends independence between management and board functions. Central Asia Gold is a young company active on a special emerging market, namely in Russia. The code demands are therefore not always optimal for Central Asia Gold AB and its subsidiaries. This on the ground that the environment in which Central Asia Gold is active differs from the business environment in Scandinavia. Nevertheless Central Asia Gold has started to adopt to the code demands. Concretely, during the report period a separation was initiated between management function on subsidiary level and owner and board functions on group level. This separation has now been almost fully completed. On the same grounds, most of the related party transaction have been discontinued during the second half of this year.

Security services

The various subsidiaries in Russia currently partly purchase security and guard services from the company OOO Ochrannaya Firma Shtjit. Michail Malyarenko owns 60% of this company. These services are charged for at market price. During the first nine months of 2008 the subsidiaries paid a total of TRUR 11,486 for such services (TSEK 3,110).

Office rents

Part of the group's company management and administration teams up to spring 2008 worked in the city of Tomsk in Siberia. They worked in rented premises in an office block owned by Michail Malyarenko. A number of external companies also rent premises in the same building. During the first nine months of 2008 the Central Asia Gold group has paid TRUR 477 in office rents (TSEK 129). This is the same rent that the other external tenants pay for the property.

Management company

Central Asia Gold's Russian subsidiaries have during the last few years purchased management services from a management company located in the city of Tomsk. These management resources have been shared mainly together with the Swedish Oil company Malka Oil AB in order to reach synergy effects. The goal of the management company has not been profit maximization. As stated above Central Asia Gold has by spring 2008 almost fully stopped purchasing management services, partly in order to comply with the new code demands for Swedish listed companies. During the first nine months of 2008 Central Asia Gold paid, via its subsidiaries, a total of TRUR 11,883 (TSEK 3,218) to the management company. This amount represents salaries and other external costs for the personnel. The owners of the management company are Central Asia Gold's two main Russian owners, Alexander Merko and Michail Malyarenko, who each own equal shares.

Project management company

Central Asia Gold's Russian subsidiary OOO Tardan Gold performs construction work in its own region in order to save money. However, to receive a building permit for one's own personnel from the authorities, a responsible property development company must be hired to submit official documentation and to take responsibility for safety and other building regulations. In this case Central Asia Gold's subsidiary OOO Tardan Gold appointed the company OOO KUPIR to lead the construction work and to take charge of responsibility issues. Therefore parts of the construction cost were during 2008 administered via KUPIR. Michail Malyarenko and his family own 100% of this company. During the first nine months of 2008 construction work equivalent to TRUR 16,779 (TSEK 4,544) was performed via OOO KUPIR.

This report has not been subject to review 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, November 28, 2008

Central Asia Gold AB (publ)

The Board of Directors

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Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia and Mongolia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of 2007 estimated to encompass some 645,000 troy ounces (1 troy ounce = 31.1 g) of C1/ C2 Russian gold reserves.

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.