

# Central Asia Gold

INTERIM REPORT DATED MAY 27, 2009

## **Central Asia Gold AB (publ) Interim report for the three month period January – March 2009**

(NGM: CAG)

- **On March 2, 2009 the merger between Central Asia Gold AB and Russian NMC companies was completed. Thereby CAG took over said companies by issuing in total 3 billion CAG shares and 500 million warrants each entitling to a new CAG share to the two sellers of the NMC assets.**
- **The accounting treatment of the CAG-NMC merger is according to the rules relating to reversed take overs. This implies that NMC companies are considered to acquire CAG AB for accounting purposes. The figures for the comparative periods last year therefore relate to the NMC companies ONLY. At that time NMC was privately held.**
- **The 2009 gold production target for the new combined company is 800 kg – 1,000 kg and total approved gold reserves C1/C2 are expected to reach 30 – 35 tons around year end 2009. As per the report date they amount to approximately 24 tons.**

**As CAG AB will in 2009 almost exclusively produce gold from its alluvial subsidiaries, the bulk of the gold production will as usual take place during the third quarter of the year. Gold production was thus 0 kg (38 kg) during the first quarter of 2009. During the second quarter of 2009 it will amount to 150 – 200 kg.**

- **CAG AB is, provided the gold production target gets fulfilled and current gold prices and exchange rates are stable, expected to generate a positive operating cashflow for financial year 2009.**
- **Consolidated revenues for the quarter January – March 2009 amounted to TSEK 204,775 (TSEK 22,040). A one-off negative goodwill dissolution item amounting to TSEK 201,261 TSEK is included in the revenues for the report period (0).**

- **The net result after tax and minority part for the report period was TSEK 181,922 (TSEK –3,605).**
- **EPS was SEK 0.057 for the report period (SEK -0.001). Excluding the negative goodwill effect EPS was negative for the report period.**

***Comments by the Managing Director***

*The first quarter of 2009 saw the completion of the CAG-NMC merger that was initially announced in early November 2008. Thereafter a new Board of Directors and company management were appointed. The early months of 2009 have therefore been focused on creating and integrating a new organization on subsidiary as well as on group level. Also, a lot of time has been devoted to securing satisfactory financing for the production activities planned this year. The financial crisis still influences negatively on the banking system, which has resulted in a credit crunch in Russia. This, for the first time in many years, made it difficult to find reasonable working capital credits for our alluvial units. The challenge was overcome by securing a 2.5 MUSD credit line in the West, and now therefore CAG is on track for meeting the 2009 production target. We have also responded to the credit crunch by sharply reducing all significant capital expenditure this year, and aim for financing all capital requirements in 2009 by internal cash flow and possibly by some additional credit facilities. In the base case, provided no major disturbances occur, CAG AB plans to close the year 2009 with a positive operating cashflow.*

*Sergey Gorbachev, 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 dividended out all the shares in its subsidiary Kopylovskoye AB pro rata to the CAG AB shareholders.

The group structure as per end of the first quarter 2009 (after completed merger with NMC companies) consists of the Swedish joint stock parent company, which controls eight wholly-owned subsidiaries in Russia. One of them is dormant. The Russian subsidiaries are of the limited liability type (“OOO”). The subsidiaries also own three sub-subsidiaries. The operations involve exploration and production of gold, primarily in the Tyva, Tchita and Irkutsk regions in Russia. Proforma gold production by the Russian subsidiaries (as if the merger would have been completed in early 2008) was approximately 1,100 kg in 2008.

The group’s main assets comprise a large number of mineral licences held by the various subsidiaries. The licences, as at the end of the first quarter 2009, are estimated

to contain almost 800,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equalling 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 4,700 as at May 2009.

### **Results – the Group**

*On March 2, 2009 Central Asia Gold AB completed the merger with the companies forming the Russian NMC group (New Mining Company). These consist of five different Russian limited liability companies located in Tchita region, namely GRE-324, Solcocon, Borservice, Rudtechnology and Zolotaya Borzuya. Through the merger, Central Asia Gold AB expanded its Russian gold exploration and production operations and thereby added significant additional Russian gold assets. Central Asia Gold AB was stand alone (prior to merger with NMC) Russian gold producer number 26 in 2008 (out of a total of more than 400 gold producers). In 2009 new CAG AB group expects to increase its relative share of the Russian gold production. In the merger, NMC's two owners contributed the entire share capital of the 5 NMC companies as well as an equity injection into said companies in connection with the merger of approximately MSEK 70 in exchange for 3,000,000,000 ordinary shares issued by CAG. 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. 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 acquiree. 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 three months ended March 31, 2009. All comparative information refers to NMC companies' financial statements for the quarter and twelve month period ended March 31 and December 31, respectively, 2008.*

For the three month period ended March 31, 2009 the group reports a net result after tax and minority interest of TSEK 181,945 (TSEK –3,605) which corresponds to SEK 0.057 per share (-0.001). 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 +201,261. Without this effect the net result would have been negative.

Consolidated gold sales revenues were TSEK 320 (TSEK 6,687) during the financial period.

In addition, a revenue component of TSEK 233 (TSEK 8,448) is included in the consolidated P/L account relating primarily to drilling services performed by the

subsidiary company Boreservice, providing drilling services, partly to external clients. Also, as from late 2008 subsidiary OOO Tardan Gold has began to extend certain services to third parties in respect of drilling and construction work. Only the part of services rendered to external clients is included in the group accounts. Boreservice has due to the financial crisis had limited external drill assignments during the first quarter of 2009.

The change in stock of finished and semi-finished goods amounted to TSEK 1,680 (TSEK 6,905).

During the quarter January – March 2009 total exploration costs of TSEK 1,281 were capitalized at subsidiary level (0).

Total operating costs in the group during the report period amounted to TSEK -12,035 (TSEK -21,397).

Net financial items were TSEK -15,186 for the report period (TSEK -4,194). 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. As a result, the interest expense of the former NMC companies will everything else equal reduce in 2009.

The tax income for the report period was TSEK 4,368 (TSEK -54). It relates predominantly to a change in deferred tax on subsidiary level. The minority share of the net result was TSEK -23 (TSEK 0).

## **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 – 2008. 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 km<sup>2</sup> 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 deposit was in late autumn 2008 subject to a new reserve examination by the Russian State Mineral Reserve Committee via its local branch (TKZ) in Krasnoyarsk. A quantity of 8.4 tons (272,000 oz) of C1+C2 gold reserves was approved. The average gold grade in the reserves is slightly more than 4 g/t. Within the framework of a pilot production program, almost 400 kg of gold was produced at Tardan during 2007 – 2008.

The time plan for constructing a future Tardan leaching plant will be decided by the Board of Directors. The Board of Directors is in 2009 making a strategic review of the now bigger CAG AB gold project portfolio, and will thereafter set the priorities. Certain smaller amounts of mine gold may still be produced by Tardan Gold in 2009.

### **Kara-Beldyr in Tyva region**

This gold project in autumn 2008 became subject to an earn in agreement (joint venture agreement) with Canadian gold company Centerra Gold (“Centerra”). According to the agreement Centerra has the right but not the obligation to earn up to a 70% interest by investing up to 6.5 million USD in to the project over a number of years. Centerra is operator during the earn in period. During the second half of 2008 a geochemical and geophysical survey was conducted at Kara-Beldyr. This was in the first and second quarters of 2009 followed by a limited shallow depth drilling program. Results are so far on expectation, and preparations are now being made for commencing a diamond drilling program during the summer months of 2009 with the aim of trying to evaluate the property also at depth.

### **Bogomolvskoye and Kozlovskoye projects in Tchita region**

These two mining projects are located on the Staroverinskaya license block belonging to CAG’s Tchita region based subsidiary GRE-324. The license comprises the rights to perform exploration and production of gold during the license period, which extends to 2029. The two deposits are located closely to each other. Bogomolvskoye deposit in December 2008 underwent the compulsory Russian reserve approval procedures. As a result, 8.1 tons of C1/C2 reserves were approved. The ores at Bogomolvskoye are both oxidized and non-oxidized. A large part of the shallow ores (oxidized ores) was produced in 2004 – 2008 in the nearby heap leaching plant belonging to CAG AB now via the subsidiary Solcocon. In 2008 the pure gold produced in the heap leaching plant amounted to some 130 kg.

Kozlovskoye deposit was explored in the 1960ies by the Soviet geologic authorities. At that time some 10 tons of gold reserves were established according to the then prevailing standards. The average gold grade was at that time established to be more than 10 g/t. A new reserve approval procedure is scheduled for late 2009 as regards this deposit.

A number of additional gold occurrences have been detected at the license block. However, in 2009, considering the credit crunch and associated high cost of capital, CAG has decided to put as much as possible of the capital expenditure in terms of the Staroverinskaya license block on hold.

## **Alluvial gold production**

### **The gold placer producers OOO Artelj Tyva (Tyva region), OOO Artelj Lena (Irkutsk region) and OOO Zolotaya Borzya (Tchita 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 subsidiaries belonging to “old Central Asia Gold group” are Artelj Tyva and Artelj Lena. Both of them have decades of production history and are therefore on decline when it comes to their gold production. Also, the production sites of both these subsidiaries are located far away from their respective administrative centres implying challenging logistics in view of the seasonal patterns.

Subsidiary OOO Zolotaya Borzya used to belong to the so called NMC group and is located in Tchita region on the so called Staroverinskaya license block. Zolotaya Borzya will in 2009 enter its second real production season. Total registered remaining gold reserves of the three subsidiaries as at end of March 2009 amount to slightly more than 8 tons.

In 2009 it has been decided to give priority to profitability rather than to maximum producible gold volume. As a result the production target of the three alluvial units has been determined to be 800 kg – 1,000 kg. The preparations for the season were carried out in time and working capital demands were secured by suppliers’ credits and via the above mentioned Western credit facility amounting to 2.5 MUSD. The by end of May 2009 relatively high gold price and the at the same time prevailing exchange rate USD/RUR of some 32 imply relatively favourable prerequisites for producing alluvial gold in Russia this year.

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

Investments in material and immaterial fixed assets during the first three months of 2009 amounted to TSEK 2,574 (TSEK 10,640).

Cash in group accounts was TSEK 8,608 at the end of March 2009 (TSEK 939).

### **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 quarter January – March 2009 was TSEK +6,069 (TSEK –5,574). Positive exchange rate gains amounting to TSEK 6,133 are included in the result for the first quarter 2009.

Cash in the parent company was TSEK 5,996 as at end of March 2009 (TSEK 47,743).

### **Employees**

The group had on average 1,310 employees during the first quarter of 2009 (388). As per end of March 2009 the number of employees in the group was 901.

### **Issued shares**

During 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 shares 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 March 2009. As a result, the number of outstanding shares as at the date of this report amounts to 3,530,625,000. Said warrants entitle to subscription of one new share per warrant at a strike price of SEK 0.20 per share. The term of the warrants is January 2012.

In addition to this, an options programme directed at leading personnel in the group was approved by the 2007 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 in June 2008 resulted in a recalculation of the strike price to SEK 2.00 per option corresponding to one share. The December 2008 Kopylovskoye AB spin-off further reduced the strike price of the warrants to SEK 1.76. The number of shares underlying one option has also been recalculated to 1.28. 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***

#### **Opening of credit line**

CAG AB in May 2009 received an open short term credit facility from private equity fund GKL Capital in Stockholm, and from Mr. Preston Haskell. The facility amounts to 2.5 MUSD and has a term of three months from draw down. The annual interest rate is 30% on the utilized part and to this is added an arrangement fee of 1% of the facility's amount. GKL Capital's part is 1.5 MUSD and Mr. Haskell's part is 1 MUSD.

#### **Next report due**

The next financial report due is the interim report for the quarter January – June 2009. It will be released on August 27, 2009. Thereafter next report date in 2009 is November 27, when the nine month report gets published.

#### **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.

| <b>Central Asia Gold AB (publ)</b>                             |   |   |  |
|--|---|---|--|
| org no 556659-4833   |   |   |  |
| <b>GROUP PROFIT</b>  |   |   |  |
| <b>AND LOSS ACCOUNT</b>  |   |   |  |
| (all amounts in TSEK)  |   |   |  |
|  | 3 months<br><b>2009-01-01</b><br>- 2009-03-31 | 3 months<br><b>2008-01-01</b><br>- 2008-03-31 | 12 months<br><b>2008-01-01</b><br>2008-12-31 |
| Net sales  | 320   | 6 687   | 46 973                                       |
| Capitalised costs  | 1 281   | -   | -  |
| Change in stock of finished and semi-finished goods            | 1 680   | 6 905   | -  |
| Other operating revenues                                       | 233   | 8 448   | 21 740                                       |
| Dissolution of negative goodwill                               | 201 261                                       | -   | -  |
| <b>Total revenues</b>  | <b>204 775</b>                                | <b>22 040</b>                                 | <b>68 713</b>                                |
| <b>Operating costs</b>   |   |   |  |
| External costs   | -4 041  | -13 499                                       | -62 885                                      |
| Salary related costs   | -4 333  | -6 451  | -33 170                                      |
| Depreciation   | -3 661  | -1 447  | -7 402                                       |
|  |   | -   | -  |
| <b>Total operating costs</b>                                   | <b>-12 035</b>                                | <b>-21 397</b>                                | <b>-103 457</b>                              |
| <b>Operating result</b>  | <b>192 740</b>                                | <b>643</b>                                    | <b>-34 744</b>                               |
| Net financial items  | -15 186                                       | -4 194  | -33 795                                      |
| <b>Result after net financial items</b>                        | <b>177 554</b>                                | <b>-3 551</b>                                 | <b>-68 539</b>                               |
| The period's tax cost  | 4 368   | -54   | 14 985                                       |
| <b>Net result after tax for the period</b>                     | <b>181 922</b>                                | <b>-3 605</b>                                 | <b>-53 554</b>                               |
| Whereof attributable to the shareholders of the parent company | <b>181 945</b>                                | <b>-3 605</b>                                 | <b>-53 554</b>                               |
| Whereof attributable to the minority                           | <b>-23</b>                                    | <b>-</b>                                      | <b>-</b>                                     |
| <br>   |   |   |  |
| <i>Earnings per share before dilution, SEK</i>                 | 0,057   | -0,001  | -0,018                                       |
| <i>Earnings per share after dilution, SEK **)</i>              | 0,057   | -0,001  | -0,018                                       |
| <hr/>  |   |   |  |
| Number of shares issued at period end                          | 3 530 625 000                                 | 3 000 000 000                                 | 3 000 000 000                                |
| Average number of shares for the period                        | 3 165 083 333                                 | 3 000 000 000                                 | 3 000 000 000                                |
| Average number of shares for the period after dilution **)     | 3 165 083 333                                 | 3 000 000 000                                 | 3 000 000 000                                |

\*\*\*) There are 14.5 million outstanding call options at end of March 2009 and at the date of this report. The strike price is however SEK 1.76 per option corresponding to one share. Each option entitles to subscription of 1.28 new shares. Last date of exercising the options is end of July 2009. Since the strike price is higher than the prevailing market price, no dilution currently arises due to these options.

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

|   | 3 months<br>2009-01-01<br>- 2009-03-31 | 3 months<br>2008-01-01<br>- 2008-03-31 | 12 months<br>2008-01-01<br>2008-12-31 |
|---|--|--|---------------------------------------|
| Net result for the period   | 181 922                                | -3 605                                 | -53 554                               |
| Translation difference  | 3 654                                  | 74                                     | 1 309                                 |
| <b>Total comprehensive income for the period</b>                  | <b>185 576</b>                         | <b>-3 531</b>                          | <b>-52 245</b>                        |
| <b>Total comprehensive income for the period attributable to:</b> |  |  |                                       |
| Parent company's shareholders                                     | 185 599                                | -3 531                                 | -52 245                               |
| Minority  | -23                                    | -                                      | -                                     |

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**GROUP BALANCE SHEET**  
(all amounts in TSEK)

|                                     | March 31,<br>2009 | March 31,<br>2008 | Dec 31,<br>2008 |
|-------------------------------------|-------------------|-------------------|-----------------|
| <b>ASSETS</b>                       |                   |                   |                 |
| <b>FIXED ASSETS</b>                 |                   |                   |                 |
| <i>Immaterial fixed assets</i>      | 147 677           | 1 075             | 43 087          |
| <i>Material fixed assets</i>        | 118 228           | 17 911            | 47 162          |
| <i>Financial fixed assets</i>       | 41 238            | -                 | 15 010          |
| <b>Total fixed assets</b>           | <b>307 143</b>    | <b>18 986</b>     | <b>105 259</b>  |
| <b>CURRENT ASSETS</b>               |                   |                   |                 |
| Inventories                         | 101 679           | 51 718            | 20 016          |
| Current receivables                 | 71 664            | 44 419            | 41 952          |
| Cash and bank                       | 8 608             | 939               | 144             |
| <b>Total current assets</b>         | <b>181 951</b>    | <b>97 076</b>     | <b>62 112</b>   |
| <b>TOTAL ASSETS</b>                 | <b>489 094</b>    | <b>116 062</b>    | <b>167 371</b>  |
| <b>EQUITY AND LIABILITIES</b>       |                   |                   |                 |
| <b>Total equity</b>                 | <b>243 659</b>    | <b>-3 684</b>     | <b>-50 814</b>  |
| Minority interest                   | 1 456             | -                 | -               |
| Long term liabilities               | 136 682           | 84 693            | 162 336         |
| <b>Current Liabilities</b>          | <b>107 297</b>    | <b>35 053</b>     | <b>55 849</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>489 094</b>    | <b>116 062</b>    | <b>167 371</b>  |
| <b>ASSETS PLEDGED</b>               |                   |                   |                 |
| Bank accounts                       | -                 | -                 | -               |
| Material fixed assets               | 7 587             | -                 | -               |
| <b>CONTINGENT LIABILITIES</b>       | <b>-</b>          | <b>-</b>          | <b>-</b>        |

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**GROUP CASHFLOW ANALYSIS**

(All amounts in TSEK)

|   | 3 months<br>Jan - Mar<br>2009 | 3 months<br>Jan - Mar<br>2008 | 12 months<br>Jan - Dec<br>2008 |
|---|-------------------------------|-------------------------------|--------------------------------|
| Operating activities  | 192 741                       | 643                           | -34 744                        |
| Adjustment fot items not included in the cash flow          | -197 601                      | 1447                          | 22 591                         |
| Paid/received interest and similar items                    | -162                          | -22                           | -1 126                         |
| Cash flow from operations before changes in working capital | <b>-5 022</b>                 | <b>2 068</b>                  | <b>-13 279</b>                 |
| Changes in working capital                                  | -4 372                        | -7 843                        | -10 823                        |
| Net cash flow used in operating activities                  | <b>-9 394</b>                 | <b>-5 775</b>                 | <b>-24 102</b>                 |
| Net cashflow used in investing activities                   | -2 574                        | -10 640                       | -22 437                        |
| Net cash flow from financing activities                     | 20 701                        | 16 917                        | 46 246                         |
| Increase in cash and bank                                   | <b>8 733</b>                  | <b>502</b>                    | <b>-293</b>                    |
| Cash and bank at the beginning of the period                | <b>144</b>                    | <b>437</b>                    | <b>437</b>                     |
| Translation difference in cash and bank                     | <b>-269</b>                   | <b>0</b>                      | <b>0</b>                       |
| <b>Cash and bank at the end of the period</b>               | <b>8 608</b>                  | <b>939</b>                    | <b>144</b>                     |

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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 December 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 - March 2008 |                |                            |                | -3 531            |                   | -3 531               |
| <b>Equity as at March 31, 2008</b>                         | <b>82 442</b>  | <b>-82 396</b>             | <b>0</b>       | <b>-3 730</b>     | <b>0</b>          | <b>-3 684</b>        |
| Total comprehensive result for the period April - Dec 2008 |                |                            |                | -48 714           |                   | -48 714              |
| Equity contribution  |                | 1 584                      |                |                   |                   | 1 584                |
| Rights issue in CAG AB                                     | 23 687         | -23 685                    |                |                   |                   |                      |
| <b>Equity as at December 31, 2008</b>                      | <b>106 129</b> | <b>-104 497</b>            | <b>0</b>       | <b>-52 444</b>    |                   | <b>-50 814</b>       |
| Total comprehensive result for the period Jan - March 2009 |                |                            |                | 185 599           | -23               | 185 576              |
| Equity contribution  |                | 70 036                     |                |                   |                   | 70 036               |
| Acquisition in kind, March 2009                            | 70 404         | -31 570                    |                |                   | 1 479             | 40 313               |
| <b>Equity as at March 31, 2009</b>                         | <b>176 533</b> | <b>-66 031</b>             | <b>0</b>       | <b>133 155</b>    | <b>1 456</b>      | <b>245 111</b>       |

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|                             | 3 months   | 3 months 12 months |            |
|-----------------------------|------------|--------------------|------------|
| KEY RATIOS                  | 2009-03-31 | 2008-03-31         | 2008-12-31 |
| <b>Group</b>                |            |                    |            |
| Total assets, TSEK          | 489 094    | 116 062            | 167 371    |
| Total equity, TSEK          | 245 115    | -3 684             | -50 814    |
| Equity ratio, %             | 50,1%      | neg                | neg        |
| Interest bearing debt, TSEK | 129 371    | 100 273            | 178 305    |
| Employees at period end     | 901        | 388                | 431        |
| <b>Per share data</b>       |            |                    |            |
| Earnings per share, SEK     | 0,057      | -0,001             | -0,018     |
| Equity per share (SEK)      | 0,069      | neg                | neg        |
| Return on equity (%)        | 93,6%      | neg                | 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               |

**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. 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 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 acquiree. 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 three months and twelve month period ended March 31, and December 31, 2008, respectively, represent the NMC companies' financial statements for these periods. CAG as the legal parent continues to be presented as parent company in future 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 for the quarter ended March 31 2009, the cost of combination was determined based on the number of CAG AB 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 estimated at TSEK 38,838. The total cost of combination has been allocated to CAG's assets and liabilities. The preliminarily evaluated fair values of the acquired assets and liabilities of CAG are presented in the table below (TSEK).

| <b>CAG AB</b>            | <b>2009-03-02</b> |
|--------------------------|-------------------|
| Immaterial assets        | 107 721           |
| Material Fixed assets    | 76 787            |
| Finacial fixed assets    | 32 573            |
| Current assets           | 116 526           |
| Cash                     | 7 885             |
| Minority                 | -1 456            |
| Deferred tax             | -30 619           |
| Provisions               | -3 506            |
| Long term liabilities    | -12 808           |
| Short term liabilities   | -53 004           |
| <b>Net assets</b>        | <b>240 099</b>    |
| Total costs - aquisition | -38 838           |
| <b>Negative goodwill</b> | <b>201 261</b>    |

## 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 *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*: 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**

#### **Opening of credit line**

CAG AB in May 2009 received an open short term credit facility from private equity fund GKL Capital in Stockholm, and from Mr. Preston Haskell. The facility amounts to 2.5 MUSD and has a term of three months from draw down. The annual interest

rate is 30% on the utilized part and to this is added an arrangement fee of 1% of the facility's amount. GKL Capital's part is 1.5 MUSD and Mr. Haskell's part is 1 MUSD.

### **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. At the same time he also obliged to convert another approximately 70 MSEK of credits to NMC companies to long term credits with low interest rate. Said 70 MSEK of loans have as at March 2, 2009 been restructured. The 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.

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, May 27, 2009

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 2008 estimated to encompass some 800,000 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.