

Central Asia Gold

February 24, 2005

Central Asia Gold AB

Interim report for the 12 month period ended December 31, 2004

- **Gold production has commenced on the Kopto deposit**
- **The appraisal work on the Tardan deposit is continuing according to plan**
- **The ongoing February 2005 rights issue is fully subscribed before the end of the subscription period**
- **The listing on the NGM Nordic Growth Market is expected to take place according to plan before end of March**

Background

Central Asia Gold AB (“CAG AB”), is a Swedish junior mining company with operations in Eastern Siberia of Russia. The group structure consists of the Swedish joint stock parent company, that in its turn controls two wholly-owned Russian subsidiaries of the limited liability type.

The operations involve exploration and production of gold, currently mainly in the Tyva region bordering to Mongolia.

The group’s main assets comprise three mineral licenses held by the two Russian subsidiaries. The licenses encompass some 253,000 troy ounces (“oz”) of gold reserves according to the Russian C1+C2 categories, as well as 215,000 oz of P1 gold resources and 4,354,000 oz of P2 gold resources.

The number of employees in the group was 78 as at the end of the reporting period, and gold production was started on the Kopto deposit in late January 2005.

During autumn 2004 an MSEK 20 private placement was conducted in Sweden, whereby a more diversified shareholder structure was attained. CAG AB will get publicly listed on the Swedish NGM Nordic Growth Market stock exchange in March 2005 in connection with the completion of an MSEK 12 rights issue.

The group structure was accomplished in the very end of September 2004 implying that the subsidiaries are only consolidated in the group accounts as from the last quarter of 2004. Further, the subsidiaries were dormant in 2003 and up until the second half of 2004. In addition, gold production was not commenced until in the first quarter of 2005. Therefore no comparative figures for the previous periods are presented in this report. Only the full year

2004 figures are published, since for the above mentioned reasons the figures for the last quarter of 2004 would only be marginally different.

Results – the Group

For the financial year ending December 31, 2004 the group reports a net result after tax of MSEK -0.76 corresponding to SEK -0.028 per share. Rights issue costs amounting to MSEK 1.91 pertaining to the November 2004 private placement have during the last quarter of the reporting period been charged directly to equity in accordance with the accounting principles applicable.

Operating costs amounting to MSEK 1.98 on the subsidiary level have been capitalised. Further, an income component in respect of a tax loss carry forward in the Russian subsidiaries amounting to MSEK 0.40 has been recognised.

Operations

The group operations had start-up character during the financial year 2004. In the Tyva region, the subsidiary OOO Tardan Gold owns two gold deposits, Tardan and Kopto.

Tardan

Tardan is a medium sized gold deposit that was privatised in a public auction in summer 2003. The officially established Russian reserves (C1/C2) and P1 resources of Tardan amount to 413,000 oz of gold. In addition, it is estimated to hold 4,354,000 oz of P2 gold resources (Russian classification standards). Some 30 ore bodies exist within a 2 square kilometer area on the license block 80 km to the East of the region's capital Kyzyl. The average gold grade is 10.7 grammes/tonne ("g/t").

A considerable exploration programme involving core drilling, trenching and construction of underground drifts and shafts was carried out in the Soviet times, and is now being supplemented by new data gathering.

During the second half of 2004 the work in the field has been centred on a detailed reinterpretation of the old Soviet data as well as the gathering of new data, mainly through new surface trenches. The reinterpretation is still ongoing, but currently available information indicates that the deposit is of another type than has previously been suggested in the Soviet period based on the at that time available data. This will in such case most likely result in the gold reserves increasing as compared to the currently established reserve figure.

A new drilling programme will be initiated during the second quarter of 2005 as soon as an ordered drill rig has been delivered. It is currently planned to accomplish at least some 5,500 meters of new core drilling during 2005.

The permits allow to perform a gold pilot production programme on certain of the ore bodies on the license area already today, and so might happen during the latter part of 2005, otherwise during 2006.

The current development plan foresees to start construction of a new processing plant in 2006. In the mean time, the existing processing plant on the nearby Kopto deposit might be used for processing some of the Tardan ores. The Kopto processing plant is located some 6 km to the East of the Tardan license bloc, where a base with living premises and a vehicle park is located.

The company's base scenario for the Tardan deposit foresees to produce some 70 kg of gold (2,200 oz) per month beginning during the second half of 2007. Depending on the results of the appraisal work during 2005 and 2006, the plan might get amended.

Kopto

The small Kopto deposit is located not far away from Tardan, and contains 5,000 oz of Russian C1 reserves and 31,000 oz of P1 resources with an 11 g/t gold grade. The deposit is open pitable, and the ore processing commenced in late January 2005. The processing plant has a 14,000 tonnes per year ore processing capacity, that can be increased if eliminating certain bottle necks. It involves only gravimetric enrichment. Power supply is based on diesel generators.

Management believes the plant will yield on average some 5 kg of gold per month during 2005 based on only gravimetric enrichment. This pilot production programme on Kopto will give a certain limited positive cashflow, but is also psychologically important for the company. Actual production so far during February 2005 follows the plan.

Furthermore, this work will give opportunity to monitor the organisation, and also, very importantly, to get early production experience in respect of the Tardan ores before the more large scale work programme gets initiated there. Over the course of the production programme there is a chance that the Kopto deposit proves to contain more gold than currently established by the Russian authorities, and in such case the mine life can be prolonged.

The placer deposit Sivo Pravy Uval

This placer deposit held by the subsidiary OOO GRK Tomano is located in the Buryatiya region of Russia, that borders to the Tyva region. It holds 19,000 oz of Russian C1 reserves. Management of CAG AB currently gives priority to the development of the Tardan and Kopto deposits, and is therefore searching for a partner who would farm in to the project. No significant work programme has therefore yet been approved for this project.

Investments, Liquidity and Financing

Net investments into fixed assets during the reporting period amounted to MSEK 2.42.

Cash on group accounts was MSEK 15.52 at the end of the reporting period. On February 25, 2005 the subscription period for a MSEK 12 new rights issue closes. Net after transaction costs this rights issue will add some MSEK 10 in cash to the group.

As at the end of the reporting period the group was busy buying out certain fixed assets, mainly production vehicles, used in the operations on the Kopto deposit. This acquisition will get completed during the quarter January – March 2005 and amounts to some 8 million roubles (approximately MSEK 2).

Employees

The group had 78 employees as at December 31, 2004. Thereof one person in the parent company, and the rest in the Russian subsidiaries.

Share data

Currently the number of issued shares amounts to 138,088,774. Par value per share is SEK 0.20. All shares carry one vote and have equal right to the company's assets and profit. In addition, there has been issued 6 million warrants. Each warrant gives the right to subscribe to one new share at a subscription price of SEK 0.40 per share. The term is to the end of

December 2006. A second programme amounting to 10,355,096 warrants exists. Each of these warrants also entitles to subscription of one new share. The subscription price is SEK 0.60. The term of these warrants is end of December 2005.

The ongoing new rights issue amounts to 25 million new shares. The subscription price is SEK 0.48 a share.

The listing of the shares on the NGM Nordic Growth Market in Stockholm is planned to take place during March 2005. The exact first trading day will be communicated through a press release. It is currently not planned to list the warrants.

Major events after the end of the reporting period

The subscription of an MSEK 12 rights issue directed to the Swedish public takes place during the period February 14 – February 25, 2005. According to the latest available information from the handling agent, the rights issue was fully subscribed as at Thursday morning February 24, and will therefore get oversubscribed. The number of incoming applications as at the same point in time exceeded 1,000. Consequently the listing requirements of the NGM Nordic Growth Market in respect of a minimum number of shareholders are already satisfied.

Next reports due

The next interim financial report due is the report for the quarter January – March, 2005 that gets published on May 30, 2005. Thereafter follow the 6-month report on August 26, 2005 and the 9-month report on November 25, 2005.

Dividend

The Board of Directors of CAG AB recommends that no dividend be paid for 2004.

Annual report and Annual General Meeting

The Annual General Meeting (AGM) will be held in Stockholm on Friday, June 10 at the address Storgatan 19, Näringslivets Hus, beginning at 15.00. The annual report will be available in the premises of the Company at Brovägen 9, Stocksund, Sweden at the latest two weeks before the AGM. It will also be mailed to the shareholders that so request.

Company information

The full name of the parent company is Central Asia Gold AB (publ). It is a joint stock company of the public type headquartered in Stockholm with Swedish registration number 556659-4833. The registered address is Brovägen 9, SE-182 76 Stocksund.

CENTRAL ASIA GOLD AB

Org no 556659-4833

Profit and loss account**(SEK)**

	Group 2004-02-24 to 2004-12-31
Net sales	0
Capitalised costs	1 985 845
	1 985 845
<i>Operating costs</i>	
External costs	-2 126 407
Salary related costs	-716 840
Depreciation of tangible and intangible fixed assets	-45 228
	-2 888 475
Operating result	-902 630
<i>Result from financial investments</i>	
Other interest income and similar items	-247 109
	-247 109
Interest costs and similar items	-2 587
Result after financial items	-1 152 326
This period's tax cost	396 578
Net result after tax	-755 748
Earnings per share *)	-0,028
<i>* Due to the fact that the CAG AB shares are not publicly quoted as at the period end, there is no market price to relate to, and therefore no diluted earnings per share are calculated.</i>	
Number of shares issued at period end	138 088 774
Average number of shares for the period	26 813 860
Number of shares at period end including outstanding warrants	154 443 870

CENTRAL ASIA GOLD AB

Org no 556659-4833

B A L A N C E S H E E T

	Group
	2004-12-31
Assets	
Fixed assets	
<i>Intangible fixed assets</i>	
Mining permits (note 1)	32 601 248
	<u>32 601 248</u>
<i>Tangible fixed assets</i>	
Buildings and ground	634 800
Machinery and equipment	429 812
Office equipment	151 988
Construction in progress	5 206 132
	<u>6 422 732</u>
<i>Financial fixed assets</i>	
Deferred tax receivable	376 912
	<u>376 912</u>
Total fixed assets	39 400 892
Current assets	
<i>Inventories</i>	
Goods in stock	655 590
	<u>655 590</u>
<i>Short term receivables</i>	
Other receivables	1 147 778
Prepaid expenses and accrued income	36 833
	<u>1 184 611</u>
<i>Cash in bank</i>	<u>15 522 447</u>
Total current assets	17 362 648
Total assets	56 763 540

Equity and liabilities

Equity***Restricted equity***

Share capital 27 617 755

Premium reserve 25 606 849

53 224 604***Unrestricted equity***

Other unrestricted equity 96 998

Net result for the period -755 749

-658 751**Total equity 52 565 853****Current liabilities**

Suppliers 2 105 685

Other current liabilities 1 600 365

Accrued costs and prepaid income 491 637

Total current liabilities 4 197 687**Total equity and liabilities 56 763 540**

Assets pledged

Restricted cash on bank account 50 000

Contingent liabilities No

Cash flow statement - Group

(SEK)

	Group 2004-02-24 to 2004-12-31
Operating activities	
Operating result	-902 630
<i>Adjustment for non-cash flow effecting items</i>	
Capitalised costs	-1 985 845
Depreciation	45 228
Other non-cash flow effecting items	-123 227
	<u>-2 966 474</u>
Received interest	-21 901
Paid interest	-2 587
Paid tax	-17 426
	<u>-3 008 388</u>
Cash flow from operations before changes in working capital	-3 008 388
<i>Changes in working capital</i>	
Reduction of inventory	351 439
Increase of receivables	-368 468
Increase of receivables on suppliers	2 071 638
Reduction of other current liabilities	-120 984
	<u>-1 074 763</u>
Net cash flow used in operating activities	-1 074 763
Investing activities	
Acquisition of subsidiary company	3 766
Acquisition of tangible fixed assets	-2 426 175
	<u>-2 422 409</u>
Net cashflow used in investing activities	-2 422 409
Financing activities	
Registration of share capital	100 000
Rights issue proceeds net after rights issue costs	18 924 604
	<u>19 024 604</u>
Net cash flow from financing activities	19 024 604
Increase in cash and bank	15 527 432
Cash and bank at the beginning of the period	0
Translation difference in cash and bank	-4 985
Cash and bank at the end of the period	15 522 447

Statement of changes in equity (SEK)

Group	Share capital	Premium reserve	Unrestricted equity	Total equity
Initial share capital	100 000	0	0	100 000
Rights issue in kind	17 100 000	17 100 000	0	34 200 000
New rights issues	10 417 755	10 417 755	0	20 835 510
Rights issue costs	0	-1 910 906	0	-1 910 906
Currency rate translation differences	0	0	96 998	96 998
Net result for the period	0	0	-755 749	-755 749
Total equity at end of period	27 617 755	25 606 849	-658 751	52 565 853

KEY RATIOS 2004-12-31

Group

Total assets, SEK	56 763 540
Total equity, SEK	52 565 853
Equity ratio, %	92,6%
Interest bearing debt, SEK	no
Employees at period end	78

Per share data

Earnings per share, SEK	-0,028
Equity per share (SEK)	0,381
Return on equity (%)	-2,87%

Key ratio definitions

Total assets, SEK	Total assets at period end
Total equity, SEK	Total equity at period end
Equity ratio, %	Total equity divided by total assets expressed as a percentage
Interest bearing debt, SEK	Total interest bearing debt at the period end
Earnings per share (SEK)	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 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

Accounting principles

This report has been prepared according to the Swedish Accounting Council's recommendation no. 20. Since the group operations were not started until late in 2004, and considering that this is the first publicly issued interim report, comparative figures covering historic periods would be of little guidance and are hence not submitted.

The proforma group balance sheet published in the recent rights issue and listing prospectus (only in Swedish) was prepared according to the same accounting principles.

As from financial year 2005 Central Asia Gold will present its consolidated group accounts according to International Financial Reporting Standards (IFRS, previously IAS). The interim report covering the period January – March 2005 will be the first report in accordance with IFRS.

Segment information

The company's accounting is focused on the primary segments - geographic areas. These are defined as separate countries. The secondary segments are various kinds of minerals. For the time being, the group is active within gold production (as from Q1 2005) in one single country, Russia. Therefore no segment information is provided at this point in time.

Related party transactions

The creation of the group structure was accomplished through a rights issue in kind whereby the parent company in September 2004 acquired the two Russian subsidiaries. Thereby 85,500,000 shares were issued. The beneficial owners of the acquired assets, and the recipients of the shares, were Benton International Ltd and Mrsr. Michail Malyarenko and Oleg Novgorodov, at the period end altogether controlling some 61% of the votes and capital of the parent company.

Further, during autumn 2004 before the proceeds of the November 2004 private placement were received, Michail Malyarenko helped arranging financing of the business activities conducted during this period by the subsidiaries, partly by way of personal loans extended to the Russian subsidiary OOO Tardan Gold. As a result of this, the group is in the process of repaying this financing, partly by acquiring certain fixed assets used on the license bloc. This transaction amounts to some 8 million roubles (approximately MSEK 2) and will according to plan be completed during the first quarter of 2005.

As at December 31, 2004 the group companies also owed Michail Malyarenko the equivalent of some MSEK 1.25. This loan will be repaid during the first quarter of 2005 and carries no interest.

Lastly, the Russian subsidiary OOO Tardan Gold today purchases security services on the Tardan and Kopto license blocs from the company OOO "Ochrannaya Firma Shtjit". This company is owned 60% by Michail Malyarenko. The pricing of the services is done at arm's length. During 2004, a total of 276,000 roubles were paid in respect of such services (some USD 10,000 or SEK 68,000).

Notes

Note 1 Valuation of shares issued in kind

As described above the group structure was created via an acquisition of the two Russian subsidiaries OOO Tardan Gold and OOO GRK Tomano through a rights issue in kind. Payment was 85,500,000 newly issued shares. The acquisition was approved on an EGM of CAG AB held on September 20, 2004. The CAG AB shares were not listed at that point in time. The acquired assets were assigned a value of MSEK 34.2. The value was derived through a third party valuation. The underlying valuation model encompassed a discounted cash flow model, a comparison with a peer group of listed gold companies as well as a comparison with a gold company transaction on the capital markets in Stockholm with similar characteristics during autumn 2004.

This report has been subject to review by the company's auditors.

Stockholm, February 23, 2005

The Board of Directors of Central Asia Gold AB (publ)

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Central Asia Gold AB is a Swedish junior 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 today encompass some 468,000 troy ounces (1 troy ounce = 31.1 g) of Russian gold reserves C1/ C2 and gold resources P1. CAG AB plans to reach a yearly production volume of some 800 kg of gold (24,000 oz) as from the second half of 2007.

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 as regards the geologic information available in respect of the various projects undertaken; (iii) CAG's continued ability to secure enough financing for carrying 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 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.