

Central Asia Gold

Operating update

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(NGM: CAG)

- **Net capital gain arises in Central Asia Gold as a result of the capital attraction to the Kopylovskoye project**
- **Gold production season in the alluvial subsidiaries closes**
- **Encouraging news from the Kavkaz project**

Net capital gain

Central Asia Gold in September 2007 received the first 35 million SEK (“MSEK”) of external financing amounting to in total 70 MSEK in respect of the Kopylovskoye project. The second 35 MSEK tranche is due in the fourth quarter of this year. In return the investor consortium receives 25% of the newly incorporated Swedish subsidiary Kopylovskoye AB, to which the Russian subsidiary OOO Kopylovsky containing the Kopylovskoye license has been transferred. The transaction was approved by an Extraordinary Shareholders’ Meeting in spring 2007.

This transaction will result in a capital gain on the Central Asia Gold group level. The capital gain is estimated at slightly more than 20 MSEK, and will get recognized in the upcoming 9-month report due in the end of November.

At the same time, Central Asia Gold has decided to return the mining license in respect of the Tomano placer project in Buryatiya. Given all other interesting projects in the Central Asia Gold portfolio, it is too small to warrant an investment program. This leads to a write-off amounting to some 3 MSEK in the coming 9-month report 2007.

Gold production update

The two alluvial gold producing subsidiaries in the Central Asia Gold group have now almost finished their production season in Siberia. Together they had until the end of October 2007 produced 855 kg of gold (some 27,500 oz) divided on 641 kg from Artelj Lena and 214 kg from Artelj Tyva. Most of this gold has been sold during the third quarter.

The gold production continues in the processing plant of the subsidiary OOO Tardan Gold. During July – September 2007 the plant processed some 20,000 tonnes of ore in a rising trend. During the third quarter ores were primarily taken from the ore body 24 instead of from ore body 26, that was subject to production during the second quarter. Therefore the incoming gold grade was lower in the third quarter than during the second quarter. This resulted in some

38 kg of gold concentrate produced during July – September 2007 compared to 57 kg during April – June 2007.

The Central Asia Gold group 2007 gold production is now forecast to end in the range 970 – 1,050 kg.

Encouraging news regarding the Kavkaz project

At this time of the year much of the geologic information gathering has taken place on the various appraisal projects belonging to Central Asia Gold. The bulk of the analysis work though still remains. More information will therefore be released as soon as the test analyses have been obtained. A very encouraging piece of news can however be released at this stage. It concerns the Kavkaz project in the Irkutsk region. The historic geologic perception was that the Kavkaz project contained certain high grade gold reserves in limited volumes concentrated in quartz vein zones with a thickness of slightly more than one meter. Central Asia Gold's geologists have all the time stated that they believe the old data gathering methods underestimated the true gold grade as they did not capture the bigger gold grains. During 2007 new data has been gathered on the surface of the Kavkaz deposit primarily via surface trenches. These samples have been analysed, and they reveal that the gold is present not only in the quartz veins but also in the side rock. In the surface trenches studied the ore zone has a thickness of up to 45 meters instead of one or a few meters. This changes the whole perception of the Kavkaz project and makes it resemble the Kopylovskoye deposit owned by Central Asia Gold.

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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 today encompass some 747,000 troy ounces (1 troy ounce = 31.1 g) of Russian gold reserves C1/ C2. CAG AB plans to produce approximately 1,000 kg of gold (32,000 oz) during 2007.

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