

Central Asia Gold

INTERIM REPORT DATED February 27, 2009

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

(NGM: CAG)

- **On December 22, 2008 an EGM in Central Asia Gold approved of the acquisition in kind of Russian gold mining group New Mining Company (“NMC”). Payment is 3 billion new CAG shares and 500 million warrants each with a strike price of SEK 0.20 per share. As a result of the share issue the owners of NMC will become dominant owners of CAG. NMC owners have received exemption from the mandatory bid rules in Sweden. The transaction is to be formally completed within the next few days.**
- **The 2009 gold production target for the new combined company is 800 kg – 1 000 kg provided sufficient external financing is received in a timely manner and total approved gold reserves C1/C2 are expected to reach 30 – 35 tons at year end 2009. As per the report date they amount to approximately 25 tons.**
- **At the same EGM it was approved to dividend out (spin off) all the remaining shares held by CAG AB in subsidiary Kopylovskoye AB. The dividend was effected in late December 2008 and as a result Kopylovskoye AB now has some 4,700 shareholders. The dividend everything else equal reduced CAG AB group’s total assets by some MSEK 220 and group equity by some MSEK 109.**
- **CAG group gold production during 2008 amounted to 834 kg (1,073 kg in 2007), whereof 116 kg were produced during the quarter October – December 2008 (250 kg).**
- **The new gold reserve report in respect of the Tardan deposit was approved in the fourth quarter of 2008. The registered reserves are 8.4 tons in the C1 and C2 categories. During December 2008 8.1 tons of C1/C2 reserves were also approved in respect of the Bogomolovskoye deposit belonging to new subsidiary GRE 324 (ongoing acquisition from NMC group).**
- **Consolidated revenues for financial year 2008 amounted to TSEK 230,203 (TSEK 231,597). The corresponding figure for the last quarter (October - December 2008) was TSEK 24,534 (TSEK 81,560).**
- **The net result after tax for the report period was TSEK -91,185**

(TSEK -2,689). For the fourth quarter the net result after tax amounted to TSEK -24,078 (TSEK -9,611). The net result for the report period includes an impairment charge relating to OOO Artelj Lena and OOO Artelj Tyva amounting to TSEK -44,033. Also, it includes a realization loss of TSEK -11,831 relating to the sale of 12.5% of the shares of Kopylovskoye AB to a group of external investors.

- EPS was SEK -0.186 for financial year 2008 (SEK -0.014). For the last quarter of the report period, EPS was SEK -0.043 (SEK -0.027).

Comments by the Managing Director

The fourth quarter of 2008 was yet another very turbulent period for the global economy including for Russia and Central Asia Gold. As opposed to most other commodities, the price for gold at least held up rather well thus giving a little relief to our sector.

In Russia, the effects of the crisis have in the gold sector during early 2009 inter alia been a sliding rouble and falling fuel prices. These factors are positive to CAG, although not necessarily to the Russian economy as a whole.

As discussed in the last interim report the overall situation for our company with a falling gold production during the second half of 2008 as compared to the previous year was challenging. The Tardan project went through the compulsory reserve approval procedure in November, and as a result 8.4 tons of gold reserves C1/C2 were registered. The recommended enrichment scheme is a heap leaching plant. In order to construct it more financing is needed. With this background, the Board of Directors in the fourth quarter of 2008 proposed to first dividend out the Kopylovskoye AB subsidiary to CAG's shareholders and then to merge the remaining CAG AB with Russian gold mining group NMC. A number of synergies are believed to arise as a result of the merger, and in particular NMC's main owner Preston Haskell has undertaken to guarantee the financing need for the combined group in 2009. The merger proposal was approved by an EGM in CAG and completion is due in the next few days. At year end 2009 the new group is estimated to have approved gold reserves C1/C2 of 30 – 35 tons and gold production during 2009 is estimated to end in the range 800 kg – 1,000 kg provided sufficient external financing is received in a timely manner .

Torbjörn Ranta, Managing Director

Background

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. CAG AB is currently completing 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 will become parent company of an enlarged group of Russian gold mining subsidiaries. The issue will also lead to current shareholders of NMC, primarily the American entrepreneur Preston Haskell, becoming main owner of CAG AB. Before completing the acquisition in kind, CAG AB on December 30, 2008 dividended out all the shares in its subsidiary Kopylovskoye AB pro rata to the

CAG AB shareholders. The dividend, or spin off, implies that Kopylovskoye AB was deconsolidated in the CAG AB group balance sheet before year end 2008, however in the group profit and loss account it is included until end of 2008.

The group structure as per year end 2008 (before merger with NMC companies) consists of the Swedish joint stock parent company, which controls three subsidiaries in Russia. One of them is dormant. The Russian subsidiaries are of the limited liability type (“OOO”). The three subsidiaries also own several sub-subsidiaries. The operations involve exploration and production of gold, primarily in the Tyva and Irkutsk regions in Russia. Gold production by the Russian subsidiaries was 834 kg in 2008.

The group’s main assets comprise a large number of mineral licences held by the various subsidiaries. The licences, as at early January 2009, are estimated to contain 455,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories, as well as 745,000 oz of P1 gold resources and 6,225,000 oz of P2 gold resources. The Russian reserve standards do not take account of economic viability to the same extent as in the West. 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 somewhat questionable at this point in time. They amounted to some 196,000 oz (6.1 tons) C1+C2 as at beginning of 2009. The ongoing rouble depreciation may though positively impact on Russian gold production costs in general, and in particular on those of alluvial gold companies.

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 end of December, 2008.

NMC group

Via the acquisition in kind of NMC group, CAG AB receives title to an additional five Russian limited liability companies located in Russian Tchita region bordering to China. The NMC companies own the license to the so called “Staroverinskaya gold prospective zone”, and there are currently two gold mining deposits and one alluvial deposit defined in the area. The two mining deposits were detected in the Soviet times. The first deposit, Bogomolovskoye, went through a compulsory gold reserve review by the Russian authorities in late 2008. The approved gold reserves are 8.1 tons in the categories C1/C2. Pilot gold production was started from an existing heap leaching plant in 2008, when some 130 kg of gold was recovered. The second gold mining deposit, Kozlovskoye, was assigned some 10 tons of gold reserves C1/C2 in the 1960ies. It is not currently in development. The alluvial deposit, Zolotaya Borzya, holds some 2 tons of recoverable alluvial gold reserves C1/C2. Approximately 140 kg of gold was produced in 2008 from the alluvial project, and thus NMC group in total produced 270 kg of gold in 2008. A number of additional gold occurrences exist in the license area, and exploration work is taking place on some of them. Total number of employees in NMC group was 300 as per end of December 2008. The NMC companies are by year end 2009 believed to hold some 20 tons of approved gold reserves C1/C2, and the previous target of increasing this figure by an additional 10 tons during 2010 remains.

In connection with the transfer to CAG AB of NMC, the NMC subsidiaries will restructure their balance sheets. According to pro-forma calculations by NMC

management, NMC group will by year end 2008 have approximately 57 MSEK of equity and a positive working capital. NMC gold production for 2009 is estimated at some 300 - 400 kg. For further info on NMC and on the merger impact on CAG AB, please go to the CAG AB website (www.centralasiagold.se), where the latest company presentation describes the combined group.

Results – the Group

For the twelve month period ended December 31, 2008 the group reports a net result after tax of TSEK -91,185 (TSEK -2,689) which corresponds to SEK -0.186 per share (SEK -0.014). For the last quarter of the report period the net result after tax was TSEK -24,078 (TSEK -9,611). This corresponds to EPS of SEK -0.043 (SEK -0.027). 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 -44,033. Further, a realisation loss of TSEK -11,831 is included in respect of the sale of 12.5% of the shares in subsidiary Kopylovskoye AB to external investors during the fourth quarter of 2008. When comparing the net results of 2007 and 2008, it should also be recognized that a one-off capital gain of TSEK 25,968 was included in the net result for the 12-month period in 2007.

Consolidated gold sales revenues were TSEK 150,726 (TSEK 160,967) during the financial period. For the quarter October – December 2008 gold sales amounted to TSEK 34,146 (TSEK 58,868). The gold volume sold was 836 kg for the full report period, whereof some 177 kg during the last quarter.

In addition, a revenue component of TSEK 19,770 (TSEK 19,910) 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. 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 applicable to external clients is included in the group accounts. The ownership of the transportation subsidiaries was sold at the end of September 2008 in connection with taking over the transportation equipment used by CAG AB group. Thereby these two companies were deconsolidated in the group as from the fourth quarter of 2008. The service revenues were TSEK 2,119 during the last quarter of the report period (TSEK 7,866).

The change in stock of finished and semi-finished goods amounted to TSEK 5,864 (TSEK 6,973). During the last quarter the same change was TSEK -21,065 (TSEK -11,815).

During the 12-month 2008 report period total exploration costs of TSEK 53,745 were capitalized at subsidiary level. In the corresponding 12-month period of 2007 TSEK 43,255 was capitalized as mining permits. For the quarter October – December 2008 the capitalization component amounted to TSEK 9,334 (TSEK 26,959).

Total operating costs in the group during the 12-month 2008 report period amounted to TSEK 305,643 (TSEK 256,845). For the quarter October – December 2008 the operating costs were TSEK 33,456 (TSEK 90,825). The above mentioned impairment

charges are included in the operating costs for the full report period. The difference in operating costs between the respective 12-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 –21,520 for the report period (TSEK 34,228). For the last quarter of the report period the net financial items were TSEK -16,274 (TSEK 7,326). The difference between the years is mainly explained by the above described capital gain of TSEK 25,968 that arose in the third quarter of 2007. That gain related to subsidiary Kopylovskoye AB. In the last quarter of 2008 a share block of 12.5% of subsidiary Kopylovskoye AB was sold for TSEK 10,000 to a group of external investors. The sale resulted in a realization loss of TSEK -11,831 in the CAG AB group accounts.

The tax income for the report period was TSEK 5,775 (TSEK -11,669) and the minority share of the net result was TSEK –5,038 (TSEK 3,077). For the quarter October - December 2008 the tax income amounted to TSEK 1,118 (TSEK -7,672), and the minority share was TSEK –1,032 (TSEK 1,685).

Effects of Kopylovskoye AB dividend at end of December 2008

The dividend of Kopylovskoye AB group to the CAG shareholders on December 30, 2008 implies that Kopylovskoye AB group's profit and loss account is included in the CAG AB group profit and loss account for financial year 2008. The balance sheet of Kopylovskoye AB was however deconsolidated before year end 2008. Everything else equal the dividend reduced CAG AB group equity by some MSEK 109 and reduced the total assets by some MSEK 220. Also, the minority part of equity in CAG AB's group balance sheet was significantly lowered as a result of the dividend.

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 few years.

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. 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 the ongoing rouble depreciation make the Board of Directors of CAG see no reason to impair the Tardan project as at the end of December 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 – December 2008 amounted to some 83,000 tons (53,000 tons), whereof approximately 11,000 tons during the last quarter (22,000 tons) of the report period. The total volume of chemically pure gold produced during the report period was about 184 kg (194 kg), whereof some 18 kg during the quarter October – December 2008 (99 kg).

The processing plant was put on care and maintenance by the end of 2008. Gold production at Tardan is planned to be resumed once a new heap leaching plant has been constructed.

Kopylovskoye AB

An EGM in Central Asia Gold held in the end of December 2008 resolved to dividend out all remaining shares in Kopylovskoye AB to the shareholders of CAG AB. The record date was December 30, 2008. The share capital structure of Kopylovskoye AB had prior to this been adopted by doing a split 849:1 so that 849 million shares are now outstanding. The 62.5% ownership held by CAG AB corresponded to 530,625,000 shares, which is the number of shares outstanding also in CAG AB at year end 2008. Thus the dividend terms implied that each holder of one CAG AB share on the record date got one share in Kopylovskoye AB. Thereby the latter company now has some 4,700 shareholders.

The dividend was made free of tax for recipients according to the so called Lex Asea. The Swedish tax authorities in a resolution dated February 2, 2009 confirmed this. In the same resolution they decided that for tax purposes the original acquisition cost for

one CAG AB share (prior to the record date) shall now be redistributed so that 79% of that acquisition costs gets allocated to the CAG AB share and 21% of same cost to the Kopylovskoye AB share received via the dividend.

Prior to the dividend Kopylovskoye AB also purchased the gold exploration license Kavkaz from CAG AB via license company OOO Kavkaz. The Kavkaz license is located closely to the main license Kopylovskoye owned by Kopylovskoye AB. The purchase price was established at some two million USD and was paid via set-off of debts between CAG AB and Kopylovskoye AB.

Kopylovskoye AB is now run independently, and Mikhail Damrin, former Moscow manager of Central Asia Gold AB has been appointed CEO. The Board of Directors of Kopylovskoye AB are reviewing the future plans, and some kind of listing of Kopylovskoye AB will be considered during 2009. The intentions are also to as quickly as possible arrange for an OTC market trading of the Kopylovskoye AB share considering the relatively large number of shareholders. It is also the intention to elect a new board of Directors after holding talks with the major shareholders of the company.

During the last quarter of 2008 only limited work was conducted in the subsidiaries of Kopylovskoye AB in view of the developing financial crisis in Russia and elsewhere. A lot of work was therefore directed at cutting down costs including releasing personnel and cancelling an order for a new drill rig. Costs have thus been brought down to a minimum, and during the first quarter of 2009 a contracted international mining engineering company will review all existing data and work done so far in order to produce a report in an international format. Kopylovskoye AB board will thereafter decided on how to progress with the appraisal work. A website for the company, www.Kopylovskoye.se is planned to open towards the end of the first quarter 2009.

The dividend of Kopylovskoye AB in accounting terms resulted in CAG AB group equity being reduced by MSEK 109. At the same time Kopylovskoye AB group's total assets amounted to some MSEK 220, which were thus deconsolidated from CAG's group balance sheet. Also, since Kopylovskoye AB contained a minority of 25% as at the end of the third quarter 2008, the minority part of equity in CAG's group balance sheet has been significantly reduced as a result of the dividend.

The other gold mining projects in the Central Asia Gold portfolio

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 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. During the first half of 2008 the exploration work consisted of a shallow drilling programme involving a total 1,100 m. 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. During the second half of 2008 a comprehensive ground magnetic and dipole induced polarisation geophysical survey was conducted over a 3 square km area at Kara-Beldyr. The results of the exploration work are so far according to plan. As a result a decision has been taken to continue with another shallow drilling program during the first half of 2009. The ambitions are thereafter, provided nothing unexpected happens, to follow up with a diamond drilling program. If the logistics permit it will take place already during the middle of 2009. If not, it will take place during the second half of 2009.

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 in 2008 encountered a very difficult external environment along with their colleagues in Russia. The underlying factor for this was the inflation, which 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 bad weather conditions during September – October 2008, which also negatively impacted the operations. During the twelve month period 2008 some 650 kg of gold were produced by both subsidiaries (879 kg). The gold production during the last quarter of the report period amounted to 98 kg (151 kg).

The external factors seem to now in early 2009 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. All this will most likely lead to falling production costs this year. The factor determining future results and cash flow is the gold price during 2009 and onwards.

When the merger with mining company NMC gets fully completed, 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.

As previously stated, a minority of some 5% has been provided for in subsidiary OOO Artelj Lena during 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 already in the six-month report 2008. In the third quarter of the report period it was deemed appropriate to also impair Artelj Tyva by some 11 MSEK in the group accounts. Corresponding write-downs were done also on parent company level in Sweden. The CAG AB group holding value of Artelj Tyva and Artelj Lena is at year end 2008 some MSEK 29 and is represented by the current assets and material fixed assets in the two subsidiaries. As above stated, the economic prerequisites for Russian alluvial gold production have changed for the better during the first quarter of 2009.

Investments, liquidity and financing

Investments in material and immaterial fixed assets during full financial year 2008 amounted to TSEK 68,352 (TSEK 165,403). Thereof TSEK 19,911 applies to the fourth quarter (TSEK 42,045).

Cash in group accounts was TSEK 34,230 at the end of December 2008 (TSEK 69,843).

Sperbank 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 were fully repaid in the fourth quarter 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 financial year 2008 was TSEK -28,947 (TSEK -11,065). The corresponding result for the quarter October – December 2008 amounted to TSEK +22,796 (TSEK -5,128). Included in the 12-month result 2008 is firstly an impairment charge relating to subsidiaries Artelj Tyva and Artelj Lena amounting to TSEK -49,610. This charge was booked in the third quarter of the financial year. Thereafter, in the fourth quarter, a realization loss of TSEK -8,727 arose as a result of the sale of 12.5% of the shares in Kopylovskoye AB to a group of external investors. The sales price was TSEK 10,000. On the other hand the sale of the subsidiary OOO Kavkaz to, at that time, subsidiary Kopylovskoye AB resulted in a capital gain of TSEK 13,519. Further, the strengthening of the dollar and weakening of the rouble during the fourth quarter 2008 lead to significant currency exchange gains. By the end of the fourth quarter all remaining shares in Kopylovskoye AB were dividended out to the CAG AB shareholders. Record date for the dividend was December 30, 2008 and the shares were received in the early part of January 2009. This dividend implied a reduction of the parent company's equity by TSEK 93,558.

Cash in the parent company was TSEK 30,456 as at end of December 2008 (TSEK 8,718).

Employees

The group had on average 989 employees during financial year 2008 (1,199).

Issued shares

During the last quarter of 2008 a couple of minor shares issues were conducted. Three of them were related to the outstanding warrants that were part of the units issued in the June 2008 rights issue. The strike price of the warrants was SEK 0.55. As the CAG share price fell during autumn 2008 only a limited amount of the warrants got exercised. Also, in the end of December nearly 500,000 shares were issued to a Swedish insurance company in order to create an even amount of outstanding shares in connection with the December 30, 2008 dividend (spin-off) of CAG subsidiary Kopylovskoye AB to its own shareholders. As at the end of December 2008, and as per the report date, the number of shares outstanding in Central Asia Gold AB (publ) is therefore 530,625,000. At the EGM on December 22, 2008 it was decided to lower the quota value (par value) of the shares from SEK 0.20 to SEK 0.05. This reduction of the share capital has not been registered as per the date of this report.

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 these 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

CAG - NMC merger process development

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 his Russian partners via their holding vehicles, 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. An EGM in CAG AB on December 22, 2008 approved of the transaction, and the sellers will together control 85% of the capital and votes of CAG AB after completion of the transaction. Following completion a new Board of Directors and new management will get appointed in CAG AB. The transaction is to be formally completed within the next few days.

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 amounted to some 270 kg for 2008. A heap leaching plant exists and is in early stage of operations. The first of the two mining deposits went through reserve approval procedures in late 2008. The estimated gold reserves of the three deposits are some 20 tons for the time being, whereof approximately 10 tons are approved and registered. Forecast gold production in 2009 for NMC group is 300 - 400 kg.

Appointment of Board election committee

The Board election committee of Central Asia Gold 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.

EGM to be held on March 12, 2009

An EGM has been convened on March 12, 2009. The notice is available on the CAG website on the internet www.centralasiagold.se. The main item agenda is the appointment of a new board of Directors. The proposed board consists of Preston Haskell (proposed as Chairman), Sergey Gorbachev, Lars Guldstrand, Maxim Kondratjukin, Mike Nunn, Patric Perenius, Risto Silander and Alice Volgina. Further it is proposed to make a reverse split 200:1. The number of outstanding shares after

the NMC acquisition will thereafter be 16,653,125. Lastly it is proposed to give the new Board of Directors a mandate to conduct shares issues of up to 10,000,000 new shares (after reversed split) with or without observing the existing shareholders' preferential rights.

Next report due

The next financial report due is the interim report for the quarter January – March 2009. It will be released on May 27, 2009, which is also the date of the Annual General Meeting 2009. Before that the annual report will be published on April 30, 2009 at the company's internet website. The other report dates in 2009 are:

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)

	Note	3 months 2008-10-01 - 2008-12-31	3 months 2007-10-01 - 2007-12-31	12 months 2008-01-01 2008-12-31	12 months 2007-01-01 2007-12-31
Net sales		36 265	66 734	170 496	180 877
Capitalised costs		9 334	26 959	53 745	43 255
Change in stock of finished and semi-finished goods *)		-21 065	-11 815	5 864	6 973
Other operating revenues			-318	98	492
Total revenues		24 534	81 560	230 203	231 597
Operating costs					
External costs		-2 702	-26 191	-139 436	-115 052
Salary related costs		-23 630	-49 774	-91 277	-106 275
Depreciation		-7 087	-14 860	-30 897	-35 518
Write-down of fixed assets relating to Artelj Lena and Artelj Tyva		-37	-	-44 033	-
		-33 456	-90 825	-305 643	-256 845
Operating result		-8 922	-9 265	-75 440	-25 248
Net financial items	1	-16 274	7 326	-21 520	34 228
Result after net financial items		-25 196	-1 939	-96 960	8 980
The period's tax cost	2	1 118	-7 672	5 775	-11 669
Net result after tax for the period		-24 078	-9 611	-91 185	-2 689
Whereof attributable to the shareholders of the parent company		-23 046	-11 296	-86 147	-5 766
Whereof attributable to the minority		-1 032	1 685	-5 038	3 077
<i>Earnings per share before dilution, SEK</i>		-0,043	-0,027	-0,186	-0,014
<i>Earnings per share after dilution, SEK **)</i>		-0,043	-0,027	-0,186	-0,014

Number of shares issued at period end	530 625 000	412 210 070	530 625 000	412 210 070
Average number of shares for the period	530 202 817	412 210 070	463 300 212	405 677 654
Average number of shares for the period after dilution **)	530 202 817	412 210 070	463 300 212	405 677 654

***)* There are 14.5 million outstanding call options at end of December 2008 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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GROUP BALANCE SHEET (all amounts in TSEK)	Note no	Dec 31, 2008	Dec 31, 2007
ASSETS			
FIXED ASSETS			
<i>Immaterial fixed assets</i>		103 791	213 535
<i>Material fixed assets</i>		86 182	175 882
<i>Financial fixed assets</i>	3	5 832	23 658
Total fixed assets		195 805	413 075
CURRENT ASSETS			
Inventories	3	76 538	55 506
Current receivables		53 260	75 989
Cash and bank		34 230	69 843
Total current assets		164 028	201 338
TOTAL ASSETS	4	359 833	614 413
EQUITY AND LIABILITIES			
Total equity	4	252 795	391 505
Minority interest		1 595	51 324
Long term liabilities		44 291	84 901
Current Liabilities		61 152	86 683
TOTAL EQUITY AND LIABILITIES		359 833	614 413
ASSETS PLEDGED			
Bank accounts		-	50
Material fixed assets	5	8 182	
CONTINGENT LIABILITIES			
			-

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GROUP CASHFLOW ANALYSIS

(All amounts in TSEK)

	3 months Oct - Dec 2008	3 months Oct - Dec 2007	12 months Jan - Dec 2008	12 months Jan - Dec 2007
Operating activities	503	6 760	-510	10 270
Paid/received interest and similar items	-1 563	1 850	-8 193	4 614
Cash flow from operations before changes in working capital	-1 060	8 610	-8 703	14 884
Changes in working capital	8 960	45 284	14 836	-11 741
Net cash flow used in operating activities	7 900	53 894	6 133	3 143
Net cashflow used in investing activities	-19 911	-42 045	-68 352	-165 403
Net cash flow from financing activities	-14 410	3 074	26 534	149 790
Increase in cash and bank	-26 421	14 923	-35 685	-12 470
Cash and bank at the beginning of the period	60 598	54 524	69 843	81 947
Translation difference in cash and bank	53	396	72	366
Cash and bank at the end of the period	34 230	69 843	34 230	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
New issues	9 203	86 496			95 699
Issue costs		-12 649			-12 649
translation difference			-2 471		-2 471
The net result for the period				-2 690	-2 690
Equity as at December 31, 2007	82 442	332 359	-8 886	-14 410	391 505
New issues	23 683	41 652			65 335
Issue costs		-8 046			-8 046
Spin-off Kopylovskoye AB		-93 558		-15 473	-109 031
translation difference			4 217		4 217
The net result for the period				-91 185	-91 185
Equity as at Dec 31, 2008	106 125	272 407	-4 669	-121 068	252 795

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12 months

12 months

KEY RATIOS

2008-12-31

2007-12-31

Group

Total assets, TSEK	359 833	614 413
Total equity, TSEK	254 390	442 829
Equity ratio, %	70,7%	72,1%
Interest bearing debt, TSEK	28 583	47 636
Employees at period end	868	1 201

Per share data

Earnings per share, SEK	-0,186	-0,014
Equity per share (SEK)	0,479	1,074
Return on equity (%)	-26,2%	-0,7%

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

Notes to the accounts

- Number 1** Net financial items for the financial year 2007 includes a one-off capital gain of TSEK 25,968. The same item for 2008 includes a one-off realization loss of TSEK 11,831 in respect of the sale of 12.5% of the shares in Kopylovskoye AB to a group of external investors.
- Number 2** The tax income for the financial year 2008 consists of actual paid tax of TSEK -122. The remaining tax item relates to a change in deferred tax.
- Number 3** A reclassification has been done during the last quarter 2008 of tailings from the gravimetric production process. The tailings are as from fourth quarter 2008 considered to be a current asset. Previously they were classified as a financial fixed asset. The amount reclassified was TSEK 57,108. The same adjustment has also been made for financial year 2007. The reclassified amount in 2007 was TSEK 28,658. These adjustments have not had any effect on the net results for the periods.
- Number 4** The spin-off of Kopylovskoye AB to the CAG AB shareholders by year end 2008 resulted in a reduction of CAG AB group equity by MSEK 109. Total assets were at the same time reduced by MSEK 220.
- Number 5** Pledged assets refer to material fixed assets in subsidiary OOO Tardan Gold. They serve as security for a credit extended by Russian commercial bank Sberbank.

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 during 2008 extended 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.
- 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.
- 6) *Merger risk*: CAG AB is as above described in the final stage of the merger with Russian gold group NMC. Should for some reason this merger process not get completed, CAG AB would be in a very challenging situation.

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 has started to adopt to the code demands. Accordingly a Board election committee was appointed in autumn 2008 (see above). Also, during 2008 a separation was completed between management functions on subsidiary level and owner and board functions on group level. On the same grounds, most of the related party transactions were discontinued during the second half of 2008.

Security services

The various subsidiaries in Russia sometimes purchase security and guard services from the company OOO Ochrannaya Firma Shtjiit. Michail Malyarenko owns 60% of this company. These services are charged for at market price. During 2008 the various subsidiaries of CAG AB group paid a total of TSEK 3,341 for such services (TSEK 5,312).

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 then 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 2008 the Central Asia Gold group has paid TSEK 134 in office rents (TSEK 426). 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 in spring 2008 almost fully stopped purchasing management services, partly in order to comply with the new code demands for Swedish listed companies. During 2008 Central Asia Gold paid, via its subsidiaries, a total of TSEK 3,148 (TSEK 7,943) 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 has during 2008 performed 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 2008 construction work equivalent to TSEK 4,425 (TSEK 13,715) 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, February 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 455,000 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.