



INTERIM REPORT DATED May 23, 2011

**Central Asia Gold AB (publ)**

**Interim report for the three-month period from January – March 2011**

- Consolidated revenues for the first quarter 2011 amounted to MSEK 34.3 (MSEK 30.2).
- The amount of gold produced was 52 kg (68 kg).
- Inventories increased during the period by MSEK 45 (MSEK 23).
- EBITDA for the period was MSEK -6.0 (MSEK 1.1).
- The net result, after tax and non-controlling interest, was MSEK -11.1 (MSEK -5.4).
- Earnings per share for the period was SEK -0.69 (SEK -3.05).
- MSEK 45 has been invested in mobile and mining equipment at Gold Borzja, Solcocon and Tardan.

**Major events after the end of the reporting period**

- In April 2011 Sibirskoe Zoloto acquired 30% of the shares in LLC Artelj Lena from LLC Tardan Gold for MRUB 30 or MSEK 6.7.
- In May 2011 the reserve commission of the Zabaikalsk Region approved and registered 9.1 tonnes of gold reserves at the Kozlovskoe gold deposit in addition to current Group reserves.
- The MRUB 500 or MSEK 112 loan from Svyaz Bank to Tardan Gold was re-structured and extended until the end of March 2012.

## **Comments by the CEO**

The strategy agreed upon by the board of CAG remains consistent with the operational results currently being achieved by the team and whilst there have been some delays to the planned delivery schedule of our production facilities, we envisage this being more of a timing issue and will not materially affect the targeted results going forward.

## **Operations**

During the quarter the company continued to focus its resources on commissioning the plant at Tardan and facilitating the permissions for the usage of cyanides as a key part of the future heap leaching operations at the mining site.

It is expected that these permits will be received in Q3 2011 and whilst this will inevitably constrain production in the near term, the company will continue ore mining, crushing, and stacking for the heap leaching operations during the current quarter to prepare for the start of production and thereby minimize the impact of the delays to the 2011 production program.

Historically, at Solcocon, heap leaching was a seasonal operation and during winter these operations would be placed on care and maintenance. Following the recent reconstruction works completed during 2010, the Solcocon plant operated throughout the winter of 2010/2011. Q1 results have indicated that the plant operated efficiently during the winter period.

During Q1 a total of MSEK 45 was invested in mining and mobile equipment for use at Solcocon, Tardan and Gold Borzya. This additional investment was made in order to replace depreciated equipment and to reduce the overall cost of production via the replacement of more costly leased equipment.

## **Exploration**

During the 1st Q 2011 over 24,000 geo chemical samples from Staroverinskaya, Tardan, Uzhunzhul were tested by Alex Stewart Geochemical laboratory in Moscow with very promising results

In-fill drilling was continued by Centerra Gold and at Kara Beldyr during Q1 with promising results. The drilling is focused on evaluating potential of the core of Kara Beldyr prospect. Maps sections and database for block modeling are underway.

Laboratory test on results from the Staroverinskay license deposit, Bogomolovskoe and Kozlovskoe sulfate ores has been received, the task included bioleaching sulfate ores from both deposits can be used to oxidize gold-baring minerals and increase recovery of gold by cyanide leaching. Further reaches will be required.

## **Major Events**

The registration of additional 9.1 tons of gold reserves at the Kozlovskoe gold deposit will significantly help to increase gold production at Solcocon

The sale to Sibirsky zoloto, of 30 % of CAG shares and artel Lena confirms the commitment to exit alluvial mining.

CAG continued its commitment to identifying top management recruits from successful Russian mining companies and to this effect we have hired a Chief Technical Director, GEO technologist and Chief Mining Director during the 1st quarter. We remain of the belief that by securing strong hires during the early stages of the Company's production growth, CAG will be better positioned to exploit the implicit value from its deposits and will be better equipped to identify and secure additional resource going forward.

Overall, my belief is that we are now standing on the threshold to have turned the company in to an efficient gold-mining operation with capacity to produce 2,000 kg gold annually. In addition we have adopted measures that will enable us to further extend the lifetime of our mines through a structured exploration programs on our large license areas.

For 2011, our earlier estimate of gold produced in the range of 1,400 – 1,600 kg remains.

***Preston Haskell***  
***Chief Executive Officer***

## Background

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. In March 2009 CAG AB completed the merger with the Russian gold mining group New Mining Company ("NMC") by way of an issue in kind.

The group structure consists of the parent company, a Swedish public limited liability company, which controls ten subsidiaries in Russia and participates in joint venture incorporated under the law of Cyprus. All subsidiaries in Russia are of the limited liability type (LLC). The operations involve exploration and production of gold, primarily in the Tyva, Tchita and Irkutsk regions in Russia.

The group's main assets comprise a large number of mineral licenses held by the various subsidiaries. The licenses as at the end May 2011 are estimated to contain almost 1,042,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 32 tons).

CAG AB was publicly listed at the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005 and since 19 July 2010 is listed at the Swedish stock exchange NASDAQ OMX First North Premier. The number of shareholders was approximately 3,800 as of March 31, 2011.

### GOLD RESERVES 2011

Company	Alluvial / Ore	Gold reserves C1 (ton)	Gold reserves C2 (ton)	Gold reserves C1/C2 (ton)	Prognostic Resources P1/P2 (ton)	Gold production Q1 2011 (kg)	Gold production Q1 2010 (kg)	Gold production 12m 2010 (kg)
<u>CAG units</u>								
Tardan Gold	Ore	5,5	2,3	7,8	22	20	68	160
Kara Beldyr**	Ore / Exploration				22			
Uzhunzhul	Ore / Exploration				26			
Artel Lena	Alluvial	2,6	1,2	3,8	2			164
<u>NMC units</u>								
GRE (Staroverinskaya license)					132			
Nizhnyaya Borzia*	Alluvial	0,6	1,7	2,3				235
Bogomolovskoye*	Ore	0,036	9,3	9,3		32		171
Kozlovskoye*	Ore	2,3	6,8	9,1***				
Solocon	asset holder							
Boreservice	drilling works							
Gold borzia	alluvial operator							
Rudtechnology	heap-leaching factory operator							
<b>Total:</b>		<b>11,0</b>	<b>21,4</b>	<b>32,4</b>	<b>204</b>	<b>52</b>	<b>68</b>	<b>730</b>

\*Units are part of GRE (Staroverinskaya licence)

\*\*Joint Venture with Centerra Gold

\*\*\* Registered in May 2011

C1 and C2 are registered gold reserves according to Russian standards. Please note that according to Russian standards C2 is classified as reserves.

Bearing in mind that the difference between western and Russian categories and no linear relationship between the Russian and western categories exists.

P1 and P2 are prognostic (forecasted) resources that are estimated on a limited exploration data. This category was used in Soviet Union (and is used in Russia) to quantify the area potential. P1 and P2 as quantitative measures do not exist in Western practice due to its high uncertainty.

## **Operations**

The operations of the Group are performed via the subsidiaries and a joint venture in Russia. The main mining licenses operated are the Tardan licence with the Tardan deposit (owned by the subsidiary LLC Tardan Gold), the Staroverinskaya license with the Bogomolovskoye and Kozlovskoye deposits (owned by subsidiary GRE 324), the Kara Beldyr license operated in a joint venture, Awilia Enterprises Ltd, with Centerra Gold Inc. and the Uzhunzhul license (owned by subsidiary LLC Uzhunzhul). On the basis of the Staroverinskaya license, the Group has the Solcocon Heap leaching plant (in subsidiary LLC Solcocon). Apart from these mining operations, the Group also has two alluvial mining subsidiaries, LLC Artelj Lena and LLC Gold Borziya, where placer production is conducted.

## **Mining Operations**

### **Tardan**

20 kg of gold was produced at the Tardan gravitational plant in the first quarter of 2011 (68 kg). Relatively low feed grade and lower gravitation recovery has caused lower production at the gravitational plant in the first quarter 2011 compared to the first quarter 2010.

### **Heap Leach Plant Construction**

The construction of the heap leaching plant has continued according to plan and during the report period 35 kg of gold has been accumulated on activated carbon during the trial irrigation. The heap irrigation was stopped in April due to low cyanide content in leach solutions. Pregnant carbon has been dewatered and stored. Irrigation and carbon processing will resume when the cyanide usage license is received.

The delay in cyanide usage permit compared to prior estimates has been caused by a stricter handling and review of application process and procedures by the authorities that lead to a longer and more thorough application and report process.

When the construction of the heap leaching plant is completed, estimated in early July, the company estimates that the final handling of the application process for the cyanide permit will take approximately one month before the permit is granted. Meanwhile, the company undertakes periodic updating meetings with the relevant authorities to ensure that the permitting process goes without any problems so that the permit can be granted without any further delays. The company estimates the cyanide permit to be granted during the third quarter.

Ore crushing for the heap leaching plant began already in April and the company will continue ore mining, crushing, and stacking for heap leach operation in the second quarter to minimize the impact of cyanide usage delays to the 2011 production program.

### **Solcocon**

32 kg (0 kg) of gold was produced at the Solcocon heap leaching plant in the first quarter 2011. The gold production was from irrigation of the heaps stacked during the 2010 season.

Previously the Solcocon heap leaching plant was a seasonal operation and was placed on care and maintenance during the winter period. After the reconstruction works that was completed during 2010 the operations at Solcocon has continued throughout the winter of 2010/2011. The results from the first quarter have shown that the plant worked efficiently during the winter period, but since the stacking of

ore continues to be a seasonal operation and is not completed in winter, gold production at the plant will be reduced during the winter time as the heaps become depleted.

A total of MSEK 18 has been invested in mining and mobile equipment at Solcocon in the first quarter 2011. In addition to replacing depreciated machinery, the investment will help to reduce production costs at Solcocon by terminating costly leasing agreements.

### **Gold Borzja**

A total of MSEK 12 has been invested in mining equipment at Gold Borzja in the first quarter 2011. The new equipment will mostly eliminate the need for leasing of equipment at Gold Borzja during the 2011 mining season and will help to reduce production costs.

During the period employment of seasonal staff and mining site preparation for the drill-and-blast was started in March.

### **Artelj Lena**

A partnership agreement with Sibirskoe Zoloto, a specialized alluvial mining company, was signed in February 2011. According to the agreement the partner has guaranteed a MRUB 150 or MSEK 33 line of credit to Artelj Lena, part of which will be used for equipment renewal and exploration in 2011.

The partner will also be responsible for mining operations and cover production costs in 2011, in exchange for 85% of Artelj Lena's future revenues, meaning that CAG is guaranteed a 15% margin on the production of Artelj Lena. During the reporting period seasonal staff employment, equipment preparation, and mobilization (staff, fuel, equipment, and materials delivery to remote mining sites) took place.

## **Exploration**

### **Geochemical Surveys**

During the first quarter of 2011 assaying of geochemical samples collected in surveys at the company's license areas continued at the Alex Stewart Geochemical laboratory in Moscow.

<b>License Area</b>	<b>Total Samples</b>	<b>Assayed as of May 2011</b>	<b>% of Total</b>
Staroverinskaya	18,241	7,286	40%
Tardan	16,200	12,018	74%
Uzhunzhul	5,656	5,656	100%
<b>Total</b>	<b>40,097</b>	<b>24,960</b>	<b>62%</b>

### **Staroverinskaya**

TEO and the reserve statement for the Kozlovskoe deposit were finalized in the first quarter of 2011 and mining engineering for the Kozlovskoe deposit has started and will be completed in the second quarter. The project expertise and permitting process for mining at Kozlovskoe will take several months and processing of Kozlovskoe's high grade ores at Solcocon will not happen in 2011 but will contribute significantly to Solcocon's gold production in 2012.

Laboratory tests results on Bogomolvskoe and Kozlovskoe sulfide ores have been received in April. The tests have concluded that bio leaching of sulfide ores from both deposits can be used to oxidize gold-bearing minerals and increase recovery of gold by cyanide leach. Further research will be required to optimize the bio-leaching process for Bogomolvskoe and Kozlovskoe ores and get recommendations for pilot tests. In March exploration started at extensions of the Podgornoe ore bodies to increase heap-leachable reserves for the Solcocon plant.

### **Tardan Field and Uzhunzhul**

During the first quarter geochemical samples assaying and data processing for Tardan Field and Uzhunzhul have continued. This work will be completed for both license areas by the end of the second quarter.

### **Kara Beldyr**

A drilling program (50 by 50 m grid) was carried out in the prospect area, maps, sections and a database for block modeling are underway and metallurgical samples were submitted to the SGS Lab in Chita for analysis.

## **Income, result and financial position**

### **Result for the Group**

For the three month period ended March 31, 2011 the group reported a net result after tax and non-controlling interest of TSEK -11,098 (TSEK -5,380) which corresponds to SEK -0,69 per share (SEK -3,05).

Consolidated gold sales were TSEK 14,710 (TSEK 16,095) during the period. In total 52 kg of gold was sold during the three month period (63 kg). The amount of gold produced in the first three months of 2011 was 52 kg (68 kg). In addition, 35 kg was accumulated on activated carbon at the Tardan heap leaching plant at the end of the reporting period.

Total operating costs for the group during the reporting period amounted to TSEK -44,839 (TSEK -36,743). The change in stock of finished goods amounted to TSEK 17,143 (TSEK 11,298) during the reporting period. The increase in operating expenses is an effect of the increased activity in the production process where the Solcocon heap leaching plant has been in production during the first quarter of 2011, whilst it was not in production the first quarter 2010, and the comprehensive preparation work that has been performed at Tardan to prepare the plant for production as soon as the cyanide permit is granted and thereby reduce the effect of the delay of the permit on the production program for the year.

During the first quarter in 2010, Solcocon had 21 employees as compared to a work force of 177 employees during the first quarter 2011, adding MSEK 3.3 to payroll expenses. Apart from the re-starting of the plant at Solcocon, an increase of 15% in fuel costs also contributed to the quarter on quarter increase in total operating expenses.

The change in the salary policy at Artelj Lena made in the second quarter 2010 also influenced the employee benefit expenses. During previous year's only a small fixed part of salary expenses was accrued and paid during the year and the main part was calculated, accrued and paid at the end of the year based on actual results. According to the new scheme even fixed salary allocation is being implemented. Such modification increased payroll expenses with MSEK 2,4. The change in salary policy had no impact on full year results.

Inventories increased significantly during the first quarter due to the purchase of fuel and spare parts for production season and heap preparation works for the new factory at Tardan, including blasting works, ore crushing and stacking.

During the three months from January – March 2011 total exploration costs of TSEK 2,239 (TSEK 2,712) were capitalized.

Net financial items were TSEK -1,206 (TSEK 9,310) for the reporting period. In the first quarter 2010 CAG had significant funding of debt denominated in USD at the Russian subsidiary level, therefore the net financial items figure for comparable periods mostly relates to exchange rate gains caused by the increase of RUB/USD exchange rate. There were no significant foreign exchange fluctuations in the first quarter 2011.

Income tax for the reporting period was TSEK 615 (TSEK -8,226). It is predominantly related to change in deferred taxation at the subsidiary level. In 2010 significant taxable income on Gre-324 entailed the utilization of previously accumulated deferred tax asset, which explains the significant amount of tax expense for the comparable period.

The non-controlling interest of the net result for the reporting period was TSEK -2 (TSEK -108). It relates to the subsidiary LLC Artelj Lena.

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

During the first quarter of 2011, total investments amounted to MSEK 58 (MSEK 1).

In July 2010 Tardan and Svyaz-Bank concluded a loan agreement providing for a MRUB 500 or MSEK 112 credit line to finance the development of the mining and processing of ore by heap leaching at Tardan (including construction, purchase of equipment and commissioning of the heap leaching complex). The funds were drawn down by the lender from July 2010 through February 2011. The amortization schedule will begin in August 2011 through March 2012. The annual interest rate is 12%.

In December 2010 GRE 324 concluded the new loan agreement with Svyaz-Bank providing MRUB 300 or MSEK 67 credit line at 12% annual interest rate. MRUB 200 or MSEK 44 out of 300 MRUB was invested in equipment for Solcocon (Rudtechnology) and Gold Borzia, which will enable to increase and upgrade production assets. The rest MRUB 100 or MSEK 22 financing were invested in working capital supporting winter-spring season activity and mining preparatory works.

In February 2011 LLC Artelj Lena received MRUB 150 or MSEK 33 credit line at 12,5% annual interest rate from ATB bank.

In April 2011 Golden Impala Ltd - company related to the major shareholder Preston Haskell, opened an unsecured credit line up to MUSD 3.6 with 16% interest rate per annum, which will serve the current and short term working capital requirements of Central Asia Gold AB. Maturity will fall due in September 2012.

Consolidated cash balance was TSEK 9, 265 (TSEK 5,056) at the end of March 2011.

### **Employees**

The group had on average 803 (529) employees during three months of 2011. As per the end of March 2011 the number of employees in the group was 954 (651). Significant increase in number of



employees is caused by the restart of Solcocon heap leaching factory in the second quarter of 2010 (additional 150 employees) and by new heap leaching factory construction at Tardan (additional 165 employees).

## **Capital Structure**

The number of issued shares currently amounts to 16,016,987 (1,765,313 at the end of Q1 2010). The limits of the share capital are a minimum of TSEK 150,000 and a maximum of TSEK 600,000.

The quota value of each share is 11,25 SEK, and each share carries one vote.

## **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. Thus it usually 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 effects assets and liabilities denominated in foreign currencies which may impact the results.

The net result for the three month period from January - March 2011 was TSEK 57 (TSEK -1,226).

Cash in the parent company was TSEK 1,512 (TSEK 832) at the end of March 2011.

## **Significant events after the end of the reporting period**

### ***Gold reserves registration at Kozlovskoe deposit***

The reserve commission of the Zabaikalsk Region (TKZ) has approved and registered with the State Reserve Records 2,3 tonnes of C1 and 6,8 tonnes of C2 gold reserves, a total of 9,1 tonnes of C1+C2 reserves at the Kozlovskoe gold deposit in May 2011.

### ***Sale of shares in Artelj Lena***

Taking into account the ore orientation of the CAG policy, Artelj Lena is not strategic to the Group's core business and does not have a role in CAG's long-term strategy. In April 2011 Sibirskoe Zoloto which acted as a partner since February 2011 acquired 30% of the share in LLC Artelj Lena from LLC Tardan Gold for MRUB 30 or TSEK 6,700.

### ***Tardan loan reschedule***

On May 19, 2011 the Credit Committee of AKB Svyaz Bank approved a new repayment schedule for the principal repayment of the Tardan loan facility. The amortization of this facility will begin in August 2011 through March 2012. MRUB 170 or MSEK 38 out of MRUB 500 or MSEK 112 will be repaid during 2012.

## **Next report due**

The next financial report due is interim report for the period January-June 2011. It will be released on August 18, 2011. Thereafter the next report date in 2011 is November 17, when the nine month report will be published.

Annual General Meeting	31 maj 2011
Half-year report 2011 (jan - jun)	18 augusti 2011
Nine-month report 2011 (jan - sept)	17 november 2011

## **Company information**

The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head office in Stockholm. The corporate identification number is 556659-4833. Address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34 Stockholm.

**Central Asia Gold AB (publ)**

org no 556659-4833

**CONSOLIDATED INCOME****STATEMENT**

(all amounts in TSEK)

	3 months 2011-01-01 2011-03-31	3 months 2010-01-01 2010-03-31	12 months 2010-01-01 2010-12-31
Revenue from sales of gold	14 710	16 095	214 037
Capitalised work for own account	2 239	2 712	18 153
Change in work in progress and finished goods	17 143	11 298	15 097
Other operating income	238	66	35 838
<b>Total income</b>	<b>34 330</b>	<b>30 171</b>	<b>283 125</b>
<b>Operating costs</b>			
External costs	-22 614	-17 717	-153 634
Employee benefit expenses	-17 708	-11 389	-72 403
Depreciation and amortisation of tangible and intangible assets	-4 517	-7 638	-23 309
<b>Total operating costs</b>	<b>-44 839</b>	<b>-36 743</b>	<b>-249 346</b>
<b>Operating result</b>	<b>-10 509</b>	<b>-6 572</b>	<b>33 779</b>
Net financial items	-1 206	9 310	-16 671
Income tax	615	-8 226	-9 420
<b>Net profit for the period</b>	<b>-11 100</b>	<b>-5 488</b>	<b>7 688</b>
Of which attributable to:			
owners of the parent	-11 098	-5 380	7 964
Non-controlling interest	-2	-108	-276
<b>Earnings per share before dilution, SEK</b>	-0,69	-3,05	1,58
<b>Earnings per share after dilution, SEK *</b>	-0,69	-3,05	1,58
Number of shares issued at period end	16 016 987	1 765 313	16 016 987
Average number of shares for the period	16 016 987	1 765 313	5 026 107
Average number of shares for the period after dilution *	16 016 987	1 765 313	5 026 107

\* There are 510,650,000 outstanding warrants with right to acquire 1,315,000 shares. Of which 450,000 shares with strike price of 221,1 SEK per share (January 2012) and 1,065,000 shares with strike price of 25 SEK per share (August 2012). Since the strike price is higher than the prevailing market price, no dilution currently arises due to these warrants.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(all amounts in TSEK)

	3 months 2011-01-01 2011-03-31	3 months 2010-01-01 2010-03-31	12 months 2010-01-01 2010-12-31
Net income for the period	-11 100	-5 488	7 688
<b>Other comprehensive income</b>			
Translation difference	6 722	-4 619	-16 320
<b>Total comprehensive income for the period</b>	<b>-4 378</b>	<b>-10 107</b>	<b>-8 632</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent	-4 376	-9 999	-8 357
Non-controlling interest	-2	-108	-276

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<b>CONSOLIDATED BALANCE SHEET</b> (all amounts in TSEK)	<b>March 31, 2011</b>	<b>March 31, 2010</b>	<b>Dec 31, 2010</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible fixed assets	161 866	145 615	154 301
Tangible fixed assets	189 340	98 744	143 087
Investments in joint ventures	18 874		19 165
<b>Financial assets</b>	<b>50 753</b>	31 361	41 773
<b>Total non-current assets</b>	<b>420 833</b>	<b>275 719</b>	<b>358 326</b>
<b>CURRENT ASSETS</b>			
Inventories	213 329	112 677	167 772
Current receivables	92 106	50 490	89 160
Cash and cash equivalents	9 265	5 056	22 230
<b>Total current assets</b>	<b>314 700</b>	<b>168 222</b>	<b>279 162</b>
<b>TOTAL ASSETS</b>	<b>735 533</b>	<b>443 942</b>	<b>637 488</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>399 729</b>	<b>189 066</b>	<b>404 106</b>
Non-controlling interest	1 403	1 574	1 405
<b>Total equity</b>	<b>401 132</b>	<b>190 640</b>	<b>405 511</b>
<b>Non-current liabilities</b>	<b>178 830</b>	<b>135 720</b>	<b>61 282</b>
<b>Current Liabilities</b>	<b>155 571</b>	<b>117 582</b>	<b>170 695</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>735 533</b>	<b>443 942</b>	<b>637 488</b>
<b>PLEDGED ASSETS</b>			
Bank accounts	50	50	50
Material fixed assets	91 717	7 365	53 307
<b>CONTINGENT LIABILITIES</b>	<b>1 558</b>	<b>None</b>	<b>31 436</b>

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**CONSOLIDATED CASHFLOW STATEMENT**

(All amounts in TSEK)

	3 months <b>2011-01-01</b>	3 months <b>2010-01-01</b>	12 months <b>2010-01-01</b>
	<b>-2011-03-31</b>	<b>-2010-03-31</b>	<b>-2010-12-31</b>
Operating activities	-10 509	-6 572	33 780
Adjustment fot non-cash items	4 517	7 638	-5 823
Paid/received interest	-4 957	-198	-10 894
Cash flow from operations before changes in working capital	<b>-10 949</b>	<b>868</b>	<b>17 062</b>
Changes in working capital	-34 431	-28 793	-112 425
Net cash flow used in operating activities	<b>-45 380</b>	<b>-27 926</b>	<b>-95 362</b>
Net cashflow used in investing activities	-57 834	-1 059	-112 820
Net cash flow from financing activities	90 010	11 309	207 345
Cash flow for the period	<b>-13 204</b>	<b>-17 676</b>	<b>-838</b>
Cash at the beginning of the period	<b>22 230</b>	<b>22 732</b>	<b>22 732</b>
Translation difference in cash	239	-	335
<b>Cash at the end of the period</b>	<b>9 265</b>	<b>5 056</b>	<b>22 230</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Expressed in TSEK)	Share capital	Additional paid in capital	Translation difference reserves	Retained earnings	Non-controlling interest	Total equity
<b>Equity as at Jan 1, 2010</b>	<b>176 531</b>	<b>-66 031</b>	<b>4 915</b>	<b>83 649</b>	<b>1 681</b>	<b>200 746</b>
Total comprehensive result for the period Jan 1 - March 31 2010			-4 618	-5 380	-108	-10 106
<b>Equity as at March 31, 2010</b>	<b>176 531</b>	<b>-66 031</b>	<b>297</b>	<b>78 269</b>	<b>1 574</b>	<b>190 640</b>
Total comprehensive result for the period April 1 - Dec 31 2010			-11 701	13 344	-168	1 475
Reduce of share capital	-156 671	156 671				
Right issue	160 331	67 829				228 160
Costs for right issue		-14 764				-14 764
<b>Equity as at Dec 31, 2010</b>	<b>180 191</b>	<b>143 705</b>	<b>-11 404</b>	<b>91 614</b>	<b>1 405</b>	<b>405 511</b>
Total comprehensive result for the period Jan 1 - March 31 2011			6 722	-11 098	-2	-4 378
<b>Equity as at March 31, 2011</b>	<b>180 191</b>	<b>143 705</b>	<b>-4 682</b>	<b>80 515</b>	<b>1 403</b>	<b>401 133</b>

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	3 months <b>2011-01-01</b>	3 months <b>2010-01-01</b>	12 months <b>2010-01-01</b>
<b>KEY RATIOS</b>	<b>-2011-03-31</b>	<b>-2010-03-31</b>	<b>-2010-12-31</b>

**Consolidated**

Total assets, TSEK	735 533	439 298	637 488
Total equity, TSEK	401 132	185 996	405 511
Equity ratio, %	54,5%	42,3%	63,6%
Interest bearing debt, TSEK	199 538	150 927	118 133
Employees at period end	954	651	726
EBITDA, TSEK	-5 992	1 066	57 088

**Per share data**

Earnings per share, SEK	-0,69	-3,05	1,58
Equity per share (SEK)	24,96	104,47	25,23
Return on equity (%)	-2,8%	-2,9%	2,6%

**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
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
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

**Central Asia Gold AB (publ)**

org no 556659-4833

**PARENT COMPANY****INCOME STATEMENT**

(all amounts in TSEK)

	3 months <b>2011-01-01</b> <b>-2011-03-31</b>	3 months <b>2010-01-01</b> <b>-2010-03-31</b>	12 months <b>2010-01-01</b> <b>- 2010-12-31</b>
Other operating income	133	-	13 441
<b>Total income</b>	<b>133</b>	<b>-</b>	<b>13 441</b>
External costs	-1 406	-1 716	-7 009
Employee benefit expenses	-232	-132	-1 468
<b>Total operating costs</b>	<b>-1 638</b>	<b>-1 848</b>	<b>-8 477</b>
<b>Operating result</b>	<b>-1 505</b>	<b>-1 848</b>	<b>4 964</b>
Net financial items	1 562	622	-14 625
Result after financial items	57	-1 226	-9 661
Income tax	-	-	-526
<b>Net result after tax for the period</b>	<b>57</b>	<b>-1 226</b>	<b>-10 187</b>

org no 556659-4833

**PARENT COMPANY STATEMENT****OF COMPREHENSIVE INCOME**

(all amounts in TSEK)

	3 months <b>2011-01-01</b> <b>-2011-03-31</b>	3 months <b>2010-01-01</b> <b>-2010-03-31</b>	12 months <b>2010-01-01</b> <b>-2010-12-31</b>
<b>Net result for the period</b>	<b>57</b>	<b>-1 226</b>	<b>-10 187</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>57</b>	<b>-1 226</b>	<b>-10 187</b>

**Central Asia Gold AB (publ)**

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**PARENT COMPANY BALANCE SHEET**

(all amounts in TSEK)

**March 31,  
2011****March 31,  
2010****Dec 31,  
2010****ASSETS****NON-CURRENT ASSETS****Financial assets**

751 393

533 145

735 481

**Total non-current assets****751 393****533 145****735 481****CURRENT ASSETS**

## Current receivables

657

687

639

## Cash and cash equivalents

1 512

832

10 945

**Total current assets****2 169****1 519****11 584****TOTAL ASSETS****753 562****534 664****747 064****EQUITY AND LIABILITIES****Total equity****737 861****487 619****737 804****Non-current liabilities****12 663****15 766****6 398****Current Liabilities****3 038****31 280****2 862****TOTAL EQUITY AND LIABILITIES****753 562****534 664****747 064****PLEDGED ASSETS**

## Bank accounts

50

50

50

**CONTINGENT LIABILITIES****None****None**



## 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 2010 (page 38 of the 2010 annual report, Swedish version).

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 2010 have not had any material effect on the group's profit and loss- and balance sheets.

### Parent company

The parent company applies the same accounting principles as the group and RFR 2.3 *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 21 of the 2010 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) *Currency risk:* Central Asia Gold operations and reporting is influenced by gold price in USD of production costs in RUB, and the reporting of the SEK. Fluctuations in exchange rates could have a major impact on both local operational results and the SEK reported results.
- 3) *Political risks:* Central Asia Gold currently operates only in Russia. Being a young democracy Russia does not have as stable political situation as it is in the older democracies of Western Europe.
- 4) *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.
- 5) *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.
- 5) *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.
- 6) *Legal risks:* The subsidiary LLC Artelj Lena is involved in various court procedures with certain individuals who were members of Artelj before it was converted from producers' cooperative to LLC. The issue concerns conditions pertaining to the time before Central Asia Gold took over LLC Artelj Lena. Legal entity converted from a producers' cooperative to LLC is not a legal

successor regarding issues of membership of individuals in the entity, including appeal of the shareholders decisions taken at General Meeting of producers' cooperative. This statement is provided by the Superior Arbitration Court's Decision dated August 20, 2008 №10603/08. On the basis of mentioned above, the Management of the Central Asia Gold is deemed that all claims against Artelj Lena can not be satisfied in future. Central Asia Gold's and Artelj Lena's legal representatives undertake comprehensive legal work aiming to minimize the effects of this minority case. However, there are no guarantees that former members would not file additional petitions to court claiming for minority stake.

### **Transactions with related parties**

In April 2011, Golden Impala Ltd, a company related to the ultimate controlling party of CAG, Preston Haskell, opened an unsecured credit line with a limit of MUS\$ 3.6 with a 16% annual interest rate. The credit line will serve the current and short-term working capital requirements of Central Asia Gold. The maturity of the credit line is in September 2012.

This interim report has not been reviewed 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 23, 2011

Central Asia Gold AB (publ.)

Lars Guldstrand  
*Chairman*

Mike Nunn  
*Director*

Patric Perenius  
*Director*

Alice Volgina  
*Director*

Preston Haskell  
*CEO and Director*

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Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of May 2011 estimated to encompass some 1,042,000 oz (1 troy ounce = 31,1 g) of C1/ C2 Russian gold reserves (equalling some 32 tons).

Since July 19, 2010, CAG's shares are traded on First North Premier at the NASDAQ OMX Nordic Exchange under the short name CAG. For more information please visit [www.centralasiagold.se](http://www.centralasiagold.se). Mangold Fondkommission is Certified Adviser to CAG, for more information please call +46 8 503 015 50 or visit [www.mangold.se](http://www.mangold.se).

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.