ANNUAL REPORT 2009

Central
Asia
Gold

Annual report for the financial year 2009

Translation
This English annual report is a translation of the Swedish annual report for 2009. If any discrepancies exist in the translation, the Swedish language version shall prevail.

Definitions
"Central Asia Gold", "CAG" and "the Company" refer to Central Asia Gold AB (publ) with Swedish corporate registration number 556659-4833 and its subsidiary companies.

Business concept
To become a medium-sized profitable gold producer by global standards by using existing knowledge of and contacts in the central parts of Asia. The Company's operations may also include other minerals besides gold in the future.

Dates for financial information during 2010
Central Asia Gold AB's financial year runs from 1 January to 31 December. During 2010, the Company will issue interim financial information as follows:

Year-end report:	26 February 2010
Interim report (1) Jan–Mar 2010:	28 May 2010
Interim report (2) Jan–Jun 2010:	27 August 2010
Interim report (3) Jan–Sep 2010:	26 November 2010

2010 Annual General Meeting
The Annual General Meeting will be held on Monday 28th of June in Stockholm at IVAs Conference Center at Grev Turegatan 16, 114 46 Stockholm, starting at 3.00 p.m. Admission from 2.30 p.m. Shareholders who wish to participate must:

i) Be entered in the shareholder register held by Euroclear Sweden AB on the reconciliation date, which is 21.06.2010. In order to participate in the AGM, nominee shareholders must temporarily re-register their shares via their nominee into their own names by 21.06.2009. This should be done in good time.

ii) Notify of their participation to the Company by 23 June at 4.00 p.m. This notice must be delivered to the Company by phone +46 8 624 26 80, by fax +46 8 624 37 20, by e-mail to the address agm@central-asiagold.se or by regular mail to the registered address Central Asia Gold AB, Engelbrektsplan 2, 4tr. SE-114 34 Stockholm. Notification must include the complete name, personal ID number or corporate registration number, address and telephone number. If the shareholder wants to be represented by a delegate, a proxy for the delegate is to be sent to the Company before the AGM.

Gold Borzya, Mining works

Landsten Reklam 2010. Design Henrik Strömberg. Printed in Sweden.


BODAIBO
Artelj Lena
KRASNOYARSK
NIZHNEUDINSK
Artelj Lena Base
ABAKAN
Uzhunzhul LLC
Tardan Gold
KYZYL
Artelj Tyva
IRKUTSK
Artelj Lena Base
ULAN-UDE
CHITA
GRE-324
BORZYA
Solcocon
KRASNOKAMENSK
Gold Borzya

Contents

Comments by the Chief Executive Officer

The year 2009 has been unsatisfactory from an operating point of view. The merger of the companies dragged out in time longer than initially expected, resulting in that preparation and operation started too late in the year, this in addition to some severe weathers did hurt the 2009 performance.

During the 4th quarter we have seen some stabilization and improvement of the operations, but more importantly in 2009 is the work done to secure the operation and development for the future. We have spent a significant amount of time ensuring and assessing technology in order to optimize mineral extraction for the future.

This review of the company's licenses and previous work has brought us to change the company's strategy for the next few years. This strategy is a combination of increased production with focus on ore mining to capitalize on established minable reserves, together with a systematic exploration of the license areas with the objective to unlock a multimillion oz potential implied by favorable geological settings and numerous gold occurrence.

With the new strengthened organization under Pavel Olishevki's management I'm confident we have the team needed to be able to execute on the plan.

Development plans for 2010 are focused on:

1. Launching two Heap Leach (HL) operations:
   a. A new Tardan HL plant sized for an annual production capacity of 1,200 kg, built in 2 stages
      i. 2010 – crushing, stacking, HL, ADR (no mining; ore and tailings stocks use)
      ii. 2011 – mining, copper removal, plant building
   b. Solcocon HL Plant restart with a 250 kg annual production target.
2. Continue alluvial gold mining at Irkutsk and Chita regions in 2010 with profitability being the single criteria for operations to go on.
3. Resuming exploration at the company's sizeable license areas.
4. Evaluate acquisition opportunities of gold exploration properties.

All licenses – Uzhunzhul, Tardan, Kara-Beldyr, and Staroverinskaya – were initially identified and acquired as a prospective, large size early-stage exploration properties which can potentially host a multimillion oz deposits.

Yet exploration programs so far were targeted at detailed studies of the historically localized ore bodies with little or no systematic studying of the license areas.

This strategy gave us current minable reserves at Tardan and Staroverinskaya - the value of which the company is keen to capture in the years to come through Tardan and Solcocon heap leach projects.

At the same time, the localized exploration programs of the previous years did not allow us to make any significant development in terms of resources addition, with an exception of Kara-Beldyr, where exploration in cooperation with Centerra Gold was active in 2009 with very good results.

We are currently focusing on the preparation for the start of production on current assets, as well as the design, plans, suppliers and financing of the Tardan build out.

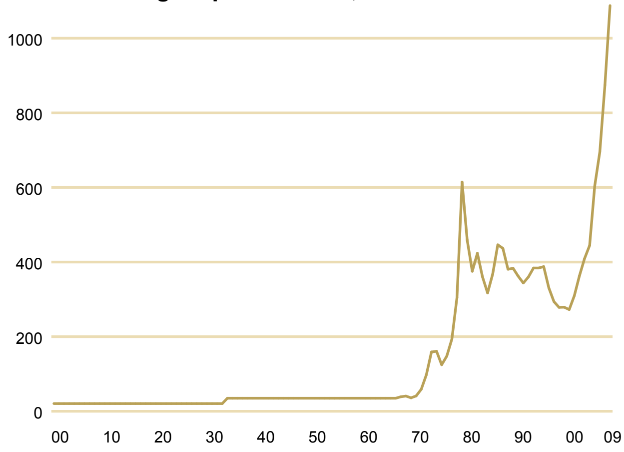
Even though we don't have the full capacity in Tardan until 2011, our plan for the consolidated company in 2010, is to increase gold production with more than +50% on year-to-year basis to a total of approximately 1,000 kg.

I'm convinced that the activities combined have created a strong platform that can be leveraged going forward towards a solid cash generating business with great reserves

– we have just begun our journey.

Preston Haskell,
Managing Director

International gold price in USD, 1900–2009



The gold price in USD/oz, 1900–2009

International gold price in USD, 2000–2010

The gold price in USD/oz, January 2000 – April 2010

Solcocone, Gold smelting

Overview of operations

Business concept

To become a medium-sized profitable gold producer by global standards by using existing knowledge of and contacts in the central parts of Asia. The Company's operations may also include other minerals besides gold in the future.

Introduction

Central Asia Gold AB ("CAG AB") is a Swedish mining company, operating in eastern Siberia of Russia. At the end of 2009 the group consists of the Swedish parent company and of seven subsidiaries. Furthermore, the subsidiaries own a total of three sub-subsidiaries: The various group companies work in gold production and/or gold prospecting. All sub-sidiaries and sub-subsidiaries in Russia are of the limited liability type (OOO).

The parent company is of an administrative nature and provides the subsidiaries with financing, and is responsible for developing strategies, stock exchange listing, investor relations, etc. The actual industrial operation is managed at subsidiary level.

Vision and strategy

Central Asia Gold AB's business concept is to become a medium-sized profitable gold producer and prospector by global standards. The Company's operations may also include other minerals besides gold in the future. In order to justify a place on the world map in this respect, Central Asia Gold will have to achieve at least 1,000,000 troy ounces of extractable gold reserves. (1 troy ounce = 31.1 grams). This would create, among other things, a good balance between administration, prospecting and direct production costs. The objective is to achieve extractable gold reserves of at least 2 million ounces.

Prospecting work is also a central component in the business concept. The company's Russian geologists are very experienced, and considering that operating costs in Russia to maintain prospecting are considerably lower than in the West, while the metals found as a result of the prospecting can be sold at world market prices, prospecting is an attractive activity.

In other respects too, Central Asia Gold will use its entrepreneurial attitude to keep down administrative costs in the group, in order to invest the maximum amounts in production and prospecting.

Gold production planning

During 2009, the group companies sold 666 kg of gold. During 2010, Central Asia Gold plans to produce approximately a total of 1,000 kg gold via the various group companies.

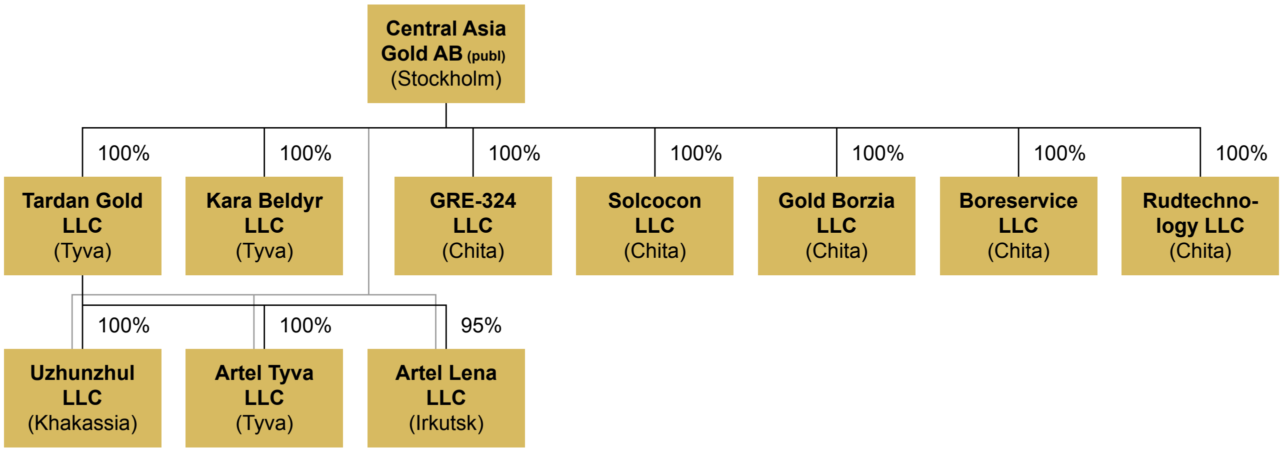
Central Asia Gold's choice of strategy and thoughts for the future

Gold companies can operate according to different business models. The earliest phase, the prospecting phase, is when the prospecting company enters. The prospecting company has an idea about where minerals may be found, and acquires a licence or a stake and starts trying to prove a financially interesting mineralisation using various methods. It costs a certain amount of money to carry out this prospecting work, and the risks are very high. Sometimes the work leads to good results, and sometimes to no results at all. However, the return on capital invested can be very high if the work goes well.

During the next step, the evaluation phase, when a mineralisation is proven, a company – perhaps the prospecting company above, or another company – must evaluate the mineralisation which requires a great deal of work in order to prepare it for the production phase. During this phase, money needs to be invested in a work programme covering measurements of various kinds, drilling deep into the deposit and working out a development plan which shows the financiers that the operation will give a good return on the capital required to go into production.

The final stage covers the production phase. The deposit has now been evaluated and

The organisational structure of the Central Asia Gold Group as at spring 2010



financially viable recoverable reserves have been proven. The task now is to carry out the development programme from beginning to end. Now, infrastructure such as roads, housing, machines and other equipment must be purchased and be brought into operation. More comprehensive external financing is also needed in order for the project to get through this phase smoothly.

The time elapsed from the start of the prospecting phase to the beginning of the production phase is usually a number of years, perhaps 5–8. It is therefore necessary to make long term decisions during each stage. Of course, each stage costs money. If we are talking specifically about gold, it costs a certain number of USD/oz to develop a mineralisation. To subsequently convert a mineralisation to recoverable ore reserves also costs considerable amounts of money in terms of USD/oz. When the ore reserves are finally shown to exist, it will cost a further number of USD/oz to get them into production.

Central Asia Gold has so far mainly taken steps 2 and 3 in their deposits in Central Asia. This is because the gold company sector in Russia is very fragmented, with many small independent actors, and a large number of mineralisations and deposits developed during the Soviet era, paid for by Soviet state money, are available. For this reason, Central Asia Gold judges that it is currently more interesting to buy up existing mineralisations and deposits than to try to prove them by starting prospecting of our own. This situation is about to change however as unlicensed deposits are bought up and fragmentation in the Russian gold sector is reduced.

Solcocone, heap-leaching plant

Tardan, building of analytical laboratory

Tardan, chemical laboratory

Gold

Supply and demand for gold

For many years gold has been valued as an investment, commodity and monetary asset, as well as an object of beauty. Since gold is, in principle, indestructible, all the gold that has ever been produced still exists in one form or another. At the end of 2008, the gold consultancy company Gold Field Mineral Services ("GFMS") estimated that there was a total existing amount of 164,000 tonnes of gold in the world. Of this, 64% is estimated to have been mined and manufactured after 1950. The greatest consumption of gold by far is associated with the jewellery industry. During the past few years, the demand in this industry has mostly exceeded the total mine production of gold. Because of its many special characteristics, gold also has an industrial use. Considerable quantities are used within dentistry and within the electronics, space and pharmaceutical industries.

The supply of gold to the market occurs via mine production, via recycling of gold and through gold sales and gold loans from official reserves. The official gold reserves in various central banks and other official institutions are estimated to account for nearly 16% of the total existing gold reserves.

The world's gold production

The world's primary gold production increased during 2009 by 6% compared with the previous year, according to GFMS, mainly due to production growth in China, Australia, Russia and Indonesia. Total gold production amounted to 2,554 tonnes. In 2009, for the third year running, China was the leading country worldwide for gold production. The Chinese volume of gold produced also increased by 42 tonnes to 330 tonnes. South Africa has been the world's largest producer since 1905, but in 2009 it slipped to third place amongst the world's producing countries. Australia was in second place and the USA in the fourth, followed by Russia.

The price of gold

The average global price of gold increased in 2009 to USD 1050 from USD 872 in 2008. The increase, expressed as a percentage, was therefore 20%. Similarly, the volatility of the price of gold was particularly high - 58% - which was double the figure compared to the level in 2008.

The gold price in USD/oz 1971-2010

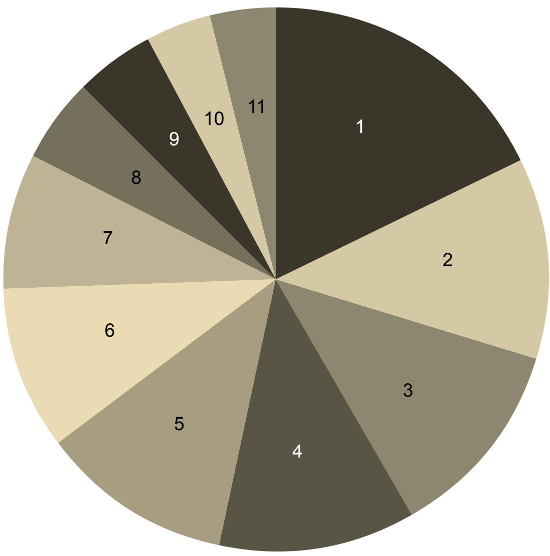
Source: World Gold Council

Geographic breakdown of production, gold grade and production costs

Gold is produced in mines in all the continents of the world except in the Antarctic. The gold consultancy company Beacon Group identified some 900 goldproducing mines all over the world in 2002.

For a long period during the 20th century, South Africa dominated as the number-one global gold producer. In 1970 it produced 1,000 tonnes, which was 70% of the global volume at this point in time. Since then, South Africa's proportion has fallen, and in 2007 China took the lead as the world's greatest gold nation. In 2008, China produced 12% of the world's production.

The 11 largest gold-producing countries

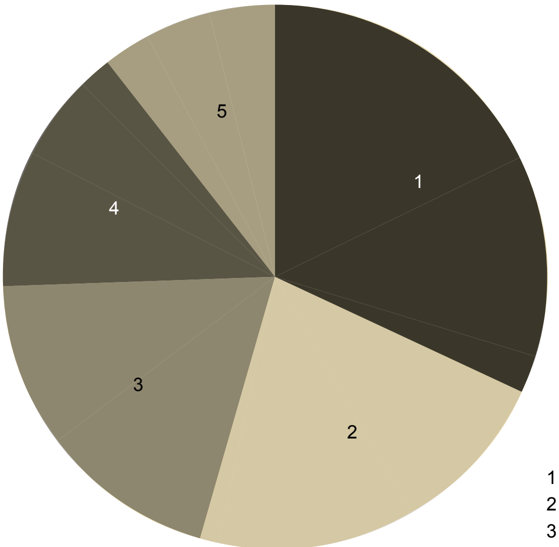


1 China
2 Australia
3 South Africa
4 USA
5 Russia
6 Peru
7 Indonesia
8 Canada
9 Ghana
10 Uzbekistan
11 Papua Nya Guinea

Source: Gold.prime- tass

Production costs all over the world vary considerably, depending whether it is a case of mines or open-cast, how deep down the gold deposits are, the type and characteristics of ore bodies and the gold content. According to GFMS, the average stated cash production costs for commercial information-producing larger western mining companies amounted to 492 USD/oz in 2009, which was an increase of 6% compared to 2008.

5 largest gold producers



1 Barrick Gold
2 Newmont Mining
3 AngloGold Ashanti
4 Gold Fields
5 Goldcorp

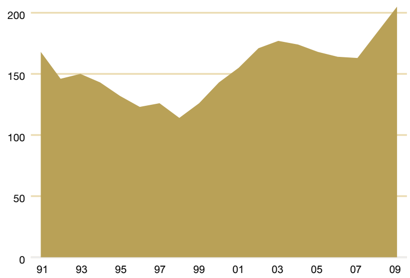
Source: GFMS

The global trade in gold

The global trade in gold consists primarily of a large proportion which is traded OTC (over the counter), i e directly between various market actors. This part of the market is further divided into spot transactions and various types of derivatives, such as forward contracts and options. The OTC market is open around the clock, and the main centres for such trading are London, New York and Zurich, where the large transactions generally take place (central banks and mining companies). The minimum trade size in this market is 1,000 troy ounces (oz). In Dubai and other Far East cities, OTC transactions are also concluded, but on a smaller scale. OTC trading is organised manually by telephone as well as via an electronic trading system.

The Russian gold industry

Official Russian gold production calculated by the Russian Union of Goldminers increased during 2009 by 11% and totalled almost 205 tonnes. In 2009, Russia maintained its position as the world's fifth largest gold-producing country.



Source: Russian Union of Gold Miners

97% of Russian gold production in 2009 is distributed across 11 regions (of a total 84 in Russia) and since 2003, the leading region has been Krasnoyarsk followed by the Chukotka region, which increased its production by 10 tonnes in comparison to 2008. In third place is the Amour region, followed by the Sakha region, which remains the fifth largest gold region. Unlike oil reserves, of which approximately two thirds are located in western Siberia, the eastern areas of Russia (eastern Siberia, the far east and north east) have the largest gold deposits.

The leading gold producing regions in Russia, 2009

Region	Production, tonnes
1. Krasnoyarsk	33.7
2. Chukotka	31.2
3. Amur	21.9
4. Sakha (Yakutia)	18.6
5. Irkutsk	14.9
6. Khabarovsk Krai	14.6

Source: Russian Union of Gold Miners

Industrial structure – reduced fragmentation

The Russian gold sector is highly fragmented. There are currently around 400 registered gold companies, which means a reduction of 5% compared with 2008, with the 26 top companies accounting for about 70% of the country's total production in 2009. The clear leading producer is Polyus Zoloto, formerly Norilsk Nickel's gold division, whose shares since 2006 have been listed on the London stock exchange.

Russia's 26 leading gold producers, 2009

	Production, tonnes
1. Polyus Zoloto	38.3
2. Chukotskaya GGK	25.6
3. Petropavlovsk	14.8
4. Severstal-Resurs	9.8
5. Polimetall	9.3
6. Yuzhuralzoloto GK	5.2
7. Russdragmet	5.1
8. Susumanzoloto	4.3
9. Vysotjajshij	3.5
10. Sovrudnik	3.3
11. Seligdar	2.6
12. Priisk Solovevskij	2.5
13. Amur	2.5
14. Zoloto Kamtjatki	2.1
15. Rudnik Karalveem	2.0
16. Vitim	2.0
17. Poisk	1.9
18. Zapadnaya	1.9
19. Chukotka	1.8
20. Omsuktjanskaja	1.6
21. Dalnevostochnye resursy	1.2
22. Nirungan	1.1
23. Ojna	0.9
24. Vasilevskij rudnik	0.9
25. Uralelektromed	0.7
26. Vostok	0.7
Total production of 26 leading producers	**145.6**
Total Russian production, 2009	**205.2**
Share of the 26 leading producers	70%

Source: Russian Union of Gold Miners

Foreign ownership of Russian gold assets does not seem to be such a sensitive issue as it is in the oil and gas sectors, where the latter is practically monopolised through Gazprom. The western-controlled gold companies accounted for almost 27% of the country's production in 2009. These companies considerably increased their production in 2009.

Refining gold

About ten companies in Russia enrich gold and other precious metals to final market quality. These companies compete and together have a capacity that significantly exceeds current production volumes. Therefore the cost of refining is low, amounting to some 1% of the market price. The most modern facilities are the ones in Prioksk (south of Moscow) and in Krasnoyarsk (eastern Siberia).

Legal factors

The main law regulating the Russian mining sector is the "Federal Law concerning Mineral Resources" enacted in 1992 and amended in 1995. Russian minerals always remain in state ownership. A licence holder is only granted the right to exploit the minerals. Precisely as in the oil sector, these licences can pertain to prospecting, production or both. A prospecting licence is currently awarded for a five-year term, a production licence for 20 years and a combined licence for 25 years. The working programme included in the licence must be approved by three bodies – the GKZ-committee (see above), the state Russian mining inspection (Gozgortechnadzor) and also by the environmental auth-orities.

A second legal act of significance is "The Federal Law regarding Precious Metals and Gems" enacted in 1998. This law in principle says that the rights to any precious metals and gems produced belong to the holder of the production licence (unless otherwise explicitly stated in the licence agreement).

Foreign gold producers in Russia (kg per year)

Company	2002	2003	2004	2005	2006	2007	2008	2009
Kinross Gold Corp	12,515	5,474	3,949	4,696	1,212	1,942	11,575	25,591
Petropavlovsk Plc	0	0	0	0	0	0	0	14,835
Highland Gold Mining	5,697	6,005	6,143	5,041	5,026	4,623	5,120	5,145
Leviev Group	0	0	0	0	0	134	1,221	1,969
Angara Mining Plc	0	0	0	53	1,138	1,594	1,057	949
Central Asia Gold AB	0	0	0	0	311	1,073	834	666
High River Gold Mines	4,802	4,811	4,898	4,874	4,720	4,683	1,867	0
Bema Gold Corp.	3,429	3,624	2,612	2, 804	2,778	110	0	0
Total	**26,443**	**19,914**	**17,602**	**17,945**	**15,185**	**14,159**	**21,674**	**49,155**

Source: Russian Union of Gold Miners

Our Environmental policy

Environmental awareness is a central issue in a company active within operations that involve environmental risks. In the case of Central Asia Gold, significant activities will be carried out on land areas, for example when ore is extracted using heavy equipment and when explosives are used. In addition, the enrichment process of the ores will demand utilisation of various chemical compounds. On balance, therefore, the operations of Central Asia Gold are potentially damaging to nature.

The natural landscape in the Tyva region in general, and in particular in the vicinity of the Tardan deposit, is very beautiful and sensitive. The creek Bay-Syut flows not far away from the licence area. Central Asia Gold is aware of the risks of damaging the environment, and constantly tries to prevent and minimise these risks. We of course also endeavour to comply with all existing environmental regulations.

Many Russian environmental laws apply to the mineral sector. Environmental inspections of the licence area are frequently conducted. Any violations are dealt with by the issue of warnings, instructions or, ultimately, threats to close down the operations. In addition, the licence agreement for the gold deposit contains paragraphs concerning the handling of environmental aspects. Among other things, the closing down of operations must be planned years in advance in order to take the environmental consequences into consideration.

Central Asia Gold intends to address all environmental demands conscientiously.

Share capital and ownership

Share capital, shares issued and outstanding mandate of the shareholders' meeting

In March 2009 the acquisition of the gold company NMC was made via an issue in kind. In connection with this, 3,000,000,000 new CAG shares were issued at a price of SEK 0.06 per share. In addition, to make the share issue possible, the quotient value of each share was reduced to SEK 0.05 per share. In addition, the share capital limits were amended to be no less than SEK 150,000,000 and no more than SEK 600,000,000. Following the acquisition through an issue in kind, the share capital amounts to SEK 176,531,250. An issue of 500,000,000 share warrants was also used to pay for the NMC companies, with each warrant entitling the holder to one new share in CAG. The strike price was SEK 0.20 per warrant corresponding to one new share. The warrants expire after January 2012.

In July 2009 a reverse stock split on a 200:1 basis was carried out. Following this, the new number of shares is 17,653,125. There is only one class of share with equal entitlement to the Company's assets and profits. As a consequence of the reversed split the strike price for the warrants mentioned above changed to 40 SEK per new share, and the total amount of warrants is after the reversed split 2,500,000.

At the annual general meeting of the shareholders on May 27, 2009, the Board was mandated, until the 2010 AGM, to carry out private placements of up to 880,000,000 shares (corresponding to 4,400,000 shares after the reversed split) with or without preferential rights for existing shareholders.

Changes in share capital

Event	Date	Change in number of shares	Outstanding number of shares	Quotient value/ share	Offer price/ share	Change in share capital	Closing share capital
Formation of company	2004-02-24	1,000	1,000	100	100	100,000	100,000
New share issue *	2004-07-13	2,000,000	2,500,000	0.20	0.40	400,000	500,000
New share issue	2004-09-20	88,774	2,588,774	0.20	0.40	17,755	517,755
Issue in kind	2004-09-20	85,500,000	88,088,774	0.20	0.40	17,100,000	17,617,755
New share issue	2004-11-15	50,000,000	138,088,774	0.20	0.40	10,000,000	27,617,755
New share issue	2005-03-16	25,000,000	163,088,774	0.20	0.48	5,000,000	32,617,755
New share issue	2005-06-20	36,000,000	199,088,774	0.20	0.57	7,200,000	39,817,755
New share issue via share warrants	2005-07-12	36,756	199,125,530	0.20	0.60	7,351	39,825,106
New share issue via share warrants	2005-10-03	5,483,272	204,608,802	0.20	0.60	1,096,654	40,921,760
New share issue	2005-10-13	24,000,000	228,608,802	0.20	1.21	4,800,000	45,721,760
New share issue via share warrants	2006-01-17	2,143,677	230,752,479	0.20	0.60	428,735	46,150,496
New share issue via share warrants	2006-06-22	6,000,000	291,196,923	0.20	0.40	1,200,000	58,239,385
Offset share issue	2006-07-06	54,444,444	285,196,923	0.20	1.44	10,888,889	57,039,385
New share issue	2006-10-03	75,000,000	366,196,923	0.20	2.02	15,000,000	73,239,385
New share issue	2007-02-01	36,000,000	402,196,923	0.20	1.86	7,200,000	80,439,384
Offset share issue	2007-05-07	10,013,147	412,210,070	0.20	2.03	2,002,629	82,442,014
New share issue	2008-07-24	117,774,304	529,984,374	0.20	0.55	23,554,861	105,996,875
New share issue via share warrants	2008-10-03	135,388	530,119,762	0.20	0.55	27,078	106,023,952
New share issue via share warrants	2008-11-04	7,314	530,127,076	0.20	0.55	1,463	106,025,415
New share issue via share warrants	2008-12-11	660	530,127,736	0.20	0.55	132	106,025,547
New share issue	2008-12-15	497,264	530,625,000	0.20	0.20	99,453	106,125,000
Reduction of quotient value	2009-03-17	–	530,625,000	0.05	–	-79,593,750	26,531,250
Issue in kind	2009-03-17	3,000,000,000	3,530,625,000	0.05	0.06	150,000,000	176,531,250
Reversed split 200:1	2009-07-15	-3,512,971,875	17,653,125	10			176,531,250

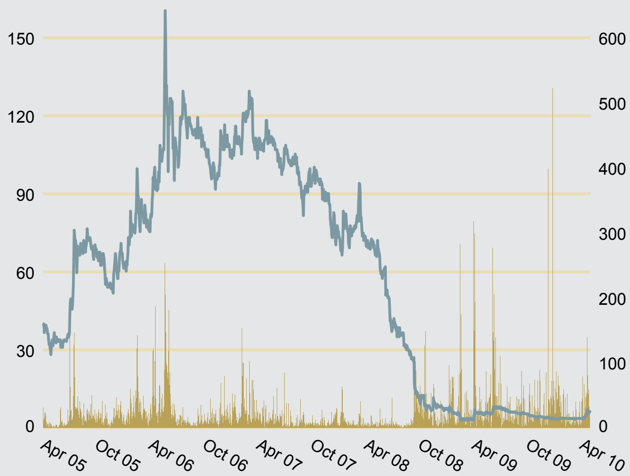
* *Reduction of par value per share to SEK 0.20.*

The 17 largest owners in Central Asia Gold AB (publ) at March, 2010, updated for known changes

Shareholder	Number of shares	% share of ownership
Bertil Holdings Ltd	11,235,000	63.64%
Greypson Investments Ltd	3,765,000	21.33%
Carnegie ASA Oslo -Klienter	332,286	1.88%
AB Landå	279,642	1.58%
Michail Malyarenko	161,837	0.92%
Royal Skandia Life	83,262	0.47%
GABI Hakim Invest	80,200	0.45%
Handelsbanken Institutional	79,884	0.45%
Connys Alltransporter AB	70,000	0.40%
Ellge Kapital i Stockholm AB	64,800	0.37%
BK Julius Baer & co Sweden main AB	54,490	0.31%
Hansard International LTD / M Banks	50,927	0.29%
Nordnet Pensionsförsäkring	45,157	0.26%
Six Sis AG, W8IMY	42,583	0.24%
Avanza Pension	40,427	0.23%
Swedbank Robur Sverigefond	32,142	0.18%
Nordea Bank Norge Nominee	29,442	0.17%
Subtotal for the 17 largest owners	**16,447,079**	**93.17%**
Other approximately 4,200 owners	1,206,046	6.83%
Total number of shares outstanding before dilution	**17,653,125**	**100.00%**
Warrants (strike price 40 SEK)	2,500,000	
Total number of shares after dilution	**20,153,125**	

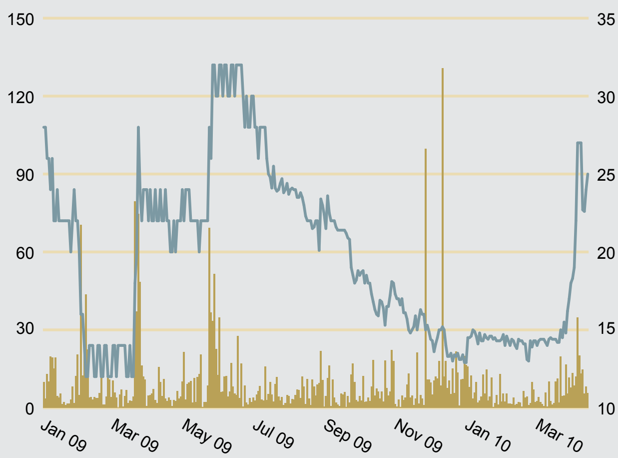
Source: Euroclear AB and Central Asia Gold AB

Share price and daily number of shares traded in Central Asia Gold March 28, 2005 – April 20, 2010



Share price shown in SEK by blue line and right-hand scale.
Daily turnover of shares (thousands) shown by bars and left-hand scale.

Share price and daily number of shares traded in Central Asia Gold January 2, 2009 – April 20, 2010



Share price shown in SEK by blue line and right-hand scale.
Daily turnover of shares (thousands) shown by bars and left-hand scale.

Share price and turnover of shares recalculated for reversed split 200:1

Operational key ratios

The key ratios refer to the group.

	2009	2008	Definitions
Profitability			
Ore processing (thousands of tonnes)	20	97	The quantity of treated ore within the mine-area during the period (thousands of tonnes)
Gold sands processing (thousands m3)	935	290	The volume of gold sands processed during the period
Gold production (oz) during the period	21,636	8,873	Gold production obtained during the period (troy oz)
Gold sales during the period (oz)	21,411	8,873	Actual sold gold production during the period (troy oz)
Average realized gold price (USD/oz)	951	803	Average price received during the period (USD/oz)
Return on equity (%)	86.4%	neg	Net profit/loss for the period as a percentage of average equity during the period, including minority holdings
Capital structure			
Equity, TSEK	196,102	-60,277	Total equity at the end of the period, excluding minority holdings
Interest-bearing liabilities, TSEK	140,594	178,305	Total interest-bearing liabilities at the end of the period
Equity ratio (%)	44.5%	neg	Equity, excluding minority holdings, as a percentage of the balance sheet total
Cash flow and liquidity			
Cash flow before investments, TSEK	4,586	5,222	Operating profit/loss plus depreciations, minus the change in working capital
Cash flow after investments and financing, TSEK	22,662	-4,163	Operating profit/loss plus depreciations minus the change in working capital and investments and after financing
Liquid assets, TSEK	22,732	144	Bank deposits and cash at the end of the period
Investments			
Capital investments	80	17,521	Net investments in material fixed assets (after adjustment for any disinvestments)
Employees			
Average number of employees during the period	932	459	
Share data			
Number of outstanding shares before dilution at the end of the period	17,653,125	15,000,000	Number of issued shares at the end of the period, excluding the effect of outstanding warrants and any incentive options
Average number of outstanding shares during the period before dilution	17,202,457	15,000,000	Number of shares at the end of the period, including outstanding warrants with a redemption price lower than current stock exchange price.
Number of warrants outstanding	2,500,000	0	Number of non-exercised warrants at the end of the respective period.
Quotient value, SEK *	10.00	7.08	Each share's proportion of the total share capital
Earnings per share, SEK	8.27	-4.20	Net profit/loss after tax divided by the average number of outstanding shares during the period
Equity per share, SEK	11.01	neg	Total equity, excluding minority holdings, in relation to the number of issued shares at the end of the period.
Market price per share at the end of the period, SEK	12.90	32	Latest market price paid for the shares on the last trading day of the respective period.

Board of Directors, senior executives and auditor

BOARD OF DIRECTORS

Lars Guldstrand
Chairman of the Board. Lars Guldstrand is a Swedish citizen, born 1957, with more than 25 years' experience in international leadership and investment in the telecoms, media and technology sectors. He has also worked with corporate turnarounds and reorganisations, and M&A activities in a number of other areas, including the finance and Internet sectors.

During his career Lars Guldstrand has held leading positions in a number of privately owned and publicly listed companies in Europe and the U.S., including Eniro AB. Lars Guldstrand is a partner and Chairman in GKL Growth Capital AB, Eco Energy Scandinavia AB, Centum Finance Services International AB, KMW Energi AB and G-Life AB.

He is also member of the board of Loxystem AB, Paynova AB and Amari Resources Ltd.

Lars Guldstrand holds an MBA from California Coast University, California in the U.S.

Holding in Central Asia Gold: 64,800 shares through companies.

Preston Haskell
Preston Haskell is U.S. citizen, born 1966, and has been active as a businessman in Russia since the early 1990s. Haskell is a Board Member of Colliers International Russia and Ukraine and has worked in Russia since 1993

Haskell is also a member of the Board of GKL Growth Capital AB and Fleming Family and Partners Real Estate Development Fund Ltd.

Preston Haskell has a degree in economics from the University if Southern California in the U.S.

Holding in Central Asia Gold: 11,235,000 shares and 1,872,500 warrants through companies.

Mike Nunn
Mike Nunn is a South African citizen and mining entrepreneur born in 1959. He is the founder of Amari Holdings, a business that drew on his experience and success in the commodities industry and his African business network.

Mike Nunn is an global pioneer within the Tanzanite segment. Tanzanite is a gemstone. As founder and former CEO of TanzaniteOne Ltd (listed on London's AIM) he developed a local operation into one of the world's foremost producers of and market leaders for tanzanite. Nunn also founded the Tanzanite Foundation, an industry organisation that oversees the global marketing of tanzanite.

Among his other mineralrelated activities, Nunn was involved in turning around MDM, an old mining engineering company that has since become a leading African mining consulting company whose shares were listed on the AIM in 2008.

In 2005 Nunn founded Xceldiam Ltd, an Angolan diamond prospecting company that was successfully floated on the AIM in 2006 and was later sold to Petra Diamonds.

Nunn consolidated part of his mining interests in mid-2006 and created AMARI, an Africa-focused mining and mineral resources investment company with interests in gold, platinum, uranium, manganese, nickel, coal and iron ore.

Nunn is currently Working Chairman of AMARI and is based in Johannesburg, South Africa.

Holding in Central Asia Gold: 0

BOARD OF DIRECTORS

Patric Perenius

Patric Perenius is a Swedish citizen, born 1951, and has been a member of Central Asia Gold's board since 2004. Patric graduated 1977 with a M.Sc in mining from the Royal Institute of Technology in Stockholm. After working with oil exploration with Swedish Petroleum Exploration and Norsk Hydro, Patric participated as founder of several oil and mineral exploration companies, such as Secab, Tricorona, Aurex, Gexco, Yield Archelon and Svenska Capital Oil and Geotermica.

In addition to Central Asia Gold, Patric Perenius is also member of the boards of Archelon Mineral, Svenska Capital Oil, Benchmark Oil&Gas and Geotermica.

Holding in Central Asia Gold: 3,500 shares

Alice Volgina

Alice Volgina is a Russian citizen, born 1966. Alice has a degree in English translation from Moscow's State University of Linguistics. Since 1999 she has been a partner in and CFO of Preston Haskell's Colliers International investment group. Between 1996–1999 Alice worked as Vice President of HIB Limited and in 1988–1996 she worked in customs at Moscow's Sheremetyevo airport.

Holding in Central Asia Gold: 0

Maxim Kondratyukin

Maxim Kondratyukin is a Russian citizen, born 1981. He studied financial management at the Siberian-American School of Management (1998–2003) at Irkutsk State University. Parallel with this (1998–2002) he also studied Business Management at University of Maryland College. Since 2006 he has been in charge of project development at MIEL Regional Investments for property investments. Prior to this he was Head of Marketing at Teletrade D.J International Consulting Ltd. During 2003–2005 he was in charge of strategic planning for Sibirtelecom in Irkutsk. He is also on the boards of LLC Sun Republic in Riga, Latvia and ZAO Almazinvest in Omsk, Russia.

Holding in Central Asia Gold: 3,765,000 shares and 627,500 warrants through companies.

COMPANY MANAGEMENT

Preston Haskell

(CEO) (see description above)

Pavel Olishevsky

Chief Operating Officer (COO)

Pavel is a Russian citizen born 1973. Pavel has a Masters Degree in Chemistry (MS degree in Chemistry) from Georgetown University in Washington, DC, and as financial analysts (Chartered Financial Analyst, CFA) with extensive experience in the mining sector, last responsible for the construction of a mining operation in fluorite mining.

Holding in Central Asia Gold: 0

Håkan Claesson

Financial Officer (CFO)

Håkan is a Swedish citizen born 1964. In recent years, Håkan has run his own consultancy specializing in economics. Previous positions as CFO and controller included a great deal of international experience in companies such as Balco AB, IKEA International A/S and ABB Fläkt Industri AB. Since December 2009, Håkan is financial officer of Central Asia Gold AB.

Holding in Central Asia Gold: 0

AUDITORS

Johan Arpe

Authorised Public Accountant with Öhrlings PricewaterhouseCoopers, born 1973. He has been the company's auditor since 2008.

Corporate governance report

Corporate governance concerns the regulations and structure that exist to govern and manage a company in an effective and controlled way. Corporate governance is primarily aimed at meeting the shareholders' requirements with regard to returns on their invest-ment and to provide all interested parties with comprehensive and correct information about the company and its development. The governance of Central Asia Gold AB (publ), referred to below as Central Asia Gold, CAG or the Company, is based on the Swedish Companies Act, the Swedish Corporate Governance Code, the Articles of Association and other applicable laws and rules. Central Asia Gold AB (publ) is a Swedish public limited company with its registered office in Stockholm, Sweden. CAG is a Swedish mining company with business operations in eastern Siberia, Russia. Central Asia Gold AB was formed in 2004 and listed on the NGM Equity, Nordic Growth Market on March 29, 2005. Its shares are traded under the abbreviation "CAG". CAG has applied the Swedish Corporate Governance Code (the Code) since July 1, 2008, except for deviations below. The Code is based on the principle of "follow or explain," which means that companies applying the Code can deviate from the individual rules, but they must give an explanation for such deviation.

Governance, management and control of CAG are divided between the shareholders at the AGM, the Board of Directors and the Chief Executive Officer. This report has not been reviewed by the Company's auditor.

Annual General Meeting of the Shareholders

The shareholders' right to decide on CAG's business is exercised at the AGM, which is a company's highest decision-making body.

2009 AGM

CAG's 2009 AGM was held on Wednesday, the 27th of May, 2009 in Stockholm. The minutes from this meeting are available at www.centralasiagold.se.

The following principal decisions were taken:

- The Board of Directors and the Chief Executive Officer were discharged from liability for the past financial year.
- The number of members of the Board for 2009 should be 8 without alternates.
- To the board 2009 the following members were re-elected: Preston Haskell, Lars Guldstrand, Risto Silander, Mike Nunn, Patric Perenius, Sergej Gorbatjov, Alice Volgina, and Maxim Kondratjukin.
- Preston Haskell was re-elected Chairman of the Board.
- The Board's fees were set at TSEK 200, whereof TSEK 40 to Lars Guldstrand, Patric Perenius, Risto Silander, Alice Volgina and Mike Nunn. To the other three Board members, ie. Preston Haskell, Maxim Kondratyukin and Sergey Gorbachev no compensation shall be paid.
- Remuneration to the Company's auditor is paid according to the invoiced amount following an agreement.
- The AGM approved the principal shareholders' proposal for the establishment of principles for appointing the election committee.
- The AGM approved the Board's proposal of guidelines for the remuneration of senior executives.
- The AGM resolved in favour of mandating the Board to make a decision on a new issue of shares in the Company. The mandate authorises the Board until the next AGM to take decisions on one or more occasions regarding a new issue of up to 880 million shares (what after completion of aggregation, according to decisions taken at the Annual General Meeting on the March, 12th, 2009, is equivalent to 4.4 million new shares), implying a share capital increase of up to SEK 44,000,000, corresponding to a dilution of about 19.9% of the Company's share capital and the total number of voting rights. Issues shall be carried out on marketbased terms. This dilution has been calculated as the number of shares and votes that can be issued divided by total shares and votes after such issuance. The aim of such a mandate and the reason for a possible deviation from preferential rights for shareholders is so that, in the event that a private placement is carried out for reasons of time or for business considerations, this will be more advantageous for the company. The subscription price shall, in deviation from the shareholders preferential rights, be as close to market value as possible.

2010 AGM

The Annual General Meeting of the Shareholders will be held on Monday June 28th, 2010 at IVAs Conference Center, Grev Turegatan 16, Stockholm. The AGM will start at 3:00 pm, and doors open at 2:30 pm. The annual report for 2009 will be available on the Company's website as of April 30.

Election committee

Principles for the appointment of the election committee, approved by the AGM of May 27, 2009.

The principal owners propose that the AGM establish the following principles: The company shall have an election committee consisting of the Chairman of the Board and four other members representing each of the four owners with the greatest voting rights. Those shareholders with the greatest voting rights will be contacted on the basis of the Company's record – provided by the Swedish Central Securities Depository – of registered shareholders (by owner group) at October 31, 2009. Those shareholders that are not registered with the Swedish Central Securities Depository and that wish to make use of their voting right should apply to the Chairman of the Board and must be able to demonstrate the ownership relationship. At the earliest convenience after the end of October the Chairman of the Board shall contact the four shareholders with the greatest voting rights, as set out above, and ask them to each appoint a member. If any of the shareholders decline their right to appoint a member to the election committee, the shareholder with the next most voting rights shall be provided with the opportunity to appoint a member. The names of the owner representatives and the names of the shareholders that they represent shall be made public no less than six months before the AGM. The election committee's mandate period continues until a new election committee has been appointed. The Chairman of the election committee shall, unless the members agree otherwise, be the member that represents the largest shareholder. If a member leaves the election committee before its work is complete, and if the election committee deems that it is necessary to replace this member, the election committee shall appoint a new member. No fee shall be paid to the members of the election committee. The election committee may charge fair and reasonable expenses for travel and reports to the Company.

The election committee shall make proposals to the AGM for: (i) the election of AGM Chairman; (ii) the number of members of the Board; (iii) the election of the Chairman of the Board and other Board members; (iv) the Board's fee, divided between the Chairman and other members; (v) any remuneration for committee work; and (vi) the election and payment of auditors and alternate auditors (where applicable). In addition, the election committee shall make proposals for decisions about principles for establishing a new election committee.

The names of the owner representatives shall be published on the Company's website at the earliest convenience after they have been appointed. Proposals may be sent to valberedning@centralasiagold.se or sent by post to Central Asia Gold AB at: Election Committee, Engelbrektsplan 2, 4 fl, 114 34 Stockholm. The election committee up to the 2010 AGM has consisted of: Lars Guldstrand, Peter Lindh representing Bertil Holdings Ltd, Roger Hassanov representing Greypson Investments Ltd, Viggo Leisner representing Spencer Energy AS and Jörgen Durban representing Landå AB.

Board of Directors

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organisation of the Company and the administration of the Company's business, and shall continually assess the Company's and Group's financial situation. The Board of Directors deals with issues of material significance such as business plans with profita-bility targets, budgets, interim reports and annual reports, the acquisition or sale of com-panies, significant property acquisitions or sales, the establishment of important policies, the structure of internal control systems, and significant organisational changes.

The Board's procedural rules and written instructions regarding financial reporting and the division of work between the Board, the Chief Executive Officer and the Chief Operational Officer.

Each year CAG's Board establishes procedural rules and written instructions regarding financial reporting and the division of work between the Board and the Chief Executive Officer. The procedural rules regulate, among other things, the Board's duties, the minimum number of Board meetings each year, how notifications to attend meetings take place and which documents need to be distributed before Board meetings and how the minutes of Board meetings are to be drawn up. The written instructions regarding financial reporting regulate the reporting system that exists, since the Board needs to be able to continually assess the Company and Group's financial situation and the division of work between the Board and the Chief Executive Officer.

Chairman of the Board of Directors

During 2009 Central Asia Gold's Chairman of the Board led the Board's work and ensured that the Board fulfilled its duties. The Chairman of the Board has continually followed the group's business and development through contact with the Chief Executive Officer and through his own frequent meetings or conversations with the heads of the subsidiaries.

Members of the Board of Directors

At year-end 2009 Central Asia Gold's Board consisted of six members elected by the AGM. The Chief Executive Officer is a member of the Board of Directors. The members of the Board are presented in more detail further on this document, together with details of the members' independence from the Company and the Company management.

The Board's work in 2009

During 2009 the Board held 12 meetings, where of two (by phone) were held before the merger 2 March 2009. There after the new board has held 10 meetings two of which were by correspondence and six were held by telephone. The two other meetings were physical meetings.

The important issues dealt with by the Board in 2009, in addition to the approval of the annual report and the interim reports, establishing a business plan and the related budgets, were as follows:

- The Company's financial position and liquidity
- Strategic decision-making
- Merger with New Mining Company via an acquisition through an issue in kind
- Reorganization of management team

Board members' attendance at Board meetings

Name	Position	Present
Lars Guldstrand	Chairman of the Board	10/10
Preston Haskell	Member	10/10
Maxim Kondratyukin	Member	9/10
Risto Silander	Member up to and including August 19, 2009	4/4
Alice Volgina	Member	7/10
Mike Nunn	Member	10/10
Patric Perenius	Member	10/10
Sergey Gorbachev	Member up to and including October 26, 2009	6/6

Board's division of work

There was no verbal or written division of work for the members of the Board during the 2009 financial year.

Board committees

CAG's Board of Directors chose not to establish any special audit or remuneration committees in 2009. The Board found it more appropriate to allow the Board to perform the tasks of the committees with regard to remuneration- and audit-related issues. These issues have been dealt with along with ordinary Board work.

Board fees

The Board of Directors' fees are decided by the AGM. At the AGM of May 27, 2009 it was decided that the fee for the Board for the financial year should be SEK 40,000 to each Board member, except for Preston Haskell, Maxim Kondratyukin and Sergey Gorbachev to whom no compensation was be paid.

Chief Executive Officer and other senior executives

The Chief Executive Officer, who is also the Head of the Group, has the task of providing ongoing management of the Company. The Board's written instructions establish the division of work between the Board and the Chief Executive Officer. The CEO's work is evaluated once a year, latest at the Board meeting in December 2009. Preston Haskell is Chief Executive Officer and Head of Group for Central Asia Gold since September 2009.

Remuneration of Executive Management

For information about the remuneration policy and the remuneration of the Chief Executive Officer, senior executives and other employees please see Note 2 in the annual report for 2009.

Auditor

The AGM appoints an auditor to the Company once every four years. The auditor's task is to review the Company's annual report and accounts, as well as the management by the Board and the Chief Executive Officer. The AGM of June 12, 2008 elected, for a period of four years (until the 2012 AGM), Authorised Public Accountant Johan Arpe of audit company Ranby Björklund, which is now part of PriceWaterhouseCoopers. The audit is conducted in accordance with generally accepted auditing standards in Sweden. The audit of the annual accounts mainly occurs in January to April. The process is started, however, when the review of the nine-month accounts is started from October of the accounting year.The 9 months interim report was subject to review during the financial year.

The Board's description of internal control of financial reporting

Internal control is often defined as a process that is influenced by the Board, the company management and other staff, and that is developed to provide a reasonable assurance that the Company's targets are being met in terms of the business being adapted to its purpose and efficient, financial reporting being reliable and the application of relevant laws and regulations. Internal control consists of various aspects: control environment, risk assessment, control activities, information and communication, as well as monitoring.

Control environment

Internal control is underpinned by the control environment, which comprises the culture that the Board and company management communicate and according to which they operate, and that provides the discipline and structure for the other aspects of internal control. The control environment primarily consists of the organisational structure, responsibility and powers, management philosophy, ethical values, staff competence, policies and guidelines, as well as routines. Besides the relevant legislation, the framework within which Central Asia Gold's Board works consists of the owners' aims and the Code. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO that the Board establishes each year in its written instructions. The Board has established procedures for its work. The CEO is able to delegate a degree of decision-making to other senior executives. Two members of the Board have the authority to sign for the company.

Risk assessment

All business operations involve risk. A structured risk assessment make it possible to identify the material risks that have an effect on internal control with regard to financial reporting and where these risks exist within the organisation. CAG's Board continually assesses the Company's risk management. This work consists in assessing what preventative measures need to be taken to reduce the Company's risks, which involves, for example, ensuring that the Company has appropriate insurance and that the Company has the necessary policies and guidelines in place. This annual report sets out the Board's review and assessment of risk factors under the heading Significant Risks and Points of Uncertainty.

Control activities

Control measures are required to prevent, detect and correct errors and discrepancies. Each quarter, CAG's finance department compiles financial reports that provide details of earnings and cash flow for the past period at subsidiary and group level. Deviations from budgets and forecasts are analysed and commented on. Documented processes exist for the compiling of the information on which financial reports are based.

Information and communication

Central Asia Gold has an information policy, which comprises guidelines for both internal and external information from the Company. External information is provided in accordance with financial markets and securities legislation, other relevant laws and regulations, the rules of the Swedish Financial Supervisory Authority and the stock market listing agreement with NGM. The company provides the market with information on an on-going basis about important events within the group, including its financial position. Information is provided in the form of interim and annual reports. In addition, press releases are issued about news and events that are deemed to be price-sensitive information. All financial information and other press releases are published via NG News to recipients within the financial and daily press, news agencies, analysts and to the Company's website. Information relevant to CAG's employees is distributed by e-mail. Internal dissemination of price-sensitive information is first carried out after Central Asia Gold has provided the stock market with the information. In addition, all managers are responsible for providing their co-workers with such information that is to be distributed within the organisation.

Monitoring

Financial monitoring is carried out on a quarterly basis for all profit centres and at group level. In addition to this, group management receives operational reports on a weekly and monthly basis. Monitoring is then carried out in comparison with budgets. CAG is a mining company that is in its early stages, which is why no earnings or sales forecasts are currently provided externally. Instead of this, the financial report in February of each year provides targets for expected volume of gold production for the full year. This target is then revised as often as is deemed necessary. Since the gold production is currently highly seasonal, this usually occurs, at the earliest, in the summer months, when production has begun in earnest.

The Board continuously evaluates the information provided by the company management. Each month the COO reports to the Board on the Company's performance with regard to the targets in the business plan. The Company has chosen not to have a separate internal audit unit. Given its size, the company finds that it is not viable with a separate internal audit unit. However, if the Board finds it appropriate internal control will be further expanded. The issue of internal control and a separate internal audit unit is annually reviewed by the Board and will be discusses again in 2010.

Members of the Board during the 2009 financial year

Lars Guldstrand (born 1957)

Chairman of the Board, elected 2009.

Lars Guldstrand is a Swedish citizen, born 1957, with more than 25 years' experience in international leadership and investment in the telecoms, media and technology sectors. He has also worked with corporate turnarounds and reorganisations, and M&A activities in a number of other areas, including the finance and Internet sectors.

During his career Lars Guldstrand has held leading positions in a number of privatelyowned and publicly listed companies in Europe and the U.S., including Eniro AB. Lars Guldstrand is a partner and Chairman in GKL Growth Capital AB, Chairman of Paynova AB, Eco Energy, Centum Finance Services International AB, KMW Energi AB and G-Life AB.

He is also member of the board of Loxystem AB and Amari Resources Ltd. Lars Guldstrand holds an MBA from California Coast University, California in the U.S.

Shares in Central Asia Gold: 64,800 via company
Warrants in Central Asia Gold: 0
Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **No**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Preston Haskell
(see under Group Management)

Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **No**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Maxim Kondratyukin (born 1981)
Board member, elected 2009.

Maxim Kondratyukin is a Russian citizen, born 1981. He studied financial management at the Siberian-American School of Management (1998–2003) at Irkutsk State University. Parallel with this (1998–2002) he also studied Business Management at University of Maryland College. Since 2006 he has been in charge of project development at MIEL Regional Investments for property investments. Prior to this he was Head of Marketing at Teletrade D.J International Consulting Ltd. During 2003–2005 he was in charge of strategic planning for Sibirtelecom in Irkutsk. He is also on the boards of LLC Sun Republic in Riga, Latvia and ZAO Almazinvest in Omsk, Russia.

Shares in Central Asia Gold: 3,765,000 via company
Warrants in Central Asia Gold: 627,500 via company
Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Alice Volgina (born 1966)
Board member, elected 2009.

Alice Volgina is a Russian citizen, born 1966. Alice has a degree in English translation from Moscow's State University of Linguistics. Since 1999 she has been a partner in and CFO of Preston Haskell's Colliers International investment group. Between 1996–1999 Alice worked as Vice President of HIB Limited and in 1988–1996 she worked in customs at Moscow's Sheremetyevo airport.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0
Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **No**

Mike Nunn (born 1959)
Board member, elected 2009

Mike Nunn, a South African mining entrepreneur born in 1959, is the founder of Amari Holdings, a business that drew on his experience and success in the commodities industry and his African business network.

Mike Nunn is an global pioneer within the Tanzanite segment. Tanzanite is a gemstone. As founder and former CEO of TanzaniteOne Ltd (listed on London's AIM) he developed a local operation into one of the world's foremost producers of and market leaders for tanzanite. Nunn also founded the Tanzanite Foundation, an industry organisation that oversees the global marketing of tanzanite.

Among his other mineral-related activities, Nunn was involved in turning around MDM, an old mining engineering company that has since become a leading African mining consulting company whose shares were listed on the AIM in 2008.

In 2005 Nunn founded Xceldiam Ltd, an Angolan diamond prospecting company that was successfully floated on the AIM in 2006 and was later sold to Petra Diamonds.

Nunn consolidated part of his mining interests in mid-2006 and created AMARI, an Africafocused mining and mineral resources investment company with interests in gold, platinum, uranium, manganese, nickel, coal and iron ore.

Nunn is currently Working Chairman of AMARI and is based in Johannesburg, South Africa.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0
Independent of the company and the company management as defined by the Swedish Codof Corporate Governance: **Yes**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **Yes**

Patric Perenius (born 1951)
Board member, elected 2004

Patric Perenius is a Swedish citizen, born 1951. Patric graduated 1977 with a M.Sc in mining from the Royal Institute of Technology in Stockholm. After working with oil exploration with Swedish Petroleum Exploration and Norsk Hydro, Patric participated as founder of several oil and mineral exploration companies, such as Secab, Tricorona, Aurex, Gexco, Yield Archelon and Svenska Capital Oil and Geotermica. In addition to Central Asia Gold, Patric Perenius is also member of the boards of Archelon Mineral, Svenska Capital Oil, Benchmark Oil&Gas and Geotermica.

Shares in Central Asia Gold: 3,500
Warrants in Central Asia Gold: 0
Independent of the company and the company management as defined by the Swedish Code of Corporate Governance: **Yes**
Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance: **Yes**

All Board members, except for Patric Perenius, were elected at the Extraordinary General Meeting March 12, 2009, in connection with the merger with New Mining Company.

Group management

Preston Haskell (born 1966)

Chief Executive Officer, Head of Group, and Board member of Central Asia Gold AB (from 2009).

Preston Haskell is U.S. citizen, born 1966, and has been active as a businessman in Russia since the early 1990s. Haskell is a Board Member of Colliers International Russia and Ukraine and has worked in Russia since 1993

Haskell is also a member of the Board of Fleming Family and Partners Real Estate Development Fund Ltd.

Preston Haskell has a degree in economics from the University if Southern California in the U.S.

Shares in Central Asia Gold: 11,235,000 via company
Warrants in Central Asia Gold: 1,872,500 via company
Significant assignments outside the company:
GKL Growth Capital AB – BM
Colliers International – BM
Fleming Family and Partners Real Estate Development Fund-BM
The CEO's all significant assignments outside the company were approved by the Board.

Pavel Olishevsky

Chief Operating Officer (COO)

Pavel is a Russian citizen born 1973. Pavel has a Masters Degree in Chemistry (MS degree in Chemistry) from Georgetown University in Washington, DC, and as financial analysts (Chartered Financial Analyst, CFA) with extensive experience in the mining sector, last responsible for the construction of a mining operation in fluorite mining.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0

Håkan Claesson

Financial Officer (CFO)

Håkan is a Swedish citizen born 1964. In recent years, Håkan has run his own consultancy specializing in economics. Previous positions as CFO and controller included a great deal of international experience in companies such as Balco AB, IKEA International A/S and ABB Fläkt Industri AB. Since December 2009, Håkan is financial officer of Central Asia Gold. AB.

Shares in Central Asia Gold: 0
Warrants in Central Asia Gold: 0

Long-term incentive programs

The Board regularly evaluates the need for long-term incentive programs. Currently there are no outstanding incentives in the company.

Deviations from the Swedish Code of Corporate Governance

Central Asia Gold AB chooses to deviate from the code in the following points:

- The entire Board of Directors performs the duties of the audit and compensation committees. Given the clear ownership structure, Preston Haskell, the CEO and majority shareholder participates in committees' work.
- In 2009, the Board did not have any meetings with the auditor in absence of the CEO and other members of management. The Board's opinion in this case was that the questions were of a nature that it was considered appropriate and effective to let the CEO and senior management participate in meetings with the auditor.
- CAG didn't publish the date for the Annual General Meeting 2010 in a timely manner, which should have been done in the interim report for Jan – Sept 2009, where should also be stated at what time a request to have a matter considered at the meeting must be received by the CAG. The information was published on the Company's website first in January 2010. The Company's management considers that even if the deadline was not met, the shareholders were given sufficient time to send its request.

CAG has not complied with the code on the following points:

- The Chairman of the Board shall as soon as possible at the end of October contact the four largest shareholders and ask them to appoint a member of the election committee, the Chairman of the Board is the fifth member of the committee. The deadline was not kept. The information was published on the Company's website first in February 2010, due to the fact that no information on composition of election committee was available earlier.

This report has not been reviewed by the company's auditor.

Stockholm, April 30, 2010

Central Asia Gold AB (publ.)
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Tardan, Ore field view

Tardan, ground vehicle shop

Tardan, the camp

Directors' report

The Board and the Chief Executive Officer for Central Asia Gold AB (publ) hereby submit the annual report for the financial year January 1–December 31, 2009.

Group structure

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. CAG AB has in March 2009 completed the merger with Russian gold mining group New Mining Company (”NMC”) by way of an issue in kind. As a result of the acquisition, CAG AB became parent company of an enlarged group of Russian gold mining subsidiaries. The merger also resulted in the previous shareholders of NMC, primarily the American entrepreneur Preston Haskell, becoming main owner of CAG AB. Before completing the merger, CAG AB on December 30, 2008 dividended out all the shares in its subsidiary Kopylovskoye AB pro rata to the CAG AB shareholders.

The group structure consists of the Swedish joint stock parent company, which controls ten subsidiaries in Russia. The Russian subsidiaries are of the limited liability type (”OOO”). The operations involve exploration and production of gold, primarily in the Tyva, Chita 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 of twelve months period of 2009, are estimated to contain 760,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 24 tons).

CAG AB was publicly listed on the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005. The number of shareholders was some 4,200 as at March 31, 2010.

Mining operations

Tardan Project

Tardan Field is a 540 km^2 exploration and mining license, where the explicit Tardan Project applies to a 3,3 km^2 area. Tardan Deposit license is located with good infrastructure only 80 km to the east of Kyzyl, the capital of Republic of Tyva.

As of 01.01.2010 Tardan deposit reserves are 2 million tones at Au 4.0 g/t average (gold reserve 7.6 tonnes) amenable for open-pit mining and heap leaching. 90 kg of gold was sold from the production at Tardan within a pilot production program in 2009. Technical studies of the deposit minable reserves and processing routes have been completed in 2009.

Based on the results, the company plans for building a 400,000 ton per annum heap leach plant with a gravity pre-treatment of minor high-grade ores. A full-capacity production at the plant will be able to handle approximately 1200 kg of gold annually on average starting from 2011.

Project engineering for the new plant was started in January 2010, currently the work with permits, suppliers and financing is on going.

During 2010 before the new plant is ready the gold will be extracted through gravitational production out of ore and tailings stocks use already in place.

Solcocon Heap Leach plant

Solcocon Heap Leach Plant is located on the 220 km^2 Staroverinskaya exploration and mining license area, approximately 200 km from the rail station Borzya in Zabaikalsk regoin,. The plant has been kept on maintenance during the most of 2009 while the company was reviewing Staroverinskaya resources. 28 kg of gold was sold from the production at Solcocon in 2009 from existing heaps originated from Bogomolovskoye.

Exploration of Bogomolovskoe satellite gold occurrences in 2009 has resulted in identifying open-pit minable oxidized ores for heap leaching in two ore bodies. Additional potential resources were established through Staroverinskaya Field exploration. Detailed studies of the newly identified ore bodies will provide Solcocon with reserves for the next several years.

Based on the new discoveries a full-capacity heap leach operation restart is planned at Solcocon in 2010. As a part of the restart program a new crushing, stacking, and absorption units will be installed at Solcocon to improve the plant operation.

Alluvial mining

A total of 548 kg of gold was produced and sold in 2009 by three placer producers (Lena, Tyva, and Borzya).

By the end of the year a decision was made to permanently stop operations of Artel Tyva for economical reasons. The costs of the closure in 2010 will be mostly compensated by the sale of Artel Tyvas's equipment.

The alluvial gold production will be done with profitability being the single criteria for operations to be continued.

Exploration activities

Tardan Field

Tardan Field is a 540 km^2 exploration and mining license located in Republic of Tyva, 80 km from the capital Kyzyl.

Exploration Project of Tardan Field was approved by regulating authorities in 2009.

Gold mineralization within the license area is associated with skarns and metasomatic rocks.

Skarn-type gold mineralization at Tardan Field has been studied historically. A total of 10 tonnes (300,000 oz) P1 resource was assigned to several ore bodies.

The exploration program in 2010 will be focused on identifying new gold anomalies and studying metasomatic mineralized zones as potentially much larger tonnage resource.

Detailed exploration of skarn deposits will commence in later years when Tardan plant life extension will be needed.

Kara-Beldyr

A 34 km^2 Kara-Beldyr exploration and mining license area is situated in Republic of Tyva, 170 km from the capital Kyzyl.

The exploration work done on Kara-Beldyr is done in a Joint Venture cooperation with Canadian Centerra Gold Inc (Centerra), the largest western-based gold mining and exploration company in Central Asia and former Soviet Union.

Centerra has the right but not obligation to acquire up to 70% of Kara-Beldyr by investing 6.5 MUSD in exploration work in Kara-Beldyr.

Centerra completed a total of 1,700 m of shallow drilling and 2,800 m of diamond drilling in 2009. Geological environment that controls gold mineralization along a strike length of 1600m is found consistent from section to section. Diamond drilling program is likely to be expedited in 2010.

Uzhunzhul

A 134 km² Uzhunzhul exploration and mining license area is situated in Republic of Khakassiya, 80 km from the capital Abakan.

The exploration program in 2009 included geochemical survey of the total license area.

Previously discovered mineralization zones and new anomalies will be subject to trenching and drilling program in 2010.

Staroverinskaya Field

A 220 km² Staroverinskaya exploration and mining license area is situated in Zabaikalsk regoin, 200 km from the rail station Borzya.

Trenching and drilling program at satellite ore occurrences of Bogomolovskoe deposit in 2009 resulted in identifying two ore bodies.

Exploration work at Staroverinskaya in 2010 will be mostly aimed at providing open-pit minable reserves for Solcocon operation, together with studies of the most promising mineralization zones of the license area.

It is expected that a "permanent exploitation conditions" will be approved for Bogomolovskoye deposit in 2010. The conditions, according to the subsoil regulation in Russia, will automatically be applied to the ore bodies of the same technological type for the whole Staroverinskaya license area. This will allow to mine any additional reserves found in the future without going through reserve approval process.

In addition, geological reports for Kozlovskoye Deposit and Staroverinskaya Field will be completed in 2010, concluding the previous exploration programs. As a result, we expect to confirm 9.2 tonnes at 9 g/t average C2 reserve at Kozlovskoye and 30 tonnes of P1 resource at Staroverinskaya Field.

Earnings and Revenues – the Group

On March 2, 2009 Central Asia Gold AB completed the merger with the companies forming the Russian New Mining Company Group (NMC). These consist of five different Russian limited liability companies located in Chita region, namely GRE-324, Solcocon, Boreservice, Rudtechnology and Zolotaya Borzya. From the second of March 2009, NMC companies' operations are consolidated in CAG AB's financial statements using the accounting model for "reversed acquisitions". This accounting treatment requires NMC companies to be treated as the accounting acquirer and CAG AB being presented as the acquired. CAG AB will, as the legal parent, continue to be presented as parent company in future financial reports. Thus, "old" CAG AB's group operations for the first two months of the first quarter 2009 are not consolidated in the group's consolidated financial statements for the twelve months ended December 31, 2009. All comparative information refers to NMC companies' financial statements for 2008.

For the twelve month period ended December 31, 2009 the group reports a net result after tax and minority interest of TSEK 142,213 (TSEK -57,368) which corresponds to SEK 8.27 per share (SEK -3.82). It should be emphasized that the reverse acquisition principle implies that a one-off revenue item (dissolution of negative goodwill) arose in the first quarter 2009 amounting to TSEK +195,396. Without this effect the net result would have been TSEK -53,183 (TSEK -57,368) for the twelve-month period.

Consolidated gold sales revenues were TSEK 155,800 (TSEK 46,973) during the report period In total 666 kg (276 kg) of gold was sold during the twelve month report period.

Gold reserves 2010

Company	Alluvial / Ore	Gold reserves C1 (ton)	Gold reserves C2 (ton)	Gold reserves C1/C2 (ton)	2010 Planned Registration C1/C2 (ton)	Prognostic Recources P1/P2 (ton)	Gold sales 2009 act (kg)
CAG units							
Tardan Gold	Ore	5.7	1.9	7.6		20	90
Kara Beldyr (JV Centerra)	Ore / Exploration					40	
Uzhunzhul	Ore / Exploration					30	
Artel Tyva	Alluvial	2.1		2.1			77
Artel Lena	Alluvial	2.4	1.5	3.9			267
NMC units							
GRE (Staroverinskaya license)						100	
Nizhnyaya Borzia	Alluvial	0.7	1.7	2.4			204
Bogomolovskoye	Ore	0.7	6.9	7.6			28
Kozlovskoye	Ore				9.2		
Solcocon	asset holder						
Boreservice	drilling works						
Gold borzia	alluvial operator						
Rudtechnology	heap-leaching factory operator						
Total		**11.6**	**12.0**	**23.6**	**9.2**	**190**	**666**

**Units are part of GRE (Staroverinskaya licence)*

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.

In addition, a revenue component of TSEK 1,650 (TSEK 21,740) is included in the consolidated P/L account for the twelve month period 2009 relating primarily to drilling and transportation services performed by the subsidiary Tardan Gold. The comparable figure for 2008 relates to Boreservice. In 2009 Boreservice did not have any external sales due to very low demand for this type of services.

The change in stock of finished and semi-finished goods amounted to TSEK 3,099 (TSEK -7,487) during the report period.

During the twelve months January – December 2009 total exploration costs of TSEK 10,750 (TSEK 35,738) were capitalized at subsidiary level.

Total operating costs in the group during the report period amounted to TSEK -203,236 (TSEK -133,892).

Net financial items were TSEK -23,484 (TSEK -33,795) for the report period. It should be noted that Mr. Preston Haskell was almost exclusively financing the NMC companies in 2008 via short-term credits. As a part of the merger agreement, credits amounting to the equivalent of some MSEK 70 were converted to equity in NMC-companies. Also, at the same date short-term interest bearing credits from Mr. Haskell to NMC amounting to the equivalent of some MSEK 70 were converted to long term loans at low interest rate.

The tax income for the report period was TSEK 2,707 (TSEK 13,355). It relates predominantly to a change in deferred tax on subsidiary level

The minority share of the net result for the report period was TSEK 76 (0). It relates to the subsidiary OOO Artel Lena.

Central Asia Gold has entered into a co-operation agreement with CIC Mining Resources Limited (“CIC”), a Chinese mining investment company with Chinese and global investments, and with its head office in Beijing, China. The key strategic elements that the CIC co-operation will provide to CAG are support in the technical and geological analysis, including identifying cost efficient high quality Chinese equipment and manufacturing partners. CIC will also assist in identifying potential acquisition targets both in China and globally.

In October Preston Haskell, the main owner of CAG, was appointed as new CEO (Chief Executive Officer) / Managing Director for CAG. At the same time Lars Guldstrand was appointed as new chairman of the board. In December Pavel Olishevski was appointed as new COO (Chief Operational Officer). Pavel Olishevski has a long experience in the mining sector, most recent responsible for development of a business in nickel mining. In December Håkan Claesson was appointed as new CFO (Chief Financial Officer). Håkan Claesson has a long experience as Financial manager in Swedish companies with international operation.

Investments, liquidity and financing – Group

Investments in tangible and intangible fixed assets during the twelve months of 2009 amounted to TSEK 10,830 (TSEK 55,617).

Cash in group accounts was TSEK 22,732 (TSEK 144) at the end of December 2009.

The working capital will be guaranteed by Preston Haskell, CEO and major shareholder of CAG. The commitment is limited to 125 MSEK which the Board of CAG considers well above estimated funding demands for the next 12 months. 30 MSEK of the funding is executed per end of December 2009.

The Board of CAG currently challenges the intangible assets, such as deposits etc, in the Balance Sheet of the CAG Group. The Board of CAG has not identified any need for impairment of these assets.

Securing of bank financing

In July 2009 a short term loan in the amount of MRUR 18.5 (approx. 600 TUSD) was received by OOO Artel Lena from the Bank of Moscow for the purpose of financing current alluvial operations. The loan was paid out in full.

Parent Company

The Swedish parent company is a holding company without significant operational activities. It supports the subsidiaries with financing, investor relations and strategic decisions, etc. However, it has no earnings other than revenues in the form of interest on loans to the subsidiaries and interest on bank loans. Its number of employees was one at the end of the reporting period. Russian management services are purchased from New Mining Company in Moscow. The net loss for the 2009 financial year was TSEK -12,281 (TSEK -28,947). Included in the twelve month earnings are write-downs of TSEK -5,296 related subsidiary Boreservice. This write-down was recorded in the accounts in the fourth quarter of the financial year.

The parent company’s cash holdings amounted to TSEK 14,794 at December 31, 2009 (TSEK 30,456).

In the parent company’s balance sheet the financial assets and long term liabilities to group companies are reduced 2009 by matching them against each other.

A contribution in kind, then the NMG group was acquired, resulted in an issue of new shares to the value of 180.8 MSEK (which then were impaired to 175.5 MSEK).

Issued shares

During the first quarter of 2009 the issue in kind to finance the acquisition of the NMC companies was carried out. Thereby 3,000,000,000 new interim shares (in Swedish BTA) and 500,000,000 warrants were issued to the two sellers of the NMC companies. This issue was finally registered by Swedish registration authority Bolagsverket by the end of April 2009.

In July 2009 a reversed split 200:1 was conducted. Therefore the new number of outstanding shares including interim shares is as per the report date 17,653,125. The number of outstanding warrants has also been reduced accordingly, and now amounts to 2,500,000. Said warrants entitle to subscription of one new share per warrant at a strike price of SEK 40 per share as per end of December 2009. The term of the warrants is January 2012.

Finansinspektionen (SFSA) approved the prospectus February 12, 2010 and the interim shares was converted into ordinary shares March 2, 2010.

At the most recent AGM held on May 27, 2009 in Stockholm the Board of Directors of CAG was authorized, until the next AGM, to conduct share issues with or without observing the shareholders’ preferential rights amounting up to 4,400,000 new shares (after the reversed split). The issue price shall in such cases be set as closely as possible to the prevailing market price of the share.

Financial targets

Issues concerning capital risk, optimum capital structure and the cost of capital are central in all companies. The board of CAG AB always tries to optimise the cost of capital, however, in accordance with the above, it must also take into account the fact that at present the group is at an early stage of development and the equity/assets ratio must consequently be main-tained at a relatively high level. The Board of Directors currently considers that the equity ratio of the group, at least during the start-up phase (before large-scale production has started) shall be at least 50%. Solidity may be lower at a later stage. As at year end 2009 the group's solidity, including minority share of equity, is at 44,5%. This is considered to be not satisfactory in the present situation. Potential methods for modifying the capital structure might be new share issues.

Short-term interest-bearing debt shall be avoided if possible. Due to the instable financial markets during 2008 and 2009 this has been difficult to avoid, therefore we have considerably amounts (62,067 TSEK) of short term loans at 31 Dec 2009. When considering interest-bearing credits, the term of the loans shall preferably not be less than two years.

Liquidity management

Surplus liquidity, i.e. liquid assets that in the short term will not be invested in operations, shall as far as possible be held in group accounts in the West, i.e. it shall not be left in the Russian banking system. As a rule, surplus liquidity shall be invested in savings accounts or in short-term interest-bearing instruments without any significant credit risk.

Dividend policy

The Board of Directors of Central Asia Gold believes that distribution of dividends is important and shall be aimed for in the longer term. During the start-up stage of the group, i.e. for at least the next few financial years, priority must be given to achieving positive cash flow. In the longer term an attractive dividend is to be distributed, taking into consideration factors such as the financial position of the group and investment requirements.

Tax situation

It is estimated that during its start-up stage the group will not show significant visible profits. In Russia, however, there is no requirement for consolidated accounts, and neither are group contributions possible as they are, e.g., in Sweden. This means that a tax profit in one Russian subsidiary cannot be offset against tax deficits in another. Deductions for tax losses within one particular subsidiary can, however, be offset against future taxable profits under certain conditions. This can result in the group incurring tax costs despite the group not making an accounting profit.

Another factor to consider is the change in what is known as deferred tax. Deferred tax is calculated according to the balance sheet method for all temporary differences that arise between reported values and the tax values of assets and liabilities. The change in deferred tax does not affect cash flow.

In addition to taxes on profits, Russian gold producers pay a royalty tax on the gold they produce. This tax is independent of whether or not the company makes a profit. The royalty amounts to 6% of the sales value of the gold and is paid when the sale is carried out. In addition, Russian companies pay certain minor taxes on the book value of their fixed assets.

The only income sources for the Swedish parent company are interest income on loans extended to the subsidiaries, as well as on surplus liquidity deposited in Sweden from time to time. There can occasionally be a net effect from the impact of exchange rate movements on foreign loans and foreign currency bank deposits. In view of the administrative costs arising in the parent company, it is judged that no or only limited corporate income tax will be payable in Sweden during the next few years.

In total it is expected that the group will only pay limited cash company tax but relatively significant royalty tax over the next few years.

Currency policy

The capital expenditure of the group is mainly made in roubles. Revenue is mainly U.S. dollarrelated because the international gold price is established in U.S. dollars. The Russian gold price is then derived by translating the global gold price into roubles. A significant strengthening of the rouble against the USD is therefore negative for the group. However, since the group reports costs and revenues in Swedish krona (SEK) it may also be affected by the rouble's movement against the Swedish krona. In the first quarter of 2009 the rouble weakened significantly against the U.S. dollar. In the later of the year the Ruble gained against the dollar and is almost in the same level in the end of December as it was in the first of January. The Swedish Krona followed the same pattern to the Dollar but has strengthen more during the later part of the year (especially in Q3).

In general, group surplus liquidity is recorded in USD and in SEK, each with roughly the same weighting. Re-weighting occurs from time to time based on the company management's evaluation of the expected currency rate development over the coming twelve-month period. In order to protect the group against any significant strengthening of the rouble against the dollar, we may from time to time consider buying short-term interest-bearing instruments in roubles, and in such event only instruments with very high credit value, such as government bonds. Any investment in currency-related derivatives is unlikely to be used to any significant extent.

Gold price hedging

As a rule, Central Asia Gold refrains from hedging its own gold production via the options and futures markets. Hedging may, however, occasionally be stipulated as a requirement by creditor banks.

Real estate

The Central Asia Gold group owns no properties other than the modest production-related buildings within the various Russian subsidiaries. All administrative operations are carried out at rented premises.

Environment

The industrial operations at subsidiary level comply with all existing environmental requirements. No environmental accidents or incidents occurred during the financial year.

Employees

The average number of employees in group companies during 2009 was 932 (459). At year-end 2009 there were 556 employees (431).

Board meetings

At year-end 2009 Central Asia Gold AB's Board of Directors consisted of six members. At this time, two of the Board's members were Russian citizens, two Swedish, one South African and one American. The meetings are conducted in English. The EGM of March 12, 2009 appointed a new Board of Directors, as set out below. Further details are provided below.

During the 2009 financial year the Board convened twelve times, where of two (by phone) were held before the merger and the new board of directors commenced. There after the board convened ten times, compared with eighteen times during the previous financial year. Of these ten meetings, two were held by correspondence, six were held via telephone conferencing and two were physical meetings.

Important decisions taken during the year included the establishment of the budgets for the 2009 business year, strategical decisions and the reorganization of the management group.

Planning ahead

Central Asia Gold estimates that the production of gold from the group's various production units in 2010 will be in the range of 1,000 kg.

Financial situation

The Board for Central Asia Gold takes into consideration the following factors in its financial planning; namely, existing cash assets, cash flow from the subsidiaries' gold sales, as well as existing loans and the prospect of established promises of credit from various commercial banks. Additionally, the company has from its major shareholder, Preston Haskell, received a guarantee on working capital financing for a maximum of125 million. In view of these factors, the Board deems that the group currently has sufficient working capital for the financing of the business for the next twelve months. The board is working actively with the question of long term financing for the company.

Significant risks and points of uncertainty

As a relatively small mining company in its early stages and active in Russia, Central Asia Gold AB is exposed to significant risks. Some of these are specific to the industry, whilst others are general or related to Russia. The main points of uncertainty as assessed by the Board are described below:

Gold price risk

Central Asia Gold's revenue flow in principle currently consists of only one income source; namely, revenues from the group's gold sales. Gold is a global natural resource (commodity). Historically, there have been major fluctuations in the global market price of gold. In recent years, the price has increased considerably. There is no guarantee that it will not fall in the future. If the gold price falls, this will have a negative effect on the Central Asia Gold group's financial position.

Planning and financing risk

Developing gold deposits is highly capital-intensive. It usually takes 5–8 years, including the prospecting phase, to put a mine into production. During these early years the mine requires access to finance. If the mine owners themselves do not have sufficient means they will be dependent upon external sources of finance. For Central Asia Gold, this usually means equity financing via share issues on the stock market. If development itself is delayed, or if risk aversion in the stock market increases, difficulties may arise in putting the mining deposits into production or bringing them into large-scale production. Such risks are very material for young companies in general, and they apply especially to Central Asia Gold.

Political risks

Central Asia Gold currently operates in only one country in Central Asia; namely, Russia. Russia is a young democracy and the political situation is not as stable as it is in the older democracies of Western Europe. Intervention from the Russian authorities in the private business world is not uncommon. For example, this may concern the areas of tax or environmental legislation. In recent years, particularly within the oil industry in Russia, thorough inspections have begun to be made of companies' environmental measures. The Russian gold industry may very well be subject to greater inspection by the authorities, and in such an event this may have a negative affect on Central Asia Gold.

Geological risks

All estimates of extractable mineral reserves in the ground are largely based on probability-based assessments and economic factors, e.g. the market price of gold. There are therefore no guarantees that estimated gold reserves will remain unchanged over time.

Inflation risk

The Russian economy has been subject to significant inflationary pressure in recent years, including 2009. This has a direct effect on the production costs of a gold company. There is no guarantee that inflation will slow down in 2009, although many factors point to this.

Third-party risk

In certain cases the group may be dependent on services, access to equipment and assistance during construction provided by third parties to fulfil its operating plans. This dependence on outside parties may negatively affect the group's profits and the time taken to implement the operating plan.

Legal risk

Subsidiary OOO Artelj Lena is involved in various disputes. The issues in question relate to the period before Central Asia Gold took over ownership of OOO Artelj Lena. It is still unclear whether a resumption by former members of the dissolved Artelj Lena workers' collective automatically implies that they would also be reinstated as owners in the new limited liability OOO Artelj Lena. Central Asia Gold has presumed that this would be the case and has made a corresponding provision. There is, however, no guarantee that additional members that were wrongly excluded from the workers' collective may not try to regain their rights through OOO Artelj Lena.

Proposal for guidelines on remuneration to the company management in the CAG group

The Board proposes that the Annual General Meeting on 1 june 2010 approve guidelines for remuneration to senior executives in the Central Asia Gold Group ("the Group"), principally according to the following:

The guidelines shall apply for remuneration and other conditions of employment for the CEO and for other members of the Group's management ("the Group Management").

Guidelines

The guidelines shall apply to the employment contracts that are entered into following the decision of the shareholders' meeting, and in the event of changes being made to existing conditions after this time. The Company shall endeavour to offer a total remuneration that is reasonable and competitive given the conditions in the individual country. Remuneration shall vary in relation to the individual's and the Group's performance. It is proposed that the total remuneration to the Group's management may consist of the components stated below.

Fixed salary

The fixed salary ("the Basic Salary") shall be market-adjusted and based on responsibility, competence and performance. The fixed salary shall be revised each year.

Variable pay

Variable pay shall, where applicable, be related to the company's earning capacity with regard to its equity, reserve and production growth, as well as specific goals within the respective employee's area of responsibility. Variable pay shall, where applicable, be issued annually and shall amount to a maximum of twice the annual Basic Salary.

Long-term incentives

The Board intends to regularly evaluate the need for a long-term incentive programme, which shall be proposed at the Annual General Meeting.

Insurable benefits

Old age pension, sickness benefits and medical benefits shall, where applicable, reflect the rules and practice of the local country. Where possible, pension plans shall be contribution-based. In individual cases, depending on the tax and/or social insurance legislations that apply for the individual, other adjusted pension plans and pension solutions may be approved.

Other benefits

Other benefits shall possibly be made available to individual members of the Group Management or the entire Group Management. These benefits shall not constitute a significant proportion of total remuneration. The benefits shall, moreover, correspond to what is normally applicable in the market.

Notice of termination and severance pay

The notice of termination period shall be a maximum of twelve months upon notification initiated by the Company and a maximum of six months upon notification initiated by a member of the Group Management.

In individual cases, the Board shall be able to approve severance pay beyond the period of notice. Severance pay can only be paid following notification of termination of employment by the Company or when a member of the Group management gives notice of resignation due to a significant change in the member's work situation resulting in him or her not being able to perform his or her work to a satisfactory degree.

Deviation from the guidelines

The Board shall be entitled to deviate from these guidelines if, in individual cases, there is a special reason for this.

Proposal for profit distribution

The group's equity at year-end 2009 amounted to TSEK 196,102 , where of the share capital is 176,531.

In the parent company the shareholders unrestricted equity amounts to:

	TSEK
Share premium reserve	313,198
Retained earnings	-56,637
Net result for the year	-12,281
Total unrestricted equity	**244,280**

The Board and the Chief Executive Officer propose that the parent company's accumulated loss be carried forward and that no dividend will be paid for the financial year.

Consolidated income statement

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
Gold sales		155,800	46,973
Activated work for own account	6	10,750	35,738
Change in work in progress and finished goods		3,099	-7,487
Other sales		1,649	21,740
Dissolution of negative goodwill	19	195,396	
		366,694	**96,965**
Operating costs			
Other external costs	1	-124,679	-96,863
Personnel costs	2	-55,745	-29,805
Depreciation of tangible and intangible fixed assets	3	-22,812	-7,224
Write-down of licences	3	-392	
		-203,628	**-133,892**
Operating result		**163,066**	**-36,928**
Net financial items	4	-23,484	-33,795
Result after financial items		**139,582**	**-70,723**
Tax on this year's result	5	2,707	13,355
Net result for the year		**142,289**	**-57,368**
Whereof attributable to:			
The parent company's shareholders		**142,213**	**-57,368**
Minority		**76**	**–**
Earnings per share before dilution, SEK	15	8,27	-3,82
Earnings per share after dilution, SEK		8,27	-3,82
Number of shares at the end of the financial year		17,653,125	15,000,000
Average number of shares outstanding during the financial year		17,202,457	15,000,000
Average number of shares outstanding for the period after dilution		17,202,457	15,000,000

Consolidated statement of comprehensive income

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
Net result for the period		142,289	-57,368
Other comprehensive income			
Translation difference		3,612	1,303
Total comprehensive income for the period		145,901	-56,065
Total comprehensive income for the period attributable to:			
Parent company's shareholders		**145,825**	**-56,065**
Minority		**76**	

Consolidated balance sheet

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
FIXED ASSETS			
Intangible fixed assets			
Mining permits and capitalised exploration costs	6	149,218	35,935
Tangible fixed assets			
Buildings and land	7	38,583	4,809
Machinery, equipment and other technical plant	8	58,125	43,859
Construction in progress	9	4,649	–
		101,357	**48,668**
Financial fixed assets			
Other securities holdings	23	484	13
Deferred taxes recoverable	5	37,117	15,124
Total fixed assets		**288,177**	**99,740**
CURRENT ASSETS			
Goods in stock	13	85,426	17,831
Accounts receivable		2,480	18,470
Loans receivable		1,468	1,115
Other current receivables	14	36,795	21,647
Prepaid expenses	14	4,086	721
Cash and bank holdings	20	22,732	144
Total current assets		**152,987**	**59,928**
TOTAL ASSETS		**441,163**	**159,668**
EQUITY AND LIABILITIES			
EQUITY	15		
Share capital		176,531	106,125
Additional paid in capital		-66,031	-104,497
Other reserves		4,915	1,303
Retained earnings		79,005	-63,208
TOTAL EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS		**194,420**	**-60,277**
Minority interest	26	1,681	–
TOTAL EQUITY INCLUDING MINORITY		**196,101**	**-60,277**
LONG TERM LIABILITIES			
Deferred tax debt	5	39,933	1,759
Provisions	16	5,228	60
Long-term loans	17	91,682	162,277
Other long-term liabilities		4,051	–
Total long-term liabilities		**140,894**	**164,096**
SHORT-TERM LIABILITIES			
Accounts payable to suppliers		21,080	25,074
Tax liabilities		9,964	5,782
Short-term loans	17	62,067	16,028
Other short-term liabilities		1,722	5,063
Accrued costs	18	9,335	3,902
Total short-term liabilities		**104,168**	**55,849**
TOTAL EQUITY AND LIABILITIES		**441,163**	**159,668**
ASSETS PLEDGED	25		
Bank accounts		50	–
Fixed assets		7,381	–
CONTINGENT LIABILITIES		none	none

Consolidated statement of changes in equity

(All figures in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Minority interest	Total equity
	Attributable to the shareholders of the parent					
Equity as of January 1, 2008	**82,442**	**-82,396**		**-199**		**-153**
Net result for the year				-57,368		-57,368
Other comprehensive income			1,303			1,303
Additional financing from shareholders		1,582				1,582
New issue in kind	23,683	-23,683				–
Equity as of December 31, 2008	**106,125**	**-104,497**	**1,303**	**-57,567**		**-54,636**
Impact of prior year errors*				-5,641		-5,641
Equity as of January 1, 2009	**106,125**	**-104,497**	**1,303**	**-63,208**		**-60,277**
Net result for the year				142,213		142,213
Other comprehensive income			3,612		76	3,688
Equity contribution		70,036				70,036
Shares issued for the acquisition of the CAG group	70,406	-31,570			1,605	40,441
Equity as of December 31, 2009	**176,531**	**-66,031**	**4,915**	**79,005**	**1,681**	**196,102**

**In previously published financial reports of Central Asia Gold, where NMC Group figures for 2008 are the comparative figures for the Group has a fluoride license wrongly been included. The correction has resulted in a reduction of mining permits and exploration costs in 5,641 SEK.*

Consolidated cash flow statement

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
Operating activities			
Operating result		163,459	-36,928
Adjustment for items not included in the cash flow	21	-172,584	7,216
Interest received		16	–
Interest paid		-1,964	-274
Paid income tax		-328	-1,127
Cash flow from operations before changes in working capital		**-11,400**	**-31,113**
Changes in working capital			
Decrease(+)/increase(-)in stock		15,041	26,869
Decrease(+)/increase(-)in accounts receivable		34,459	-15,545
Decrease(-)/increase(+)in liabilities		-33,512	25,011
Total change in working capital		**15,988**	**36,335**
Net cash flow used in operating activities		**4,586**	**5,222**
Investment activities			
Additional financing from shareholders		–	1,584
Investment in intangible fixed assets		-10,750	-39,680
Investment in tangible fixed assets	22	-80	-17,521
Investment in subsidiaries		7,885	–
Net cash flow from investing activities		**-2,945**	**-55,617**
Financing activities			
Loans taken up		55,690	53,745
Amortization of loans		-28,862	-6,522
Loans given		-6,070	-991
Loans received back		264	–
Net cash flow from financing activities		**21,022**	**46,232**
Cash flow for the year		22,662	-4,163
Cash and bank at the beginning of the period		144	4,431
Exchange rate difference on liquid assets		-75	-124
Cash and bank at the end of the period	20	**22,732**	**144**

Parent company income statement

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
Operating costs			
External costs	1	-9,277	-8,148
Personnel costs	2	-970	-4,804
Depreciation of tangible fixed assets	3	-2	-5
Write down of licences	3, 6	-392	–
Operating result		**-10,641**	**-12,957**
Net financial items	4	-1,640	15,990
Result after financial items		**-12,281**	**-28,947**
Tax on this year's result	5	–	–
Result for the year		**-12,281**	**-28,947**
Earnings per share before dilution, SEK		-0.71	-12.50
Earnings per share after dilution, SEK		-0.71	-12.50
Number of shares at the end of the financial year		17,653,125	2,653,125
Average number of shares outstanding during the financial year		17,202,457	2,316,501
Average number of shares outstanding during the financial year after dilution		17,202,457	2,316,501

Parent company balance sheet

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
FIXED ASSETS			
Intangible fixed assets			
Mining permits	6	–	392
Tangible fixed assets			
Office equipment	8	–	2
Financial fixed assets			
Participation in subsidiary companies	10, 11	429,915	254,412
Loans to subsidiaries	12	89,085	113,167
Total fixed assets		**519,000**	**367,972**
CURRENT ASSETS			
Other short-term receivables	14	657	13,187
Prepaid expenses and accrued income	14	84	374
Cash and bank holdings	20	14,794	30,456
Total current assets		**15,535**	**44,017**
TOTAL ASSETS		**534,535**	**411,989**
EQUITY AND LIABILITIES			
EQUITY	15		
Restricted equity			
Share capital		176,531	106,125
Statutory reserve		68,033	68,032
Total restricted equity		**244,564**	**174,157**
Unrestricted equity			
Share premium reserve		313,198	204,375
Retained earnings		-56,637	-27,690
Net result for the year		-12,281	-28,947
Total unrestricted equity		**244,280**	**147,738**
TOTAL EQUITY		**488,844**	**321,895**
LONG-TERM LIABILITIES			
Long-term loans	17	14,802	–
Total long-term liabilities		**14,802**	**–**
SHORT-TERM LIABILITIES			
Accounts payable to suppliers		344	297
Short-term loans	17	29,982	–
Liability to group companies		–	87,828
Tax liability		36	–
Other short-term liabilities		–	134
Accrued costs	18	527	1,835
Total short-term liabilities		**30,889**	**90,094**
TOTAL EQUITY AND LIABILITIES		**534,535**	**411,989**
ASSETS PLEDGED	25		
Bank accounts		50	–
CONTINGENT LIABILITIES		–	–

Parent company's statement of changes in equity

(All figures in TSEK)	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net result for the year	Total equity
Equity as of January 1, 2008	**82,442**	**68,032**	**264,327**	**-16,625**	**-11,065**	**387,111**
Transfer of last year result				-11,065	11,065	
Result for the year					-28,947	-28,947
New share issue	23,683		41,652			65,335
Cost of new share issue			-8,046			-8,046
Dividend of Kopylovskoye AB			-93,558			-93,558
Equity as of December 31, 2008	**106,125**	**68,032**	**204,375**	**-27,690**	**-28,947**	**321,895**
Equity as of January 1, 2009	**106,125**	**68,032**	**204,375**	**-27,690**	**-28,947**	**321,895**
Transfer of last year result				-28,947	28,947	
Net result for the year					-12,280	-12,280
Reduction of quotient value	-79,594		79,594			
New share issue	150,000		30,000			180,000
Cost of new share issue			-771			-771
Equity as of December 31, 2009	**176,531**	**68,032**	**313,198**	**-56,637**	**-12,280**	**488,844**

The parent company's cash flow statement

(all amounts in TSEK)	Note	2009-01-01 – 2009-12-31	2008-01-01 – 2008-12-31
Operating activities			
Operating result		-12,281	-12,957
Adjustment for items not included in the cash flow			
Depreciation		2	5
Interest received		83	304
Paid interest		-3,197	-7
Cash flow from operations before changes in working capital		**-15,393**	**-12,655**
Changes in working capital			
Decrease(+)/increase(-)in accounts receivable		-608	-134
Decrease(-)/increase(+)in accounts payable to suppliers		47	13
Decrease(-)/increase(+)in liabilities		-1,391	-213
Net cash flow used in operating activities		**-17,345**	**-12,989**
Investment activities			
Investment in intangible fixed assets		–	-15
Shareholders' contribution to subsidiary company		–	-735
Investment in tangible fixed assets		–	–
Loans to subsidiaries		-41,795	-31,869
Net cash flow from investing activities		**-41,795**	**-32,619**
Financing activities			
New share issue proceeds, net after issue cost		-1,570	57,289
Loans taken up from subsidiaries		44,784	–
Disposal of shares in subsidiaries		–	9,985
Net cash flow from financing activities		**43,214**	**67,274**
Cash flow for the period		-15,926	21,666
Cash and bank at the beginning of the period		30,456	8,718
Exchange rate difference on cash and bank		264	72
Cash and bank at the end of the period	20	**14,794**	**30,456**

Accounting principles

General information
Central Asia Gold AB (publ) (Parent company or Company) and its subsidiaries (all together the Group) currently explores for and produces the mineral gold in different regions in the Russian Federation. Gold sold during 2009 amounted to 666 kg.

The parent company is a public limited liability company registered in and with its head office in Sweden. The address of the head office is Engelsbrektsplan 2, 4 fl, 114 34 Stockholm.

The parent company has been listed on the Swedish exchange NGM's Equity list since March 2005. At present there are some 4,200 shareholders.

The Board has approved these consolidated accounts for publication on 30 April, 2010.

Summary of important accounting principles
The most important accounting principles applied when these consolidated accounts were drawn up are specified below.

Basis for the preparation of reports
The group accounts for the Central Asia Gold group are prepared in accordance with the Annual Accounts Act and with the IFRS international accounting principles, IFRS and interpretations from IFRIC, as they have been accepted by the EU, and in accordance with RFR 1.2 "Supplementary accounting regulations for groups".

The financial reports for 2009 have been prepared using the historical cost method.

In all significant ways the parent company applies the same accounting principles as the group. In addition the parent company applies RFR 2.2 "Accounting for legal entities".

New IFRS and interpretations
The following new and revised standards from IASB and interpretations from IFRIC that has had impact on the financial reports for Central Asia Gold has been adopted by the group from January 1, 2009.

IAS 1 (Revised), Presentation of financial statements
According to the revised standard, only transactions with the owners are included in the statement of changes in equity. Other transactions that previously was accounted for in the statement of changes in equity are now accounted for as other comprehensive income in the report, Statement of comprehensive income. Central Asia Gold has chosen to report a separate income statement and a statement of comprehensive income.

IFRS 7 Financial instruments – Disclosures (revised)
The revised standard requires further disclosures on fair value valuations and liquidity risks. The revised standard is only a disclosure standard and has no effect on earnings per share.

IFRS 8 Operating segments
The new standard replaces IAS 14 and requires the segment information to be presented thorough the eyes of management, which means that it should be presented as used in the internal reporting. The standard has not had any effect on the presentation of segments for Central Asia Gold.

IAS 23 Borrowing costs (Amendment)
The amendment to the standard requires companies to capitalize borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset. The revised standard has for the financial year 2009 not had any effect for Central Asia Gold.

The following new and revised standards and interpretations that are considered to have effect on the group accounts, have not yet come into effect and have not been prematurely adopted by the group.

IAS 27 (Revised),"Consolidated and separate financial statements"
Under the revised standard, the effects of all transactions with minority interests that do not result in loss of control are recognised in equity and these transactions no longer give rise to goodwill or gains and losses. The standard also states that when the disposal of an investment in a subsidiary results in loss of control, any remaining holdings are remeasured at fair value and a gain or loss is recognised in the profit and loss account. The group will apply IAS 27 (Revised) prospectively for transactions with minority interests on or after 1 January 2010.

IFRS 3 (Revised), "Business combinations"
The revised standard continues to prescribe application of the acquisition method for business combinations, but with a few significant changes. For example, all consideration paid for an investment in a business is measured at fair value on the acquisition date, while subsequent contingent consideration is recognised as a liability to be adjusted in the income statement. Minority interests in the business acquired can be measured either at fair value or at the minority interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs are expensed. The group will apply IFRS 3 (Revised) prospectively for all company acquisitions on or after 1 January 2010.

Consolidated accounts
As a consequence of Central Asia Gold AB:s acquisition of all outstanding shares in the five companies, LLC GRE 324, LLC Solcocon, LLC Gold Borzya, LLC Borservice and LLC Rudtechnology (collectively referred to as "The NMC companies"), the former owners of these companies, Bertil Holdings Ltd and Greypson Investment Ltd, acquired the control over Central Asia Gold and the acquisition is therefore accounted for as a reverse acquisition. Historical financial information for the Central Asia Gold group comprises from this acquisition of the historical financial information for the acquired NMC companies.

The NMC companies have not previously been presented as a stand alone group. The companies have been under the common control of its owners, Bertil Holdings Ltd and Greypson Investment Ltd. The group accounts for 2008 have therefore been prepared by combining the individual companies' income, expenses, assets and liabilities. All inter group transactions and balances and any unrealized gains or losses on transactions between the group companies have been eliminated. The accounting policies in the separate companies have, if necessary, been adjusted to comply with the groups accounting policies."

Subsidiaries
The acquisition method is used to report the Group's acquisitions of subsidiaries. The acquisition cost for an acquisition consists of the fair value of assets provided as a payment, equity instruments issued and liabilities arising or taken over on the

date of transfer, plus costs directly attributable to the acquisition. Identifiable acquired assets and liabilities taken over and any contingent liabilities in a company acquisition will initially be valued at their fair value on the date of acquisition, regardless of any minority interests. The surplus constituted by the difference between the acquisition value and the fair value of the Group's share of identifiable net assets is shown as goodwill. If the acquisition value is less than the fair value of the acquired company's net assets, the difference is shown directly in the income statement. Thus the consolidated accounts only include that part of the subsidiary's equity that has been added after acquisition.

Subsidiaries are all those companies (including companies for specific purposes) where the Group is entitled to formulate financial and operational strategies in a manner that normally results from a shareholding amounting to more than half of the votes. The existence and effect of potential votes that it is presently possible to utilise or convert will be taken into account when assessing whether the Group exercises a controlling influence over another company. Subsidiaries are included in the consolidated accounts from the date that the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date that the controlling influence ceases.

Intragroup transactions, balance sheet items and unrealised profits/losses on transactions between Group companies are eliminated. The accounting principles for subsidiaries have, where appropriate, been amended to guarantee the consistent application of the Group's principles.

Transactions with minority shareholders

The Group applies the principle of reporting transactions with minority shareholders as transactions with third parties. Sales to minority shareholders result in profits and losses for the group and are shown in the income statement. In conjunction with purchase of minority shares where the price paid exceeds the acquired share of reported value of the subsidiary's net assets, the difference is reported as goodwill. In conjunction with sales to minority shareholders where the purchase price received differs from the reported value of the share of net assets that are sold, profit or loss arises. This profit or loss is reported in the income statement.

Translation of foreign subsidiaries and other foreign operations

Earnings and the financial positions of all Group companies (none of which have a high-inflation currency) that have a different functional currency than the report currency are converted to the Group's report currency as follows:

(a) assets and liabilities for each of the balance sheets are converted to the closing day rate;
(b) profit and loss statements for each of the subsidiaries are converted to the average exchange rate (provided that this average rate constitutes a reasonable approximation of the accumulated effect of the rates applying on the date of the transaction, otherwise assets and liabilities are converted to the rate on the date of the transaction), and
(c) all exchange rate differences arising are shown as a separate part of equity capital.

During consolidation, exchange rate differences arising as a result of the conversion of net investments in foreign operations and of borrowing and other currency instruments identified as hedging of such investments are entered in equity. When disposing of a foreign company, these exchange rate differences are shown in the profit and loss account as part of the capital gain/loss.

Goodwill and adjustments to the fair value arising upon the acquisition of a foreign company are treated as assets and liabilities of this operation and converted to the closing day rate.

Functional currency and presentation currency

Items that are included in the financial statements for the various units in the group are valued in the currency that is used in the economic environment in which the respective company is chiefly active (functional currency). This is currently the rouble, as all subsidiaries are at present located in Russia and chiefly employ the rouble in their daily activities. SEK is used in the group accounts, which is the Swedish parent company's functional currency and reporting currency.

Functional currency of subsidiaries is Russian ruble, presentation currency is SEK. Assets and liabilities are translated from functional currency to presentation currency at the closing rate 4.19983 ruble per 1 SEK (3.78867), income and expenses are translated using average rate 4.1682 ruble per 1 SEK, (3.79154). Results are recognized as a separate component of other comprehensive income and the cumulative effect is included in other reserves in shareholders' equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date. Exchange rate differences for operational receivables and operational liabilities are included in the operating result, while exchange rate differences for financial receivables and liabilities are accounted in financial items. Unrealised exchange rate gains and losses relating to operational receivables and liabilities are net accounted as other operating income/costs.

Reporting of income

Sales of gold and other minerals are reported when a binding purchase agreement has been concluded and when delivery to the buyer has been completed, usually to a Russian licensed commercial bank. Revenue is thus only reported when the amount of income can be measured in a reliable way and it is likely that future economic benefits will accrue to the subsidiaries. Reporting is preceded by the semi-finished product that the subsidiaries produce, a gold ore concentrate, being delivered to a smelting works (refinery) that enriches the ore concentrate into the end product, 24 carat pure gold and a certain residual amount of silver. Sales are shown gross before royalties and other taxes directly applicable to the sale. Such taxes and charges are separately reported as operating costs. Gold sales are currently not subject to VAT in Russia. Any other income not part of the normal business is recorded as "other operating income". Interest income is recognized using the effective interest method.

Depreciation

Intangible fixed assets

These intangible fixed assets are subject to amortisation according to the "unit of production principle". The unit of production principle means that depreciation is accounted for at the same rate as production. In the case of Central Asia Gold, this means that the total expected production of gold from each license object (mine or alluvial deposit) is evaluated during the licence object's expected useful economic lifetime. After this, depreciation for each period is made corresponding to the period's proportional share of the total expected production.

Tangible fixed assets

Tangible fixed assets are systematically written off according to the particular asset's estimated economic life. If applicable, the asset's residual value is taken into account when setting the depreciable amount of the asset.

A linear depreciation method is used for the tangible fixed assets listed below. The following depreciation periods are used:

Buildings	10–60 years
Processing plants	2–10 years
Machinery	2–10 years
Computers	3 years

Write-down of non-financial assets

Assets that have an indeterminable period of use, for example goodwill, are not subject to depreciation but are reviewed annually for any write-down requirement. Assets that are subject to depreciation are reviewed for any write-down requirement when events have occurred or where there are circumstances that indicate that the reported value might not be recoverable. Write-downs are at the amount by which the reported value exceeds the recovery value. The recovery value is the higher of the asset's net sale value and its benefit value. For the estimation of write-downs, assets have been allocated at the lowest level for which there are separate identifiable cash flows (cash generating units). Assets, other than financial assets and goodwill, that have previously been written down are tested for reversal on every balance sheet date.

Current and deferred income tax

The tax expense for the period includes current and deferred tax. Taxes are recognized in the income statement, except when the tax refers to items recognized in other comprehensive income or directly in equity. In such cases the tax is also recognized in the statement of other comprehensive income or in equity.

The current tax expense is provided on the basis of the tax regulations that were decided on the balance sheet date or which in practice were decided in the countries where the parent company's subsidiaries and associated companies operate and generate taxable income. The management regularly assesses the applications made in income tax returns in relation to situations where applicable tax regulations are the subject of interpretation. When considered appropriate, provisions are made for amounts that are likely to be paid to the Tax Agency.

Deferred income taxes are recognized, using the liability method, on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not recognized if it arises as a consequence of a transaction which constitutes the first recognition of an asset or liability which is not a business acquisition and which, at the date of the transaction, neither affects the recognized or the taxable result. Deferred income tax is calculated using the tax rates (and legislation) which have been decided or announced on the balance sheet date and that are expected to apply when the deferred tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future tax surpluses will be available, against which the temporary differences can be offset.

Deferred tax is provided on the basis of the temporary differences arising on participations in subsidiaries and associated companies, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Intangible fixed assets

The intangible assets of Central Asia Gold Group consists of mining permits and exploration costs. The Group applies the so called Successful effort method for its mining permits and exploration costs, which provides that all expenses for licensing, exploration and evaluation initially are capitalised.

Licences for mining permits are initially taken up at the acquisition value. Such licences are acquired in Russia (the Group's only area of operation at present) usually at an open, public licence auction, at which the winning auction price is the same as the acquisition value.

Exploration work can include various activities, such as drilling of various natures, geochemical and magnetic surveys and analyses in laboratories. Exploration work can in addition include salary costs for staff who carry out the work and also administrative expenses that are directly attributable to sites that are subject to exploration work. Such exploration work is mainly done for two purposes: on the one hand, purely exploratory activities with the aim of establishing new ore bodies or, on the other hand, evaluation activities in order to better appraise the economic potential for extraction of an already established ore body in a mine or placer deposit.

Exploration expenditure relating to pure exploration is charged in the period it arises, whilst charges for evaluation work is charged until the time when the company decides, or considers it likely that a decision will be taken, to extract ores from a mining deposit. Alternatively, the assessment can refer to the prospect of selling the mining deposit at a profit in the future. From this moment the charges are capitalized as mining permits, where after depreciation occurs in accordance with the principles described below. In general, pure exploration work very rarely occurs in Russia today. The reason is that in almost all cases licences issued at auctions have been the subject of more or less extensive exploration operations during the Soviet period. This therefore usually means that a mineralization has already been established within the licence area and that the additional exploration initiatives are targeted at producing a better evaluation of the economic potential of the site. However, the issuing of a Russian mineral licence does not mean that in the final analysis there is any guarantee that there are economically viable ore bodies within the licence area. If the assessment of the economic potential in the exploration costs in question changes, the capitalized costs are immediately written off. All capitalized mining permits and exploration costs is subject to impairment test if circumstances arise that indicate that a write-down needs to be carried out.

Finally, there is expenditure when work on development of a mining deposit actually starts. Such expenses are compiled for each individual mining property where it has been established there is extractable ore. The expenditure comprises the costs that are directly attributable to the mine and the mine infrastructure in question and are capitalized as mining permits. This development expenditure can also arise after production has commenced. If that is the case it is capitalized as mining permits if it is likely that they will produce additional performance gains in the mining property that result in the likelihood of prospective economic benefits. It this is not the case, these expenses are booked as production costs in the period in which they arose.

Mining permits and exploration costs are amortized when production starts according to the "unit of production" principle. The amortization begins when production begins. This principle is described in more detail above.

Borrowing costs directly attributable to mining and exploration projects commenced after January 1, 2009 is activated in accordance with IAS 23

Tangible fixed assets

Tangible fixed assets are reported at the historical cost less depreciation. Russian legislation does not yet permit ownership of land, instead land is leased wherever applicable. Expenditure for improvement of the performance of the assets over and above the original performance increases the reported value of these assets. Expenditure for repair and maintenance is shown as costs. Borrowing costs are included in the acquisition value. Borrowing costs directly attributable to tangible assets acquired after January 1, 2009 is capitalized in accordance with IAS 23.

Assets' residual value and useful life are reviewed on each balance sheet date and adjusted when necessary.

When an asset's carrying amount may not be recoverable, impairment loss is recognised immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing sales revenues with the reported value. These are reported under operating income and operating costs respectively in the income statement.

Goods in stock

Goods in stock are valued, with application of the weighted average method, at the lowest of the acquisition value and the net realizable value on the balance sheet date. Pure gold and semi-finished product comprise direct manufacturing costs such as lining material, wages and also assignable production overhead costs. Borrowing costs are not included in the valuation. The net sales value is comprised of the normal sales price with deductions for usual selling expenses. Central Asia Gold manufactures, via its subsidiaries, gold concentrate in various advanced levels. The gold concentrate is usually smelt by the subsidiary into Doré class gold ingots prior to delivery to external refineries (smelting works) for final enrichment to sales quality (24 carat). This gold is designated "pure gold"in the balance sheet. Furthermore, a semi-finished product or "waste sand" that contains gold was produced during 2007–2009 within the Tardan mining deposit. This sand cannot be sold but is being stored pending the building of a leaching plant where the gold can be chemically extracted. This semi-finished product is designated "ores and concentrates" in the balance sheet. The current assessment is that it should be possible to put a leaching plant into operation during 2010 at the earliest. Waste sand is classified as goods in stock. There is also "waste sand" on GRE. Furthermore, the group balance sheet also includes an item that covers the spare parts, diesel fuel, etc. that is consumed during gold manufacture. This category of assets is headed as "raw materials and consumables". Together "pure gold", "ores and concentrates", "raw materials and consumables", as well as potential advances from time to time to suppliers, constitute the balance sheet item "goods in stock".

Leasing

A financial leasing contract is one in which in all significant respects the economic risks and benefits associated with ownership of an object are transferred from the lessor to the lessee. Those leasing contracts that are not financial are classified as operational leasing contracts. Assets that are held according to financial leasing contracts are recognised as fixed assets in the consolidated balance sheet at the lowest of the market value of the assets and the present value of the prospective lease payments. The liability that the Group has in relation to the lessor is recognized in the balance sheet as a liability and is allocated between a short- and a long-term component. Lease payments are allocated between interest and amortization of the debt. The interest is distributed over the leasing period so that each accounting period is charged with an amount equivalent to a fixed interest rate on the debt reported during the respective period. The leased asset is written off according to the same principles that apply for other assets of the same kind. The leasing fee for operational leasing contracts is written off lineally over the leasing period.

Provisions

Provisions are reported when an obligation arises resulting from events that have occurred, and where it is probable that payment will be required to fulfil the obligation. It is also a precondition that it is possible to make a reliable assessment of the amount to be paid out. The amount in question is calculated by the executive management at the present value given the reasonable assumptions that can be made at each accounting year/period end.

Restoration costs

An undertaking on future restoration costs arises when there is an environmental impact due to a mining operation in the form of exploration, evaluation, development or ongoing production. The restoration costs are calculated on the basis of a restoration plan and the figure is reviewed regularly. Estimated restoration costs for the mining operation that are expected to arise when the operation is closed down are discounted at current value and reserved, and at the same time increase the acquisition value of "mining permits" on the asset side of the balance sheet. The restoration costs are written off over the total estimated operational period for the asset in question. In Central Asia Gold's case the size of the restoration costs are to a large extent dependent on the type of land in which the mining operation is located. If the mining operation is located within an area originally classified as agricultural-, forestry- or building land, the restoration requirements are more extensive. If on the other hand the land in question did not have any particular alternative use when the mining operation commenced the restoration requirements are more modest. At present none of the different mining licences in eastern Siberia that Central Asia Gold holds are located on agricultural-, forestry- or building land.

Financial assets and liabilities

Classification

The Group classifies its financial assets in the following categories: a) financial assets valued at the fair value via the profit and loss account, b) loans receivable and accounts receivable, and c) financial assets that can be sold. The classification depends on the purpose for which the financial asset was acquired. The manage-ment decides the classification of the financial assets when they are first reported.

A financial instrument or liability is shown in the balance sheet when the company becomes party to the instrument's return conditions. Customer receivables are entered once delivery has been made. A liability is entered when the counterpart has performed and a contractual liability to pay exists, even if an invoice has not been received.

A financial asset is removed from the balance sheet when the rights under the contract have been realised, cease or the company loses control over them. A financial liability is removed from the balance sheet when the liabilities under the agreement have been fulfilled or in any other way rescinded.

a) Financial assets valued at the fair value via the profit and loss account

Financial assets valued at fair value via the profit and loss account are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the near future. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets with fixed or fixable payments that are not listed on an active market. Receivables arise when the company supplies money, goods or services directly to a customer without any intention of dealing in the receivable arising. They are included in current assets, with the exception of items with a maturity date more than 12 months after the balance sheet date, which are classified as fixed assets. The Group's loans receivable and accounts receivable consists of trade receivables and other receivables and cash and cash equivalents in the balance sheet.

Accounts receivable are reported initially at fair value and thereafter at accrued acquisition value with application of the effective interest method, less any provision for depreciation. A provision for depreciation of accounts receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or default or delinquency in payment (due for more than 30 days) are considered as indicators that the account receivable is impaired.

Loans receivable are initially reported at fair value and thereafter at accrued acquisition value.

Apart from cash and bank balances, short-term investments with a maturity of three months or less from the date of acquisition, which can easily be transformed into cash, are classified as liquid assets.

c) Financial assets that can be sold

Financial assets available for sale are assets that are non-derivative and where the assets identified as available for sale or not classified in any of the other categories. They are part of fixed assets if management does not intend to sell the asset within 12 months after the reporting period.

Trade creditors and other current liabilities

Trade creditors and other current liabilities are initially reported at fair value and thereafter at accrued acquisition value with application of the effective interest method.

Borrowing

Borrowings are initially recognised at fair value, which is the issue proceeds net of transaction costs, and thereafter at accrued acquisition value with application of the effective interest method.

Management of financial risks

Policy for the management of financial risks

The Group's activities expose it to a variety of financial risks: a) market risk (including currency and gold price risk, time lapse, translation exposure and interest rate risk), b) credit risk and c) liquidity risk including capital risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposures.

The group tries to mitigate these risks by ensuring that the Board and the company management have the relevant competence. Thus, the Company works proactively by carrying out suitable measures to counteract and manage the risks listed above. In addition, the Group obtains advice from consultants when required.

The group's assessed risk exposure relating to financial instruments is described below.

a1) Currency- and gold price risk

Central Asia Gold is exposed through its activities to both currency risk and gold price risk as changes in exchange rates and gold prices affect the Group's results and cash flow. The Group's currency- and gold price exposure comprises time lapses and translation exposure.

a2) Time lapse

This exposure primarily arises within Central Asia Gold's alluvial gold production. Alluvial gold production is highly seasonal and takes place during the warm period of the year (May–October). The rest of the year is devoted to preparing for production and during the first four months of the calendar year there are substantial expenses prior to starting production. This includes the purchase of large amounts of fuel, service overhauls of all equipment, transport of workers to the remote production sites, etc. This means that a large proportion of the current year's production costs are determined during the first six months of the year while actual gold production predominantly takes place during the third quarter. Sales subsequently take place during both the third and fourth quarters. Hence the final price of the gold sold (the sales value) can differ markedly from the acquisition value of the gold produced. In the same way as the gold price can fluctuate during the year, exchange rates can also fluctuate. Central Asia Gold's policy is in general not to secure this currency- and gold price risk. However, under certain circumstances, e.g. if lending banks require it or if the Board of Directors considers it to be warranted, the risks can be limited, e.g. through forward sales of gold or through currency hedging measures.

a3) Translation exposure

When translating the foreign group companies' net assets (equity and surplus value allocated Groupwise to subsidiaries abroad) to Swedish kronor, a translation difference arises in conjunction with exchange rate fluctuations, and this has an effect on the Group's equity. At present Central Asia Gold does not take measures to protect itself against the effect of this exposure. The equity in the Group can consequently both increase and decrease as a consequence of translation exposure.

a4) Interest rate risk

The Group has both interest-bearing and non-interest-bearing loans. The interest-bearing loans refer partly to long-term rouble loans in Russian banks (Sberbank) as well as to short-term bills payable in roubles that have arisen in conjunction with dissolution of the former subsidiaries OOO TKM and OOO Mars. In addition, short-term borrowing takes place during the financial year, so-called gold loans that are taken out by the alluvial subsidiaries in foreign or Russian commercial banks and are repaid on a continuous basis during the year via the gold that is sold.

The non-interest-bearing loans refer to accounts payable, taxes, salaries and accrued expenses etc.

All short-term interest-bearing loans have fixed interest during the term of the loan. The long-term loans from main shareholder Preston Haskell and Sber-bank has variable interest. In that respect fluctuations in market interest rates have some effect on the Group.

b) Credit risk

Surplus liquidity, i.e. liquid assets which in the short term will not be invested in the operation, are preferably kept in group accounts in the West, i.e. they are not left in the Russian banking system. As a rule, surplus liquidity shall be invested in savings accounts or in short-term interest-bearing instruments without any significant credit risk.

With respect to pure gold sales there are generally no accounts losses. The purchasers are the large, licensed gold purchasing Russian banks. Payment usually occurs within 30 days.

c1) Liquidity risk

Central Asia Gold AB is at an early development stage, and therefore requires continued high levels of capital expenditure. Funds for these investments cannot only be gained from internally generated income. The Company's growth therefore remains dependent on external financing. External financing can take place in the form of borrowing or via injection of equity. For companies at an early stage, equity financing is the most common method. Since being set up the company has implemented preferential- or directed new issues on several occasions. Successful implementation of share issues are however to a large extent dependent on the market climate. The company has from its majority owner, Preston Haskell, received a guarantee of working capital financing for a maximum of 125 million. The board is actively working with the long term liquidity demand.

c2) Capital risk

Issues concerning capital risk, optimum capital structure and the cost of capital are central in all companies. The board of CAG AB always tries to optimise the cost of capital, however, in accordance with the above, it must also take into account the fact that at present the group is at an early stage of development and the equity/assets ratio must consequently be maintained at a relatively high level. The Board of Directors currently considers that the equity ratio of the group, at least during the start-up phase (before large-scale production has started) shall be at least 50%. Solidity may be lower at a later stage. As at year end 2009 the group's solidity, including minority share of equity, is at 44,5%. This is considered to be not satisfactory in the present situation. Potential methods for modifying the capital structure might be new share issues.

Estimations and evaluations in the financial statements

In order to prepare accounts according to IFRS, estimations and assumptions must be made that affect the reported asset and liability amounts, as well as income and expenses and other information submitted in the annual financial statements. The evaluations and estimations made by the Board of Directors and the management are based on historic experience and forecasts of future developments. The actual outcome may differ from these estimations. A more detailed account of the areas where evaluations and estimations are of major significance is to be found in note 5 Taxes, note 6 Mining permits and capitalised exploration costs, note 16 Provisions and note 28 Ore calculation principles – IFRS 6.

Segment reporting

The new standard IFRS 8 requires segment information is presented in the same manner as management sees the activity, which means it should be presented as it is used for internal reporting.

The company's accounts are not broken down into segments, for the time being, since only gold is extracted in Russia. If CAG starts to extract other minerals in the future, this would most likely be treated by the management as a new type of business and reviewed separately, and therefore be seen as a new segment. But for the time being the segment reporting is not applied.

Share issue costs

Share issue costs are booked directly against equity.

Notes

Note 1 Other external expenses

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Audit fees				
Audit assignments, PricewaterhouseCoopers	1,015	–	1,015	1,498
Audit assignments Top Audit	967	–	–	–
Other assignments	–	–	–	–
Total audit fees	**1,982**	**–**	**1,015**	**1,498**
Other external expenses				
Fuel	35,424	20,323	–	–
Materials	30,503	11,458	–	–
Taxes other than corporate income tax	11,817	3,754	–	–
Exploration costs	10,750	35,738	–	–
Other	34,203	25,590	8,262	6,650
Total other external expenses	**124,679**	**96,863**	**9,277**	**8,148**

Note 2 Personnel

	Total 2009	of which Women	Total 2008	of which Women
Average number of employees				
Parent company in Sweden, 2008 figures including the representative office in Moscow	2	1	7	2
Subsidiaries in Russia	932	107	459	69
Total for the group	**934**	**108**	**–**	**–**
Number of employees at year-end				
Parent company in Sweden, 2008 figures including the representative office in Moscow	1	1	6	2
Subsidiaries in Russia	556	80	431	50
Total for the group	**557**	**81**	**–**	**–**

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Salaries and remuneration in Sweden				
Board and CEO	250	–	250	1,555
Other employees, 2008 figures including the representative office in Moscow	356	–	356	2,196
	606	**–**	**606**	**3,751**
Salaries and remuneration in Russia, including social security expenses				
Board and CEO	–	–	–	–
Other employees	43,990	24,190	–	–
	43,990	**24,190**	**–**	**–**
Total salaries and remuneration	**44,596**	**24,190**	**606**	**3,751**
Social security expenses				
Social security expenses in Sweden, including pension expenses*	364	–	364	1,053
Social security expenses in Russia, including pension expenses*	10,785	5,615	–	–
	11,378	**5,615**	**364**	**1,053**
Total salaries, remuneration, social security expenses and pension expenses	**55,745**	**29,805**	**970**	**4,804**

** All costs for pensions are for defined pension plans.*

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Group – Board of Directors and CEO at year-end				
Women	1	–	1	–
Men	4	7	4	7
Group – Management at year-end				
Women	–	2	–	2
Men	3	4	–	4

Remuneration and other benefits during the year – specification for board members and senior executives

	Board fee/ basic salary	Variable remuneration	Other benefits	Pension benefits
Preston Haskell, CEO, member				
Lars Guldstrand, Chairman of the board				
Mike Nunn, member	40			
Alice Volgina, member				
Maxim Kondratyukin, member				
Patric Perenius, member	40			
Risto Silander, former member				
Michail Malyarenko, former member				
Alexander Merko, former member				
Alexander Gerasimov, former member				
Paal Hveem, former member				
Цrjan Berner, former member				
Peter Geijerman, former member				
Torbjцrn Ranta, former member				
Group management				
Torbjörn Ranta, former Managing Director	210			
Sergey Gorbachev*, former Managing/Operational Director				
Pavel Olishevskiy*, Operational Director				
Others in group management* (two people in Stockholm and Moscow)				

* *During 2009 and 2008 Sergey Gorbachev and Pavel Olishevskiy were employed by the management company OOO NMC in Moscow, which provided certain management services to the Central Asia Gold group. During the financial year, a total of SEK 8,711 thousand was paid to OOO NMC, the amount includes also other staff services. For Group management in Sweden SEK 640 thousand was paid to consultant companies.*

Managing Director of the parent company

Managing Director of the Parent company (Preston Haskell) is also the main owner of the Group. He has not been paid any salary during 2009. The former managing director Torbjörn Ranta has during the year 2009 also invoiced 350 TSEK for management services.

Group

Fees are paid to the board members as resolved at the AGM. No other remuneration is paid by the company. During 2009, a total of SEK 80 thousand (SEK 100 thousand) was paid in fees to the independent board members. Alice Volgina and Lars Guldstrand have renounced their board member fees.

Group management

Group management refers to 2 people in the management company OOO NMC in addition to the parent company's staff in Sweden.

Note 3 Depreciation, amortizations and write down

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Depreciation on buildings	-4,141	-925	–	–
Depreciation on machinery, equipment, and other technical plant	-17,790	-6,597	-2	-5
Capitalized depreciation on machinery, equipment, and other technical plant	1,751	298	–	–
Depreciation of intangible non-current assets	-2,632	–	–	–
Total depreciation	**-22,812**	**-7,224**	**-2**	**-5**
Write-down of intangible assets in Parent company*	-392	–	-392	–

* *The write down in the parent company is a licence for diamond extracting in Sweden. It was judged during 2009 that this licence don't has any commercial value.*

Note 4 Financial income/expenses

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Interest income from group companies	–	–	13,162	8,066
Other interest income	1,281	75	83	296
Exchange rate differences, net	-4,760	-17,557	-6,392	20,473
Interest expenses	-20,005	-16,313	-3,198	-7
Write-downs of shares and participating interests	–	–	-5,295	-49,610
Capital gain from sale of subsidiary	–	–	–	4,792
Total financial income/expenses	**-23,484**	**-33,795**	**-1,640**	**-15,990**

Note 5 Tax on profit/loss for the year

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Current tax	-540	–	–	–
Deferred tax	3,247	13,355	–	–
	2,707	**13,355**	**–**	**–**
Connection between tax expense and reported profit/loss				
Pre-tax profit/loss	139,582	-70,723	-12,281	-28,947
Tax according to applicable tax rate	-27,916	16,974	3,230	8,105
Tax effect of expenses that are non-deductible for tax purposes	-2,917	-790	-1,403	-23
Tax effect of non-taxable income	39,079	–	–	–
Expenditure is booked directly against equity	203	–	203	2,253
Write down of deferred tax assets	-3,226	–	–	–
Change in tax rate	–	-2,829	–	–
Difference between the group's tax rate and the individual companies' tax rates	-486	–	–	–
Tax effect of loss carry-forwards for which deferred taxes recoverable are not reported	-2,030	–	-2,030	-10,335
	2,707	**13,355**	**–**	**–**

The applicable tax rate for the parent company is 26,3%. The applicable tax rate for the group 20% is the weighted value of the tax rates in the various countries and the pre-tax profit/loss.

	Group 2009-12-31	Group 2008-12-31
Deferred tax recoverable relating to capitalised deficit		
Incoming deferred tax recoverable	15,124	–
Acquisition values from acquired subsidiaries	11,386	–
Change in the deferred tax recoverable	10,607	15,124
Closing deferred tax recoverable	37,117	15,124
Total deferred tax recoverable	**37,117**	**15,124**

Currently in the CAG group, tax-related loss carry-forwards in the parent company are not carried as deferred tax recoverable, on the grounds that bearing in mind the managerial character of the parent company, it is uncertain whether such deductions can be utilised. At the subsidiaries level in Russia, deferred tax assets in part of subsidiaries (Solcocon, Borservice, Artel Lena, Artel Tyva) were written off due to it is uncertain whether such deductions can be utilised, the residual part deemed to be efficiently utilisable within a reasonable future due to the plans of increasing the gold extracting and become profitable. The assessment at the level of subsidiaries is often in harmony with the assessments of the Russian tax authorities. The change in these assessed utilisable deferred tax assets are carried as tax items in the group income statement in each period.

Deferred tax liabilities with regard to temporary differences		
Opening liability for deferred tax on the acquired mining licences and capitalized work for own account	794	–
Acquisition values from acquired subsidiaries	22,684	–
Change in provision for deferred tax on the acquired mining licences and capitalized work for own account	7,555	794
Closing provision for deferred tax on the acquired mining licences and capitalized work for own account	31,033	794
Opening provision for deferred tax on the acquired non-current assets	965	–
Acquisition values from acquired subsidiaries	7,935	–
Change in provision for deferred tax on the acquired non-current assets	–	965
Closing provision for deferred tax on the acquired non-current assets	8,900	965
Total deferred tax liability	**39,933**	**1,759**

Deferred tax is calculated on the difference between reported values and tax values of assets and liabilities.

Note 6 Mining permits and capitalised exploration costs

	Group 2009-12-31	Group 2008-12-31	Parent company 2009-12-31	Parent company 2008-12-31
Opening balance	35,936	1,678	392	377
Received net through the acquisition of companies and permits	107,671	–	–	–
Translation difference	-2,115	-1,481	–	–
Capitalised exploration costs	10,750	35,738	–	15
Closing accumulated cost	152,242	35,935	392	392
Opening balance	–	–	–	–
Depreciation for the year	-2,632	–	–	–
Closing accumulated depreciation	-2,632	–	–	–
Opening balance	–	–		
The year’s write-down	-392	–	-392	
Closing accumulated write-downs	-392	–	-392	
Closing net book value	149,218	35,935	–	392

The intangible assets are a significant proportion of the total bulk of assets in the CAG group. In order to check that the future earning power of these assets at least equals to the reported values, impairment tests of these assets are regularly carried out. The tests are sensitive to the assumptions made in the valuation models.

The impairment test is carried out by discounting prognoses of future earnings.

An impairment test was carried out on the group’s productive gold assets at the 2009 year-end. Most of the tested values came from the Tardan deposit and for the Bogomolovskoye deposit. For this purpose, a discounted cash flow model has been used over the calculated lifetime of the deposits. A number of variables are simulated in the model. Among the more important variables are the price of gold, the yield required and the stripping ratio. The base assumption about the price of gold during the period is 1000 USD/oz, the yield required is 14% per year, and the stripping ratio is 5. A number of other assumptions are also important. The result of the base assumptions is that no write-down is needed for the Tardan deposit or the Bogomolovskoye deposit at the 2009 year-end.

Note 7 Buildings and land

	Group 2009-12-31	Group 2008-12-31
Opening balance	6,170	3,960
Purchases	3,980	2,403
Completion of ongoing construction work	–	–
Acquisition values from acquired subsidiaries	34,845	–
Disposal sales	-1,036	-189
Translation difference	-939	-4
Closing accumulated acquisition values	**43,020**	**6,170**
Opening balance	-1,360	-478
Disposal sales	833	-42
Translation difference	229	84
Depreciation for the financial year	-4,141	-925
Closing accumulated depreciation	**-4,439**	**-1,360**
Closing residual value according to plan	**38,583**	**4,809**

Note 8 Machinery, equipment and other technical plant

	Group 2009-12-31	Group 2008-12-31	Parent company 2009-12-31	Parent company 2008-12-31
Opening balance	53,590	17,491	25	25
Purchases	3,793	36,280	–	–
Acquisition values from acquired subsidiaries	35,000	–	–	–
Disposal sales	-3,673	-186	–	–
Translation difference	-6,035	5	–	–
Closing accumulated acquisition values	**82,675**	**53,590**	**25**	**25**
Opening balance	-9,731	-3,195	-23	-18
Disposal sales	1,361	-62	–	–
Translation difference	1,610	123	–	–
Depreciation for the year	-17,790	-6,597	-2	-5
Closing accumulated depreciation	**-24,550**	**-9,731**	**-25**	**-23**
Closing residual value according to plan	**58,125**	**43,859**	**–**	**2**

Note 9 Construction in progress

	Group 2009-12-31	Group 2008-12-31
Opening balance	–	–
Acquisition values from acquired subsidiaries	8,034	–
Completion of ongoing construction work	-3,664	–
Purchases/payments during the year	314	–
Translation difference	-35	–
Closing book value	**4,649**	**–**

Construction work in progress at the end of 2009 is represented by an as yet not fully completed garage, as well as three residential buildings not yet fully ready for use at the Tardan deposit in Tyva.

Note 10 Participating interests in group companies

	Parent company 2009-12-31	Parent company 2008-12-31
Opening balance	254,412	411,444
Purchase of subsidiaries	180,800	4,111
Sale/dividend of Kopylovskoye AB	–	-112,269
Write-down of shares and participating interests	-5,297	-49,610
Equity contributions provided	–	736
Closing accumulated acquisition values	429,915	254,412
Closing book value	**429,915**	**254,412**

In 2009 write-down of shares relates to OOO Borservice and amounts to SEK 5,297 thousand. In 2009 it was decided to close the operation in Borservice. The judgment is that selling the machinery will cover close down costs. In 2008 write-downs were made at OOO Artelj Lena and at OOO Artelj Tyva.

Note 11 Shares and participating interests in subsidiary companies

Group	Co. ID	Regd office	Equity and share of votes
OOO Tardan Gold	1041700563519	Kyzyl	100%
OOO Artelj Tyva	1051740507081	Kyzyl	100%
OOO Artelj Lena	1073808018602	Irkutsk	94.7%
OOO Karabel-Dyr	1071701001480	Kyzyl	100%
OOO Uzhunzhul	1071901004746	Abakan	100%
OOO GRE 324	1037542001441	Chita	100%
OOO Solcocon	1077530000239	Chita	100%
OOO Borservice	1077536005601	Chita	100%
OOO Gold Borziya	1077530001174	Chita	100%
OOO Rudtechnologiya	1077530000570	Krasnokamensk	100%

Parent company	Co. ID	Regd office	Equity and share of votes	Carrying amount
OOO Tardan Gold	1041700563519	Kyzyl	100%	250,301
OOO Artelj Tyva*	1051740507081	Kyzyl	0.4%	–
OOO Artelj Lena*	1073808018602	Irkutsk	0.2%	–
OOO Karabel-Dyr	1071701001480	Kyzyl	100%	4,110
OOO Uzhunzhul*	1071901004746	Abakan	1%	–
OOO GRE 324	1037542001441	Chita	100%	37,230
OOO Solcocon	1077530000239	Chita	100%	15,674
OOO Borservice	1077536005601	Chita	100%	100
OOO Gold Borziya	1077530001174	Krasnokamensk	100%	27,839
OOO Rudtechnologiya	1077530000570	Krasnokamensk	100%	94,661
				429,915

** Group companies Artel Tyva, Artel Lena and Uzhunzhul indirectly owned by CAG trough the subsidiary Tardan, hence there are no carrying values in Parent company.*

Note 12 Loans to subsidiaries

	Parent company 2009-12-31	Parent company 2008-12-31
Opening balance	113,167	53,376
Loans during the year	57,716	31,869
Accrued interest	13,015	8,066
Translation difference	-14,081	19,856
Net-off of loans given to subsidiaries with loans received from subsidiaries*	-80,732	–
Closing receivables	89,085	113,167
Closing book value	**89,085**	**113,167**

** In the parent company's balance sheet the financial assets and long term liabilities to group companies are reduced 2009 by matching them against each other.*

Note 13 Goods in stock

	Group 2009-12-31	Group 2008-12-31
Raw materials and consumables	18,398	7,538
Ores and concentrates	63,324	9,715
Pure gold	3,673	19
Other stock	31	559
Total	**85,426**	**17,831**

The write-down for the year of warehouse stocks was SEK 1,173 thousand (SEK 345 thousand).

Note 14 Other current receivables and Prepaid expenses

	Group 2009-12-31	Group 2008-12-31	Parent company 2009-12-31	Parent company 2008-12-31
Other current receivables	1,700	790	657	13,187
VAT receivable*	35,095	20,857	–	–
Total other current receivables	**36,795**	**21,647**	**657**	**13,187**

** The sale of gold is not subject to output VAT but purchase of most materials are subject to input VAT. Therefore CAG companies always have significant amount of VAT receivable.*

	Group 2009-12-31	Group 2008-12-31	Parent company 2009-12-31	Parent company 2008-12-31
Prepaid expenses	4,086	721	84	374
Total prepaid expenses	**4,086**	**721**	**84**	**374**

Note 15 Profit/loss and equity per share

a) Before dilution

The profit/loss per share before dilution is calculated by dividing the profit/loss attributable to the parent company's shareholders by the weighted average number of shares during the period.

	Group 2009	Group 2008
Profit/loss attributable to the parent company's shareholders	142,213	-57,368
Weighted average number of ordinary shares outstanding (thousands)	17,202	15,000
Earnings per share, SEK	8.27	-3.82

b) After dilution

The weighted average number of shares outstanding after dilution is the same as before dilution. This is because the only potentially diluting effect is the warrants outstanding at the 2009 year-end. The warrants were issued pursuant to a resolution at the AGM in March 2009. In all, 2.5 million warrants were issued. The exercise price was set at SEK 40 per option equivalent to one share. The term is up to and including January 2012. As the stock market price both on average during 2009 and at the 2009 year-end was substantially lower than the subscription price, there is no dilution as a consequence of these outstanding warrants.

c) Number of shares outstanding, quotient value per share, and the limits of equity capital

At the 2008 and 2009 year-ends the number of shares outstanding was as follows: Quotient value per share at year-end 2009 was equivalent to SEK 10 per share. In July 2009 a reversed split 200:1 was carried out and the quotient value was changed accordingly. The share capital limits at the 2009 year-end were not less than SEK 150,000 thousand and not more than SEK 600,000 thousand.

Number of shares	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Opening balance (recalculated reversed split 200:1)	15,000,000	15,000,000	2,653,125	2,061,050
New share issues during the period (see note 21)	2,653,125	0	15,000,000	592,075
Number of shares outstanding at each year-end	17,653,125	15,000,000	17,653,125	2,653,125
Quotient value in SEK (10 SEK per share).	176,531,250	106,125,000	176,531,250	106,125,000

	Group 2009	Group 2008
Share capital	176,531	106,125
Additional paid-in capital	-66,031	-104,497
Other reserves	4,915	1,303
Retained earnings, including profit/loss for the year	79,005	-63,208
Total equity attributable to the parent company's shareholders	**194,421**	**-60,277**
Equity per share, SEK	11.01	-4.02

The number of shares and share capital for the Group in 2008 are reported having regard to the reverse acquisition

Note 16 Provisions

	Group 2009-12-31	Group 2008-12-31
Opening provision for restoration costs	60	–
Acquisition values from acquired subsidiaries	3,506	–
Change of provisions for restoration costs	1,662	60
Closing provisions for restoration costs	5,228	60
Total provisions	**5,228**	**60**
Allocation of provisions for restoration costs in subsidiaries		
OOO Tardan Gold	4,011	–
OOO Artelj Lena	534	–
OOO Artelj Tyva	622	–
OOO GRE 324	61	60
Total provisions for restoration costs	**5,228**	**60**

Of the total provisions of SEK 5,228 thousand, an estimated SEK 1,156 thousand (Artelj Lena and Artelj Tyva) will be paid out within 3 years, Tardan Gold in 2015 and GRE at the end of the mining licence period, namely in 2029.

The size of the restoration costs is in each individual case largely dependent on the type of ground on which the mining operation in question is located. None of CAG's productive units has its facilities located on ground that is sensitive from an environmental or other perspective. Assessments of future restoration costs have been mainly based on the assumptions written into each license agreement.

A calculation of the restoration costs is performed every year in each subsidiary. Technical specialists estimate the amount of work and machinery that is needed for the restoration. The change in provision for restoration costs in 2009 is mainly attributable to the Tardan deposit.

Note 17 Long-term loans and short-term loans

	Group 2009-12-31	Parent company 2009-12-31
Loans from shareholder	59,487	–
Loan from Centerra under cooperative agreement	14,802	14,802
Bank loans	7,381	–
Lease liability	10,012	–
Total long-term loans	**91,682**	**14,802**
Loans from shareholder	37,278	29,982
Other loans	17,630	–
Lease liability	7,159	–
Total short-term loans	**62,067**	**29.982**

Finance lease liabilities are payable as follows:

	Group 2009-12-31 Minimum lease payments	Group 2009-12-31 Interest	Group 2009-12-31 Present value of payments
Less than one year	9,004	1,845	7,159
Between one and five years	11,053	1,042	10,012
Total	**20,057**	**2,886**	**17,171**

	Group 2009-12-31	Group 2009-12-31 Effective interest rate	Group 2008-12-31	Group 2008-12-31 Effective interest rate
Long-term loans received, EUR	7,978	11%	87,294	13%
Long-term loans received, RUR	38,931	13%	39,858	14%
Long-term loans received, USD	14,802	0%	–	
Interests payable, EUR	12,358		10,895	
Interests payable, RUR	7,601		8,500	
Interests payable, USD	–		–	
Total long-term loans	**81,670**		**146,547**	
Short-term loans received, RUR	21,059	10%	9,765	10%
Short-term loans received, USD	14,375	14%	–	
Short-term loans received, SEK	14,282	30%	–	
Interests payable, RUR	3,866		585	
Interests payable, USD	11		–	
Interests payable, SEK	1,314		–	
Total short-term loans	**54,908**		**10,350**	
Total loans received, including interests payable	**136,578**		**156,897**	

Note 18 Accrued expenses

	Group 2009-12-31	Group 2008-12-31	Parent company 2009-12-31	Parent company 2008-12-31
Accrued fees	312	–	312	1,033
Accrued personnel expenses	9,021	3,902	213	562
Other accrued expenses	2	–	2	240
	9,335	**3,902**	**527**	**1,835**

Note 19 Acquisition of subsidiaries

On March 2, 2009 Central Asia Gold AB completed the merger with the five so called NMC companies. In the merger, the owners of the NMC companies contributed the entire share capital of said 5 companies as well as an equity injection of some 10 MUSD in said companies prior to the merger in exchange for 3,000,000,000 ordinary shares issued by CAG (after the reversed split 200:1 the number of shares is 15,000,000). In addition, CAG issued warrants to subscribe for 500,000,000 ordinary shares at an exercise price of SEK 0.20 per share as part of the merger agreement (after the reversed split 200:1 the amounts of warrants are 2,500,000 and with a strike price of 40 SEK).

After the successful completion of the merger the financial statements have been prepared using the accounting model for ”reversed acquisitions” since the two shareholders of NMC owned 85% of CAG following the transaction. This accounting treatment requires NMC companies to be treated as the accounting acquirer for the consolidated financial information and CAG being presented as the acquiree. As a consequence, the assets and liabilities of CAG, being the legal parent, have been recorded at fair value initially in the consolidated financial statements. The assets and liabilities of the legal subsidiaries, the 5 NMC companies, have been recognized and measured in the combined financial statements at their pre-combination carrying amounts. The comparative financial information for the twelve month periods in 2008 represent the NMC companies' financial statements for these periods. CAG as the legal parent continues to be presented as parent company in the financial reports.

The consolidated CAG and NMC companies' financial statements have been prepared starting from the third month of the first quarter of 2009 using the prescribed accounting model. Since the reversed acquisition model has been used for the consolidated financial statements for the quarter ended March 31 2009, the cost of combination was determined based on the number of CAG AB shares existing at the completion date. On March 2, the fair value of existing 530,625,000 CAG shares was equal to TSEK 31,838. The directly attributable merger costs incurred both by CAG and NMC companies amounted to TSEK 7,000. As a result, the total cost of combination was estimated at TSEK 38,838. The total cost of combination has been allocated to CAG's assets and liabilities. The book values and fair market values of the acquired assets and liabilities of CAG are presented in the table below.

For the period 2 March 2009 to 31 December 2009 the result for the acquired companies was -26,652 TSEK. The revenues were 116,528 and the costs after tax were 143,090. For the period 1 January 2009 to 31 December 2009 the result for the acquired companies was -39,720 TSEK. The revenues were 118,143 and the costs were -157,863. The impact on the annual result if the merger had been done 1 January 2009 instead of 2 March should have been that the result should have decreased with 13,158 TSEK.

	Book values	Fair values
Intangible assets	107,721	107,671
Property, plant and equipment	76,787	76,787
Financial assets	20,091	20,091
Current assets	116,526	111,413
Cash and cash equivalents	7,885	7,885
Deferred tax	-30,619	-30,619
Current liabilities	-40,521	-41,224
Non-current liabilities	-16,314	-16,314
Deduction for minority shares	-1,456	-1,456
Net assets	240,100	234,233
Total cost of acquisition		**-38,838**
Goodwill arisen		195,396
Effect on the group's cash and cash equivalents		7,885

During the financial crises in fall 2008 the CAG group had urgent need for liquidity in Q4 2008. The market valuation at that time was low for the company compared with long-term valuation of the assets in the company. The negative goodwill occurred due to this circumstances. The fair value calculation above is the final acquisition calculation.

Note 20 Cash and cash equivalents

Cash and cash equivalents of SEK 22,732 thousand (SEK 144 thousand) relates to group cash and bank balances. In the parent company, cash and cash equivalents of SEK 14,794 thousand (SEK 30,456 thousand) relates similarly to cash and bank balances. An exchange loss of SEK 75 thousand (SEK 124 thousand) refers to exchange loss in cash and cash equivalents for the Group, exchange gain of SEK 264 thousand (SEK 72 thousand) for the Parent.

Note 21 Adjustments for items not included in cash flow

	Group 2009-12-31	Group 2008-12-31
Depreciation on buildings	-4,141	-925
Depreciation on machinery, equipment and other technical plant	-17,790	-6,597
Capitalized depreciation on machinery, equipment, and other technical plant	1,751	298
Depreciation on intangible assets	-2,632	–
Dissolution of negative goodwill	195,396	–
Other non-cash operations	–	8
Total depreciation and write-downs	**172,584**	**-7,216**

Note 22 Acquisition of other non-current assets

	Group 2009-12-31	Group 2008-12-31
Impact in cash flow due to investments in buildings for the year	–	-256
Impact in cash flow due to investments in machinery, equipment and other technical plant for the year	-80	-17,265
	-80	**-17,521**

Note 23 Financial assets and liabilities

The group classifies its financial assets and liabilities In the following categories; financial assets valued at fair value via the income statement, accounts receivable and loans receivable, other securities holdings and other financial liabilities.

Accounts receivable and loans receivable

The group's holdings of loans receivable in amount of SEK 1,468 relate to loans to external parties. The loans to external parties are valued at the amortised cost. The Group have reported a loss of SEK 2,473 thousands on loan (together with interests outstanding), granted in 2007 by subsidiary OOO Tardan Gold to the Russian company Zabaikalgeoresurs. The loan was granted in conjunction with OOO Tardan Gold's acquisition of CAG's former subsidiary OOO Kopylovsky. The loan is denominated in Rubels and fell due for payment in January 2009. The borrower intends to repay the loan with interest, but at the end of the period had not yet done so.

The group and the parent company have reported a loss of SEK 562 thousand (SEK 972 thousand) for write-downs of its accounts receivable during 2009. Provision for uncertain accounts receivable amounts to SEK 1,009 thousand (SEK 972 thousand) as at the end of December 2009.

	2009-12-31 Fair value	2009-12-31 Carrying amount	2008-12-31 Fair value	2008-12-31 Carrying amount
Cash and cash equivalents in SEK thousands	14,794	14,794	–	–
Cash and cash equivalents in Euro	3	3	3	3
Cash and cash equivalents in USD	1	1	1	1
Cash and cash equivalents in RUR	7,934	7,934	140	140
Total cash and cash equivalents	**22,732**	**22,732**	**144**	**144**

	2009-12-31 Fair value	2009-12-31 Carrying amount	2009-12-31 Maximum credit risk	2008-12-31 Fair value	2008-12-31 Carrying amount	2008-12-31 Maximum credit risk
Accounts receivable	2,480	2,480	2,480	18,470	18,470	18,470
Other current receivables	1,700	1,700	1,700	790	790	790
Total cash and cash equivalents	22,732	22,732	–	144	144	–
Total accounts receivable and loans receivable	**26,912**	**26,912**	**4,180**	**19,404**	**19,404**	**19,260**

Financial assets valued at fair value via the income statement

The financial assets are reported in the balance sheet and are valued at the closing day rate. The group has for the moment no assets reported under headline Financial assets valued at fair value via the income statement.

Other securities holdings

Other securities holdings relate to small shareholdings into Russian commercial banks in the Tyva region owned by the subsidiary OOO Artelj Tyva. This holding was brought into the group on the acquisition of OOO Artelj Tyva in 2005. In 2008 SEK 13 thousands related to share in Russian company OOO Zhelezniy Kryazh. The share was sold in March 2009.

	2009-12-31 Fair value	2009-12-31 Carrying amount	2008-12-31 Fair value	2008-12-31 Carrying amount
Other securities holdings	484	484	13	13
Total of other securities holdings	**484**	**484**	**13**	**13**

Other financial liabilities

Financial liabilities relate to accounts payable to suppliers, other short-term interest-bearing liabilities and other long-term interest-bearing liabilities.

	2009-12-31 Fair value	2009-12-31 Carrying amount	2008-12-31 Fair value	2008-12-31 Carrying amount
Accounts payable to suppliers	21,080	21,080	25,074	25,074
Loans received	136,578	136,578	156,897	156,897
Lease liability	17,171	17,171	21,408	21,408
Total other financial liabilities	**174,829**	**174,829**	**203,379**	**203,379**

Maturity structure of financial liabilities as at 31 December 2009:

	> 1 year from reporting date	> 1 year but < 5 years from reporting date	> More than 5 years
Accounts payable to suppliers	21,080	–	–
Loans received	54,908	81,670	–
Lease liabilities	7,159	10,012	–
Total financial liabilities	**83,147**	**91,682**	**–**

Interest rates for lease liabilities are fixed; interests rates on main part of loans received are variable. The sensitivity analysis of profit/loss to the interest rate risk is shown in the table below:

2009-12-31 Changes in interest rate, basis points	2009-12-31 Effect on loss/profit before income tax
+100	-1,537
-100	1,537

The Company is exposed to foreign exchange risk in relation to its liabilities denominated in foreign currencies.

Financial assets and liabilities of the Company by currency:

	2009-12-31 RUR	2009-12-31 USD	2009-12-31 EUR	2009-12-31 SEK	2009-12-31 Total
Cash and cash equivalents	7,934	1	3	14,794	22,732
Other securities holdings	484				484
Accounts receivables	2,480	–	–		2,480
Loans receivable	1,468	–	–		1,468
Total financial assets	12,366	1	3	14,794	27,164
Loans, including interests payable	-71,457	-29,188	-20,336	-15,596	-136,577
Financial lease	-1,469	-15,702	–		-17,171
Accounts payable	-21,080				-21,080
Total financial liabilities	**-94,006**	**-44,890**	**-20,336**	**-15,596**	**-174,828**

The sensitivity analysis of loss before tax to foreign exchange risk is shown in the table below:

USD 2009-12-31 Changes in exchange rate, %	USD 2009-12-31 Effect on loss before income tax	EUR 2009-12-31 Changes in exchange rate, %	EUR 2009-12-31 Effect on loss before income tax	SEK 2009-12-31 Changes in exchange rate, %	SEK 2009-12-31 Effect on loss before income tax
+10%	-4,489	+10%	-2,034	+10%	-1,560
-10%	4,489	-10%	2,034	-10%	1,560

Note 24 Transactions with related parties

Management Services
Central Asia Gold AB buys all management services performed in Russia from New Mining Company LLC. The COO, Pavel Olishevsky, in Central Asia Gold is also CEO in New Mining Company. Central Asia Gold AB intend to start an own subsidiary for management service in 2010, and take over the staff from New Mining Company LLC at that time. The management company has not aimed at maximising profits. During 2009, Central Asia Gold via its subsidiaries paid a total of SEK 8,711, thousand (SEK 0) to the management company. This cost was previously represented by salary costs and other incidental costs for its own staff, as well as purchased services from the management company in Thomsk owned by the former two main Russian owners, Alexander Merko and Michail Malyarenko. In 2009 the parent company purchased services for financial advices from GKL Growth Capital AB in the amount of 267 TSEK. The chairman of Central Asia Gold board, Lars Guldstrand is also chairman in GKL Growth Capital AB. Central Asia Gold also purchased management services amounting to 54 TSEK from Ekonomikonsult Håkan Claesson AB (EKHÅ), fully owned by the Financial Manager of Central Asia Gold AB, Håkan Claesson. Consultant services has also been supplied by Torvald Ranta Företagsjuridik AB, where Torbjörn Ranta is Chairman of the board. The management services are purchased with normal market conditions.

Financing
Due to the fact that the previous owners of the New Mining Company group financed the operation mainly with loans instead of equity, there are several loans from related parties into the Central Asia Gold group. The companies Hellifields and Burlington have granted loans to Central Asia Gold and are related, or have been related to the main owner Preston Haskell. Golden Impala, controlled by Preston Haskell has granted loans to Central Asia Gold. 70,036 TSEK loans were converted into Equity and additional 70,000 TSEK were converted into long term funding with low interest rate. New Mining Company and its subsidiary Kalanguisky Plavshpat have received loans from The Central Asia Gold Group during the financial year.

During the spring 2009 GKL Growth Capital AB granted a 14,244 TSEK loan when the banks were reluctant to give any commercial loans and Central Asia Gold suffered hard in the financial crisis. The chairman of Central Asia Gold board, Lars Guldstrand is also chairman in GKL Growth Capital AB. The loan from GKL Growth Capital was taken over in 2009 by Golden Impala, and the interest rate was reduced. The terms of the loans are according to market conditions.

Rent of equipment
Tehnodvor, related to Preston Haskell, have rented equipment to Central Asia Gold subsidiary Zolotaya Borzya. The terms of the rental are according to market conditions.

The above transactions with related parties are reported below in tabular format:

	2009	2008
Sales to related parties:		
Sales of drilling services to Chitagealogorazvedka	5,928	18,805
Sales of ores to Fluorit	597	2,145
Sales to Kalanguiskiy Plavshpat	168	–
Financial income from related parties:		
Interests received from Fluorit	2	15
Interests received from Kalanguiskiy Plavshpat	66	57
Interests received from New Mining Company	118	–
Purchases from related parties:		
Purchase of exploration services from Chitagealogorazvedka	6,123	14,466
Rent of technical equipment from Chitageologorazvedka and Tehnodvor	–	10,529
Purchase of exploration services from Fluorite	5	–
Purchase of management services from New Mining Corporation	8,711	–
Purchase of management services from EKHA, Håkan Claesson	54	–
Purchase of management services from GKL Growth Capital	236	–
Purchase of management services from Torvald Ranta Företagsjuridik AB	350	–
Interests accrued to Hellifields	2,264	8,695
Interests accrued to Burlington	1,751	5,580
Interests accrued to Technodvor	1	191
Interests accrued to New Mining Company	19	79

Short-term balances with related parties at the end of the year:	**2009**	**2008**
Current receivables from		
Chitageologorazvedka	238	13,711
Fluorit	22	3,852
Kalanguiskiy Plavshpat	882	867
Technodovor	207	–
Current liabilities to		
Chitageologorazvedka	1	7,705
Fluorit	71	62
Tehnodvor	6,880	6,789
New Mining Company	–	756

Loans from		
Hellifields	20,336	98,220
Tizpribor	–	48,327
Burlington	45,291	–
Tehnodvor	1,156	2,223
Golden Impala	29,982	–

Note 25 Pledged assets/ Contingent liabilities

Pledged assets of SEK 7,381 thousand relate to property, plant and equipment pledged to the Russian bank Sberbank as collateral for a loan granted to the subsidiary OOO Tardan Gold. Pledged assets of SEK 50 thousand relate to credit cards on Parent company bank accounts

Note 26 Minority owners' share

The minority share in the group companies at year end 2009:

Group companies	Minority share,%	The minority share of equity in the group
OOO Tardan Gold	0.00%	0
OOO Artelj Tyva	0.00%	0
OOO Artelj Lena	5.31%	1,681
OOO Karabel-Dyr	0.00%	0
OOO Uzhunzhul	0.00%	0
OOO GRE 324	0.00%	0
OOO Solcocon	0.00%	0
OOO Borservice	0.00%	0
OOO Gold Borzia	0.00%	0
OOO Rudtechnology	0.00%	0
Total minority share		**1,681**

Occurrence of the minority in OOO Artelj Lena

The background a minority stake of 5.3% in OOO Artelj Lena is that some previous members of the Artelj Lena's workers' collective appealed to the courts, accusing the previous company management of wrongly excluding them from Artelj Lena. The issue is complicated, as the case refers to a legal entity that no longer exists, namely the Workers' collective Artelj Lena. The dispute resulted in a number of court orders made during the previous financial year. In several cases, the former members of the workers' collective in dispute lost their case. However, in one case a court order resulted in a number of former workers being registered as owning 5.3% of the now reorganised company OOO Artelj Lena. In 2008 and 2009, Central Asia Gold's and Artelj Lena's legal representatives undertook comprehensive legal work aiming to minimise the effects of this minority case.

Note 27 Material events after the end of the financial year

Loans granted from SvyazBank.

In the end of March 2010 Artel Lena LLC received a loan of 95,000,000 RUR from SvyazBank.

Loans from Golden Impala

In April 2010 Central Asia Gold AB received two additional loans from Golden Impala LLC in the amounts of 735,000 USD and 680,000 USD.

Agreement with Malka oil

CAG have had an litigation with Malka Oil regarding promissory notes amounting approximately to 17 million SEK. The amount is booked as a debt to its full amount 31 December 2009. The dispute is settled and the parties have agreed in a payment plan where the debt shall be paid until 30 September 2010.

Note 28 Ore calculation principles – IFRS 6

Central Asia Gold reports ore reserves in accordance with Russian geological standards. In short, this means that, after the initial exploration period for a mining licence, all mineral licence holders in Russia most undergo an ore classification inspection (roughly equivalent to a western feasibility study) by the Russian State Committee on Reserves, GKZ, either in Moscow or at GKZ's appropriate regional office. This ore classification is performed once and can then be updated as required. The procedure is therefore very similar, whether for precious metals, base metals, or for that matter oil.

If the ore reserves are approved, they are entered in the Russian state register of reserves and will provide the basis for production requirements that are then drawn up for the licence holder. The Russian principles for ore classification are similar, but not identical, to western standards. In addition, the latter are not entirely identical in different western countries. The Russian registered ore reserves then form the basis for the Central Asia Gold group's application of IFRS 6. Central Asia Gold has applied IFRS 6 since autumn 2004. In accordance with this rule, all costs directly classifiable to exploration/evaluation must be capitalised after an assessment has been made that ore mining will start, or that the mine in question can in some other way be sold off at a profit. Central Asia Gold made an assessment as early as 2004 that the Tardan deposit should be put into production. This was in fact done in 2007. Thereby the capitalised evaluation and later expansion costs relating to Tardan were entered into the item Mining permits in the group balance sheet. After that, depreciation is done in accordance with the Unit of production principle. Such depreciation has been done at Central Asia Gold since 2005. As regards unit of production principle for Tardan, they were calculated for the years 2005–2008 based on the gold reserves of 6.8 tonnes established in the early 1990s. Furthermore, the judgement was made that these gold reserves should be produced over a 10-year period. In the autumn of 2008 a new examination of reserves was carried out at the Tardan deposit. The established gold reserves thus became 8.0 tonnes. These gold reserves formed the starting point for a new calculation of the unit of production when the next step in gold production at Tardan started.

The registered ore reserves are thus established by a party (GKZ) that is independent of Central Asia Gold. The reserves are based on a very comprehensive range of geological and financial data summarised in a Russian feasibility study. Ore reserves are not static, but may vary over time depending on things like the price of gold, new geological information, currency exchange rates and cost levels. A change in ore reserves can have a considerable impact on things like depreciation, restoration costs and the book value of assets.

An impairment test was carried out on the group's productive gold assets at the 2009 year-end. Most of the tested values came from the Tardan deposit. For this purpose, a discounted cash flow model has been used extending over a 6-year period. A number of variables are simulated in the model. Among the more important quantities are the price of gold, the yield required and the stripping ratio. The base assumption about the price of gold during the period is 1000 USD/oz, the yield required is 14% per year, and the stripping ratio is 5. A number of other assumptions are also important. The result of the base assumptions is that no write-down is needed for the Tardan deposit at the 2009 year-end.

Also for the deposits in the acquired NMC companies an impairment test was performed and no need for depreciation was found. The two mature alluvial gold producers, Artel Lena and Artel Tyva, were written-down during 2008, there are no remaining intangible assets to be written off in these two companies

Board assurance

The Board and the Chief Executive Officer confirm that the group accounts and the annual report, respectively, have been drawn up in accordance with the international accounting standards in the European Parliament and Council decree (EC) no. 1606/2002 of July 19, 2002 concerning the application of international accounting standards and good accounting practice respectively, and that they give a true and fair view of the group's and parent company's position and earnings.

The directors' report for the group and the parent company, respectively, give a true and fair view of the group's and the parent company's activities, position and earnings, and describe significant risks and points of uncertainty faced by the parent company and the companies within the group.

Stockholm, 30th April 2010

Lars Guldstrand	Preston Haskell	Maxim Kondratiukin
Chairman of the Board	*Managing Director and member*	*Member*
Mike Nunn	Patric Perenius	Alice Volgina
Member	*Member*	*Member*

The annual report and the group report have, as stated above, been approved for issue by the board on the 30th April 2109. The group's profit and loss account and balance sheet, and the parent company's profit and loss account and balance sheet, will be object of ratification at the annual general meeting on the 28th of June 2010.

Auditor's report

To the Annual General Meeting of Central Asia Gold AB (publ)

Corporate identity number 556659-4833

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of Central Asia Gold AB (publ) for the financial year 2009. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 24-58. The board of directors and the CEO are responsible for these accounts and the administration of the company and for ensuring that the Annual Accounts Act is applied when preparing the annual accounts and that the international reporting standards IFRS as adopted by the EU and the Annual Accounts Act are applied when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the CEO, and significant estimates made by the board of directors and the CEO when preparing the annual accounts and the consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the CEO. I also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the company's results and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international reporting standards IFRS, as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the group's result and financial position. The statutory Administration Report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Administration Report, and that the members of the board of directors and the CEO be discharged from liability for the financial year.

Stockholm, 30 April 2010

Johan Arpe
Authorised Public Accountant

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