

# *Central Asia Gold*

**Notice of  
Annual General Meeting  
of Central Asia Gold AB (publ)  
2007**

**PRESSRELEASE DATED MAY 15, 2007**

**NGM “CAG”**

Shareholders of Central Asia Gold AB (publ) (“the Company”) are hereby convened to the Annual General Meeting at 3 p.m. on Tuesday, June 12, 2007, at Operakällaren, Karl XII’s Torg, 111 47 Stockholm.

**REGISTRATION**

Shareholders who intend to participate at the Annual General Meeting must

- i) Have their names entered in the register of shareholders maintained by VPC AB (the Swedish Central Securities Depository) on Tuesday, June 5, 2007. Those whose shares are registered in the names of nominees must, prior to June 5, 2007, temporarily register the shares in their own name in order to be entitled to participate at the Annual General Meeting.
- ii) Notify of their attendance to the Company by 16.00 hours on Thursday, 7th June 2007 at the latest. The notification may be made by telephone +46 8-624 26 80, via fax +46 8-624 37 20, via email to the address [agm@centralasiagold.se](mailto:agm@centralasiagold.se) or by letter to the address Central Asia Gold AB, Brovägen 9, 182 76 Stocksund. The notification must include the shareholder’s complete name, personal ID number or organization number, address and telephone and, where applicable, information on any deputy, representative and assistant. If the shareholder wishes to be

represented by a representative, written authority for the representative must be submitted to the Company before the annual general meeting.

## **PROPOSED AGENDA**

- 1) Opening of the Annual General Meeting
- 2) Election of Chairman of the meeting
- 3) Preparation and approval of the voting list
- 4) Approval of the Board's proposed agenda
- 5) Election of one or two minute-checkers
- 6) Determination as to whether the meeting has been properly convened
- 7) Presentation of the Annual Report and the Audit Report as well as the Consolidated Accounts and the Audit Report of the Group
- 8) Resolution on
  - a.) adoption of the Profit and Loss Statement and the Balance Sheet as well as the consolidated Profit and Loss Statement and the Consolidated Balance Sheet
  - b.) dispositions in respect of the company's profit or loss pursuant to the adopted Balance Sheet
  - c.) discharge from liability of the Directors and the Managing Director
- 9) determination of the number of Directors and Deputy Directors to be elected
- 10) determination of fees payable to Board of Directors and the Auditor
- 11) election of Directors and any Deputies
- 12) Resolution on
  - a.) authorisation for the Board to resolve on new issues of shares
  - b.) authorisation for the Board to permit the company to take up profit-sharing loans and participating debentures
  - c.) guidelines regarding fees to the management
  - d.) incentive program for employees in the Central Asia Gold Group
- 13) Other matters and closing of the meeting

## **PROPOSALS FOR THE ANNUAL GENERAL MEETING**

### ***Point 8 b. Proposal concerning allocation and distribution of earnings***

The Board and the Managing Director propose that the parent company's total losses be transferred into a new account and that no distribution shall be rendered for the financial year.

### ***Points 9-11. Selection of the Board, etc.***

The shareholders, representing approximately 30 percent of the total number of votes, have made the following proposal to the decision:

- It is proposed that, until the next annual general meeting, the Board shall comprise eight (8) ordinary members without deputies.
- It is proposed that remuneration to the Board for the coming term comprises a total SEK 240,000, of which SEK 100,000 shall be paid to the independent member of the board, Örjan Berner and SEK 20,000 each to other members who are not employees in the Company. It is further proposed that remuneration to the auditor shall be paid as per approved invoicing.
- The re-election of the current board members Michail Malyarenko, Alexander Merko, Örjan Berner, Peter Geijerman, Patrik Perenius, Torbjörn Ranta, Paal Hveem and Alexander Gerasimov is proposed. The appointment of Michail Malyarenko as Chairman of the Board is proposed.

### ***Point 12 a. Decision on authorization for the Board to determine a new issue of shares***

The Board proposes the meeting authorizes the Board, until the time of the next annual general meeting, with or without deviation from the shareholders' preferential rights, in the event of one or more cases, to decide whether to issue a total maximum 100,000,000 new shares, entailing a capital increase of a maximum SEK 20,000,000, equivalent to a dilution of approximately 19.5 percent of the Company's share capital and total number of votes. The purpose of the authorization is to facilitate financing of takeovers, etc. Payment shall only occur by cash or via subscription in kind or set-off. Deviation from the shareholders' preferential rights shall be entitled to occur in the event where a directed issue, due to time, business or equivalent reasons, is more advantageous for the Company. In any event the subscription price shall be as near to the market value as possible.

### ***Point 12 b. Decision on authorization for the Board to allow the company to take up profit-sharing loans and participating debentures***

The Board proposes the meeting authorizes the Board to allow the Company to take up customary credit facilities in which the interest or the sum for repayment shall be entirely or partially dependent on the company's financial position. The authorization shall apply until the next annual general meeting.

### ***Point 12 c. Decision on guidelines for remuneration to the company management***

The Board proposes that the annual general meeting approves guidelines for remuneration to leading employees in the Central Asia Gold group ("The Group"), with the following principal contents:

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

#### *Guidelines*

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

#### *Fixed salary*

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

#### *Variable salary*

The variable salary shall be related to the Company's profitability of assets, and growth of reserves and production, as well as specific goals within the respective employees' areas of responsibility. The variable salary shall be paid on an annual basis and a maximum of twice the annual Basic Salary may be paid.

#### *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. A specific programme will be proposed to the annual general meeting on the 12th June 2007.

#### *Insurable benefits*

Old age pension, sickness benefits and medical benefits will, whenever applicable, be constituted so that they reflect the regulations and practices of the native country. Where possible the pension plans shall be contribution based. In individual cases, depending on the tax and/or social insurance legislations that apply for the individual, other balanced pension plans and pension solutions may be approved.

#### *Other benefits*

Other benefits shall be made available to individual members of the Group management or the entire Group management. These benefits shall not constitute a significant section of the total remuneration. The benefits shall further correspond to what is normally applicable to the market.

#### *Cancellation and severance pay*

The period of notice shall be a maximum twelve months in the event of cancellation that is initiated by the Company and a maximum six months in the event of cancellation that is 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. The severance pay can only be paid following cancellation by the Company or when a member of the Group management cancels due to a significant change in the member's work situation, which may result in him or her not being capable of fulfilling satisfactory employment.

*Deviations from the guidelines*

The Board shall be entitled to deviate from these guidelines if there are special reasons to do so in specific cases.

***Point 12 d. – Decision on an incentive programme for employees in the Group***

The Board proposes that the annual general meeting reaches a decision on the issue of subscription warrants on the following conditions:

The company shall, without charge, issue a maximum 14.5 million subscription warrants, which each entitle a subscription of one (1) share in the Company, each with a quota value of SEK 0.2. Deviating from the shareholders' preferential rights, only OOO Tardan Gold ("Tardan") shall have the right to subscribe for the subscription warrants, whereupon Tardan shall transfer the subscription warrants to current and future leading employees, key persons and other employees in the Group ("The Participants") in accordance with further instructions from the Company's board. With the exception of Torbjörn Ranta (managing director of the Company), Michail Malyarenko (managing director of Tardan) and Alexander Gerasimov (chief geologist of the Company), the members of the board shall not have the right to subscribe for subscription warrants as per the present benefit programme, which is only intended for employees in the Group.

The Participants shall acquire subscription warrants at the applicable market value at that time established in accordance with an external valuation that applies an established evaluation method (The Black & Scholes Model). It is proposed that the Participants' right to acquire subscription warrants is differentiated with reference to their position, responsibilities and work performance in the Group. In light of this, the Participants shall be divided into six different categories: (1) the managing director of the Company; (2) the managing director of Tardan; (3) the managing director for the representative office in Moscow; (4) leading employees in the Group (approximately 10 people); (5) key persons in the Group (approximately 16 people); and (6) other important employees in the Group (approximately 10 people). The participants in the different categories shall each be allotted: 2 million warrants (category 1); 2 million warrants (category 2); 2 million warrants (category 3); 450,000 warrants (category 4); 200,000 warrants (category 5) and 80,000 (category 6) respectively.

Allocation of the subscription warrants to Participants outside of Sweden shall depend on no legal obstacle existing and the Board's decision that such allocation may occur utilizing reasonable administrative and/or financial resources.

Subscription of the subscription warrants shall be performed via a special subscription list by the 31st July 2007 at the latest.

The subscription of shares based on subscription warrants shall occur during the period of the 15th June – 31st July 2009. The duration of the warrants is therefore two years from

the occasion of issue. The subscription price for the share shall be equivalent to 125 percent of the average share price on the NGM stock exchange during the reference period from and including the 1st June up to and including the 9th June (however no lower than the share's quota value), in accordance with the last paid prices as per the Nordic Growth Market's exchange list for the shares in the Company, and following rounding off to the nearest complete ten öre where five öre shall be rounded off to the nearest lowest ten öre. Days without quotation of the buying price shall not be included in the calculation.

Upon complete utilization of the subscription warrants in accordance with the present proposal for decision, the Company's share capital will be increased by SEK 2,900,000 distributed into 14,500,000 shares, and entailing a dilution of a maximum 3.5 percent of the total number of outstanding shares and votes. This dilution has been calculated as the number of shares and votes that can be issued divided by the total number of shares and votes following the issue. The incentive programme is calculated to have a marginal effect on the Company's earnings per share.

A prerequisite for the right to acquire subscription warrants in accordance with the present proposal shall be that the Participant enters into a special pre-emptive rights repurchase agreement with the Company, which grants the Company the right to redeem the subscription warrants at market value in the event of the cessation of employment, an offer from a third party for all shares in the Company or in the event that the subscription warrants are transferred to a third party. It is proposed that the Board is authorized to conclude and formulate the conditions for the refusal agreement.

The decision is only applicable if it is supported by shareholders holding at least nine tenths of both the votes cast and the shares represented at the meeting (Chapter 16, The Companies Act).

The reason for deviation from the shareholders' preferential rights is to increase the Participants' responsibility via the incentive programme and to aid the participation of the Participants in the development of the Group, and to ensure that the Participants share the goal of generating profitable and productive growth, and to motivate the Participants' continued employment within the Group.

It is proposed that Torbjörn Ranta, Michail Malyarenko and Alexander Gerasimov participate in the present incentive programme because the persons stated, in their capacity as employees, are continuously effective within the Group and have an operative responsibility within the Group. The competence of the persons stated within the area in which the Group is active further contributes, in a significant manner, to the development of the Group.

It is further proposed that the annual general meeting approves Tardan's subsequent transfer of subscription warrants to the Participants.

The present proposal has, with the exception of the board members who are included in the programme, been submitted by the board. The decision to propose the issue of subscription warrants to the annual general meeting has been taken by the board.

## **GENERAL**

The Annual Accounts and the Auditor's Report (items 7-8) as well as the Board of Director's complete proposals pursuant to item 12 will be available at the Company office - Brovägen 9, Stocksund – as from May 29, 2007, and will be sent to shareholders upon request at the address given. The material will also be accessible on the Company's website [www.centralasiagold.se](http://www.centralasiagold.se). All the above documents will also be available at the meeting.

The proposal as per point 12 d will be sent to all shareholders who notify that they intend to participate in the meeting.

Stockholm, May 2007

The Board

For further information, please visit our website [www.centralasiagold.se](http://www.centralasiagold.se) or contact Mr. Torbjörn Ranta, Managing Director, on telephone +46 8 624 26 80, fax: +46 8 624 37 20, cell phone +46 708 85 55 04 or via email [torbjorn.ranta@centralasiagold.se](mailto:torbjorn.ranta@centralasiagold.se), address: Brovägen 9, SE-182 76 Stocksund, Sweden.

Central Asia Gold AB is a Swedish junior mining company focused on gold production and exploration in Russia and Mongolia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets today encompass some 747,000 troy ounces (1 troy ounce = 31.1 g) of Russian gold reserves C1/ C2. CAG AB plans to produce 1,400 – 1,500 kg of gold (45,000 – 48,000 oz) during 2007.  
Cautionary Statement

Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of CAG. Forward-looking statements include but are not limited to those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including but not limited to (i) changes in the economic, regulatory and political environments in the countries where CAG operates; (ii) changes as regards the geologic information available in respect of the various projects undertaken; (iii) CAG's continued ability to secure enough financing for carrying on its operations as a going concern; (iv) the success of its potential joint ventures and alliances if any; (v) exchange rates, particularly between the Russian rouble and the U.S. dollar. In light of the many risks and uncertainties surrounding any gold production and exploration company at an early stage of its development, the actual results could differ materially from those presented and forecast in this report. CAG assumes no unconditional obligation to immediately update any such statements and/or forecasts.