

Central Asia Gold

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Central Asia Gold AB (publ) Interim report for the period 1 Jan – 31 March 2007

(NGM: CAG)

- **The new Tardan processing plant is now working almost at full capacity. During May it produced 20 kg of gold, whereof 10 kg during the last 10 days.**
- **The alluvial production units within the group commenced their production season in the middle of May.**
- **Total Central Asia Gold ("CAG") gold production during the quarter January – March 2007 amounted to 0 kg. CAG is planning to produce 1,250 – 1,350 kg gold during 2007 (40,000 – 43,000 oz).**
- **Consolidated revenues for the 12-month period amounted to MSEK 4.49 (0.62)**
- **The net result after tax for the quarter January – March 2007 was MSEK -16.17 (-1.57).**
- **EPS was SEK -0.041 for the reporting period (-0.007)**

Background

Central Asia Gold AB ("CAG AB") is a Swedish mining company with operations in eastern Siberia, Russia. The group structure consists of the Swedish joint stock parent company, which currently controls three wholly-owned subsidiaries, of which two are in Russia. The Russian subsidiaries are of the limited liability type. The subsidiary OOO Tardan Gold also owns six sub-subsidiaries in Russia. The operations involve exploration and production of gold primarily in the Tyva and Irkutsk regions in Russia.

The group's main assets comprise seven mineral licenses held by the various subsidiaries. The licenses, as at early January 2007, encompass some 747,000 troy ounces ("oz") (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories, as well as 1,055,000 oz of P1 gold resources and 5,765,000 oz of P2 gold resources. CAG AB was publicly listed on the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005. The number of shareholders is currently some 5,000.

Results – the Group

For the three-month period ended March 31, 2007 the group reports a net result after tax of MSEK -16.17 (-1.57) which corresponds to SEK -0.041 per share (SEK -0.007).

Gold sales revenues were MSEK 1.72 (0) during the financial period. In addition, a revenue component of MSEK 2.77 (0.62) was included in the consolidated P/L-account relating to services performed by the subsidiary OOO Mars, which offers transportation services, partly to external clients.

According to previous statements the Tardan mine is considered to be operational from 1 January, 2007, and therefore no more costs will be capitalized on a subsidiary level at Tardan. During the reporting period costs of MSEK 0.48 were capitalized in the subsidiary OOO Kopylovskoye. In the corresponding quarter of 2006 MSEK 5.13 got activated as mining permits.

The change in stock of finished and semi-finished goods amounted to MSEK 1.04 (0).

Total operating costs in the group during the reporting period amounted to MSEK 24.19 (6.89).

Net financial items were MSEK 2.01 for the reporting period (-0.43).

The tax cost for the reporting period was MSEK 0 (0) and the minority share of the net result was MSEK -0.26 (-0.04).

Two of the Group's three producing subsidiaries are alluvial producers during 2007, which only produce during the warm part of the year (May-October). The majority of the group's planned production for the whole of 2007 of 1,250 – 1,350 kg will therefore be produced during the second half of the year.

Mining operations

Tardan

General overview

Tardan is a medium sized gold deposit, which was privatized in a public auction in the summer of 2003. The officially established Russian reserves (C1/C2) and P1 resources, most recently updated in the early 1990s, amount to 413,000 oz of gold. In addition, Tardan is estimated to contain 4,354,000 oz of P2 gold resources (Russian

classification standards). The appraisal work has so far only been conducted to a depth of some 100 m.

Some 30 ore bodies exist within a 3.3 square kilometer area of the license block, which lies 80 km to the east of the region's capital Kyzyl. The average gold grade of the reserves is 10.7 grams/tonne ("g/t").

A considerable exploration programme involving core drilling, trenching and construction of underground drifts and shafts was carried out in the Soviet time and has been supplemented by new data gathering in 2004 - 2006.

The start of the processing plant

The gravimetric processing plant was assembled during 2006. The calibration of the plant began during the end of 2006 and has proceeded during the first quarter of 2007. The crushers have been tested first, then the mills and the other equipment. The extraction of the gold concentrate did not take place until April, because the Canadian centrifuges were not connected until then. Even though the plant is running on double shifts, the production could still be uneven, as the equipment is still being calibrated and from time to time the operations will be temporarily suspended.

The work done so far has generally given positive results. In the gravimetric stage, the plant yields the predicted efficiency with an extraction coefficient so far of over 50%. This means that the process is functioning well. However, initially bottlenecks have been identified in the centre of the plant, principally in the form of the bolters that are imported from abroad. The majority of the problems were however solved by the end of May.

The actual gold production was commenced from the second quarter. The processing capacity at the plant is 100,000 tonnes of ore per year or approximately 8,000 tonnes of ore per month. During April 2007 2,600 tonnes of ore were processed, which resulted in approximately 10 kg gold in the gravimetric stage with an extraction coefficient of approximately 50%. During May the quantity of gold produced increased to 20 kg, whereof 10 kg were produced during the last ten days of the month. Once the bottlenecks have been fully removed the monthly production will increase further.

The planning of the leaching plant at Tardan will shortly be finished. The next step will be to get the approval of the appropriate authorities before we can start the construction process for real. Bearing in mind the recent extensive inspections performed by the authorities in the natural resources sectors in Russia, primarily in the oil sector, we must be cautious about commencing construction before we have the adequate permits. Central Asia Gold estimates therefore that the leaching plant will not be operational until the first half of 2008, and therefore the processing plant will operate without leaching during 2007. The amount of gold that will be produced from the Tardan plant during 2007 is therefore estimated to be 200-230 kg.

Low grade gold mineralizations

As early as 2004 the geologists of Central Asia Gold started to look for possible reserve increase opportunities on the Tardan license block. The approach chosen was to confirm a large scale presence of, and an economically feasible development plan

for the lower grade gold concentrations on Tardan. This is dependent on the fact that a review of historic data, as well as of newly collected information, shows that the gold on Tardan is distributed over wider areas of the license block than the so far established high grade ore bodies. So far the attention has been focused on the so called “Area 2” to the east of the high grade ore bodies 24 – 29. Here a more detailed analysis has been performed of an area of some 15,400 m². It is believed that this area alone may contain up to 10 tonnes (some 300,000 oz) of gold in the ground with a relatively low content (averaging some 2.28 g/t). Area 2 was penetrated by one deep borehole and numerous surface trenches during Soviet times, and the defined ore body no 1 is located there. A lot of new data was gathered in 2005, partly via two surface trenches. The analyzed data so far supports the geology department’s hypothesis that there exists extractable ore with a relatively low average gold grade within this particular area. During spring 2007 a drilling programme was commenced to concentrate the data grid at Area 2. During autumn 2007 Central Asia Gold hopes to be able to go through the ore reserve calculation procedures with the Reserve Committee of the Russian Natural Resources Ministry to obtain established ore reserves at this area.

Kopto

Sales

Continuous operation at the Kopto plant stopped at the end of the year 2006. In the future the plant will be used to perform test enrichment of ore samples. During the first quarter 2007 there were gold sales of 12 kg of gold, which was produced during 2006. Sales proceeds amounted to TUSD 254 equalling 659 USD/oz.

Alluvial gold production:

The placer deposit Sivo Pravy Uval

This placer deposit held by the subsidiary OOO GRK Tomano (“Tomano”) is located in the Buryatiya region of Russia, which borders on the Tyva region. It holds 19,000 oz of Russian C1 gold reserves. In March 2005 Central Asia Gold concluded a joint venture agreement in respect of the future development of the deposit. The joint venture partner, the Russian company OOO GRK Oreol (“Oreol”), is the operator of the project and shall secure the financing. So far no major development activity has yet been conducted on the license block.

The subsidiary gold placer producer OOO Artelj Tyva (Tyva) and OOO Artelj Lena (Irkutsk)

The acquisition of OOO Artelj Lena will be completed after a change of the legal structure of the subsidiary during spring 2007. The acquisition of OOO Artelj Tyva was completed at the end of 2005.

During the first quarter both companies commenced preparing for production start in May. Necessary working capital has been secured by loans from Russian banks. As long as no unforeseen events occur, the companies together are planning to produce around 1,100 kg of gold during 2007, the majority from Artelj Lena. The production started in mid May.

Investments, Liquidity and Financing

Net investments into material and immaterial fixed assets during the first quarter of January – March 2007 amounted to MSEK 8.36 (6.80).

Cash on group accounts was MSEK 49.24 at the end of the period (50.09).

Employees

The group companies on average employed 510 persons during the first quarter of 2007 (377).

Issued shares

During the reporting period a directed new issue of 36,000,000 shares was performed to a limited circle of professional investors. The issue was conducted to finance the acquisition of the alluvial gold producer Artelj Lena in Irkutsk. The issue price was SEK 1.86 per share

As per the end of the period the number of outstanding shares was 402,196,923. Par value per share is SEK 0.20. All shares carry one vote and have equal rights to the company's assets and profit.

After the end of the reporting period a directed new issue of 10,013,147 shares was performed in May 2007 as registered below. This issue was a part of the payment for the subsidiary OOO Kopylovskoye. The issue price was SEK 2.03 per share.

As at the date of this report the number of shares outstanding in Central Asia Gold AB (publ) is therefore 412,210,070.

Major events after the end of the reporting period

Central Asia Gold performs a directed issue equivalent to USD 3 million

During the autumn of 2006 CAG agreed to purchase the Kopylovskoye mining project in Irkutsk. The agreed purchase price was an amount corresponding to approximately 15 million USD, of which 3 million USD would be paid in newly issued CAG-shares. The issue was performed in May 2007. The number of issued shares was 10,013,147 and the issue price was SEK 2.03 per share.

Project financing of the Kopylovskoye-project

Central Asia Gold acquired the Kopylovskoye project in Irkutsk in late autumn 2006. Kopylovskoye is a gold deposit that holds some 7 tonnes of gold reserves as per Russian geological standards (some 240,000 oz). The project's potential reserve base, however, is significantly larger and hence a comprehensive appraisal programme will have to be carried out to realize this. It is estimated that this programme will cost

approximately MUSD 10. The purpose of this programme is to prove that Kopylovskoye contains considerably greater gold reserves than are established today. The appraisal programme is planned to take at least one year. Following this there will hopefully be the potential to commence a development programme encompassing an ore processing plant with a production capacity of some 1 million tonnes of ore per year.

CAG has no excess liquidity, so external financing is needed to launch the above mentioned program. The choice was either a new cash issue of shares or a separate project financing solution. The latter was preferred. The board of CAG has therefore decided to sell 25% of the Kopylovskoye project to a consortium of external investors. The price for the 25% was set to MUSD 10. The proposal was presented and approved at an Extraordinary General Meeting on April 23, 2007. In step one the sub-subsidiary company OOO Kopylovskoye will be sold by Central Asia Gold to a fully owned new Swedish subsidiary – Kopylovskoye AB. After that the consortium of investors will invest the equivalent of MUSD 10 and thereby receive 25% of Kopylovskoye AB. It is estimated that the new legal structure will be in place during the summer of 2007 and the concrete evaluation program will start during autumn 2007.

Production development at the new processing plant at the Tardan deposit

As per the above gold production at the Tardan deposit commenced in April 2007. During that month, 10 kg gold was produced from ore processing of 2,600 tonnes. During May the production increased to 20 kg. At full capacity approximately 8,000 tonnes per month will be processed. At present a bottleneck in the process prevents work proceeding at full capacity.

Next reports due

The following are the reporting dates of Central Asia Gold AB for the rest of 2007:

Annual General Meeting in Stockholm: 12-06-2007

Interim report for Q2 2007 (Jan - June): 29-08-2007

Interim report for Q3 2007 (Jan - Sept): 28-11-2007

Annual General Meeting 2007

The Annual General Meeting will be held on the 12th June at Operakällaren, Karl XII's Torg, 111 47 Stockholm, commencing at 15.00 hours.

Company information

The parent's company's full name is Central Asia Gold AB (publ). It is a public limited company with head office in Stockholm and the corporate identification number is 556659-4833. The address of the parent company is Brovägen 9, 182 76 Stocksund.

Central Asia Gold AB (publ)

org no 556659-4833

GROUP PROFIT AND LOSS ACCOUNT (all amounts in TSEK)	3 months 2007-01-01 - 2007-03-31	3 months 2006-01-01 - 2006-03-31	12 months 2006-01-01 2006-12-31
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Net sales	4 492	621	48 242
Capitalised costs	476	5 129	25 823
Change in stock of finished and semi-finished goods *)	1 041	-	14 011
Total revenues	6 009	5 750	88 076
Operating costs			
External costs	-12 945	-1 680	-51 144
Salary related costs	-7 907	-4 060	-31 889
Depreciation	<u>-3 335</u>	<u>-1 146</u>	<u>-9 930</u>
	-24 187	-6 886	-92 963
Operating result	-18 178	-1 136	-4 887
Net financial items	2 008	-434	-9 019
Result after net financial items	-16 170	-1 570	-13 906
The period's tax cost	-4	-4	-1 078
Net result after tax for the period	-16 174	-1 574	-14 984
Whereof attributable to the shareholders of the parent company	-15 916	-1 539	-14 798
Whereof attributable to the minority	-258	-35	-186
<i>Earnings per share before dilution, SEK</i>	-0,041	-0,007	-0,053
<i>Earnings per share after dilution, SEK</i>	-0,041	-0,007	-0,053

Number of shares issued at period end	402 196 923	230 752 479	366 196 923
Average number of shares for the period	390 196 923	230 347 562	278 073 163
Average number of shares for the period after dilution	390 196 923	234 994 483	278 073 163

*) As from 2007 CAG has altered the way of reporting the change in stock of finished and semi-finished goods. This does not have any impact on the result for the previous periods. The figures for full financial year 2006 have been recalculated in order to facilitate full year comparison. The figures for the first quarter of 2006 have not been re-grouped.

Central Asia Gold AB (publ)
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GROUP BALANCE SHEET (all amounts in TSEK)	March 31, 2007	March 31, 2006	Dec 31, 2006
ASSETS			
FIXED ASSETS			
Intangible fixed assets	157 944	62 520	155 976
Tangible fixed assets	90 905	43 815	83 016
<i>Financial fixed assets</i>	9 931	2 844	10 242
Total fixed assets	258 780	109 179	249 234
CURRENT ASSETS			
Inventories	28 101	20 209	23 989
Current receivables	149 743	90 005	103 853
Cash and bank	49 242	50 089	81 947
Total current assets	227 086	160 303	209 789
TOTAL ASSETS	485 866	269 482	459 023
EQUITY AND LIABILITIES			
Total equity	366 441	117 088	313 616
Minority interest	1 755	354	514
Provisions	21 457	15 926	21 552
Current Liabilities	96 213	136 114	123 341
TOTAL EQUITY AND LIABILITIES	485 866	269 482	459 023
ASSETS PLEDGED			
Bank accounts	50	50	50
CONTINGENT LIABILITIES			
	-	-	-

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GROUP CASHFLOW ANALYSIS

(All amounts in TSEK)

	3 months Jan - March	3 months Jan - March	12 months Jan - Dec
	2007	2006	2006
Operating activities	-10 619	262	6 280
Paid/received interest and similar items	1 304	-439	-10 096
Cash flow from operations before changes in working capital	-9 315	-177	-3 816
Changes in working capital	-77 129	38 576	8 548
Net cash flow used in operating activities	-86 444	38 399	4 732
Net cashflow used in investing activities	-8 365	-6 803	-155 656
Net cash flow from financing activities	61 405	1 286	217 998
Increase in cash and bank	-33 404	32 882	67 074
Cash and bank at the beginning of the period	81 947	17 128	17 128
Translation difference in cash and bank	699	79	-2 255
Cash and bank at the end of the period	49 242	50 089	81 947

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STATEMENT OF CHANGES IN EQUITY (GROUP)

(Expressed in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Total equity capital
Equity as at December 31, 2005	45 722	68 032	358	3 263	117 376
Translation difference			-6 773		-6 773
The net result for the period				-14 984	-14 984
New issues	27 518	206 069			233 586
Issue costs		-15 589			-15 589
Equity as at December 31, 2006	73 239	258 512	-6 415	-11 720	313 616
New issues	7 200	59 400			66 600
Issue costs		-5 195			-5 195
translation difference			7 594		7 594
The net result for the period				-16 174	-16 174
Equity as at March 31, 2007	80 439	312 717	1 179	-27 894	366 441

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3 months

3 months

12 months

KEY RATIOS

2007-03-31

2006-03-31

2006-12-31

Group

Total assets, TSEK	485 866	269 482	459 023
Total equity, TSEK	368 196	117 088	314 130
Equity ratio, %	1	43,4%	1
Interest bearing debt, TSEK	8 061	10 352	0
Employees at period end	531	403	507

Per share data

Earnings per share, SEK	-0,041	-0,007	-0,053
Equity per share (SEK)	0,915	0,507	0,858
Return on equity (%)	-4,74%	-1,34%	-6,94%

Key ratio definitions

Total assets, TSEK	Total assets at period end
Total equity, TSEK	Total equity at period end
Equity ratio, %	Total equity divided by total assets expressed as a percentage
Interest bearing debt, TSEK	Total interest bearing debt at the period end
Earnings per share	Net result after tax for the period divided by the average number of outstanding shares for the period before dilution
Equity per share (SEK)	Total equity at the period end divided by the total number of shares outstanding at the period end
Return on equity (%)	Net result after tax for the period divided by the average equity for the same period

Accounting principles

The group:

As of January 1, 2005 the consolidated accounts for Central Asia Gold AB have been prepared in accordance with International Financial Reporting Standards (IFRS). The group applies the same accounting principles and evaluation methods as used in the most recent annual report. For a description of the accounting principles please refer to the most recent annual report. Please note that the first quarter of 2007 is the first quarter period in which no capitalization has been performed on the operating costs at a subsidiary level in Tardan Gold. In this report the costs of the subsidiary OOO Kopylovskoye have been capitalized. This is due to the fact that it has not yet been taken into large-scale production.

Segment information

The company's accounts are focused on the primary business segment – geographical areas. These are defined as specific countries. The secondary segments are different types of minerals. At present (from Q 1/2005) gold is produced in only one country, Russia. Therefore no segment information is currently given.

Transactions with related parties

Security services

The subsidiaries OOO Tardan Gold and OOO Artelj Tyva currently purchase security and guard services from the company OOO "Ochrannaya Firma Shtjit". Michail Malyarenko owns 60% of this company. These services are charged for at market price. During the first quarter of 2007 the subsidiaries paid the total of TRUR 1,785 for such services (TSEK 494).

Office rents

Parts of the group's company management and administration team work in the city of Tomsk in Siberia. They work in rented premises in an office block owned by Michail Malyarenko. A number of external companies also rent premises in the same building. During the first quarter of 2007 the Central Asia Gold group has paid TRUR 390 in office rents (TSEK 108). This is the same rent that the other external tenants pay for the property.

Management company

To optimise the cost of management services, parts of the administration in the company's department in Tomsk are located in a separate management company. The management company comprises a staff of 10 persons, including Michail Malyarenko, legal staff, accountants, controllers, interpreters and logistic personnel. The objective is to reduce the cost for management services so the management company will also be able to provide services for external clients, as well as to improve the allocation basis of joint costs between the group companies. The goal of

the management company is not profit maximization. During the first quarter of 2007 Central Asia Gold paid, via its subsidiaries, a total of TRUR 2,360 (ca TSEK 653) to the management company. This cost previously represented the costs for salaries and other external costs for its personnel. The owners of the management company are Central Asia Gold's two main Russian owners, Alexander Merko and Michail Malyarenko, who each own equal shares.

Projecting company

Central Asia Gold's Russian subsidiary performs construction work in its own region in order to save money. However to receive a building permit for one's own personnel from the authorities, a responsible property development company must be hired to submit official documentation and to take responsibility for safety and other building regulations. In this case Central Asia Gold's subsidiary OOO Tardan Gold appointed the company OOO KUPIR to lead the construction work and to take charge of responsibility issues. Therefore parts of the construction cost are administered via KUPIR. Michail Malyarenko and his family own 100% of this company. During the first quarter of 2007 construction work equivalent to TRUR 7,604 was performed. (TSEK 2,104) via OOO KUPIR.

This report has not been subject to review by the company's auditors.

Stockholm, 30 May, 2007

The Board of Central Asia Gold AB (publ)

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Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia and Mongolia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets today encompass some 747,000 troy ounces (1 troy ounce = 31.1 g) of Russian gold reserves C1/ C2. CAG AB plans to produce 1,250 – 1,350 kg of gold (40,000 – 43,000 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.