

Central Asia Gold

(NGM: CAG)

Press release 2008-10-08

- **Central Asia Gold reviews its strategic options in view of the crisis on the financial markets**
- **The group gold production during the period January – September 2008 amounted to some 715 kg (823 kg for the corresponding period in 2007)**
- **A cost cutting program has been initiated in the subsidiaries**
- **The two alluvial subsidiaries are facing structural difficulties**
- **Central Asia Gold plans to apply for listing at a new suitable market place within 6 months**

The Board of Directors of Central Asia Gold AB is currently reviewing the prerequisites for the Company's operations considering the ongoing turmoil on the global financial markets, but also in view of the situation in Russia in general and within the group subsidiaries in particular.

The Board of Directors as previously reported estimates full year 2008 group gold production to end in the range 800 – 900 kg. This is less than during 2007, when in total 1,073 kg of gold were produced. The reasons were commented on in the half year report. During January – September 2008 some 715 kg of gold were produced (823 kg during the corresponding period 2007).

The two alluvial subsidiaries are now approaching the end of their production season. The inflationary pressures have had negative consequences for the whole Russian alluvial gold sector, and this also applies to Central Asia Gold's subsidiaries. This will result in a write-down of the group book values of these two subsidiaries in the coming nine-month report. Remaining group book values are approximately 40 MSEK.

At the same time the compulsory reserve calculation in respect of the Tardan deposit will be finished shortly. Provided the report is as expected, a heap leaching plant must be constructed. This will demand more external financing as this year's lower than planned gold production in combination with cost increases have had negative impact on group cash flow. It is also unlikely that the outstanding warrants in Central Asia Gold will be exercised to any larger extent as the market price of the CAG share is now lower than the strike price of the warrants. The Board of Directors of Central Asia Gold in this context sees the following alternatives for covering the expected financing need:

- i) A rights issue or a directed issue
- ii) The attraction of a partner
- iii) Disposal of existing of assets

- iv) A combination of the above options

The Board of Directors believes measures should be taken as soon as possible. This on the ground that group liquidity is otherwise only estimated to be sufficient for enabling a normal business activity until the end of this year. In this context, the Board of Directors has taken certain initiatives to evaluate structural changes for the Company. The Board believes that the initiatives may possibly lead to concrete changes sometime during October – November this year. There are no guarantees that the initiatives will in fact lead to positive results.

In order to save costs, cost cutting measures have been taken on subsidiary level. Staff cuts have taken place in inter alia OOO Tardan Gold and Kopylovskoye AB. In the latter company the order for an RC-drilling rig planned for delivery at year end 2008 has been cancelled.

Lastly, the recent decision in Sweden to close down the NGM stock exchange in 6 months time implies that Central Asia Gold just as all other companies today quoted on NGM will evaluate other alternatives for its listing. Central Asia Gold will inform the market when a decision has been taken in this respect.

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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 as at early 2008 encompassed some 645,000 troy ounces (1 troy ounce = 31.1 g) of C1/ C2 Russian gold reserves.

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