

Central Asia Gold

(NGM: CAG)

Press release 2008-10-16

- **Central Asia Gold ("CAG") signs a letter of intent with the minority shareholders of Kopylovskoye AB regarding a further sale of 12.5% – 24.5% of this subsidiary.**
- **After this arrangement the rest of Kopylovskoye AB is planned to be dividended out free of taxation to the shareholders of Central Asia Gold AB according to the so called "Lex Asea"**
- **The intention is to list Kopylovskoye AB at a suitable marketplace sometime during 2009**
- **A number of the major shareholders in CAG are positive to the proposed transaction and will support the decision on the coming EGM**
- **The strategic plans for the remaining part of Central Asia Gold will be communicated in the near future.**

Central Asia Gold has signed a letter of intent with the minority investors ("the consortium") in the subsidiary Kopylovskoye AB. According to this document the consortium has the right to acquire additional 12.5% – 24.5% of the shares in Kopylovskoye AB. A condition for the deal is an ongoing due diligence process that will be finished in the beginning of November. Kopylovskoye AB has today 1 million shares outstanding whereof CAG owns 75%. The price per share in the transaction is 80 SEK. This price assumes Kopylovskoye AB taking over some 16 MSEK of debt from CAG.

The consortium will, assuming that the Due diligence will not reveal anything unexpected, at the beginning of November 2008 buy at least 125,000 shares in Kopylovskoye AB for a total amount of 10 million SEK. After that the consortium has the right to buy an additional 120,000 shares for the same price. The option is valid until February 2009 or otherwise until the time when an EGM in CAG decides to dividend out the rest of the Kopylovskoye AB shares to its shareholders. It is estimated that such an EGM could be held before the end of this year. If CAG dividends out more that 50% of the shares in the subsidiary at this occasion, it is believed to be possible to make it tax-free according to the so called "Lex Asea".

After a dividend decision in CAG it is the intention to appoint Mikhail Damrin as the Managing Director of Kopylovskoye AB. Mikhail Damrin is today managing the CAG Moscow Representative Office and is very familiar with the business of the subsidiary. Mikhail Damrin is 36 years old and has

earlier worked, since the middle of the nineties and during different periods, for the Swedish listed public companies Vostok Nafta Investment and Westsiberian Resources before he entered his position in CAG in 2007. Mikhail is educated in Moscow and also holds an MBA degree from Cranfield University in England.

During 2008 Kopylovskoye AB has, in accordance with what has been communicated earlier by CAG, commissioned a comprehensive evaluation programme at the Kopylovskoye deposit in the Bodaibo district in Irkutsk. The deposit is regarded as a very interesting one and the Russian reserve committee approved 7.4 tons of Russian gold reserves in the categories C1+C2 as per early 2006. The gold reserves refer to a 300 m interval within the 3 km license block. Further the ore body has a width of 50 m and has been calculated to a depth of 30 m. The results of the evaluation programme commissioned by CAG during 2007 and 2008 confirm that the gold mineralization continues right through the license block. The ambition for 2009 is to evaluate the ore body at depth. If establishing that the ore body continues at depth, which is most likely, the Kopylovskoye project could be a large deposit even in an international context. This is supported by the fact that Suchoy Log is situated just north of Kopylovskoye. Suchoy Log is considered to be the largest gold deposit on the Asian continent. Kopylovskoye AB also contains the Prodolny license block, that was acquired on a public auction in spring 2008. This license encompasses a 140 km² acreage with a number of known gold occurrences. Also, the neighbouring Kavkaz license will be transferred to Kopylovskoye AB.

The Board of Directors of Kopylovskoye AB has the intention to list the company at a suitable market place during 2009. Assuming that the dividend will take place, Kopylovskoye AB will receive about 4,000 shareholders, which should guarantee a satisfactory liquidity of the share. A website at the internet is expected to be launched during early 2009 through which relevant information about the company will be distributed even before the listing of the company.

A number of major shareholders in CAG have expressed that they will support the dividend decision and thus the sale of the shares in Kopylovskoye AB to the consortium of investors.

The future transaction is in line with the earlier communicated strategies of CAG, and is in the existing business climate considered to be necessary to ensure the shareholder value in CAG as well as in Kopylovskoye AB. The strategic planning for the remaining parts of CAG is estimated to be communicated within short.

For more information, please contact:

MD Torbjorn Ranta, tel: +46 (0)8 624 26 80, fax: +46 (0)8 624 37 20, mobile phone: +46 (0)70 8 85 55 04, e-mail: torbjorn.ranta@centralasiagold.se, Website: www.centralasiagold.se, Post- and visiting address: Brovägen 9, SE-182 76 Stocksund.

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.

Cautionary Statement: Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CAG. Forward-looking statements include, but are not limited to, those using

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