



INTERIM REPORT DATED MAY 12, 2010

Central Asia Gold AB (publ)

Interim report for the three-month period January – March 2010

(NGM: CAG)

- **The gold production has started good in 2010. The amount produced gold was 67.7 kg (0 kg) in the quarter January – March 2010.**
- **For the quarter January – March 2010, the total income amounted to MSEK 30.2 (MSEK 204.8). Comparative figures for January – March 2009 excl. goodwill dissolution was MSEK 3.5, i.e. an improvement in 2010 of MSEK 26.7.**
- **For the quarter January – March 2010, EBITDA was MSEK 1.3 (MSEK 196.4). Comparative figures January – March 2009 excl. goodwill dissolution was MSEK -4.9 i.e. an improvement in 2010 of MSEK 6.2**
- **The net result after tax and minority interest for January - March 2010 was MSEK -5.4 (MSEK 181.9). Comparative figures 2009 excl. goodwill dissolution was MSEK -19.4 i.e. an improvement in 2010 of MSEK 14.0**
- **EPS was SEK -0.30 (SEK 11.50) for the quarter January-March 2010.**
- **Approved gold reserves C1/C2 on current licenses are expected to reach approximately 34 tons during 2010. As per the report date they amount to approximately 24 tons.**

Comments by the Managing Director

The first quarter 2010 has been characterized by the finalization of the plans for the implementation of the new strategy for CAG. A strategy that is geared towards building a more stable, more predictable and substantially increased gold production, and a build-up of gold reserves through increased exploration and acquisitions.

The development plans for 2010 and beyond puts focus on:

1. Launching of two Heap Leach (HL) operations:
 - a. A new Tardan HL plant sized for an annual production capacity of 1200 kg gold to be built in two stages.
 - b. Solcocon HL plant restart with the objective to reach an annual production of about 250 kg.
2. Continue alluvial gold mining at Irkutsk and Chita regions in 2010 with short-term profitability being the only single criteria operations to go on.
3. Resuming exploration at the company's sizeable license areas.
4. Evaluate acquisition opportunities of other gold licenses and gold producing properties in the near areas.

Financing and the start of 2010 years' production within the existing deposits are running according to plan. Operationally we can this year report that; a gold production of approximately 68 kg compared with 0 previous year and a positive EBITDA result of 1.3 MSEK compared with a negative 4.9 MSEK result for the previous year.

An extensive analysis of the production in the alluvial deposits is taking place, in order to finally establish which plants are expected to generate a positive result. Other deposits will be closed or sold.

The Tardan plant expansion efforts have been further intensified. Such an investment is expected to generate a cash flow of approximately 50-70 MSEK annually with a payback of less than two years. The upgrading of the HL Plant in Solcocon is also developing rapidly. Additionally, the final review required in order to establish the size, resource and capital need for optimizing the effects of new exploration work is moving forward. The cooperation with Centerra Gold concerning exploration of the attractive assets in Kara-Beldyr has developed according to plan.

The registration of approximately 9.5 tonnes of additional gold reserves in the Kozlovskoye deposits has been delayed due to administrative reasons. Our assessment is that these gold reserves will be approved during 2010 remains, but approval is now expected during the second half of the year.

We expect to return shortly with a more concrete presentation to describe the effects of the above mentioned planned activities and the financing of these activities.

The year of 2009 can be described as the year of merger and analysis, operationally a "lost" year. However, we do believe that 2010 will be the year when we "turn the page" the starting platform for a strong development with stable increased production volumes together with the build-up of new gold reserves. We will already during 2010 see the outcome of the actions taken, such as an expected gold production increase of approximately 50%. However the full effect is expected 2011 and ahead.

- We have now commenced our journey towards stability and growth and welcome you all to participate!

Preston Haskell, Managing Director

Background

Central Asia Gold AB (CAG AB) is a Swedish mining company with operations in Eastern Siberia, Russia. In March 2009 CAG AB completed the merger with Russian gold mining group New Mining Company ("NMC") by way of an issue in kind.

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, Tchita 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 three months period of 2010, are estimated to contain almost 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 March 31, 2010.

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 Q1 2010 (kg)	Gold sales Q1 2009 (kg)	Gold sales 2009 (kg)
<u>CAG units</u>									
Tardan Gold	Ore	5.7	1.9	7.6		22	63	1	90
Kara Beldyr (JV Centen)	Ore / Exploration					44			
Uzhunzhul	Ore / Exploration					26			
Artel Tyva	Alluvial	2.1		2.1					77
Artel Lena	Alluvial	2.4	1.5	3.9		2			267
<u>NMC units</u>									
GRE (Staroverinskaya license)						132			
Nizhnaya Borzia*	Alluvial	0.7	1.7	2.4					204
Bogomolovskoye*	Ore	0.7	6.9	7.6					28
Kozlovskoye*	Ore				9.5				
Solocon	asset holder								
Boreservice	drilling works								
Gold borzia	alluvial operator								
Rudtechnology	heap-leaching factory operator								
Total:		11.6	12.0	26.6	9.5	226	63	1	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.

Results - the Group

On March 2, 2009 Central Asia Gold AB completed the merger with the companies forming the Russian New Mining Company Group (NMC). 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 continues as the legal parent. 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 comparative information in the financial statements for 2009.

For the three month period ended March 31, 2010 the group reports a net result after tax and minority interest of TSEK -5,380 (TSEK 181,945) which corresponds to SEK -0.30 per share (SEK 11.50). 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 201 261. Without this effect the net result would have been TSEK -19,316 for the comparative period 1 January – 31 March 2009.

Consolidated gold sales revenues were TSEK 16,095 (TSEK 320) during the report period.

In addition, a revenue component of TSEK 66 (TSEK 233) is included in the consolidated P/L account for the three month period 2010 relating primarily to drilling and transportation services performed by the subsidiary Tardan Gold.

The change in stock of finished and semi-finished goods amounted to TSEK 11,298 (TSEK 1,680) during the report period.

During the three months January - March 2010 total exploration costs of TSEK 2,712 (TSEK 1,281) were capitalized at subsidiary level.

Total operating costs in the group during the report period amounted to TSEK -36,743 (TSEK -12,035).

Net financial items were TSEK 9,310 (TSEK -15,186) for the report period. Due to the strengthen Swedish Krona during the reporting period CAG has reached substantial exchange gains on loans in foreign currency.

The tax cost for the report period was TSEK -8,226 (TSEK 4,368). The cost is deferred taxes mainly referring to exchange gains.

The minority share of the net result for the report period was TSEK -108 (-23). It relates to the subsidiary OOO Artel Lena.

Mining operations

Tardan Plant and Project

Au 67.7 kg was produced at Tardan in the first quarter. Production will continue at the same level for the next two months, after which time the plant's mining and crushing equipment will be used to prepare ore for a trial heap leaching scheduled for a fall 2010.

Tardan project has the following developments in January-April 2010:

- Plant site location was approved by authorities
- Site surveys completed
- Hydrological and environmental studies completed
- Mine and Plant design 60% complete
- Infrastructure engineering (water and heat) completed
- Equipment is specified (except Stage 3 crusher for which additional comminution tests are scheduled)
- Bids are being evaluated technically and commercially
- A construction manager and a civil/structural engineer were employed to enhance the team.

Solcocon Heap Leach plant

Grade control sampling and diamond core drilling was undertaken during the quarter to prepare oxidized open-pit minable ore for heap leach production in 2010 (see Exploration Activities, Staroverinskaya Field).

Mine development plan was prepared and approved by corresponding regulators at the end of April and 16 units of mining equipment were prepared for work.

Significant refurbishing of the plant equipment is underway:

- Crushers, screeners, conveyors were repaired
- Old heaps were ploughed, a new irrigation system is being installed
- Leach solutions pipes were changed
- Decarbonizing unit for leach solutions was added to reduce clogging of pipes
- Tanks were cleaned, 5 tonnes of coal and carbonates waste were removed
- Pumps were added to increase productivity
- ADR plant: equipment and piping layout were changed to allow for additional sorption column
- Leach solutions heating circuit was installed for winter irrigation
- Maintenance check of laboratory equipment was completed, laboratory was restarted.

Solcocon Heap Leach Plant will start irrigation and gold production from old heaps by mid-May.

New ore mining and stacking will commence from June.

Alluvial mining

At Artel Lena two new mining sites will be developed this year – Aroi (Nizhneudinsk region) and N.Kevakta (Bodaibo region). Both mining sites are located in remote areas.

Significant effort to mobilize fuel and equipment to the mining sites was undertaken during this quarter.

The company purchased and delivered 200 t of fuel to Aroi and 330 t of fuel to N.Kevakta.

Additional 180 t and 230 t of fuel has been purchased and delivered to Nizhneudinsk and Bodaibo bases.

In total, purchased fuel and materials will provide mining operations until the end of June, by which time summer delivery routes will become available.

Camps construction on sites is underway. Overburden removal was started in April. Gold production will commence by the end of May.

At Artel Borzya gold production was started in April.

Equipment maintenance work at Borzya is currently behind the schedule due to delay in spare parts purchase.

In 2009 a decision was made to permanently stop operations at Artel Tyva for economical reasons. This will reduce the annual gold production with approximately 100 kg.

The base was mothballed; part of the equipment is being prepared to relocate to Tardan. The rest of the equipment will be sold.

Exploration activities

Tardan Field

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.

Over the quarter 1300 geochemical samples were processed and assayed at Alex Stewart Lab in Moscow.

The data has been analyzed. Three prospective anomalies were identified.

A detailed geochemical survey of the prospects will be done.

Kara-Beldyr

Diamond drilling program continued in the Gord and Ezen prospects. Preparation for next phase of diamond drilling has been continued and included heavy equipment repair and fuel transportation.

Camp was provided with annual fuel supply, food and small equipment. New heavy bulldozer was rent and mobilized to the property.

Uzhunzhul

Over the quarter the Company purchased aero magnetic and gamma spectrometry data for the Uzhunzhul tenement. 2800 geochemical samples have been analyzed at Alex Stewart lab in Moscow. The new data has been processed.

The results confirm Yurkovsky and Paraspan prospects. A number of interesting structures have been identified on the areas that warrant additional geochemical sampling on a closer grid spacing (~4000 samples) to plan for trenching and drilling program. A new geochemical anomaly, called “Lagernaya”, has been discovered.

Staroverinskaya Field

A total of 800 grade control samples have been taken at blocks 5 and 7 of Bogomolovskoe pit to prepare for selective mining of oxidized ore for heap leaching at Solcocon. Mining at Bogomolovskoe is scheduled to commence in the next quarter.

Diamond drilling has started on the Podgornoe and Yuzhnoe orebodies. An exploration program planned at Podgornoe and Yuzhnoe includes 3000 m of diamond drilling and 1500 m³ of trenches.

The program is target to localize an open-pit minable oxidized ores for heap leaching at Solcocon plant.

The exploration work is expected to be completed by the end of the next quarter followed by the pit design. Mining at Podgornoe and Yuzhnoe is planned to start in Q3 2010.

Contracts with Chitageologorazvedka (ChGR), a state-owned exploration company, has been signed in the first quarter to prepare a geological report on Staroverinskaya field (rock gold) with P1 resource calculation and a geological report on placer deposits (exploration program of 2004-2008) with C1/C2 reserves calculation at Degtyanka, Sazhenka, and Munia placer deposits within Staroverinskaya tenement.

The reports are expected to be finished and reviewed by Ministry of Natural Resources (MNR) committee by the end of 2010.

Another contract with ChGR to prepare “TEO postoyannih kondicii” (technical and economic assessment of exploration and mining parameters or “conditions”) for Bogomolovskoe deposit has been signed in the first quarter. 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 discovered in the future without going through reserve approval process.

The TEO study has commenced. The study is expected to be completed in June 2010 and will be subject to MNR committee approval.

In addition, a contract for geological report and resource calculation on Kozlovskoe Deposit will be signed with ChGR in the next quarter. The work will include metallurgical tests at SGS, Chita to select a technological process for gold extraction from Kozlovskoe ores.

The work under the contracts with ChGR will summarize a major 5-year exploration campaign done by ChGR on Staroverinskaya tenement. The reports will include all historical data for the property and will be used by Central Asia Gold to develop future exploration programs.

Investments, liquidity and financing

12 MSEK of the working capital was provided in March-April 2010 by Preston Haskell, CEO and major shareholder of CAG.

In March 2010 Artel Lena received the loan from Svyazbank in amount of 95 MRUB to cover current expenses related to the alluvial season working capital and preparation work.

In April 2010 Gre-324 opened 80 MRUB credit line in Svyazbank for the purpose of financing alluvial and ore operations of Gold Borzaya and Rudtechnology.

Tardan Gold had a positive cash flow from operations in Q1. The funds were used to support Tardan project development and exploration activity of the group.

The parent company

The Swedish parent company is a holding company without significant operations. It supports the subsidiary companies with financing, investor relation services and strategy reviews etc. It thus has no income other than interest on loans extended to the subsidiaries from time to time or in respect of bank deposits. Also, the exchange rate effect on assets and liabilities denominated in foreign currency impacts on the result.

The net result for the three month period January - March 2010 was TSEK -1,226 (TSEK 6,069).

Cash in the parent company was TSEK 832 (TSEK 5,998) at end of March 2010.

Employees

The group had in average 529 (1,310) employees during the first quarter of 2010. As per end of March 2010 the number of employees in the group was 651 (901).

Issued shares

During the first quarter of 2009 the issue in kind to finance the acquisition of the NMC companies was carried out.

In July 2009 a reversed split 200:1 was conducted. After the reversed split the number of outstanding shares is as per the report date 17,653,125. The number of outstanding warrants 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. The term of the warrants is January 2012.

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. The issue price shall in such cases be set as closely as possible to the prevailing market price of the share.

Next report due

The next financial report due is the interim report for the period January –June 2010. It will be released on August 27, 2010. Thereafter the next report date in 2010 is November 26, when the nine month report is published.

Company information

The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head office in Stockholm and the corporate identification number is 556659-4833. The address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34 Stockholm.

Central Asia Gold AB (publ)

org no 556659-4833

**GROUP PROFIT
AND LOSS ACCOUNT**

(all amounts in TSEK)

	3 months 2010-01-01 -2010-03-31	3 months 2009-01-01 -2009-03-31	12 months 2009-01-01 -2009-12-31
Net sales	16 095	320	155 800
Capitalised costs	2 712	1 281	10 750
Change in stock of finished and semi-finished goods	11 298	1 680	3 099
Other operating revenues	66	233	1 649
Dissolution of negative goodwill	0	201 261	195 396
Total income	30 171	204 775	366 694
Operating costs			
External costs	-17 717	-4 041	-125 071
Personnel costs	-11 389	-4 333	-55 745
Depreciation	-7 638	-3 661	-22 812
Total operating costs	-36 743	-12 035	-203 628
Operating result	-6 572	192 740	163 066
Net financial items	9 310	-15 186	-23 484
Result after net financial items	2 738	177 554	139 582
The period's tax cost	-8 226	4 368	2 707
Net result after tax for the period	-5 488	181 922	142 289
Whereof attributable to the shareholders of the parent company	-5 380	181 945	142 213
Whereof attributable to the minority	-108	-23	76
Earnings per share before dilution, SEK	-0.30	11.50	8.27
Earnings per share after dilution, SEK **)	-0.30	11.50	8.27
Number of shares issued at period end	17 653 125	17 653 125	17 653 125
Average number of shares for the period	17 653 125	15 825 417	17 202 457
Average number of shares for the period after dilution **)	17 653 125	15 825 417	17 202 457

****)** There are 2.5 million outstanding warrants at end of March 2010 and at the date of this report. The strike price is however SEK 40 per warrant corresponding to one share. Each warrant entitles to subscription of 1 new shares. Last date of exercising the options is end of January 2012. Since the strike price is higher than the prevailing market price, no dilution currently arises due to these warrants.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in TSEK)

	3 months 2010-01-01 -2010-03-31	3 months 2009-01-01 -2009-03-31	12 months 2009-01-01 -2009-12-31
Net result for the period	-5 488	181 922	142 289
Other comprehensive income			
Translation difference	-4 619	3 654	3 612
Total comprehensive income for the period	-10 107	185 576	145 901
Total comprehensive income for the period attributable to:			
Parent company's shareholders	-9 999	185 599	145 825
Minority	-108	-23	76

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GROUP BALANCE SHEET (all amounts in TSEK)	March 31, 2010	March 31, 2009	Dec 31, 2009
ASSETS			
FIXED ASSETS			
<i>Intangible fixed assets</i>	145 614	142 036	149 218
<i>Tangible fixed assets</i>	98 744	118 228	101 357
<i>Financial fixed assets</i>	31 361	41 238	37 602
Total fixed assets	275 719	301 502	288 177
CURRENT ASSETS			
Inventories	108 033	97 855	85 426
Current receivables	50 490	71 664	44 829
Cash and bank	5 056	8 608	22 732
Total current assets	163 579	178 127	152 987
TOTAL ASSETS	439 298	479 629	441 163
EQUITY AND LIABILITIES			
Equity	184 422	234 194	194 420
Minority interest	1 574	1 456	1 681
Total equity	185 996	235 650	196 101
Long term liabilities	135 720	136 682	140 894
Current Liabilities	117 582	107 297	104 168
TOTAL EQUITY AND LIABILITIES	439 298	479 629	441 163
ASSETS PLEDGED			
Bank accounts	50		50
Material fixed assets	7 365	7 587	7 381
CONTINGENT LIABILITIES	-	-	-

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GROUP CASHFLOW ANALYSIS

	3 months 2010-01-01	3 months 2009-01-01	12 months 2009-01-01
(All amounts in TSEK)	-2010-03-31	-2009-03-31	-2009-12-31
Operating activities	-6 572	192 740	163 458
Adjustment fot items not included in the cash flow	7 638	-197 600	-172 584
Paid/received interest and similar items	-198	-162	-2 275
Cash flow from operations before changes in working capital	868	-5 022	-11 401
Changes in working capital	-28 793	-4 372	15 989
Net cash flow used in operating activities	-27 926	-9 394	4 587
Net cashflow used in investing activities	-1 059	-2 574	-2 945
Net cash flow from financing activities	11 309	20 701	21 021
Cash flow for the period	-17 676	8 733	22 662
Cash and bank at the beginning of the period	22 732	144	144
Translation difference in cash and bank	0	-269	-75
Cash and bank at the end of the period	5 056	8 608	22 732

(Expressed in TSEK)	Share capital	Additional paid in capital	Other reserves	Retained earnings	Minority interest	Total equity capital
Equity as at Jan 1, 2009	106 125	-104 497	1 303	-63 208	0	-60 277
Total comprehensive result for the period Jan 1 - March 31 2009			3 654	181 945	-23	185 576
Equity contribution		70 036				70 036
Shares issued for the acquisition of the CAG group	70 406	-31 570			1 479	40 315
Equity as at March 31, 2009	176 531	-66 031	4 957	118 737	1 456	235 650
Total comprehensive result for the period April 1 - Dec 31 2009			-42	-39 732	225	-39 548
Equity as at December 31, 2009	176 531	-66 031	4 915	79 005	1 681	196 102
Total comprehensive result for the period Jan 1 - March 31 2010	0	0	-4 618	-5 380	-108	-10 106
Equity as at March 31, 2010	176 531	-66 031	297	73 625	1 574	185 996

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	3 months 2010-01-01	3 months 2009-01-01	12 months 2009-01-01
KEY RATIOS	-2010-03-31	-2009-03-31	-2009-12-31

Group

Total assets, TSEK	439 298	489 094	441 163
Total equity, TSEK	185 996	245 115	196 101
Equity ratio, %	42,3%	50,1%	44,5%
Interest bearing debt, TSEK	150 927	129 371	140 594
Employees at period end	651	901	556
EBITDA, TSEK	1 066	196 401	185 878
EBITDA, excl. neg. goodwill dissolution, TSEK	1 066	-4 860	-9 518

Per share data

Earnings per share, SEK	-0.30	11.50	8.27
Equity per share (SEK)	10,45	13,80	11,01
Return on equity (%)	-2,9%	187,3%	86,4%

Key ratio definitions

Total assets, TSEK	Total assets at period end
Total equity, TSEK	Total equity including minority at period end
Equity ratio, %	Total equity according to above divided by total assets expressed as a percentage
Interest bearing debt, TSEK	Total interest bearing debt at the period end
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
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 according to above 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 according to above for the same period

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PARENT COMPANY PROFIT**AND LOSS ACCOUNT**

(all amounts in TSEK)

	3 months 2010-01-01 - 2010-03-31	3 months 2009-01-01 - 2009-03-31	12 months 2009-01-01 - 2009-12-31
External costs	-1 716	-2 340	-9 668
Personnel costs	-132	-587	-971
Depreciation of tangible and non-tangible fixed assets	0	-2	-2
<i>Total operating costs</i>	<i>-1 848</i>	<i>-2 928</i>	<i>-10 641</i>
Operating result	-1 848	-2 928	-10 641
Net financial items	622	8 997	-1 640
Result after net financial items	-1 226	6 069	-12 281
The period's tax cost	-	-	-
Net result after tax for the period	-1 226	6 069	-12 281

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PARENT COMPANY BALANCE SHEET**March 31,
2010****March 31,
2009****Dec 31,
2009**

(all amounts in TSEK)

ASSETS			
FIXED ASSETS			
Financial fixed assets	533 145	507 260	519 000
Total fixed assets	533 145	507 260	519 000
CURRENT ASSETS			
Current receivables	687	1 199	742
Cash and bank	832	5 998	14 794
Total current assets	1 519	7 196	15 536
TOTAL ASSETS	534 664	514 456	534 535
EQUITY AND LIABILITIES			
Total equity	487 619	507 695	488 844
Long term liabilities	15 766	4 623	14 802
Current Liabilities	31 280	2 138	30 888
TOTAL EQUITY AND LIABILITIES	534 664	514 456	534 535
ASSETS PLEDGED			
Bank accounts	50		50
CONTINGENT LIABILITIES	-	-	

Note 1 Acquisitions On March 2, 2009 Central Asia Gold AB completed the merger with the NMC companies. 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 acquired. 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 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.

Accounting principles

Group

The consolidated accounts for Central Asia Gold AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in the annual report for financial year 2009.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the Swedish Annual Accounts Act. The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2010 have not had any material effect on the group's profit and loss- and balance sheets.

As described in other places in this report, the group's financial statements for the comparing period in 2009 have been prepared using the accounting model prescribed for reversed acquisitions.

Parent company

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*.

Segment information

The company's accounts for segments are done in accordance with IFRS 8. At present the company only considers that it has one segment.

Risk and uncertainties associated with this interim report

The group's risk exposure is presented on page 28 of the 2009 annual report (Swedish version). The Board of Directors believes that the most important risk factors for the time being are:

- 1) *Gold price risk*: The fluctuations of the international gold price directly influence the revenues of a gold producing company.
- 2) *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.

3) *Inflation risk*: The Russian economy has been subject to significant inflation pressure during the last few years. This directly impacts on the production costs in a gold mining company.

4) *Geologic risk*: The recoverable gold reserves of a gold exploration and production company are influenced by geologic and economic factors. The estimation of reserves is therefore at all times dependent on the international gold price, costs associated with the extraction of the gold etc. Therefore the estimated gold reserves of any gold company may change at any point in time. In particular the alluvial subsidiaries of the Central Asia Gold group are sensitive to cost increases.

5) *Financial and project risk*: Central Asia Gold AB is a junior gold mining company at an early stage. It is involved in production of gold as well as exploration. The company is still dependent on external financing for developing its business. If the availability of external financing were to get reduced it would negatively influence the future perspectives of the company. The currently very bad sentiments on the global stock markets must be taken into account.

6) *Legal risks*: The subsidiary OOO Artelj Lena is involved in various court procedures with certain individuals - former members of Artelj. The issue concerns conditions pertaining to the time before Central Asia Gold took over OOO Artelj Lena. It is as of yet not clear if the reinstatement of previous members of the old workers' collective Artelj Lena in the workers' collective automatically implies that they will get reinstated as co-owners (minority shareholders) of the new limited liability company OOO Artelj Lena. Central Asia Gold has assumed the latter and made a provision for this. However, there are no guarantees that not additional old wrongly expelled members of the workers' collective may also try to get their rights back via OOO Artelj Lena.

Transactions with related parties

CAG AB has several transactions with related parties. This is in detail presented in page 56 in the annual report 2009.

12 MSEK of the working capital was provided in March-April 2010 by Preston Haskell, CEO and major shareholder of CAG.

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

The board of directors and the managing director confirm that the interim report provides an accurate overview of the company's and the group's operations, position, results and that it describes significant risks and uncertainties that the company and group companies are exposed to.

Stockholm, May 12, 2010

Central Asia Gold AB (publ.)

Lars Guldstrand
Chairman

Maxim Kondratjukin
Director

Mike Nunn
Director

Patric Perenius
Director

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Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of 2009 estimated to 760,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 24 tons).

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.