

Press release

3 November, 2008

Central Asia Gold to merge with New Mining Company

- **New Mining Company shareholders will get 85 per cent ownership after a non-cash issue by Central Asia Gold**
- **The combined company expect to have approximately 30 tons gold reserve already during 2009**
- **Preston Haskell, New Mining Company's majority shareholder, will guarantee the SEK 100-125 million capital need for the combined company**
- **New Mining Company's experienced management team with strong proven execution together with critical mass and cost synergies will enable stable long-term growth**
- **Central Asia Gold shareholders representing 48.4 per cent of the shares and votes have agreed to vote in favour of the proposed merger on the forthcoming Extraordinary General Meeting, which is expected to be held in December 2008**

Central Asia Gold ("CAG") plans to issue shares and warrants to the shareholders in New Mining Company ("NMC"). Through the issue of shares, NMC shareholders will receive 85 per cent ownership in the combined company.

With a new strong management team with international competence and local presence together with secured financing of 2009 operations, the combined company aims to expand aggressively in the still fragmented Russian gold sector and increase its reserve base and production.

CAG and NMC are expected together have a combined C1 + C2 gold reserve base of approximately 30 tons already during 2009 (excluding the Kopylovskoye and Kavkaz reserves, which are planned to be divested) and a yearly production in excess of 1,000 kg, which will place CAG within the top 25 Russian gold producers. The new strong management team will build shareholder value by creating significant synergy effects within administration, launching a strict cost-saving program and a cost-controlling system and thereby improving margins and also aiming to further increase reserves.

The main shareholder in NMC is the American entrepreneur Preston Haskell, who has lived in Moscow and conducted Russian business successfully since the mid 1990's. His real estate advisory firm Colliers International is represented throughout the CIS countries. The company will, through Preston Haskell, benefit from a solid long-term majority shareholder, who is also proposed as the new Chairman of the Board. Preston Haskell will commit resources, including a guarantee for the estimated capital need for 2009 operations.

As a consequence of the change in ownership, a new Board of CAG will be proposed at a forthcoming Extraordinary General Meeting, and the following individuals have expressed their willingness to become directors: Preston Haskell, proposed Chairman, Lars Guldstrand, proposed Deputy Chairman (former CEO of the listed company Eniro), Risto Silander (former CEO of Alfred Berg), Mike Nunn (South African mining entrepreneur), Patric Perenius (Swedish mining engineer and current CAG Board director), Sergey Gorbachev (current CEO of NMC) and Alice Volgina (a partner and CFO of Preston Haskell's Investment group).

The proposed transaction structure, subject to conditions set out below, and rationale are supported by the main current shareholders representing 48.4 per cent of the shares in CAG.

Rationale for the transaction for the shareholders in CAG

- The combination of a junior Swedish public mining company and a Russian-based junior privately owned mining company will enable the creation of a larger entity with an attractive mix of extractable gold reserves, a huge resources base and multiple production facilities, which will reach critical mass, cost synergies and enable stable long-term growth
- The capital need in 2009 for the combined entity is preliminarily estimated at SEK 100-125 million. It is the intention that the current shareholders in CAG will be given the opportunity to participate in a planned capital raising, which will be fully guaranteed by Preston Haskell
- Following the transaction, the combined company will seek to capitalise on its larger size and on the increased financing capacity. The new main shareholder and the quality of the local management team will facilitate a strengthening of the company's position within the Russian gold mining industry
- The new majority shareholder in CAG, Mr Preston Haskell, will, as a strategic long-term investor, take an active role in the management of the company, bringing his Western practices combined with local Russian operational competence and experience to secure long-term growth and shareholder value for CAG's shareholders
- The combined entity will modernise, rationalise and expand the portfolio of existing assets in the Russian Siberian region with a focus on increasing overall profitability through a cost-saving program and a cost-controlling system

Proposed transaction and overview of NMC

Central Asia Gold AB (NGM: CAG) and shareholders in LLC New Mining Company on November 3, 2008, signed a share Sales and Purchase Agreement ("SPA") containing the main conditions of the planned non-cash issue that will see NMC become wholly-owned by CAG in exchange for CAG issuing new shares and warrants to the NMC shareholders. NMC shareholders and partners will be represented on CAG's Board of Directors and NMC's management team will take over the daily management and operations of CAG.

NMC is a Russian gold company with gold reserves and production facilities in the Chita region of Eastern Siberia. The gold reserves are attributable to two early stage mining projects, Bogomolovskoye and Kozlovskoye and also to one alluvial deposit. Preston Haskell, the main shareholder in NMC, has recently invested over USD 30 million in the upgrade of the heap leaching plant, alluvial gold production and in purchasing necessary machinery etc. NMC aims to have C1 + C2 gold reserve base of close to 35 tons by 2010. The current operations involve exploration and production of gold with main assets comprising mineral reserves of 2.3 tons C1 + C2 according to Russian specifications. NMC estimates its reserves to increase by 7 tons before the end of Q1 2009, by an additional 9.5 tons before the end of Q2 2009 and to add 15 tons during 2010.

CAG is a Swedish mining company with operations in Eastern Siberia, Russia. The operations involve exploration and production of gold, primarily in the Tyva and Irkutsk regions. The group's main assets comprise a large number of mineral licences held by the various subsidiaries. The licences are currently estimated to contain some 12.6 tons of gold reserves according to the Russian C1 + C2 categories, excluding the Kopylovskoye and Kavkaz licence blocks. These two licences are planned to be distributed as dividend to CAG's existing shareholders prior to the acquisition of NMC.

CAG expects to produce more than 800 kg gold in 2008. NMC's gold production is at an initial stage and is expected to be approximately 250 kg in 2008 and is expected to increase substantially over the coming years. Thus, after completing the transaction, CAG is by year end 2008 expected to have combined reserves of 14.9 tons with a combined gold production rate in excess of 1,000 kg per year at the beginning of 2009. By the end of 2009 the combined gold reserve base is thus expected to reach some 30 tons, or 1 million troy ounces.

Transaction highlights

- The non-cash issue brings together CAG, a junior Swedish mining company with assets and operations in Eastern Siberia and NMC, a junior Russian privately owned mining and exploration company with assets in the Chita region (Eastern Siberia) managed by a team of international and Russian managers to form a mining and exploration company ranked as one of the top 25 gold producers in Russia
- CAG has today signed an SPA outlining the key terms and conditions for the acquisition of all outstanding shares in NMC in exchange for 3,000,000,000 newly issued ordinary shares in CAG and 500,000,000 warrants with a strike-price of SEK 0.20 exercisable in 3 years time with each warrant representing one ordinary share in CAG. Based on CAG's closing share price October 31, 2008 at SEK 0.14 and prior to the proposed dividending out of Kopylovskoye AB, the acquisition value is approximately SEK 450 million
- The pro forma ownership of CAG subsequent to the consummation of the transaction will be 15 per cent by the current shareholders in CAG and 85 per cent by the current shareholders in NMC. Furthermore, NMC shareholders will hold 500,000,000 warrants, each warrant representing one ordinary share in CAG. If the owners of NMC exercise these warrants, their shareholding in CAG will increase to 86.9 per cent. Consequently, shareholders in NMC will become the largest shareholders in CAG
- The execution of the non-cash issue is conditional upon, *inter alia*, approval of relevant authorities, exemption from the mandatory bid obligation, approval of the transaction by CAG's shareholders at an extraordinary general meeting and satisfactory due diligence investigations

The existing main shareholders in CAG, representing 48.4 per cent of the capital and votes, have undertaken to, on the forthcoming Extraordinary General Meeting, vote in favour of the transaction and the distribution of Kopylovskoye AB's shares to the existing shareholders in CAG.

NMC is currently reporting according to Russian Accounting Standards ("RAS"). Due to significant differences between RAS and IFRS, work has started to prepare combined pro forma figures according to IFRS for the combined company. Consolidated income statement and balance sheet for the combined group according to IFRS will be presented in ample time before the forthcoming Extraordinary General Meeting in CAG

Torbjörn Ranta, CAG's Managing Director: *"The proposed acquisition of NMC will give CAG critical size and, equally importantly, a very strong and devoted main owner via Preston Haskell, who has more than a decade of successful hands-on Russian business experience. This means that CAG will have the ability to evaluate further rapid expansion in the still fragmented and now financially weakened Russian gold sector".*

Preston Haskell, NMC majority shareholder: *"Although I am an American, I have spent the last 15 years in Russia, where I now live permanently and manage my business projects. I have over the last decade established contacts at the highest Russian political and business levels, and feel comfortable in this environment. My American ancestors were for many years active in coal mining in the US, so the mining industry is in my blood. I am very bullish on the future of gold and the proposed combination of NMC and CAG gives me an opportunity to scale up my gold sector exposure, and I am committed to leveraging my resources and the experience of my local mining team to create value for all shareholders in CAG".*

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Pro Forma ownership structure and lock-up agreement

Following the transaction, based on the shareholder register as of 30 September 2008, CAG's largest shareholders will be as follows:

Shareholders	Current shareholding		Transaction (in thousands)	Post transaction	
	(in thousands)	(%)		(in thousands)	(%)
Preston Haskell			2,247,000	2,247,000	63.7
Andrey Kondratiukin			753,000	753,000	21.3
Spencer Energy A/S	66,457	12.6		66,457	1.9
AB Landå	55,929	10.6		55,929	1.6
Mikhail Malyarenko	48,916	9.2		48,916	1.4
Paal Hveem	40,399	7.6		40,399	1.1
Benton International	36,000	6.8		36,000	1.0
Catella Case	19,306	3.6		19,306	0.5
Other shareholders	261,993	49.6		261,993	7.5
Total	529,000	100	3,000,000	3,529,000	100

The major current shareholders in CAG have entered into an agreement not to, without prior approval, sell or otherwise dispose of any of their shares in CAG for a period of 6 months following completion of the transaction. Such existing shareholders include Spencer Energy A/S, Landå AB, Mikhail Malyarenko, Paal Hveem, Benton International, Gabrielsson Invest AB and Torbjörn Ranta. The lock-up will comprise in total 256,518,748 shares, representing 7.3 per cent of outstanding shares after the transaction. The new majority shareholders, Preston Haskell and Andrey Kondratiukin, are strategic long-term investors in CAG.

Board of Directors and Management

The composition of CAG's Board of Directors is proposed to consist of the following (see also Appendix A for personal CVs of the proposed members of the Board): Preston Haskell, as Chairman of the Board, Lars Guldstrand, as Deputy Chairman of the Board, Risto Silander, Mike Nunn, Patric Perenius, Sergey Gorbachev and Alice Volgina.

The management team of CAG will be as follows: Sergey Gorbachev, CEO (currently the CEO of NMC) and Yuriy Ivanov, CFO (currently NMC's CFO).

Kopylovskoye AB

As announced in the press-release on 17 October 2008, CAG has signed a letter of intent ("LoI") with the minority investors in the subsidiary Kopylovskoye AB, representing 25 per cent of shares and capital in Kopylovskoye AB. According to the LoI, the minority investors received the right to acquire an additional 12.5 - 24.5 per cent of the shares in Kopylovskoye AB. The Kavkaz licence will also be transferred to Kopylovskoye AB.

The forthcoming Extraordinary General Meeting of CAG is expected to approve the distribution of the remaining shares of Kopylovskoye AB as dividend to the existing shareholders in CAG, prior to the non-cash share issue to NMC.

Other information

- In view of the fact that the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) has decided to withdraw the NGM Stock Exchange's licence to conduct exchange operations, CAG has decided that the company will initiate the process of moving the listing of its shares to First North immediately after completion of the transaction
- CAG is considering to carry out a reverse split of its shares subsequent to the completion of the transaction

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Conditions applicable to the transaction

Completion of the transaction according to the SPA is subject to, *inter alia*, the following conditions:

- (a) satisfactory completion of both CAG's and NMC's due diligence;
- (b) approval by the Board of Directors of CAG, as well as obtaining relevant corporate approvals from the Board of Directors and/or shareholders in NMC;
- (c) approval of the distribution of the remaining shares of Kopylovskoye AB as dividend to the existing CAG shareholders;
- (d) approval of the transaction by the shareholders in CAG at the Extraordinary General Meeting;
- (e) approval by the relevant authorities;
- (f) exemption from the mandatory bid obligation;
- (g) other conditions as may be agreed in the transaction documentation

Preliminary timetable

CAG's 9 months 2008 interim report	28 November 2008
Extraordinary General Meeting	December 2008
Closing of the transaction	January 2009

Additional information about the proposed transaction will be made available to CAG's shareholders prior to an Extraordinary General Meeting to be convened in December 2008 to approve the transaction.

Advisor

Carnegie acts as financial advisor to the shareholders in New Mining Company.

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Cautionary Statement: Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") and New Mining Company's ("NMC") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CAG and/or NMC. 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 and/or NMC operates; (ii) changes relating to the geological information available in respect of the various projects undertaken; (iii) CAG's and/or NMC'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 and/or NMC assumes no unconditional obligation to immediately update any such statements and/or forecasts.

APPENDIX A

Résumés for the proposed members of the Board of Directors

Preston Haskell, proposed new Chairman of the Board of Directors

Preston Haskell is an American citizen. Mr Haskell is the founder and majority owner of Colliers International, represented throughout the former USSR with offices in Moscow and St Petersburg (Russia), Kazakhstan, Ukraine, Lithuania, Latvia and Estonia and is a member of the International Governing committee of Colliers International. He has been working in Russia since 1993 and is in partnership with Forum Properties, one of Moscow's most successful advisory firms. This partnership has developed over 150,000 sq.m. of office space and owns a portfolio of class A properties, including the award winning projects Avrora Business Park and Hermitage Plaza.

Mr Haskell serves as a member of the Board of Fleming Family and Partners Real Estate Development Fund Ltd. He is also a partner of the management company called FF&P Real Estate Advisory Holdings, Ltd.

Mr Haskell is a founder and Non-Executive Chairman of Office Solutions, which is an authorized dealer of Steelcase on the territory of the former USSR and parts of Eastern Europe. He is also a co-founder and the Executive Chairman of AMARI Land International.

Mr Haskell holds a Bachelor of Business Administration degree from the University of Southern California.

Lars Guldstrand, proposed new Deputy Chairman of the Board of Directors

Lars Guldstrand has more than 25 years of international execution and investing experience from the Telecom, Media and Technology sector. Mr Guldstrand has also taken part in turnarounds, restructurings and M&A activities within a number of other sectors, including the financial and internet industries.

During his career Mr Guldstrand has held executive positions in a number of privately held and publicly listed companies in both Europe and the US, including Din Del, Sweden, Telia Infomedia International, Telia Infomedia Directory Group, LOCAL Touch Inc. USA, and one of Europe's leading directories companies, the publicly listed Eniro. Mr Guldstrand's prior assignments include member of the Board of BT Directories, Chairman of the Board of Monetar Pensionsförvaltning AB, Sweden and Executive Chairman of European Directories SA, Scandinavia.

Mr Guldstrand is currently Executive Partner of GKL Growth Capital AB, Stockholm; Chairman of Paynova AB, Stockholm; G-Life AB, Stockholm. He is also deputy chairman of Golden Pages Ltd, Israel. Mr Guldstrand holds an MBA from California Coast University, California.

Risto Silander

Risto Silander has worked for 20 years in the investment banking industry and has held senior positions within Svenska Handelsbanken, Goldman Sachs, UBS and Alfred Berg. In 2001 he quit his position as CEO of the Alfred Berg Group and pursued business opportunities in St Petersburg and took on board directorships.

Mr Silander is currently a director of the Boards of Swedish Export Credit Corporation AB, East Capital Asset Management AB, 11 Real Asset Fund AB, 11 Invest S.A., Varenne AB, Brevan Howard Offshore Management Ltd., Endeavour Funds (II and III) Ltd., Stronghold Invest AB, E. Öhman Jr. AB and the Trygg Foundation. Previous board positions include listed companies in Sweden such as Telelogic AB, Tornet AB, NetonNet AB and Russian retail chain "Lenta".

Mr Silander holds a business degree from the Stockholm School of Economics and has studied finance on the MBA program at Stern Business School, NY.

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Mike Nunn

Mike Nunn, a South African mining entrepreneur, founded Amari Holdings with the objective of leveraging his past success and knowledge in the resource industry and combining it with his network of African business associates.

Mr Nunn is recognised as the pioneer of the global tanzanite industry. As both the founder and former CEO of AIM-listed TanzaniteOne Ltd, he turned a grassroots project into the world's leading miner and marketer of tanzanite. He also founded the Tanzanite Foundation as the industry's organisation responsible for the worldwide marketing and promotion of tanzanite. Although he stepped down in 2006 to pursue the development of Amari, he remains its largest shareholder.

Other resource businesses developed by Mr Nunn include the rescue of MDM, a long established mining engineering firm, which has since become a leading African mining consultancy firm and listed its shares on AIM in 2008.

In 2005 Mr Nunn founded Xceldiam Ltd, an Angolan diamond exploration company, which was successfully listed on AIM in 2006 and was subsequently sold to Petra Diamonds.

Mr Nunn consolidated a number of his mining interests in mid 2006 and formed Amari, an Africa-focused mining and resource investment incubator which now has interests in gold, platinum, uranium, manganese, nickel, coal and iron ore.

Mr Nunn is presently Executive Chairman of Amari and is based in Johannesburg.

Patric Perenius

Patric Perenius is a Swedish citizen, born in 1951, and holds a degree as a Mining Engineer from the Royal Swedish Institute of Technology (KTH) (1977). He has worked with geology in the oil and mining industries since 1978, including Norsk Hydro and the Swedish company SECAB. As well as being a Board member of CAG, Mr Perenius is also a Board member of the publicly listed Swedish companies Archelon Mineral AB and Capital Oil AB.

Sergey Gorbachev

Mr Gorbachev is a Russian citizen, born in 1973, and holds a degree from the Moscow State Geological Academy. He also studied at the University of Texas in Austin. In the period between 1996 and 2003 Mr Gorbachev worked in large international logistical and operational companies in Moscow. Before joining NMC as CEO in February 2008, Mr Gorbachev was deputy CEO and head of the Moscow representative office of the Swedish International Electricity Holding Company.

Alice Volgina

Alice Volgina is a Russian citizen, a partner and a CFO in Preston Haskell's Investment group.