

Central Asia Gold

INTERIM REPORT DATED AUGUST 28, 2008

Central Asia Gold AB (publ) Interim report for the for the six month period January – June 2008

(NGM: CAG)

* **Group gold production during the six month period was 239 kg (246 kg), whereof 189 kg during the quarter April – June (246 kg).**

* **The 2008 gold production will be lower than previously forecast (1,250 kg). The new production plan is now around 800 - 900 kg. This has negative consequences for the financial situation of the group.**

- **The new gold reserve report in respect of the Tardan deposit shall shortly be submitted to the relevant authorities for inspection and approval. CAG's geologists expect to get around 8 tons of C1+C2 reserves approved. The final reserve review is expected in September/October.**
- **In the Bodaibo district (Irkutsk) the first sample analyses have been received in respect of Kopylovskoye project. The initial results indicate that the gold mineralized zone extends to the East.**
- **The June 2008 preferential rights issue was fully subscribed. It attracted some 65 MSEK before issue costs.**
- **Consolidated revenues for the six month period January – June 2008 amounted to TSEK 107,580 (TSEK 31,571). The corresponding figure for the last quarter (April – June 2008) was TSEK 72,647 (TSEK 25,562).**
- **The net result after tax for the reporting period was TSEK -56,725 (TSEK -26,037). For the second quarter the net result after tax amounted to TSEK -47,483 (TSEK -9,863). The net result for the report period as well as for last quarter include an impairment charge relating to Artelj Lena amounting to TSEK -32,902.**
- **EPS was SEK -0.134 for the six-month period Jan – June 2008 (SEK -0.066). For the last quarter April – June 2008, EPS was SEK -0.111 (SEK -0.025).**

Comments by the Managing Director

The second quarter of 2008 including the following summer months up until end of August has been a very challenging period for CAG AB. We have faced certain difficulties in our subsidiaries. This pertains primarily to our placer producer OOO Artelj Lena in Irkutsk region. Inflationary pressures have resulted in high personnel turnover during the ongoing production season, that began in June. Also inflation leads to cost escalation via increasing fuel prices. The production target has therefore been significantly lowered for 2008 in OOO Artelj Lena as well as in the group. Our other placer producer has been less effected since Tyva region is more remotely located without such hard competition on the local labour market. Higher fuel prices will though feed through also in OOO Artelj Tyva.

Our mining subsidiary OOO Tardan Gold is right now in the process of getting its new reserve review by the Russian authorities (TKZ). A final reserve review result is due by end of September to mid October. OOO Tardan Gold management is working together with Irgiredmet institute, and the latest estimate of recoverable reserves is around 8 tons of C1+C2 reserves according to Russian standards.

An integral part of the reserve review is an economic feasibility study worked out by Russian project institute Irgiredmet. Both the geologic and economic data are reviewed at the same time. There is no guarantee that the submitted reserve figure will get approved in full.

On the exploration side the first new sample analyses at the Kopylovskoye deposit have been received. They show that the gold mineralized zone extends to the East from the established ore body. It is though too early to comment on the economic significance of this.

Torbjörn Ranta, Managing Director

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 subsidiaries, of which two are in Russia. The Russian subsidiaries are of the limited liability type. The three subsidiaries also own several 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 a large number of mineral licences held by the various subsidiaries. The licences, as at early January 2008, are estimated to contain 645,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories, as well as 1,049,000 oz of P1 gold resources and 6,255,000 oz of P2 gold resources. The Russian reserve standards do not take account of economic viability to any large extent. The fact that Russian inflation has increased sharply in the last few years implies that the registered gold reserves in primarily the two alluvial subsidiaries may be questionable at this point in time. They amounted to some 210,000 oz (6.5 tons) C1+C2 as at beginning of 2008.

The gold reserves attributable to the Tardan deposit will be subject to a new reserve review by the authorities during September 2008. In Irkutsk, 25% of the

Kopylovskoye project has been sold out to a group of external investors during 2007, which initially reduces the Kopylovskoye net gold reserves to CAG AB. 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 3,145.

Result – the Group

For the six month period ended June 30, 2008 the group reports a net result after tax of TSEK –56,725 (TSEK -26,037) which corresponds to SEK -0.134 per share (SEK -0.066). For the last quarter of the reporting period the net result after tax was TSEK –47,483 (TSEK -9,863). This corresponds to EPS of SEK -0.111 (SEK -0.025). In the net result for the report period an impairment charge relating to subsidiary Artelj Lena is included in the amount of TSEK -32,902.

Consolidated gold sales revenues were TSEK 31,874 (TSEK 12,277) during the financial period. For the quarter April – June 2008 gold sales amounted to TSEK 22,875 (TSEK 10,555). The sold gold volume was 179 kg for the full report period, whereof some 132 kg during the last quarter. The higher gold sales figure compared to the corresponding period 2007 depends on the fact that subsidiary Artelj Lena was consolidated in the group P/L only as from the third quarter of 2007.

In addition, a revenue component of TSEK 14,588 (TSEK 7,217) is included in the consolidated P/L account relating primarily to services performed by the transportation subsidiaries of the group, providing transportation services, partly to external clients. Only the part applicable to external clients is included in the group accounts. The transport revenues were TSEK 6,927 during the last quarter of the reporting period (TSEK 4,447).

The change in stock of finished and semi-finished goods amounted to TSEK 31,314 (9,106) During the last quarter the same change was TSEK 25,486 (8,065).

During the six-month 2008 reporting period total exploration costs of TSEK 29,709 were capitalized at subsidiary level. In the corresponding six month period of 2007 TSEK 2,971 was capitalized as mining permits. For the quarter April – June 2008 the capitalization component amounted to TSEK 17,359 (TSEK 2,495).

Total operating costs in the group during the six-month 2008 reporting period amounted to TSEK 165,133 (TSEK 57,938). For the quarter April – June 2008 the operating costs were TSEK 123,057 (TSEK 33,751). The mentioned impairment charge of TSEK 32,902 is included in the operating costs for the last quarter of the report period.

Net financial items were TSEK –2,538 for the reporting period (TSEK 977). For the last quarter of the reporting period the net financial items were TSEK –509 (TSEK -1,031)

The tax income for the reporting period was TSEK 3,366 (TSEK -647) and the minority share of the net result was TSEK -1,325 (TSEK 137). For the quarter April – June 2008 the tax income amounted to TSEK 3,436 (TSEK -643), and the minority share was TSEK -1,529 (TSEK 395).

Two of the Group's three producing subsidiaries during 2008 are alluvial producers, with production taking place only during the warm part of the year (May – October). The majority of the group's planned production for the whole of 2008, which is now estimated at 800 - 900 kg will, therefore, be produced and sold during the second half of the year.

Mining operations

Tardan project in the Tyva region

General overview

A considerable exploration programme involving core drilling, trenching and construction of underground drifts and shafts was carried out in the Soviet period and has been supplemented by new data gathering in 2004 – 2007. The first license applies to a 3.3 square kilometre area, which is located 80 km to the east of the region's capital Kyzyl.

Another exploration and production license with a term of 25 years was won in a public auction in summer 2007. This license area comprises some 520 km² and surrounds the first license area. This new license is called the "Tardan mining district". A large number of gold occurrences were identified at this license block during the Soviet era, and Central Asia Gold has already commenced with reviewing them.

Reserve status

The initial Tardan license comprised some 229,000 oz (some 7 tons) of gold reserves assigned in the Soviet/early Russian era. The cut-off grade applied then was 2 g/ton and the appraisal work did not go below a depth of 100 m. Of the total gold reserves assigned during the Soviet era, the 5 major ore bodies contained some 160,000 oz of the assigned C1/C2 reserves.

Central Asia Gold has conducted a significant appraisal programme at these ore bodies over the last two years, and gold production has commenced. The appraisal work continues, and thus more information is added all the time.

Central Asia Gold is now preparing for a new reserve examination by the Russian State Mineral Reserve Committee via its local branch (TKZ). The documentation will be submitted shortly, and the authorities are expected to conduct their reserve examination sometime between end of September and mid October 2008. The latest estimated reserve figure to be submitted by subsidiary OOO Tardan Gold and Irgiredmet Institute is around 8 tons of C1+C2 reserves. At the same time an economic feasibility study will be conducted in respect of heap leaching by Irgiredmet. The feasibility study is due in September 2008, and is an integral part of the reserve review. The expected reserve increase as compared to the old reserve figure from 1994 has been derived by increasing the low grade ore bodies at the same time as high grade ore bodies have been reduced. The estimated average grade of the

new reserve figure is expected to be slightly more than 3 g/t, and ore reserves are currently estimated at some 2 million tons given a cut-off grade of 0.5 g/t. This figure pertains to 7 ore bodies. This implies that the gravimetric plant at Tardan will have to be mothballed and gold production at Tardan will be discontinued within a few months until such time as a leaching plant gets constructed.

Gold production - the processing plant

Ore volumes processed amounted to some 47,000 tons (11,000 tons), whereof approximately 24,600 tons during the last quarter (11,000 tons). The up-time of the plant exceeded 90%. The total volume of chemically pure gold produced during the report period was about 120 kg (57 kg), whereof some 70 kg during the quarter April – June 2008 (57 kg).

One challenge thus far has been the presence of the mineral magnetite in the ore. When it is present, the recovery of gold in the gravimetric process decreases and a relatively larger part of the gold is lost in the tailings. To reduce this problem OOO Tardan Gold management has tested an interim solution, namely the introduction of a magnetite separator. It was commissioned by the end of the second quarter, but has so far not had any major impact on the recovery ratio. Therefore the gold production target at Tardan for 2008 is now estimated at 210 kg.

Kopylovskoye deposit in Irkutsk

Kopylovskoye is a gold deposit that holds some 7 tons of gold reserves C1+C2 as per Russian geological standards (some 240,000 oz). The project's potential, however, is significantly larger as the gold reserves registered thus far are only attributable to a depth of some 30 m. The established ore body has an estimated width of some 50 m and a strike of approximately 300 m. The gold in the ground is to a large extent represented by free, large gold grains. This implies that it is important to get representative sample size in the sampling process. Conventional core drilling does not give a representative sample size, so RC-drilling must be used for establishing the true gold grade at depth. Central Asia Gold AB owns 75% of this project.

The geological work is ongoing at the site in Bodaibo. During the first half of the year, a total 20 surface trenches were constructed with a total length of 3,800 m. These intersect the license block on both sides of the established ore bodies in a total zone of approximately 1.5 km. Sampling has already commenced in the trenches and in addition core- and pneumatic drilling is ongoing.

More than 2,400 samples have so far been prepared in the company's sample preparation unit. Thereof some 1,600 sample analyses have been received as per the middle of August. They so far mainly relate to two exploration lines located on the western border of and to the East of the established ore body.

Exploration line 328 is located some 180 m to the East of the ore body. Channel sampling shows a gold mineralized interval at surface of 26 m grading on average 0.8 g/t. Within this interval the gold grade varies. A 5 m interval graded some 3 g/t and a 10 m interval graded about 2 g/t.

Exploration line 316 is located on the western border of the established ore body. Channel sampling showed a 48 m interval at surface grading 0.6 g/t. An 8 m interval graded some 2 g/t.

The retrieved results thus far indicate that the gold mineralized zone continues to the East of the established ore body at surface. However, before RC-drilling results from depth are available it is too early to comment on the gold grades at depth. As above stated core drilling can only show the presence of the gold mineralization at depth but not the true grade. Core well number 509 has been drilled with a 45 degree inclination 100 m to the East of the border of the established ore body. The well is 250 m deep. It intersected a 79 m gold mineralized interval with an average gold grade of 0.2 g/t. Thus the gold mineralization is present also at depth.

In April 2008 the 75% owned subsidiary Kopylovskoye AB, bid for the “Prodolny” license block in Bodaibo region. This block has an area of 141 km² and houses a number of gold occurrences. The interest for this region inter alia depends on the fact that the biggest gold deposit in the Russian Federation, Suchoy Log, is located there. The Prodolny license block is considered to hold some 18 tons (578,000 oz) of gold mineral resources according to Russian standards. However, only limited exploration work has been carried out to date.

The license entitles the license holder to carry out exploration work as well as production of gold. The winning auction price amounted to some 3 MSEK.

The other gold mining projects in the Central Asia Gold portfolio

Kara-Beldyr in Tyva region:

Among Central Asia Gold’s other mining projects, concrete exploration work has taken place at Kara-Beldyr (Tyva region) during the first quarter of 2008. The reason is that no all-year-road exists to the project, and accordingly heavy works should preferably be carried out during the cold period of the year when the winter roads are open. During the quarter January – March 2008, a light drilling programme involving a total 1,100 m was completed. The drilling programme comprised mud drilling holes down to some 30 m. Three exploration lines were drilled crossing the established gold mineralization “Gordejevskoye”. This mineralization has historically been mostly proved at the surface via surface trenches. The purpose of the drilling programme during the first quarter this year was to verify old data at surface and to test the extension deeper down. The results on the one hand confirmed that the gold mineralized zone continues down to at least 30 m, and further that the mineralization extends to the northwest.

As stated in the previous quarterly report, a new bulk ore sample from Kara-Beldyr was analysed in 2007. The sample was relatively large with a weight of a couple of hundred kg and was taken from a surface trench with a width of some 70 m. Previously analysed samples from Kara-Beldyr have not had the same weight. The new sample showed an average gold grade of slightly less than 3 g/t taken from the full 70 m interval. The relatively large width of the gold mineralized zone in this trench indicates that the gold may be extracted via an open pit, which is preferable. It

should also be added that ore enrichment tests conducted via heap leaching on said ore sample demonstrated high recoveries. This is a very cost effective extraction method. In summary, the new information is encouraging when it comes to trying to prove a significant ore reserve at Kara-Beldyr.

Alluvial gold production:

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

The production season in the alluvial subsidiaries normally begins in the end of May and extends to early October, that is during the warm part of the year. A production plan amounting to in total 900 kg was established for the two subsidiaries in spring 2008. During the first six months 2008 (actually during only June 2008) some 119 kg was produced by both subsidiaries (189 kg). Up until the end of August 2008, the combined production amounts to some 400 kg (540 kg). A likely production volume for this year is 600 – 700 kg. The reduced production is mainly relating to inflationary pressure in primarily Irkutsk region (subsidiary OOO Artelj Lena). Competition on the local labour market has resulted in a high personnel turnover during ongoing production season, which has negatively impacted the gold production. It will not be possible to compensate for that during the rest of the year. The other subsidiary located in Tyva region, OOO Artelj Tyva, has not faced the same difficulties. It is expected to be able to reach some 200 kg of gold production for 2008 season. Both subsidiaries have also faced sharply increasing fuel prices, which negatively impact profitability.

As previously stated, a minority of some 5% has been provided for in subsidiary OOO Artelj Lena during the first quarter of 2008. The background is that a couple of workers, previous members of the workers' collective Artelj Lena, have applied to the court in Irkutsk claiming they were non-lawfully expelled from the former collective. This applies to the period before Central Asia Gold took over OOO Artelj Lena. A local court in Irkutsk has reinstated them as members in the workers' collective. The question is now if they will get the same rights in respect of the new limited liability company OOO Artelj Lena. Central Asia Gold and its legal advisors reject this and have appealed. It is as of now unclear what the outcome of this will be.

The developments in Artelj Lena has resulted in Central Asia Gold carrying out an impairment charge amounting to TSEK 32,902 in respect of this subsidiary.

Investments, liquidity and financing

Net investments in material and immaterial fixed assets during the first six months of 2008 amounted to TSEK 33,029 (TSEK 77,484). Thereof TSEK 18,966 applies to the second quarter (TSEK 69,119)

Cash in group accounts was TSEK 91,662 at the end of June 2008 (TSEK 33,079).

Sberbank Credit to OOO Tardan Gold

In April 2008 Central Asia Gold's subsidiary OOO Tardan was granted a credit of 102 million RUR (approximately 26 MSEK at the current exchange rate) by the Russian commercial bank Sberbank. The credit is granted only for investment purposes. It must be secured by pledges of material fixed assets, by guarantees from other Central Asia Gold subsidiaries and lastly by personal guarantees from certain leading personnel in OOO Tardan Gold. All this is in accordance with Russian banking practice. The credit must, if drawn upon, be repaid in monthly installments after some three years. The repayment takes place over approximately 36 months. In April 2008 OOO Tardan Gold drew upon 31 million RUR of the credit and has pledged material fixed assets of a corresponding value. Since the credit is subject to a number of conditions, it is not fully certain that Tardan Gold will be able to draw it down in full.

Other received bank loans during the report period

The two alluvial subsidiaries as usual took up short term bank loans in the Russian banking system during the report period for working capital purposes. OOO Artelj Tyva was granted some 2 MUSD of loans from Bank of Moscow and OOO Artelj Lena was granted some 4 MUSD from Standard Bank. The loans are repaid gradually during 2008. Artelj Tyva has pledged fixed assets as collateral and Artelj Lena has received a guarantee from the parent company in Sweden.

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. The number of employees was 7 including the Moscow representative office at the end of the reporting period (8). The net result for the first six months 2008 was TSEK -7,416 (TSEK -4,363). The corresponding result for the quarter April – June 2008 amounted to TSEK -1,842 (TSEK -4,764).

Cash in the parent company was TSEK 64,264 as at end of June 2008 (TSEK 27,391).

Employees

The group on average had 1,262 employees during the first half of 2008 (1,050).

Issued shares

As at the end of June 2008 the number of shares outstanding in Central Asia Gold AB (publ) was 412,210,070. A preferential rights issue closed in June 2008, and the issue proceeds were received on June 30, 2008 and are included in the cash figure of the group as well as of the parent company by period end. The issue was though registered only after the end of the reporting period. As at the date of this report the number of outstanding shares is therefore 529,984,374. The June 2008 preferential

rights issue also contained 58,887,152 subscription warrants. They may be converted to an equivalent number of ordinary shares latest by December 5, 2008. The subscription price per share is SEK 0.55.

In addition to this, an options programme directed at leading personnel in the group was approved by last year's Annual General Meeting in Stockholm. In total 14,500,000 options were issued in accordance with this programme. The term of the options is to the end of July 2009 and the strike price was initially SEK 2.25 per option corresponding to one underlying share. The preferential rights issue resulted in a recalculation of the strike price to SEK 2.00 per option corresponding to one share. The options can only be exercised towards the end of the period. The market price of the CAG share is lower than the strike price of the options as at the end of the report period.

Major events after the end of the reporting period

Closing of preferential rights issue

A rights issue of so-called units containing both shares and warrants took place in June 2008. The terms implied that for each seven existing shares one unit was offered. Each unit contained two new shares and one warrant. The warrants must be subscribed no later than December 5, 2008. The subscription price was SEK 1.10 SEK per unit corresponding to SEK 0.55 per share.

Central Asia Gold received some MSEK 65 by June 30, 2008. The share issue was though not registered until in July. The number of outstanding shares issued therefore amounts to 529,984,374 as at the report date. If all issued warrants get subscribed another 58,887,152 shares will get added by year end 2008.

Changed gold production plan for 2008

As a result of the above described developments the group's 2008 gold production target has been lowered to 800 – 900 kg from an initial level of 1,250 kg at beginning of this year.

New reserve report in respect of Tardan project

A new reserve report is due in September/October. The estimated C1+C2 reserve figure is as of now estimated at some 8 tons. The expected reserve increase as compared to the old reserve figure from 1994 has been derived by increasing the low grade ore bodies at the same time as high grade ore bodies have been reduced. The estimated average grade of the new reserve figure is expected to be slightly more than 3 g/t, and ore reserves are currently estimated at some 2 million tons given a cut-off grade of 0.5 g/t. This figure pertains to 7 ore bodies. This implies that the gravimetric plant at Tardan will have to be mothballed and gold production will be discontinued within a few months until such time as a leaching plant gets constructed.

Resignation of Board Director

The Norwegian board Director Paal Hveem has informed Central Asia Gold AB, that he will resign from the board of Directors due to time constraints. He will for the time being not be replaced by someone else.

Next report due

The next financial report due is the interim report for the nine-month period January – September 2008. It will be released on November 28, 2008.

Company information

The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head offices 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 2008-04-01 - 2008-06-30	3 months 2007-04-01 - 2007-06-30	6 months 2008-01-01 - 2008-06-30	6 months 2007-01-01 - 2007-06-30	12 months 2007-01-01 - 2007-12-31
Net sales	29 802	15 002	46 462	19 494	180 877
Capitalised costs	17 359	2 495	29 709	2 971	43 255
Change in stock of finished and semi-finished goods *)	25 486	8 065	31 314	9 106	6 973
Other income	-	-	95	-	492
Total revenues	72 647	25 562	107 580	31 571	231 597
Operating costs					
External costs	-67 924	-13 163	-76 489	-26 108	-115 052
Salary related costs	-13 614	-15 098	-39 005	-23 005	-106 275
Depreciation of tangible and non-tangible fixed assets	-8 617	-5 490	-16 737	-8 825	-35 518
Write-down of fixed assets relating to Artelj Lena	<u>-32 902</u>	-	<u>-32 902</u>	-	-
	-123 057	-33 751	-165 133	-57 938	-256 845
Operating result	-50 410	-8 189	-57 553	-26 367	-25 248
Net financial items	-509	-1 031	-2 538	977	34 228
Result after net financial items	-50 919	-9 220	-60 091	-25 390	8 980
The period's tax cost	3 436	-643	3 366	-647	-11 669
Net result after tax for the period	-47 483	-9 863	-56 725	-26 037	-2 689
Whereof attributable to the shareholders of the parent company	-45 954	-10 258	-55 400	-26 174	-5 766
Whereof attributable to the minority	-1 529	395	-1 325	137	3 077
Earnings per share before dilution, SEK	-0,111	-0,025	-0,134	-0,066	-0,014
Earnings per share after dilution, SEK	-0,111	-0,025	-0,134	-0,066	-0,014
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Number of shares issued at period end	412 210 070	412 210 070	412 210 070	412 210 070	412 210 070
Average number of shares for the period	412 210 070	408 093 554	412 210 070	399 145 239	405 677 654
Average number of shares for the period after dilution	412 210 070	408 093 554	412 210 070	399 145 239	405 677 654

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GROUP BALANCE SHEET	June 30,	June 30,	Dec 31,
(all amounts in TSEK)	2008	2007	2007
ASSETS			
FIXED ASSETS			
Intangible fixed assets	224 336	161 951	213 535
Tangible fixed assets	159 680	154 525	175 882
Financial fixed assets	66 666	24 619	52 316
Total fixed assets	450 682	341 095	441 733
CURRENT ASSETS			
Inventories	53 991	60 566	26 848
Current receivables	77 629	99 694	75 989
Cash and bank	91 662	33 079	69 843
Total current assets	223 282	193 339	172 680
TOTAL ASSETS	673 964	534 434	614 413
EQUITY AND LIABILITIES			
Total equity	388 869	354 005	391 505
Minority interest	49 497	2 896	51 324
Long term liabilities	94 195	85 385	84 901
Current Liabilities	141 403	92 148	86 683
TOTAL EQUITY AND LIABILITIES	673 964	534 434	614 413
ASSETS PLEDGED			
Bank accounts	50	50	50
Fixed assets	20 608		
CONTINGENT LIABILITIES			
	-	-	-

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GROUP CASHFLOW ANALYSIS

(All amounts in TSEK)

	6 months Jan - June 2008	6 months Jan - June 2007	12 months Jan - Dec 2007
Operating activities	-7 915	-21 870	10 270
Paid/received interest and similar items	-2 701	-2 236	4 614
Cash flow from operations before changes in working capital	-10 616	-24 106	14 884
Changes in working capital	21 743	-63 433	-11 741
Net cash flow used in operating activities	11 127	-87 539	3 143
Net cashflow used in investing activities	-33 029	-77 484	-165 403
Net cash flow from financing activities	43 727	115 777	149 790
Increase in cash and bank	21 826	-49 246	-12 470
Cash and bank at the beginning of the period	69 843	81 947	81 947
Translation difference in cash and bank	-7	378	366
Cash and bank at the end of the period	91 662	33 079	69 843

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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, 2006	73 239	258 512	-6 415	-11 720	313 616
Jan 1 - June 30, 2007					
New issues	7 200	60 086			67 286
Issue costs		-5 198			-5 198
translation difference			4 338		4 338
The net result for the period				-26 037	-26 037
Equity as at June 30, 2007	80 439	313 400	-2 077	-37 757	354 005
July 1 - Dec 31, 2007					
New issues	2 003	26 410			28 413
Issue costs		-7 451			-7 451
translation difference			-6 809		-6 809
The net result for the period				23 347	23 347
Equity as at Dec 31, 2007	82 442	332 359	-8 886	-14 410	391 505
Jan 1 - June 30, 2008					
New issues		63 224			63 224
Issue costs		-5 708			-5 708
translation difference			-3 427		-3 427
The net result for the period				-56 725	-56 725
Equity as at June 30, 2008	82 442	389 875	-12 313	-71 135	388 869

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	6 months	6 months	12 months
KEY RATIOS	2008-06-30	2007-06-30	2007-12-31
Group			
Total assets, TSEK	673 964	534 434	614 413
Total equity, TSEK	438 366	356 901	442 829
Equity ratio, %	65,0%	66,8%	72,1%
Interest bearing debt, TSEK	88 314	16 973	47 636
Employees at period end	1 236	1 050	1 288
Per share data			
Earnings per share, SEK	-0,134	-0,066	-0,014
Equity per share (SEK) *)	1,063	0,880	1,074
Return on equity (%)	-12,87%	-7,76%	-0,71%

Key ratio definitions

Total assets, TSEK	Total assets at period end
Total equity, TSEK	Total equity at period end including minority
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
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 including minority 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

*) As per June 30, 2008 there is an ongoing rights issue. The rights issue proceeds were received on June 30 and are included in group equity. The new shares however got registered after end of period. If adjusting for the new number of shares post registration, which is 529,984,374, equity per share as at end of June 30, 2008 amounts to 0.838 SEK.

Central Asia Gold AB (publ) org no 556659-4833 PARENT COMPANY PROFIT AND LOSS ACCOUNT (all amounts in TSEK)					
	3 months 2008-04-01 - 2008-06-30	3 months 2007-04-01 - 2007-06-30	6 months 2008-01-01 - 2008-06-30	6 months 2007-01-01 - 2007-06-30	12 months 2007-01-01 - 2007-12-31
External costs	-1 771	-3 138	-4 292	-4 149	-6 473
Salary related costs	-1 677	-1 013	-2 619	-1 933	-4 596
Depreciation of tangible and non-tangible fixed assets	2	-1	-3	-2	-5
<i>Total operating costs</i>	-3 446	-4 152	-6 914	-6 084	-11 074
Operating result	-3 446	-4 152	-6 914	-6 084	-11 074
Net financial items	1 604	-612	-502	1 721	9
Result after net financial items	-1 842	-4 764	-7 416	-4 363	-11 065
The period's tax cost	-	-	-	-	-
Net result after tax for the period	-1 842	-4 764	-7 416	-4 363	-11 065

Central Asia Gold AB (publ) org no 556659-4833 PARENT COMPANY BALANCE SHEET (all amounts in TSEK)			
	June 30, 2008	June 30, 2007	Dec 31, 2007
ASSETS			
FIXED ASSETS			
Intangible fixed assets	382	5 555	377
Tangible fixed assets	4	9	7
Financial fixed assets	464 247	322 724	464 821
Total fixed assets	464 633	328 288	465 205
CURRENT ASSETS			
Inventories	-	-	-
Current receivables	5 806	18 853	264
Cash and bank	64 264	27 391	8 718
Total current assets	70 070	46 244	8 982
TOTAL ASSETS	534 703	374 532	474 187
EQUITY AND LIABILITIES			
Total equity	442 920	372 855	387 111
Minority interest	-	-	-
Long term liabilities	-	-	-
Current Liabilities	91 783	1 677	87 076
TOTAL EQUITY AND LIABILITIES	534 703	374 532	474 187
ASSETS PLEDGED			
Bank accounts	-	50	50
CONTINGENT LIABILITIES			
	25 886	-	-

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 2007.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the Swedish Accounting Board's recommendation RR 31 "Interim group reporting" (Delårsrapportering för koncerner). The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2008 have not had any material effect on the group's profit and loss- and balance sheets.

Parent company

In all significant ways the parent company applies the same accounting principles as the group. In addition, the parent company applies RR32 *Accounting for legal entities*.

Final acquisitions analysis in respect of OOO Artelj Lena

In the annual report for financial year 2007 a provisional acquisition analysis was presented in respect of the subsidiary OOO Artelj Lena. The final acquisition analysis now completed does not differ from the provisional one.

Segment information

The company's accounts are focused on the primary business segment by geographical areas. These are defined as specific countries. The secondary segments are different types of other activities. A few of the group's subsidiaries extend transportation services, partly to external clients. These transportation services are currently not deemed to be of material size. At present (from Q 1/2005) gold is produced in only one country, Russia. Therefore no segment information is currently given.

Risk and uncertainties associated with this interim report

The group's risk exposure is presented on page 39 of the 2007 annual report and on pages 11 – 14 of the spring 2008 rights issue prospectus (only available in Swedish). 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. The gold price has started to fall from peak levels of more than 900 USD/oz during the first half of this year.
- 2) *Inflation risk*: The Russian economy is subject to significant inflation pressure at the present time. The inflation deviates between the various regions of the Russian Federation. In particular the global crude oil price has increased drastically during the last year, which directly impacts fuel prices in Russia. They are a significant part of the total operating costs in Central Asia Gold's alluvial subsidiaries. The inflation also impact the other cost items of the group.

- 3) *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.
- 4) *Financial and project risk*: Central Asia Gold AB is a junior gold 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 current bad sentiments on the global stock markets must be taken in to account. The political tensions between Georgia and Russia should be considered in this context.
- 5) *Legal risks*: As described in this report, the subsidiary OOO Artelj Lena is involved in various court procedures. 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 owners 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

Central Asia Gold AB is as all other public Swedish companies listed on the stock exchange NGM Equity subject to the new so called "Code demands" that were introduced on July 1, 2008. The code contains a number of rules and recommendations in respect of corporate governance. The regulatory framework focuses on transparency and recommends independence between management and board functions. Central Asia Gold is a young company active on a special emerging market, namely in Russia. The code demands are therefore not always optimal for Central Asia Gold AB and its subsidiaries. This on the ground that the environment in which Central Asia Gold is active differs from the business environment in Scandinavia. Nevertheless Central Asia Gold has started to adopt to the code demands. Concretely, during the latter part of the report period a separation has been initiated between management function on subsidiary level and owner and board functions on group level. This separation is estimated to be carried out in full during the second half of 2008. On the same grounds, a review has been initiated of the number of related party transactions. They are also estimated to decrease substantially during the rest of this year.

Security services

The various subsidiaries in Russia currently partly 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 half of 2008 the subsidiaries paid a total of TRUR 9,282 for such services (TSEK 2,375).

Office rents

Part of the group's company management and administration teams 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 half of 2008 the Central Asia Gold group has paid TRUR 277 in office rents (TSEK 71). This is the same rent that the other external tenants pay for the property.

Management company

Central Asia Gold's Russian subsidiaries have during the last few years purchased management services from a management company located in the city of Tomsk. These management resources have been shared mainly together with the Swedish Oil company Malka Oil AB in order to reach synergy effects. The goal of the management company has not been profit maximization. As stated above Central Asia Gold has now started to reduce the purchases of management services in order to comply with the new code demands for Swedish listed companies. During the first half of 2008 Central Asia Gold paid, via its subsidiaries, a total of TRUR 10,775 (TSEK 2,757) to the management company. This amount represents salaries and other external costs for the 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.

Project management 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 half of 2008 construction work equivalent to TRUR 15,234 (TSEK 3,899) was performed via OOO KUPIR.

This report has not been subject to review 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, 28 August, 2008

Central Asia Gold AB (publ)

Michail Malyarenko
Chairman

Alexander Merko
Director

Örjan Berner
Director

Peter Geijerman
Director

Patric Perenius
Director

Alexander Gerasimov
Director

Paal Hveem
Director

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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 were as at end of 2007 estimated to encompass 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.