

# *Central Asia Gold*

## **Update of the Kopylovskoye project appraisal program**

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**(NGM: CAG)**

### **New appraisal work completed**

During autumn 2007 six diamond drilling wells totaling 1,400 m were completed. Core drilling by an independent local subcontractor continues in 2008 at a current rate of a few hundred m per month. The analysis of the cores recently retrieved clearly shows that the mineralized zone of the project continues from surface down to at least an absolute depth of some 100 m (the depth so far achieved). The previous work programmes conducted in the Soviet period, and also from 2000 – 2004, have proven more than 7 tons (240,000 oz) of recoverable gold reserves in the Russian C1 and C2 categories. These reserves were, however, only attributed to a depth of some 30 m due to the difficulty at that time of collecting sufficiently large data samples from depth.

During January - March 2008, 20 bulldozer trenches (exploration lines) totaling more than 3,800 m were completed. The distance between these new trenches is 80 m. The bulk of the trenches has been positioned to the east of the established ore body. The currently established strike of the ore body is some 300 m and the width is 50 m. The new trenches will allow channel sampling to be performed, whilst simultaneously hammer drilling (large volume cores down to a depth of some 45 m) will be carried out along the mineralized zone in a grid of 80 m to the east from the boundary of ore reserves over a distance of 1,200 m and to the west over a distance of 160 m. Hand cleanup and channel sampling of the trench bottom along the exploration lines #328 and #316 have commenced in order to define the optimum sample size.

### **New sample preparation unit**

In order to be able to efficiently analyse the huge number of samples, CAG has constructed its own sample preparation unit in the Bodaibo region. Some 30 analysts will work here in 3 shifts preparing the samples. During the first and second quarters of 2008, the work will focus on achieving the optimum sample size. The preparation is performed using crushers and small gravimetric mini-processors, which process the samples reliably at fast pace. The prepared samples, with an incoming weight of some 25 – 35 kg and final weight of 300-400 g, are then sent to an external modern laboratory in the Tchita republic in Eastern Siberia for fire assay analysis. This laboratory is certified according to Western geologic standards, and will thus enable CAG to classify its gold reserves according to JORC-standards. The processing of samples has already begun.

### **New powerful RC-drilling rig ordered**

The ideal sample size will be collected at depth via reversed circulation drilling (RC). RC-drilling is at present very rare in Russia, and no suitable RC-drilling contractor was available in the Irkutsk or neighbouring regions. Central Asia Gold has therefore ordered a new powerful RC-rig from Atlas Copco, however this will only be delivered to the site in the 4<sup>th</sup> quarter of this year. The boom in the global mining sector has negatively impacted delivery time. The high capacity of the ordered rig will allow Central Asia Gold to collect large volume samples down to depths of 200 – 300 m.

### **Existing processing plant can be used for pilot gold production**

When the license was purchased an experimental processing plant existed at site. High voltage electricity has already been connected to the site, and the plant was used to process the test ore samples in 2000 – 2004. The experimental plant consists of crushers and mills for gravimetric processing. Central Asia Gold's technicians have now analyzed the concentration plant. A slight upgrade is needed to commission the plant. The cost for this is currently judged to be modest. This plant can thus be used to verify gold grades at the deposit via large bulk samples. This verification program will, in such a case, also result in certain quantities of gold that can be sold on the market. This pilot gold production programme will be reviewed and decided upon in 2009. After carrying out the test production program, it will be possible to start construction of an industrial processing plant with a yearly processing capacity of at least 1 million tons per year. Large scale gold production is not expected to be launched until the end of 2010 at the earliest.

### **Potential and comparisons**

It should be emphasized that the Kopylovskoye project is at the appraisal stage. Risks are still high but its potential is significant. The data collected thus far supports the hypothesis that the mineralized zone extends at depth down to at least 100 m. The strike is also still unlimited. Today's ore reserves are only located in the top section of the mineralized zone. CAG therefore strongly believes Kopylovskoye could be a project with at least some 1 million oz of recoverable gold reserves.

For an indication of what this project could be currently worth on a stand-alone basis, we refer to the Canadian listed gold exploration company Zolotoresources ([www.zolotoresources.com](http://www.zolotoresources.com)). This company is active in the same Bodaibo region of Irkutsk. It is currently conducting an appraisal of two gold projects with characteristics resembling Kopylovskoye's. The existing C2 gold reserves of Zolotoresources are on par with Kopylovskoye's, and the geology is very similar.

For more information, please contact:

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

*Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia and Mongolia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets today encompass some 645,000 troy ounces (1 troy ounce = 31.1 g) of C1/ C2 Russian gold reserves.*

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