



INTERIM REPORT DATED FEBRUARY 25, 2011

Central Asia Gold AB (publ)

Interim report for the twelve-month period January – December 2010

- **The amount of gold produced in January – December 2010 was 730 kg (677 kg).**
- **Consolidated revenues for January – December 2010 amounted to MSEK 247.6 (MSEK 366.7) comparative figures for January – December 2009, excl. goodwill dissolution, were MSEK 171.3, i.e. an improvement in 2010 of MSEK 76.3.**
- **For the twelve months period January – December 2010, EBITDA was MSEK 24.2 (MSEK 185.9). Comparative figures for January – December 2009, excl. goodwill dissolution, were MSEK -9.5 i.e. an improvement in 2010 of MSEK 33.7.**
- **The net results, after tax and minority interests, for January-December 2010 were MSEK 4.2 (MSEK 142.2). Comparative figures 2009, excl. goodwill dissolution, were MSEK -53.2 i.e. an improvement in 2010 of MSEK 57.4.**
- **EPS was SEK 0.83 (SEK 82.67) for January-December 2010. For Q4 2010 EPS amounted to SEK 1.82 (SEK -3.88).**
- **From 19 July 2010 CAG has been listed at the Swedish stock exchange's NASDAQ OMX First North Premier.**
- **CAG completed a fully subscribed rights issue, with preferential rights to the existing shareholders, in August 2010. CAG received proceeds amounting to 226 MSEK before transaction costs.**
- **A consolidation of shares 10:1 was carried out in October 2010 in order to meet the listing requirements of CAG's move from the NGM to the NASDAQ OMX First North Premier exchange.**
- **On November 15, Centerra Gold together with CAG presented its continued and expanded cooperation in a joint press release, Centerra Gold invests another 4 MUSD in prospecting at Kara Beldyr.**

Comments by the CEO

2010 ended on a positive note and whilst there were some delays to securing the Company's processing permits at Tardan, a number of significant milestones were achieved during the period. The Company completed a refinancing in H2 2010, which represents a material step forwards for the business in continuing its progress along its course towards becoming a stable gold producer with a broad resource base and attractive exploration prospects.

Financing

The rights issue in Q3 2010 enabled the company to:

- Purchase machinery and equipment used in operations and terminate cost inefficient leasing agreements;
- Upgrade existing production facilities. At Solcocon for example production capacity has increased three times;
- Increase exploration activities within the existing licensed areas;
- Retired outstanding debt.

In July 2010 a loan agreement with Svyaz-Bank was concluded for a MRUB 500 credit line for the financing of a heap leaching plant construction at Tardan. The plant at Tardan is estimated to have annual production capacity of 1,200 kg gold. The investment is expected to generate revenues of approximately MSEK 250 per annum and has a payback period of less than two years.

Construction activity at Tardan continued during Q4 and the permitting application process was established for cyanide usage. The company is now ready to immediately start production and the team is awaiting final regulatory approval for the commissioning of ore-processing at the plant.

Towards the end of the year a new loan agreement was signed with Svyaz-Bank for MRUB 300. This facility will be used for the purchasing of equipment and to further enhance mining operations at Solcocon.

Operations

Having produced 677 kg of gold in the previous year, CAG produced 730 kg by the end of 2010. (Annual production has been revised in Q4 2010, taking into account the divestment of Artelj Tyva in the fourth quarter 2010).

At the alluvial sites, Gold Borzya achieved its budgeted production level of 235 kg, having produced over 15% more than in 2009,

The Board made a decision to investigate strategic value realization scenarios for Artelj Lena given historic underproduction and the high cash cost of mining the project. Different exit options have been evaluated and during February 2011 the company entered into a partnership agreement with a specialist alluvial miner. According to the agreement a partner will be responsible for mining operations and cover production costs in 2011, and get 85% of Lena's revenue. This means that CAG without risk for the cost side is assured of 5% of margin in Artelj Lena.

Artelj Lena produced 164 kg of gold in 2010, which is approximately 40% less than the previous year.

At Solcocon the heap leaching plant was re-started. Action was taken in the first half of 2010 for the reconstruction of the factory and has resulted in a threefold increase in capacity. Drilling works and re-sampling have shown an average grade of 2.5 grams per ton of gold at the newly explored site at Podgornoe. Mining was started in mid-August and resulted in production of 171 kg in comparison with 27 kg the previous year, this also contributed to the company's production growth. The final result for 2010 at Tardan (gravitational plant) was 160 kg, an increase of over 55% compared to the 2009 result.

Whilst the revenue figures below demonstrate that the company produced a positive operating result in 2010, production levels were below expectations. This was driven largely by the delays to commissioning the plant at Tardan.

Exploration

A Geochemical survey was completed during the period at the Staroverinskaya field and additional samples were taken from the Tardan field (10,200 samples have been assayed, 60% of the total). The company expects results back from the Alex Stewart laboratory in Moscow during spring 2011.

Additional work was also completed at Podgornoe and Uzhunzhul during the quarter with results expected in early 2011. The exploration work at Kozlovskoe has resulted in a reserve statement being prepared in Q1 2011.

During the fourth quarter of 2010, 22 diamond drill holes were completed at the Gord Zone on the Kara Beldyr project, a Joint Venture with Centerra Gold. Previous drilling at the Gord Zone has outlined a zone of sulphide hosted gold mineralization over a strike length of 750 metres to a depth of greater than 250 metres with an average width of 25 metres and the mineralization is open to depth.

Visible gold was recorded in 50% of the drill holes, which is more than in the initial drilling. Drilling will continue in the first quarter of 2011.

Revenue

Revenues in 2010 increased from MSEK 171 to MSEK 248 (+45%) in comparison with the previous year, excluding dissolution of negative goodwill.

External costs increased some 48% over the previous quarter, mainly related to construction of new or improved heap leaching plants.

Changes to working capital were also significant during the period. Increasing inventory levels given the work completed on the crushing, transporting and stacking of the ore at both Tardan and Solcocon plants will feed through to increasing production levels in 2011.

The company produced a positive operating result. EBITDA was MSEK 24 for the year 2010 compared to MSEK - 9 (excluding dissolution of negative goodwill) for 2009.

The company remains focused on a strategy of moving away from alluvial mining and significantly increasing annual production volumes in 2011, whilst broadening the resource base through further exploration of the company's existing licenses.

*Preston Haskell,
Chief Executive Officer*

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 the 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 eleven subsidiaries in Russia, ten - with 100% ownership and one - with 50% ownership via Cyprian company. 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 December 2010 are estimated to contain almost 740,000 troy ounces (oz) (1 oz = 31.1 g) of gold reserves according to the Russian C1+C2 categories (equaling some 23 tons).

CAG AB was publicly listed at the Swedish NGM Nordic Growth Market stock exchange on March 29, 2005 and since 19 July 2010 is listed at the Swedish stock exchange NASDAQ OMX First North Premier. The number of shareholders were 3,930 as of December 31, 2010.

GOLD RESERVES 2010

| Company | Alluvial / Ore | Gold reserves C1 (ton) | Gold reserves C2 (ton) | Gold reserves C1/C2 (ton) | Q1 2011 Planned Registration C1/C2 (ton) | Prognostic Resources P1/P2 (ton) | Gold production 12m 2010 (kg) | Gold production 12m 2009 (kg) |
|-------------------------------|--------------------------------|---------------------------|---------------------------|------------------------------|---|--|--|--|
| <u>CAG units</u> | | | | | | | | |
| Tardan Gold | Ore | 5,5 | 2,3 | 7,8 | | 22 | 160 | 102 |
| Kara Beldyr*** | Ore / Exploration | | | | | 22 | | |
| Uzhunzhul | Ore / Exploration | | | | | 26 | | |
| Artel Tyva** | Alluvial | | | | | | | 77 |
| Artel Lena | Alluvial | 2,6 | 1,2 | 3,8 | | 2 | 164 | 270 |
| <u>NMC units</u> | | | | | | | | |
| GRE (Staroverinskaya licence) | | | | | | 132 | | |
| Nizhnyaya Borzia* | Alluvial | 0,6 | 1,7 | 2,3 | | | 235 | 201 |
| Bogomolovskoye* | Ore | 0,035 | 9,3 | 9,3 | | | 171 | 27 |
| Kozlovskoye* | Ore | | | | 9,5 | | | |
| Solocon | asset holder | | | | | | | |
| Boreservice | drilling works | | | | | | | |
| Gold borzia | alluvial operator | | | | | | | |
| Rudtechnology | heap-leaching factory operator | | | | | | | |
| Total: | | 8,6 | 14,6 | 23,2 | 9,5 | 204 | 730 | 677 |

*Units are part of GRE (Staroverinskaya licence)

**The company is sold in October 2010

***Joint Venture with Centerra Gold

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 twelve month period ended December 31, 2010 the group reports a net result after tax and minority interest of TSEK 4,184 (TSEK 142,213) which corresponds to SEK 0,83 per share (SEK 82,67). 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 195,396. Without this effect the net result would have been TSEK -53,183 for the comparative period January 1 –December 31, 2009.

Consolidated gold sales revenues were TSEK 214,037 (TSEK 155,800) during the period. During the quarter October - December 2010 consolidated gold sales amounted to TSEK 76,675 (TSEK 66,882). In total 727 kg of gold was sold during the twelve month period (666 kg).

The amount of gold produced and sold in the twelve months of 2010 was 730 kg (677 kg) and 201 kg (197 kg) for the fourth quarter 2010.

In addition, a revenue component of TSEK 6,706 (TSEK 1,650) is included in the consolidated P/L account for the twelve month period of 2010 relating primarily to reimbursement of input VAT in the Parent company, refer to «Parent company» section below.

The change in stock of finished and semi-finished goods amounted to TSEK 15,097 (TSEK 3,099) during the reporting period. For the last quarter of the reporting period the stock movement item amounted to TSEK -4,130 (TSEK -8,155).

During the twelve months January – December 2010 total exploration costs of TSEK 11,751 (TSEK 10,750) were capitalized at subsidiary level. For the quarter October – December 2010 the corresponding capitalization component was TSEK -5,487 (TSEK 2,484).

Total operating costs in the group during the reporting period amounted to TSEK -246,696 (TSEK -203,627). For the last quarter of the period total operating costs were TSEK -71,273 (TSEK -61,908). The operating result amounted to TSEK 896 for the twelve month period (TSEK -32,329 without effect of negative goodwill dissolution) and TSEK -3,227 for the quarter October – December 2010 (TSEK -493).

Result from sale of subsidiaries in amount TSEK 33,548 (TSEK 0) relates to the sale of Artelj Tyva and Kara Beldyr. Artelj Tyva was sold to LLC «Techpromzoloto» in November 2010, result from sale makes up TSEK 11,819 gain (TSEK 0). 50% disposal of CAG's shares in Kara Beldyr according to the joint venture agreement with Centerra resulted in TSEK 21,729 gain.

Net financial items were TSEK -21,107 (TSEK -23,485) for the reporting period. For the quarter October-December 2010 net financial items amounted to TSEK -3,625 (TSEK -4,312).

The tax cost for the reporting period was TSEK -9,442 (TSEK 2,707). It relates predominantly to a change in deferred taxation on subsidiary level. The tax item during the last quarter of 2010 was TSEK 144 (TSEK -2,053).

The minority share of the net result for the reporting period was TSEK -290 (TSEK 76). It relates to the subsidiary OOO Artelj Lena. For the quarter October-December 2010 minority result was TSEK -83 (TSEK 0).

Mining Operations

Tardan

160 kg of gold was produced at Tardan gravitation plant in 2010, up by 57% compared to 2009 production.

8 900 meters of drilling for operational exploration and blasting has been done in Q4 as part of the preparation for 2011 mining season. The drilling work has continued in January and February 2011.

80 000 tonnes of ore-tailings mix containing 170 kg of gold has been stacked in Section 1 of the heap leaching plant.

A trial irrigation of the heap has been commissioned in January. It has shown that agglomeration of the ore-tailings mix will be necessary. It has also confirmed the high content of copper in pregnant leach solutions which will require an addition of copper removing circuit in 2012.

Heap Leach Plant Construction

ADR Plant:

- Steel erection is finished. Wall panels are being installed.
- Inside works (floor, electric, venting) will start in March.
- Desorption-electrolysis equipment installation and commissioning will take place in April.

The following units have been commissioned to support a trial irrigation of the Section 1:

- Pump station with a 200m³ storage tanks;
- Reagents preparation unit with 2*25m³ agitators;
- Adsorption columns;
- Boiler;
- Thermally insulated irrigation system;
- PLS pond with a pump station.

Crushing-Agglomeration:

- Crushing equipment has been installed and tested in preparation of Section 1;
- Agglomeration equipment is delivered and will be installed in April.

Auxiliary:

- Garage, Camp Buildings, Reagent Storage are finished;
- Laboratory will be commissioned in April.

Solcocon (Rudtechnology)

171 kg of gold was produced at Solcocon Heap Leach plant in 2010, up from 27 kg produced in 2009.

A major repairmen and reconstruction of ADR plant was done in 2010. Adsorption-desorption capacity of Solcocon plant has been increased by 300% to provide for a planned increase of production in 2011. Additional accommodation for personnel has been built.

A new irrigation system has been installed to allow for year-round work. A heating system has been installed in the camp, workshops, and garage to support winter production.

Solcocon heap leaching plant was a seasonal operation and used to be mothballed every winter. After the reconstruction Solcocon plant works non-stop in winter 2010-2011.

Gold Borzya

235 kg of gold was produced at Gold Borzya alluvial operation in 2010, up by 17% compared to 2009 production.

Gold mining has been finished in November after which time stripping and site preparation for drill-and-blast for 2011 mining season was done.

Historical underground mines have effected production in 2010 as they did in 2009. Drilling results show that historical underground mines are present in the remaining blocks of Tala deposit, the major resource at Gold Borzya, and will effect mining in the future as well.

Artel Lena

164 kg of gold was produced at Artel Lena alluvial operation in 2010, down by 39% compared to 2009 production. The Board has decided to sell Artel Lena due to reserves depletion, high cash costs, and underproduction.

A partnership agreement with specialized alluvial mining company has been signed in February. According to the agreement a partner has guaranteed a RUR 150 million line of credit to Artel Lena, part of which will be used for equipment renewal and exploration in 2011.

According to the agreement the partner will be responsible for mining operations and cover production costs in 2011, and get 85% of Lena's revenue. This means that CAG without risk for the cost side assured 15% of margin in Artelj Lena.

Exploration

Staroverinskaya

During the fourth quarter of 2010 a Geochemical Survey report at Staroverinskaya field has been completed. All samples have been shipped to Alex Stewart Geochemical laboratory in Moscow for assaying.

Ore samples from Bogomolovskoe and Kozlovskoe deposits has been collected and sent for bio-leaching tests to ESTAgeo laboratory in Moscow. The results of bio-metallurgical tests are expected in spring 2011.

Chitageologorazvedka has been contracted to do further exploration at extensions of Podgornoe ore bodies to increase heap-leachable reserves for Solcocon plant.

Exploration work at Kozlovskoe deposit to stratify oxidized and primary ore zones of the orebodies has been finished. TEO and Reserve Statement are being prepared.

Tardan Deposit and Tardan Field

The exploration program on Tardan and within Tardan area for the period 2011-2012 has been developed.

The purpose of the exploration program is to extend the life time of the Tardan factories. The exploration program with a budget of MRUB 130 will target a known mineralized zones within Tardan deposit area and Tardan Field.

During the fourth quarter geochemical samples assaying and data processing for Tardan Field has continued. 10 200 samples (60% of the total) has been assayed. Work is going to be completed during spring 2011.

Uzhunzhul

Geochemical survey of the whole license area has been completed in 2010. All samples have been delivered to Alex Stewart laboratory, 2000 samples (35% of the total) have been assayed and processed. The results obtained so far have confirmed Yurkovsky and Paraspan prospects. A new geochemical anomaly called “Lagernaya” has been discovered.

Some trenches at Yurkovsky prospect made in previous years stopped in mineralized zones. These were extended and sampled in Q4 2010.

Kara Beldyr

During the fourth quarter of 2010, 22 diamond drill holes were completed at the Gord Zone on the Kara Beldyr project. Previous drilling at the Gord Zone has outlined a zone of sulphide hosted gold mineralization over a strike length of 750 metres to a depth of greater than 250 metres with an average width of 25 metres and the mineralization is open to depth.

The preliminary results have confirmed the main geological features previously identified including the major fault and the alteration zones in both the foot and hanging walls. Visible gold was recorded in 50% of the drill holes, which is more than in the initial drilling. Drilling will continue in the first quarter of 2011.

Investments, liquidity and financing

During March and April of 2010 MSEK 12 of working capital was financed via shareholder loans from Bertil Holdings, the major shareholder of CAG. The annual interest rate was 16%. Those loans were, together with loans originated from earlier years, converted into equity during the rights issue process in accordance with the decision taken at the Annual general meeting on 28 June 2010.

In March 2010 Artelj Lena received a loan from Svyaz-Bank in amount of MRUB 95 to cover current expenses related to the alluvial season working capital and preparation work. The annual interest rate was 15%. The loan was fully repaid in October 2010.

In April 2010 GRE-324 opened an MRUB 80 credit line in Svyaz-Bank for the purpose of financing alluvial and ore operations of Gold Borzuya and Rudtechnology. The annual interest rate was 15%. The loan was fully repaid in October 2010.

In July 2010 Tardan and Svyaz-Bank concluded a loan agreement providing for a MRUB 500 credit line to finance the development of the mining and processing of ore by heap leaching at Tardan (including construction, purchase of equipment and commissioning of the heap leaching complex). The provision of funds under the credit line is from July 2010 until February 2011. The repayment of credit will take place from July 2011 till December 2011. The annual interest rate is 12%.

In August CAG completed the rights issue and received netto about 88 MSEK after transaction costs and offsetting of loans. Part of these funds was already spent on business development purposes (purchase of equipment, exploration works, etc.).

In December 2010 GRE 324 concluded the new loan agreement with Svyaz-Bank providing MRUB 300 credit line at 12% annual interest rate. MRUB 200 out of 300 MRUB will be invested in equipment for Solcocon (Rudtechnology) and Gold Borzia which will enable to increase and upgrade production assets. The rest MRUB 100 financing will be invested in a working capital in winter-spring season and mining preparatory works.

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. Thus it usually 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 effects assets and liabilities denominated in foreign currencies which may impact the results.

During the second quarter, the parent company managed to recover the Swedish input VAT relating to the entire period since incorporation. The VAT amounts to TSEK 5,009 and has been recognized as revenue during the second quarter. Full amount VAT was repaid by tax authorities till the middle of November 2010.

The net result for the twelve month period January - December 2010 was TSEK -14,445 (TSEK -12,281), TSEK -23,918 from this amount is related to exchange rate losses, mainly on loans to subsidiaries. For the fourth quarter of the reporting period, the net result was TSEK 4,011 (TSEK -6,967).

Cash in the parent company was TSEK 10,945 (TSEK 14,794) at end of December 2010.

Employees

The group had on average 915 (932) employees during the twelve months of 2010. As per end of December 2010 the number of employees in the group was 726 (556).

Issued shares

CAG completed a rights issue in August 2010. The rights issue was fully subscribed and CAG received proceeds amounting to approximately MSEK 226 before transaction costs. Shares representing

approximately MSEK 126 of the total MSEK 226 were paid for by off-setting debts owed by CAG to Bertil Holdings, the major shareholder of CAG. CAG's number of shares increased by 141,225,000 through the rights issue. After the rights issue the total number of shares amounted to 158.878.125, each with a quota value of SEK 1.125, and the share capital amounted to SEK 178,737,891.

On October 08, 2010 the share capital increased by SEK 1,453,209.75 through a directed share issue of 1,291,742 shares for guarantee providers of the rights issue. In addition, share capital was increased by SEK 3.375 (in order to make the total number of shares divisible by 10 for the purpose of the subsequent consolidation of shares) and the number of shares was increased to 160,169,870. The consolidation of shares 1:10 was carried out on October 20, 2010 in order to meet the listing requirements of NASDAQ OMX First North Premier. This resulted in the number of shares amounting to 16,016,987.

Major events after the end of the reporting period

Credit line approval

A one year MRUB 150 credit line at 12.5% annual interest rate was approved by ATB bank for Artel Lena in February 2011.

Next report due

The next financial report due is the annual report for financial year 2010. It will be released on April 29, 2011. Other reporting dates are:

| | |
|--------------------------------------|-------------------|
| Annual General Meeting 2011 | May 23, 2011 |
| Interim report for Q1 2011 (Jan-Mar) | May 23, 2011 |
| Interim report for Q2 2011 (Jan-Jun) | August 18, 2011 |
| Interim report for Q3 2011 (Jan-Sep) | November 17, 2011 |

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. The corporate identification number is 556659-4833. Address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34Stockholm.

Central Asia Gold AB (publ)

org no 556659-4833

GROUP PROFIT**AND LOSS ACCOUNT**

(all amounts in TSEK)

| | 3 months 2010-10-01 -2010-12-31 | 3 months 2009-10-01 -2009-12-31 | 12 months 2010-01-01 -2010-12-31 | 12 months 2009-01-01 -2009-12-31 |
|---|---------------------------------------|---------------------------------------|--|--|
| Net sales | 76 675 | 66 882 | 214 037 | 155 800 |
| Capitalised costs | -5 487 | 2 484 | 11 751 | 10 750 |
| Change in stock of finished and semi-finished goods | -4 130 | -8 155 | 15 097 | 3 099 |
| Other operating revenues | 987 | 205 | 6 706 | 1 650 |
| Dissolution of negative goodwill | - | - | - | 195 396 |
| Total income | 68 046 | 61 415 | 247 591 | 366 694 |
| Operating costs | | | | |
| External costs | -48 913 | -34 622 | -151 333 | -125 071 |
| Personnel costs | -19 052 | -18 920 | -72 053 | -55 745 |
| Depreciation | -3 308 | -8 365 | -23 309 | -22 812 |
| Total operating costs | -71 273 | -61 908 | -246 696 | -203 627 |
| Operating result | -3 227 | -493 | 896 | 163 067 |
| Result from sale of subsidiaries | 33 548 | - | 33 548 | - |
| Net financial items | -3 625 | -4 312 | -21 107 | -23 485 |
| The period's tax cost | 144 | -2 053 | -9 442 | 2 707 |
| Net result after tax for the period | 26 839 | -6 858 | 3 894 | 142 289 |
| Whereof attributable to the shareholders of the parent company | 26 922 | -6 858 | 4 184 | 142 213 |
| Whereof attributable to the minority | -83 | 0 | -290 | 76 |
| Earnings per share before dilution, SEK | 1,82 | -3,88 | 0,83 | 82,67 |
| Earnings per share after dilution, SEK **) | 1,82 | -3,88 | 0,83 | 82,67 |
| Number of shares issued at period end | 16 016 987 | 1 765 313 | 16 016 987 | 1 765 313 |
| Average number of shares for the period | 14 775 851 | 1 765 313 | 5 026 107 | 1 720 246 |
| Average number of shares for the period after dilution **) | 14 775 851 | 1 765 313 | 5 026 107 | 1 720 246 |

***) There are 510,650,000 outstanding warrants with right to acquire 1,315,000 shares. Of which 450,000 shares with strike price of 221,1 SEK per share (January 2012) and 1,065,000 shares with strike price of 25 SEK per share (August 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 2010-10-01 -2010-12-31 | 3 months 2009-10-01 -2009-12-31 | 12 months 2010-01-01 -2010-12-31 | 12 months 2009-01-01 -2009-12-31 |
|---|---------------------------------------|---------------------------------------|--|--|
| Net result for the period | 26 839 | -6 858 | 3 894 | 142 289 |
| Other comprehensive income | | | | |
| Translation difference | 461 | -1 195 | -28 670 | 3 612 |
| Total comprehensive income for the period | 27 300 | -8 053 | -24 776 | 145 901 |
| Total comprehensive income for the period attributable to: | | | | |
| Parent company's shareholders | 27 383 | -8 053 | -24 487 | 145 825 |
| Minority | -83 | | -290 | 76 |

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| GROUP BALANCE SHEET (all amounts in TSEK) | Dec 31, 2010 | Dec 31, 2009 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| FIXED ASSETS | | |
| <i>Intangible fixed assets</i> | 154 324 | 149 218 |
| <i>Tangible fixed assets</i> | 157 815 | 101 356 |
| <i>Investments in associates</i> | 17 384 | - |
| <i>Financial fixed assets</i> | 24 593 | 37 603 |
| <i>Total fixed assets</i> | 354 116 | 288 177 |
| CURRENT ASSETS | | |
| Inventories | 158 029 | 85 426 |
| Current receivables | 74 753 | 44 830 |
| Cash and bank | 22 230 | 22 732 |
| <i>Total current assets</i> | 255 012 | 152 987 |
| TOTAL ASSETS | 609 128 | 441 164 |
| EQUITY AND LIABILITIES | | |
| Equity | 383 388 | 194 421 |
| Minority interest | 1 392 | 1 681 |
| Total equity | 384 780 | 196 102 |
| Long term liabilities | 56 355 | 140 894 |
| Current Liabilities | 167 994 | 104 168 |
| TOTAL EQUITY AND LIABILITIES | 609 128 | 441 164 |
| ASSETS PLEDGED | | |
| Bank accounts | 50 | 50 |
| Material fixed assets | 53 336 | 7 381 |
| CONTINGENT LIABILITIES | - | - |

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GROUP CASHFLOW ANALYSIS

(All amounts in TSEK)

| | 12 months 2010-01-01 | 12 months 2009-01-01 |
|---|--------------------------------|--------------------------------|
| | -2010-12-31 | -2009-12-31 |
| Operating activities | 896 | 163 458 |
| Adjustment fot items not included in the cash flow | 23 309 | -172 584 |
| Paid/received interest and similar items | -10 894 | -2 275 |
| Cash flow from operations before changes in working capital | 13 311 | -11 401 |
| Changes in working capital | -102 238 | 15 989 |
| Net cash flow used in operating activities | -88 927 | 4 587 |
| Net cashflow used in investing activities | -110 165 | -2 945 |
| Net cash flow from financing activities | 198 352 | 21 021 |
| Cash flow for the period | -740 | 22 662 |
| Cash and bank at the beginning of the period | 22 732 | 144 |
| Translation difference in cash and bank | 238 | -75 |
| Cash and bank at the end of the period | 22 230 | 22 732 |

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STATEMENT OF CHANGES IN EQUITY (GROUP)

| (Expressed in TSEK) | Share capital | Additional paid in capital | Other reserves | Retained earnings | Minority interest | Total equity capital |
|---|----------------|----------------------------|----------------|-------------------|-------------------|----------------------|
| Equity as at December 31, 2008 | 106 125 | -104 497 | 1 303 | -63 208 | 0 | -60 277 |
| Total comprehensive result for the period Jan 1 - Dec 31 2009 | | | 3 612 | 142 213 | 76 | 145 901 |
| Equity contribution | | 70 036 | | | | 70 036 |
| Acquisition in kind, March 2009 | 70 406 | -31 570 | | | 1 605 | 40 441 |
| 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 - Dec 31 2010 | | | -28 612 | 4 184 | -290 | -24 718 |
| Reduce of share capital | -156 671 | 156 671 | | | | 0 |
| Right issue | 160 331 | 67 829 | | | | 228 160 |
| Costs for right issue | | -14 764 | | | | -14 764 |
| Equity as at Dec 31, 2010 | 180 191 | 143 705 | -23 697 | 83 189 | 1 392 | 384 780 |

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| | 12 months 2010-01-01 | 12 months 2009-01-01 |
|---|--------------------------------|--------------------------------|
| KEY RATIOS | -2010-12-31 | -2009-12-31 |
| Group | | |
| Total assets, TSEK | 609 128 | 441 164 |
| Total equity, TSEK | 384 780 | 196 102 |
| Equity ratio, % | 63,2% | 44,5% |
| Interest bearing debt, TSEK | 118 133 | 140 594 |
| Employees at period end | 726 | 556 |
| EBITDA, TSEK | 24 205 | 185 879 |
| EBITDA, excl. neg. goodwill dissolution, TSEK | 24 205 | -9 517 |
| Per share data | | |
| Earnings per share, SEK | 0,83 | 82,67 |
| Equity per share (SEK) | 23,94 | 110,13 |
| Return on equity (%) | 1,3% | 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 2010-10-01 -2010-12-31 | 3 months 2009-10-01 -2009-12-31 | 12 months 2010-01-01 - 2010-12-31 | 12 months 2009-01-01 - 2009-12-31 |
|--|---------------------------------------|---------------------------------------|---|---|
| Other operating revenues | 4 | - | 5 013 | - |
| Total income | 4 | - | 5 013 | - |
| External costs | -2 959 | -2 832 | -7 009 | -9 668 |
| Personnel costs | -669 | -201 | -1 119 | -971 |
| Depreciation of tangible and non-tangible fixed assets | - | - | - | -2 |
| Total operating costs | -3 628 | -3 033 | -8 128 | -10 641 |
| Operating result | -3 624 | -3 033 | -3 115 | -10 641 |
| Net financial items | 8 197 | -3 934 | -10 768 | -1 640 |
| Result after net financial items | 4 574 | -6 967 | -13 883 | -12 281 |
| The period's tax cost | - | - | -562 | - |
| Net result after tax for the period | 4 011 | -6 967 | -14 445 | -12 281 |

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PARENT COMPANY BALANCE SHEET

(all amounts in TSEK)

**Dec 31,
2010****Dec 31,
2009****ASSETS****FIXED ASSETS**

Intangible fixed assets

-

-

Tangible fixed assets

-

-

Financial fixed assets

732 899

519 000

Total fixed assets**732 899****519 000****CURRENT ASSETS**

Current receivables

639

742

Cash and bank

10 945

14 794

Total current assets**11 584****15 535****TOTAL ASSETS****744 483****534 535****EQUITY AND LIABILITIES****Total equity****658 530****488 844****Long term liabilities****83 104****14 802****Current Liabilities****2 849****30 888****TOTAL EQUITY AND LIABILITIES****744 483****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 it was described in other places of 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 2.3 *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) *Currency risk:* Central Asia Gold operations and reporting is influenced by gold price in USD of production costs in RUR , and the reporting of the SEK. Fluctuations in exchange rates could have a major impact on both local operational results and the SEK reported results.
- 3) *Political risks:* Central Asia Gold currently operates only in Russia. Being a young democracy Russia does not have as stable political situation as it is in the older democracies of Western Europe.
- 4) *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.
- 5) *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 LLC Artelj Lena is involved in various court procedures with certain individuals who were members of Artel before it was converted from producers' cooperative to LLC. The issue concerns conditions pertaining to the time before Central Asia Gold took over OOO Artelj Lena. Legal entity converted from a producers' cooperative to LLC is not a legal successor regarding issues of membership of individuals in the entity, including appeal of the shareholders' decisions taken at General Meeting of producers' cooperative. This statement is provided by the Superior Arbitration Court's Decision dated August 20, 2008 №10603/08. On the basis of mentioned above, the Management of the Central Asia Gold is deemed that all claims against Artel Lena can not be satisfied in future. Central Asia Gold's and Artelj Lena's legal representatives undertake comprehensive legal work aiming to minimize the effects of this minority case. However, there are no guarantees that former members would not file additional petitions to court claiming for minority stake.

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.

MSEK 12 of the working capital was provided in March-April 2010 by major shareholder Bertil Holdings. Also TUSD 1,145 related to merger expenses paid by Preston Haskell's companies in 2009, these were executed as a loan. The annual interest rate for both loans is 16%. Those loans, as all loans from Bertil Holdings Ltd, were transferred into equity within right issue process according to the decision taken at the Annual general meeting 28 June 2010, refer to section «Issued shares» above.

Equipment, rented during last 3 years by CAG subsidiaries from Technodvor, related to Preston Haskell, was purchased in October 2010 for MRUB 66. The purchase price corresponds with market conditions.

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, February 25, 2011

Central Asia Gold AB (publ.)

Lars Guldstrand
Chairman

Mike Nunn
Director

Patric Perenius
Director

Alice Volgina
Director

Preston Haskell
CEO and 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 2010 estimated to encompass some 740,000 oz (1 troy ounce = 31,1 g) of C1/ C2 Russian gold reserves (equaling some 23 tons).

Since July 19, 2010, CAG's shares are traded on First North Premier at the NASDAQ OMX Nordic Exchange under the short name CAG. For more information please visit www.centralasiagold.se. Mangold Fondkommission is Certified Adviser to CAG, for more information please call +46 8 503 015 50 or visit www.mangold.se.

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.