

## Oxus Gold (LSE: OXS)

### Outperform Speculative Risk

#### Jerooy Appears To Be A Bridge Too Far

Georges Lequime (Analyst)  
(44) 207 653 4600  
[georges.lequime@rbccm.com](mailto:georges.lequime@rbccm.com)

Miles Staude, CFA (Associate)  
(44) 207 029 7556  
[miles.staude@rbccm.com](mailto:miles.staude@rbccm.com)

Price:	\$0.72	Price Target:	\$1.66
Price:	£0.39	Price Target:	£0.90
52-Wk High:	£0.86	52-Wk Low:	£0.39
Float (MM):	296	Debt-to-Cap:	19%
Shs O/S (MM):	296	Mkt Cap (MM):	214
Dividend:	0.00%	Yield:	0.0%
Tr. 12 ROE:	14.83%	3-Yr Est. EPS	115.86%
Trading Volume (000s):	1164		
Strategic Shareholders:	RAB Capital 26.2%		

(FY Month)	2004A	2005A	2006E	2007E
EPS	\$0.05	\$0.01	\$0.09	\$0.11
P/E	14.6	81.1	7.9	6.8
CFPS	(\$0.00)	(\$0.02)	\$0.10	\$0.12
P/CFPS	n.m.	-45.2	7.0	6.2
EPS		1H		2H
2004A		(\$0.01)		\$0.06
2005A		\$0.01		(\$0.00)
2006E		\$0.03		\$0.07
Cash Flow				
2004A		(\$0.01)		\$0.00
2005A		\$0.01		(\$0.02)
2006E		\$0.03		\$0.10
Prod'n ('000oz)				
2004A		0		30
2005A		44		39
2006E		46		45

All values in U.S. unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise stated).

For Required Disclosures, please see page 6.

#### Event

Jerooy update and proposed tax changes in Uzbekistan

#### Investment Opinion

- Oxus Gold's **hopes of re-securing the mining license for the Jerooy mine in Kyrgyzstan appears as remote as ever** at this point in time, despite apparent support from the Kyrgyz parliament.
- Last week, the government of Uzbekistan cancelled a number of tax and customs privileges for the international gold mining companies operating in the country and proposed raising the revenue royalty rate from 2% to 6% and the corporate tax rate from 12% to 18% (although this is will partially offset by canceling the excess profits tax, which kicks in with the gold price above US\$450/oz). Oxus Gold has received legal advice that **the proposed tax changes in Uzbekistan will not affect the Group's operations** (including Khandiza) due to a 10-year protection agreement against adverse tax changes.
- Valuation. Our (new) base-case net asset value (@6.8%) valuation is £0.90 per share, which excludes Jerooy and values Oxus' holding in Marakand at a heavily discounted NAV.** This compares to our previous net asset value of £1.43 per share, which included Jerooy and excluded the proposed tax changes. The proposed tax changes alone would have negatively affected our net asset value by 3.5%, or £0.05 per share. A worst case scenario, which assumes no value for any of the non-operating assets, returns a value of £0.25 per share.
- We believe that the problems faced by Oxus Gold over the past couple of years primarily reflects the **high investment risk in the former Soviet Union**, particularly outside Russia, and suggests that government policy in the region remains a deterrent for investors despite the prospectively of the region and identification of high quality deposits.
- We derive a new 12-month target price of £0.90/sh, arguing a "fair" price to NAV multiple of 1x, on the assumption that the Amantaytau and Khandiza projects will be released over the next 12-months. This compares with our previous target price of £1.12 per share, which was based on 1x NAV and placed a 50% discount on the value of Jerooy because of the risk of the company not being re-awarded the license. We remain with an **Outperform, Speculative Risk** rating.
- Commodity prices, production risk, political and fiscal risk, mineral right ownership, environmental regulations. We have applied a Speculative Risk ranking to our valuation on Oxus Gold Plc. The most prevalent risks are mineral right ownership; operational license and production risks as it progresses with the development of the Amantaytau underground mine.

## Details

**Jerooy:** Oxus Gold's hopes of re-securing the mining license for the Jerooy mine in Kyrgyzstan seems as remote as ever at this point in time. Although the company began international arbitration proceedings earlier this month in Stockholm following the Kyrgyz government's failure to resolve the issue by the end of June, this process could take up to three years to resolve and is unlikely to affect short term developments at Jerooy.

An Austrian-registered private equity vehicle, Global Gold, managed by the US-based private equity management company, Strategic Investment Group (SIG), which specializes in Russian and Ukrainian investments, signed a 60-40 joint venture agreement with the State mining company, Kyrgyzaltyn on May 30 to develop the Jerooy mine. On Friday (July 21), **the mining license for Jerooy was apparently awarded to the joint venture according to Kyrgyzaltyn**, although Oxus have not yet been informed of the move.

The situation in Kyrgyzstan has become **extremely messy** after the Kyrgyz *parliament* issued an Order instructing the government to rescind any agreements made between Kyrgyzaltyn and Global Gold on May 29, and a local court ruled in June preventing Kyrgyzaltyn from pursuing discussions with other parties.

Although Oxus Gold are disputing the Kyrgyz government's reasons for annulling the license in the first place in October 2004 through the Kyrgyz parliament and through the Kyrgyz judicial system, **the Kyrgyz government seems to be acting independently from parliament and the courts**, and seems to have the ultimate say in the destiny of the project. The government's intent to pursue without Oxus Gold leaves the company with international arbitration and political pressure from the British Government as its last remaining avenues to retain its interests in the project.

The stakes are clearly high for all parties. We value Oxus Gold's 67% interest in the project at US\$339m (£0.62/sh), using a longer-term gold price of US\$625/oz. Oxus Gold proposed a revised agreement, granting Kyrgyzaltyn 50% of the project and increased contributions to the Talas Development Fund. However, this proposal seems to have been ignored. Despite having no apparent mining expertise behind them, Global Gold have recognized a high value proposition and, in the absence of any competition from recognized mining companies (scared off by the complication of the situation as well as the risks in operating in the region), have negotiated directly with the government and Kyrgyzaltyn.

Where does this leave Oxus Gold? Oxus continues to employ 21 "ex-pats" and 150 locals on site, principally to protect its equipment. Global Gold has offered to reimburse Oxus Gold for the capital spent on the site to date, subject to an audit. Oxus claims to have spent US\$50m to date constructing the mine and is opposed to the sale of its equipment due to the "opportunity cost" to replace the equipment. The company has signaled its intent to remove all its equipment from the country, subject to the failure of its last two avenues to re-secure the asset.

**Proposed Tax Changes in Uzbekistan:** Last week, the government of Uzbekistan cancelled a number of tax and customs privileges for the international gold mining companies operating in the country: effectively targeting Newmont Mining and Oxus Gold. In addition, the government proposed raising the revenue royalty rate from 2% to 6% and the corporate tax rate from 12% to 18% (although this is will partially offset by canceling the excess profits tax, which kicks in with the gold price above US\$450/oz). Oxus Gold has received legal advice that **the proposed tax changes will not affect the Group's operations** (including Khandiza) due to a 10-year protection agreement against adverse tax changes. We believe that the Uzbek parliament has the power to amend this agreement but it will take at least six to nine months to push through.

## Valuation

### Exhibit 1: Estimated Share Valuation

Projects	% Ownership	US\$MM	US\$/Shr	GBP/Shr
Amantaytau O/P (NPV @6.8%)	50%	52.1	0.18	0.09
Amantaytau U/G (NPV @6.8%)	50%	238.4	0.81	0.43
Vysokovoltnoye (NPV @6.8%)	50%	28.3	0.10	0.05
Jerooy O/P (NPV @ 6.8%)	67%	98.2	0.33	0.18
Jerooy U/G (NPV @ 6.8%)	67%	240.6	0.81	0.44
Marakand Minerals (NAV)	82%	59.0	0.20	0.11
<b>Net Operating Assets</b>		<b>716.6</b>	<b>2.42</b>	<b>1.31</b>
Exploration Assets	50-100%	45.3	0.15	0.08
Hedge	50%	0.0	0.00	0.00
Working Capital		9.3	0.03	0.02
Debt		0.0	0.00	0.00
Management Fees	100%	31.8	0.11	0.06
Corporate G&A	100%	-18.5	-0.06	-0.03
<b>Net Asset Value (@6.8%)</b>		<b>784.5</b>	<b>2.65</b>	<b>1.43</b>

Source: RBC Capital Markets

Including Jerooy and excluding the proposed tax changes, we determine a net asset value per share (@6.8%) of £1.43 against a current share price of £0.39 (Exhibit 1). The proposed tax changes would negative affect our net asset value by 3.5%, or £0.05 per share, reducing the net asset value per share to £1.38.

Oxus Gold's only two currently operating assets are Amantaytau openpit (oxide) operations and the small Vysokovoltnoye silver-gold heap leach operation. The openpit mine is now hedge-free (since November 2005) but is currently processing lower grade ore (~2.5 g/t), producing gold at a rate of approximately 10,000 ounces per month. It remains in a free cash flow position and will start treating higher grade ore in 2007. There is still a US\$30m shareholder loan at the mine level outstanding to Oxus Gold. Vysokovoltnoye has recently started smelting silver after securing the export permit and, operationally, the mine is exceeding plan. A US\$14m shareholder loan at the mine level remains outstanding to Oxus Gold.

The high value projects for Oxus Gold (excluding Jerooy) are the Amantaytau underground sulphide project and the polymetallic (zinc/silver/lead) Khandiza project, held by Marakand Minerals.

We are expecting the Amantaytau underground sulphide project to be released by the end of September after the submission of the Wardell Armstrong feasibility study to the Uzbek government in February. We continue to wait for an agreement between the Uzbek government and Marakand (Oxus Gold) with regards to the final terms for the development of the Khandiza project in the South-East corner of the country. We have heavily discounted the value of this project in our financial model to reflect the risks to the timing and the final terms for the project.

Due to the risks attached to the development projects, we are often asked about the "worst case scenario" for Oxus Gold shareholders:

#### Exhibit 2: Worst Case Scenario Estimated Share Valuation

Projects	% Ownership	US\$MM	US\$/Shr	GBP/Shr
Amantaytau O/P (NPV @6.8%)	50%	52.1	0.18	0.10
Amantaytau U/G (NPV @6.8%)	50%	0.0	0.00	0.00
Vysokovoltnoye (NPV @6.8%)	50%	28.3	0.10	0.05
Jerooy O/P (NPV @ 6.8%)	67%	50.0	0.17	0.09
Jerooy U/G (NPV @ 6.8%)	67%	0.0	0.00	0.00
Marakand Minerals (NAV)	82%	0.0	0.00	0.00
<b>Net Operating Assets</b>		<b>130.4</b>	<b>0.44</b>	<b>0.24</b>
Exploration Assets	50-100%	0.0	0.00	0.00
Hedge	50%	0.0	0.00	0.00
Working Capital		9.3	0.03	0.02
Debt		0.0	0.00	0.00
Management Fees	100%	15.9	0.05	0.03
Corporate G&A	100%	-18.5	-0.06	-0.03
<b>Net Asset Value (@6.8%)</b>		<b>137.1</b>	<b>0.46</b>	<b>0.25</b>

Source: RBC Capital Markets

The worst case scenario assumes no value for the Amantaytau underground sulphide project and the polymetallic Khandiza project, held by Marakand Minerals, no value of the exploration assets, and assumes the imposition of the higher tax charges in Uzbekistan. In this case, we determine a value of £0.25 per shares against a current share price of £0.39 (Exhibit 2).

It must be stressed that it is a worst case scenario for the Group. The development of the sulphide project is not in dispute although we are concerned about the "go-slow" at Khandiza. We are also concerned about the company's ability to retain its very competent managers in the medium to long term should the decision on Khandiza and the sulphide project drag on.

Given the high likelihood that Oxus Gold will not be re-awarded the license for Jerooy and will not be compensated beyond the US\$50m sunk capital in the project, we have adjusted our base case valuation for the company accordingly.

We calculate a new base case NAV (@6.8%) of £0.90 per share valuing Oxus' holding in Marakand at the calculated NAV for Marakand as per our note (see RBC Capital Markets note, "H1-2005 Financial Results – Waiting While The Commodity Cycle Races By", dated March 7, 2006). This compares to our previous net asset value of £1.43 per share. To be conservative, we have not given any value to the attributable gold inferred resource ounces of the prognostic resources of 29.6Moz, nor the recent resources from the Kosmananachi silver/gold deposit (20Moz Ag, 0.135Moz Au attributable), although we do place a value of US\$45m on the exploration assets in general (£0.08/sh) by placing a value of US\$15 per ounce on the JORC resources not captured in our financial models of the assets.

## Exhibit 3: Base Case Estimated Share Valuation

Projects	% Ownership	US\$MM	US\$/Shr	GBP/Shr
Amantaytau O/P (NPV @6.8%)	50%	52.1	0.18	0.10
Amantaytau U/G (NPV @6.8%)	50%	238.4	0.81	0.44
Vysokovoltnoye (NPV @6.8%)	50%	28.3	0.10	0.05
Jerooy O/P (NPV @ 6.8%)	67%	50.0	0.17	0.09
Jerooy U/G (NPV @ 6.8%)	67%	0.0	0.00	0.00
Marakand Minerals (NAV)	86%	62.1	0.21	0.11
<b>Net Operating Assets</b>		<b>430.8</b>	<b>1.46</b>	<b>0.79</b>
Exploration Assets	50-100%	45.3	0.15	0.08
Hedge	50%	0.0	0.00	0.00
Working Capital		9.3	0.03	0.02
Debt		0.0	0.00	0.00
Management Fees	100%	24.8	0.08	0.05
Corporate G&A	100%	-18.5	-0.06	-0.03
<b>Net Asset Value (@6.8%)</b>		<b>491.7</b>	<b>1.66</b>	<b>0.90</b>

Source: RBC Capital Markets

## Investment Opinion

We believe that the problems faced by Oxus Gold over the past couple of years primarily reflects the **high investment risk in the former Soviet Union**, particularly outside Russia, and suggests that government policy in the region remains a deterrent for investors despite the prospectively of the region and identification of high quality deposits. The reluctance of major mining companies to operate in the region is a direct reflection of the poor investment climate of the region. The investment case for Oxus Gold has been a difficult call for us over the past couple of years, with a constant need to balance the political risks against the prospectively of its mining prospects. The company holds the rights to three high quality projects in Uzbekistan and Kyrgyzstan. To date, Oxus has successfully developed a short-life oxide mine at Amantaytau and a short-life silver-gold heap leach operation nearby. The right to develop the oxide mine was secured while the gold price languished near its all time low. As commodity prices have rallied, the company has found it increasingly difficult to secure the right to mine the higher value deposits. The Jerooy mine was scheduled to come on stream in 2006, followed by the Amantaytau sulphide and Khandiza mines in 2007.

Today, Oxus Gold is essentially a call-option on the improvement of the investment environment of the region as a whole. Without the Jerooy project, the Amantaytau Sulphide project and Khandiza (through Marakand), we calculate that Oxus is worth about £0.25 per share. Including all three projects, the company's value increases to £1.43 per share, without aggressively valuing the company's exploration potential. Centerra Gold (TSX: CG; C\$9.51; Outperform, AA), which has been operating in the region for over 10 years, and has arguably less exploration potential than Oxus Gold, until recently traded on a multiple of 1.4-1.5x NAV, suggesting significant upside for shareholders beyond £1.43 per share if the mining licenses can be secured.

Given the difficulties in Kyrgyzstan, and the delay in securing the final terms for Khandiza, **we question the ability for any Western company to operate in the former Soviet Union without a politically connected local partner.** With the obvious risk-reward in the Oxus Gold shares at current levels, we would not be surprised if the company attracted the interest of local partners.

Realistically, we believe that Oxus Gold should now be valued *sans* Jerooy. That places a fair value of £0.90 per share on the assets held by the company. Given its recent history in getting projects released, the market will be reluctant to place full value on the Amantaytau and Khandiza projects. However, we remain optimistic that the company will make progress at both projects over the next six months. We derive a 12-month target price of £0.90/sh, down from £1.12/sh, after stripping out Jerooy and arguing a "fair" price to NAV multiple of 1x (unchanged), on the assumption that the release of the Amantaytau and Khandiza projects over the next 12-months will close the discount to NAV. Our previous target price of £1.12 per share, placed a 50% discount on the net asset value of Jerooy because of the risk of Oxus not being re-awarded the license. We remain with an Outperform, Speculative Risk rating.

## Price Target Impediments

Commodity prices, production risk, political and fiscal risk, mineral right ownership, environmental regulations. We have applied a Speculative Risk ranking to our valuation on Oxus Gold Plc. The most prevalent risks are mineral right ownership, operational license and production risks as it progresses with the development of an underground mine at Amantaytau.

## Company Description

The Oxus group was established in 1996 and quoted on the Alternative Investment Market (AIM) in London in July 2001. Oxus Gold (OXS.L – AIM Listed) is a holding company for a group of companies whose main focus are the exploration, development and mining of precious metals in Central Asia. Oxus currently has attributable gold resources (JORC; M,I,I) of 5.391 million ounces and reserves of 2.984 million ounces. The company owns interests in three principal assets; the Amantaytau gold mine in central Uzbekistan, the Jerooy gold project in north-central Kyrgyzstan (subject of a dispute), and a 82% holding in Marakand Minerals (MKD.L – AIM Listed), owner of the polymetallic (Zn-Cu-Pb-Ag) Khandiza project in the south-eastern corner of Uzbekistan.

OXUS GOLD											
LSE: OXS	Share Price:	\$0.72	£0.39	Stock Rating:	Outperform	1 Yr Target:	\$1.66	£0.90			
	Market Cap: (US\$MM)	\$210.2	£113.6	Risk Qualifier:	Speculative						
Fiscal Year Ended Jun 30											
<b>RATIO ANALYSIS</b>				<b>BALANCE SHEET</b>							
		FY2004A	FY2005A	FY2006E	FY2007E		FY2004A	FY2005A	FY2006E	FY2007E	
Gold Price	US\$/oz	389	423	528	651	Cash & equivalents	US\$MM	5.5	34.8	29.8	60.5
Shares outstanding-FD	MM	220.3	256.3	291.3	295.6	Other current assets		7.1	6.0	6.0	6.0
Net profit	US\$MM	10.9	2.3	26.6	31.5	Net fixed assets		79.2	103.5	135.2	136.0
EPS	US\$	0.05	0.01	0.09	0.11	<b>Total assets</b>		<b>91.8</b>	<b>144.3</b>	<b>170.9</b>	<b>202.5</b>
P/E	x	14.60x	81.01x	7.89x	6.76x	Current liabilities		0.7	2.6	2.6	2.6
CFPS	US\$	0.00	-0.02	0.10	0.12	Long-term debt		17.6	6.1	6.1	6.1
P/CF	x	n.m.	-45.13x	6.97x	6.16x	Other non-current liabilities		0.0	0.0	0.0	0.0
Dividend per share	US\$	0.00	0.00	0.00	0.00	<b>Total Liabilities</b>		<b>18.4</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>
Dividend yield	%	0.00%	0.00%	0.00%	0.00%	Total shareholder's equity		73.4	135.6	162.2	193.8
Book value per share	US\$	0.42	0.56	0.59	0.68	<b>Total liabilities &amp; equity</b>		<b>91.8</b>	<b>144.3</b>	<b>170.9</b>	<b>202.5</b>
P/Book value	x	1.73x	1.28x	1.23x	1.05x	<b>ATTRIB. MINE STATS</b>					
R.O.E	%	15%	2%	16%	16%	Attributable Gold Production	000oz	29.84	83.16	90.50	75.65
R.O.A	%	12%	2%	16%	16%	Cash Costs	US\$/oz	0	189	220	288
EBITDA	US\$MM	0.0	0.0	0.0	0.0	Reserves	MMoz	3.0	2.9	2.8	2.7
EBITDA per share	US\$	0.00	0.00	0.00	0.00	Adj. Market Cap/Reserve oz	US\$		72		
<b>PROFIT &amp; LOSS</b>		FY2004A	FY2005A	FY2006E	FY2007E	Resources	MMoz	6.4	6.4	6.4	6.4
Mining revenue	US\$MM	5.7	27.8	53.5	58.7	Adj. Market Cap/JORC Resource oz	US\$		33		
Gold production costs		0.0	17.7	23.0	24.7	Adj. Market Cap/Total Resource oz	US\$		12		
<b>Mine Operating Profit</b>		<b>5.7</b>	<b>10.1</b>	<b>30.5</b>	<b>34.0</b>	Hedge Committed Oz-50%	000oz	0.0	0.0	20.9	0.0
DD&A		0.0	2.8	3.5	3.1	% of Annual Production		0.0	0.0%	11.6%	0.0%
Other Expenses		6.5	2.6	2.4	2.4	Total Committed Ozs	000oz		20.9		
Investment Income		0.8	2.1	3.4	4.7	<b>PRODUCTION PROFILE</b>					
Interest expense		0.0	0.5	0.0	0.0						
Exceptional Gain(loss)		11.5	-0.1	0.0	0.0						
Taxation		0.0	0.0	0.1	0.5						
Minority interests		0.5	1.2	1.2	1.2						
<b>Net Profit After Tax</b>		<b>10.9</b>	<b>5.0</b>	<b>26.6</b>	<b>31.5</b>						
Dividends		0.0	0.0	0.0	0.0						
EPS	US\$	0.05	0.02	0.09	0.11						
DPS	US\$	0.00	0.00	0.00	0.00						
<b>CASH FLOWS</b>											
		FY2004A	FY2005A	FY2006E	FY2007E						
Net Cash From Operations		-11.0	3.3	30.2	34.6						
Capital expenditure	US\$MM	-3.3	-28.1	-35.2	-3.9						
Changes in other non-cash items		4.8	-6.8	0.0	0.0						
<b>Net cash in investments</b>		<b>1.5</b>	<b>-34.9</b>	<b>-35.2</b>	<b>-3.9</b>						
Debt issued (repaid)		1.8	0.0	0.0	0.0						
Dividends		0.0	0.0	0.0	0.0						
Shares issued		9.4	60.9	0.0	0.0						
Other non-current liabilities		0.0	0.0	0.0	0.0						
<b>Net cash from financing</b>		<b>11.2</b>	<b>60.9</b>	<b>0.0</b>	<b>0.0</b>						
<b>Net change in cash</b>		<b>1.7</b>	<b>29.3</b>	<b>-5.1</b>	<b>30.8</b>						
Beginning cash		3.9	5.5	34.8	29.8						
<b>Ending cash</b>		<b>5.5</b>	<b>34.8</b>	<b>29.8</b>	<b>60.5</b>						
CFPS	US\$	0.00	-0.02	0.10	0.12						
<b>ESTIMATED SHARE VALUATION</b>											
Projects						% Ownership	US\$MM	US\$/Shr	GBP/Shr		
Amanlaytau O/P (NPV @6.8%)						50%	52.1	0.18	0.10		
Amanlaytau U/G (NPV @6.8%)						50%	238.4	0.81	0.44		
Vysokovolnoye (NPV @6.8%)						50%	28.3	0.10	0.05		
Jerooy O/P (NPV @ 6.8%)						67%	50.0	0.17	0.09		
Jerooy U/G (NPV @ 6.8%)						67%	0.0	0.00	0.00		
Marakand Minerals (NAV)						86%	62.1	0.21	0.11		
<b>Net Operating Assets</b>							<b>430.8</b>	<b>1.46</b>	<b>0.79</b>		
Exploration Assets						50-100%	45.3	0.15	0.08		
Hedge						50%	0.0	0.00	0.00		
Working Capital							9.3	0.03	0.02		
Debt							0.0	0.00	0.00		
Management Fees						100%	24.8	0.08	0.05		
Corporate G&A						100%	-18.5	-0.06	-0.03		
<b>Net Asset Value (@6.8%)</b>							<b>491.7</b>	<b>1.66</b>	<b>0.90</b>		

\*JORC M,I,I oz not mined = Measured & Indicated Resources not mined

Source: Company Reports; RBC Capital Markets estimates

## Required Disclosures

### Explanation of RBC Capital Markets Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector.

#### Ratings

**Top Pick (TP):** Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

**Outperform (O):** Expected to materially outperform sector average over 12 months.

**Sector Perform (SP):** Returns expected to be in line with sector average over 12 months.

**Underperform (U):** Returns expected to be materially below sector average over 12 months.

#### Risk Qualifiers (any of the following criteria may be present):

**Average Risk (Avg):** Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

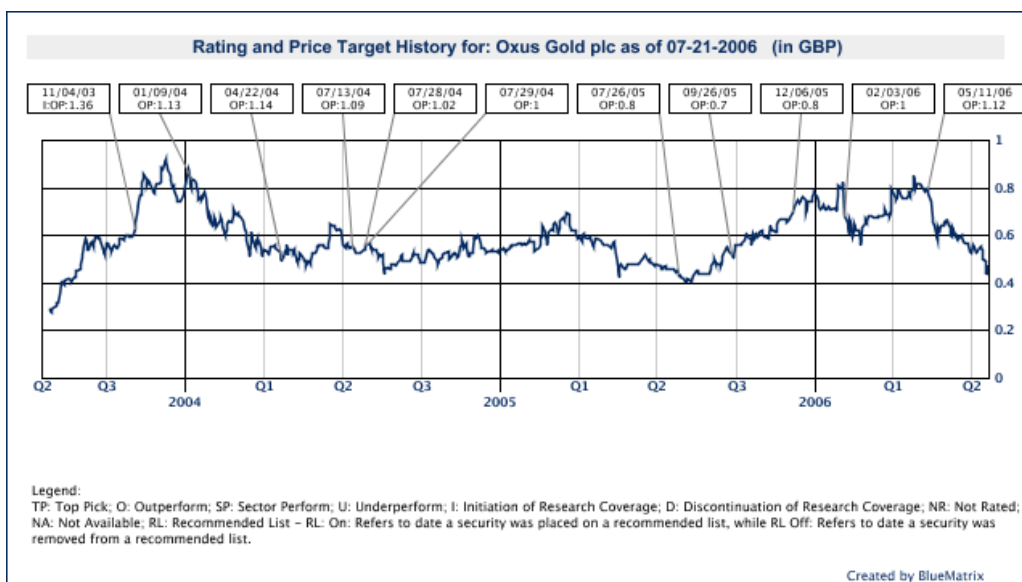
**Above Average Risk (AA):** Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

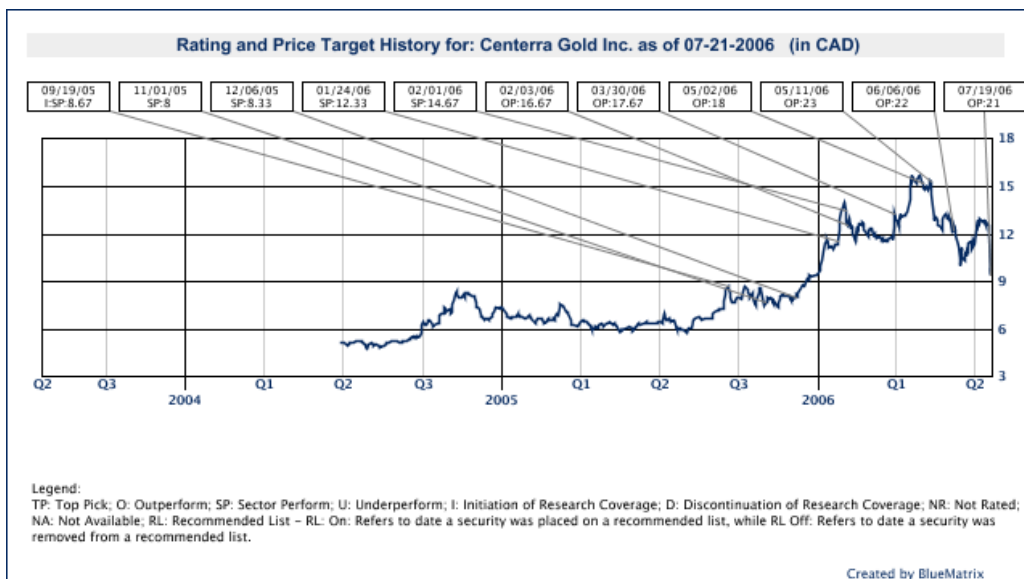
**Speculative (Spec):** Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

### Distribution of Ratings, Firmwide

For purposes of disclosing ratings distributions, regulatory rules require member firms to assign all rated stocks to one of three rating categories—Buy, Hold/Neutral, or Sell—regardless of a firm's own rating categories. Although RBC Capital Markets' stock ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Rating	RBC Capital Markets		Investment Banking Serv./Past 12 Mos.	
	Count	Percent	Count	Percent
BUY [TP/O]	410	43.43	164	40.00
HOLD [SP]	447	47.35	147	32.89
SELL [U]	87	9.22	27	31.03





In the event that this is a compendium report (covers more than six subject companies), RBC Capital Markets may choose to provide specific disclosures for the subject companies by reference. To access current disclosures, clients should refer to <http://rbc2.bluematrix.com/bluematrix/Disclosure> or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a member company of RBC Capital Markets or one of its affiliates. Recommended Lists include a former list called the Western Region Focus List (1), a former list called Model Utility Portfolio (2), and the Prime Opportunity List (3) (formerly called the Private Client Selects), Private Client Prime Portfolio (4), a former list called Private Client Portfolio (5), the Prime Income List (6), and the Guided Portfolio: Large Cap (7). The abbreviation "RL On" means the date a security was placed on a Recommended List. The abbreviation "RL Off" means the date a security was removed from a Recommended List.

### Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

### Dissemination of Research

RBC Capital Markets endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in rating, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets research.

### Conflicts Disclosures

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request and is made available on our website at <http://www.rbccm.com/cm/file/0,,63022,00.pdf>. We reserve the right to amend or supplement this policy at any time. For the current policy, please check our website.

### Important Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

The author(s) of this report are employed by Royal Bank of Canada Europe Limited.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Oxus Gold plc in the past 12 months.

RBC Capital Markets is currently providing Oxus Gold plc with investment banking services.

RBC Capital Markets has provided Oxus Gold plc with investment banking services in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Centerra Gold Inc. in the past 12 months.

RBC Capital Markets has provided Centerra Gold Inc. with investment banking services in the past 12 months.

RBC Capital Markets has provided Centerra Gold Inc. with non-securities services in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Centerra Gold Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Centerra Gold Inc.

---

## Additional Disclosures

The information contained in this report has been compiled by RBC Capital Markets ("RBC CM") from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC CM, its affiliates or any other person as to its accuracy, completeness or correctness. RBC Capital Markets is a business name used by subsidiaries of the Royal Bank of Canada including RBC Dominion Securities Inc., RBC Capital Markets Corporation, Royal Bank of Canada Europe Limited and Royal Bank of Canada - Sydney Branch. All opinions and estimates contained in this report constitute RBC CM's judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. RBC CM and its affiliates may have an investment banking or other relationship with some or all of the issuers mentioned herein and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. Accordingly, the entities constituting RBC CM or their affiliates may at any time have a long or short position in any such security or option thereon. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the particular circumstances or needs of any specific person who may read it. To the full extent permitted by law neither RBC CM or any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC CM. The entities comprising RBC Capital Markets are wholly owned subsidiaries of the Royal Bank of Canada and are members of the RBC Financial Group.

### Additional information is available on request.

#### To U.S. Residents:

This publication has been approved by RBC Capital Markets Corporation, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets Corporation.

#### To Canadian Residents:

This publication has been approved by RBC Dominion Securities Inc. Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

#### To U.K. Residents:

This publication has been approved by Royal Bank of Canada Europe Limited ("RBCCEL") which is authorized and regulated by Financial Services Authority ("FSA"), in connection with its distribution in the United Kingdom. This material is not for distribution in the United Kingdom to private customers, as defined under the rules of the FSA. RBCCEL accepts responsibility for this report and its dissemination in the United Kingdom.

#### To Persons Receiving This Advice in Australia:

This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

#### To Hong Kong Residents:

This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited, a licensed corporation under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number is 2848-1388).

Copyright © RBC Capital Markets Corporation 2006 - Member SIPC

Copyright © RBC Dominion Securities Inc. 2006 - Member CIPF

Copyright © Royal Bank of Canada Europe Limited 2006

Copyright © Royal Bank of Canada 2006

All rights reserved