



OXUS GOLD PLC

Formal Approval for AGF Underground Project

LONDON: 6th December 2007 – Oxus Gold plc (“Oxus” or the “Company”) (OXS.L) is pleased to announce that Amantaytau Goldfields (“AGF”), its 50% owned joint venture company, has received formal approval from the Cabinet of Ministers of the Government of Uzbekistan to proceed with the AGF phase 2 underground sulphides project (“Phase 2”).

Wardell Armstrong International (“WAI”) has been commissioned to produce a bankable feasibility study based on a new increased tonnage Phase 2 base case scenario developed by AGF. As stated in the Company’s annual report, optimisation studies have been carried out which offer significant benefits over the original design. Instead of building a new stand-alone plant, the existing oxide CIP plant will be modified to accept sulphide ore. Since the plant modifications are mainly adding additional processing sections, the new plant can be constructed and commissioned without significantly affecting the existing plant production. Construction will be subject to the normal permitting process.

Re-using the existing plant will not only optimise capital but will also reduce lead times associated with the procurement of major equipment such as mills and allow AGF to start feeding sulphidic ore to the plant in the second quarter of 2009. In addition, since existing plant capacity is higher than that allowed for in the feasibility study, it is planned to increase the sulphide plant throughput from the original design tonnage of 750,000 tonnes per annum in 2009 to 1,200,000 tonnes per annum by 2012 as the underground ore production is expanded.

The base case also anticipates an initial expansion of the existing Centralny phase 1 oxide open pit (“Phase 1”) into the sulphide ore. This bankable feasibility study is expected to be completed by the end of the first quarter of 2008.

A feasibility study on the project was completed by WAI in September 2005. This original study estimated processing 750,000 tonnes a year to produce 151,000 ounces of gold annually over a life of mine of 13 years at a pre-production capital cost of US\$88 million and a total cash cost, excluding taxes, of US\$194/ounce. The new base case is expected to produce approximately 246,000 ounces of gold annually from the existing JORC compliant Severny Measured and Indicated underground Resources over an initial 7 year period. A total of 1.43 million ounces of gold will be produced during this initial period at an estimated total cash cost, excluding taxes, of US\$197/ounce, and US\$268/ounce including taxes. Significant exploration potential exists to increase the mine life through a further increase in reserves, and the mining of the existing Measured and Indicated underground Resource of 458,000 ounces at Centralny. These estimates are subject to the results of the bankable feasibility study being completed by WAI.

First gold production is expected from the Phase 2 project in mid 2009 by deepening the existing Centralny open pit mine to access the sulphide ores below the current level, while the primary underground access for Severny is being developed. The expanded pit design will incorporate access for the underground declines from the pit bottom, thereby reducing the length of the declines and allowing them to be developed in more solid ground which will reduce support costs. An additional 86,000 ounces of gold is expected to be extracted from the expanded Centralny pit at a capital cost of US\$9.6 million, and a total cash cost including taxes of US\$613/ounce.

The existing Phase 1 oxides plant will be modified by the addition of flotation and bio-oxidation sections to treat the sulphide ore. Construction can be undertaken without significantly affecting existing production from the oxide plant due to the modular nature of the plant modifications. Underground mining will be trackless with the ore either being trucked or conveyed to the plant. First gold production from the underground Severny mine is expected in mid 2010. The pre-production capital cost for the underground development and associated plant modification is estimated at US\$139 million.

The plan is to treat the remaining Phase 1 lower grade oxide ores through a new one million tonnes a year gold heap leach plant from the last quarter of 2008. This will be constructed at the existing Asaukak mine and will be fed from the low grade stockpiles already mined. The heap leach plant will be semi-mobile and will be used in conjunction with the existing one million tonnes a year Vysokovoltnoye gold / silver heap leach plant over the next 20 years in order to mine out all the potential oxide reserves within the AGF licence area.

From mid 2010, combined gold production from the Phase 2 underground mine and the ongoing Phase 1 heap leach open pit mines is expected to exceed 300,000 ounces a year.

The combined Severny and Centralny sulphide underground ore reserves are 9.71 million tonnes at an average grade of 7.71 grammes per tonne (g/t), containing 2.41 million ounces of gold. The ore reserve is within a combined measured and indicated resource above a 3.5 g/t cut-off of 10.32 million tonnes at an average grade of 9.0 g/t gold containing 2.97 million ounces of gold. There is an additional inferred resource of 2.05 million tonnes at an average grade of 7.6 g/t, containing a further 0.5 million ounces of gold. The ore bodies are open at depth and previous drilling at 500 metres below the currently explored ore body at Severny encountered 51.6 g/t gold over 8 metres. The resources and reserves are JORC compliant and derived from the original feasibility study completed by WAI.

Douglas Sutherland, acting Chairman of Oxus, comments “The Phase 2 underground project is the reason why Oxus invested in AGF. Over 80% of our resources are contained within this project and there is very significant potential to increase this further and to continue mining in excess of 300,000 ounces a year for well over a decade. We are delighted to have received formal approval from the Uzbek Government to proceed, and we shall now focus on bringing together all the relevant resources in order to bring the project into production as quickly as possible.”

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The reserves and resources stated in this announcement are taken from the Company's annual report and have been reviewed by the following Competent Person:

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