



Interim Report 2004
For the six months ended
31 December 2004

Rising to the challenge

HIGHLIGHTS

- *Net profit on ordinary activities of \$3.615 million*
- *Net Assets rise to \$133.9 million*
- *AGF produced 88,822 ounces of gold in period*
- *AGF reports \$15.8m profit for the year to 31 December 2004, after tax and debt service*
- *Construction underway at AGF's Vysokovoltnoye silver / gold heap leach project*
- *The Kyrgyz licensing authorities recommend that the Jerooy mining licence be reinstated*
- *16.49% strategic shareholding in Eurogold Limited acquired*
- *£30.6m raised for the development of the Jerooy mine, by placement of £13.6m of equity and £17m in convertible redeemable loan notes, of which 99.9% converted by due date*

REPORT ON ACTIVITIES

FINANCIAL RESULTS

The Group reported an unaudited profit on ordinary activities of \$3.615 million for the six month period ended 31 December 2004, and \$2.981 million after tax and minority interests. Net assets increased to \$133.9 million during the period and cash balances to \$26.97 million, excluding \$32.96 million of convertible redeemable loan notes held in escrow at 31 December 2004, 99.9% of which have subsequently been converted into the Company's ordinary shares, significantly further increasing the cash resources of the Group. As a result of the conversion Oxus issued 33,970,000 new ordinary shares to holders of the loan notes and the total number of shares in issue increased to 286,928,836.

Amantaytau Goldfields (AGF) in Uzbekistan, contributed \$4.168 million towards the consolidated turnover, being the Group's 50% attributable share of profits for the six month period. AGF itself reported a profit of \$15.8m for the year to 31 December 2004 after tax and debt service, having commenced commercial gold production in February 2004.

OPERATIONS

Amantaytau Goldfields

AGF commenced production in February 2004 the following table summarises the results for the first period of operations to 31 December 2004:

	6 months to 31 December 2004	12 Months to 31 December 2004
Ore mined	586,300	1,062,100
Ore processed	555,600	968,700
Average Grade (g/t)	6.2	5.8
Gold produced - ounces	88,822	148,511
Average Gold price received \$	\$340	\$334
Net Profit after tax and debt service	\$8.336 million	\$15.812 million

During the period February to December 2004, AGF achieved an average cash operating cost, calculated in accordance with the Gold Institute's Production Cost Standard, of \$159 per ounce and an average total production cost of \$201 per ounce. Gold recovery averaged 82.6%.

As at 28 February 2005 the AGF hedge book has been reduced to 120,229 ounces representing 46% of the original commitment. In addition, \$16m (46%) of the original \$35m project finance loan has been repaid to the lending syndicate. It is expected that both the gold hedge and the project loan will be repaid in accordance with the original schedule, by the end of January 2006.

Work continued on the AGF sulphide feasibility study, a first draft of which has now been completed. The final study is expected to be completed during April. Construction commenced at the Vysokovoltnoye silver / gold heap leach project and first production is expected early in the second half of this year at an annual rate of 50,000 ounces of gold equivalent at a cash operating cost of approximately \$150 per ounce. The detailed designs for the proposed AGF oxide mill expansion have also been completed and submitted to the relevant permitting authorities for approval.

In September 2004 AGF issued UZS 5 billion (US\$5m) in corporate bonds on the securities market in Uzbekistan to assist with the funding of Vysokovoltnoye and the sulphide feasibility study. This represented the largest issue yet placed on the Tashkent based exchange.

REPORT ON ACTIVITIES

JEROOY

The six months under review culminated with Oxus raising £30.6 million primarily to construct the Jerooy gold mine in the Kyrgyz Republic. The government of the Kyrgyz Republic purportedly cancelled the licence to operate this mine in August 2004. Oxus immediately repudiated this action, whilst simultaneously announcing that it would continue to build the mine. In November, the government advised Talas Gold Mining Company, the project operating subsidiary that provided it was able to show that it had raised adequate funds to construct the mine, and had met certain additional technical requirements, the licence would be re-instated. Having raised the appropriate funds, the detailed technical work has also now been completed to the satisfaction of the relevant licensing authorities who have recommended to the government that the licence be reinstated. A new licence agreement is therefore expected to be signed soon. Construction at the mine continued throughout the period and first gold production is still targeted for the end of the year.

OTHER ACTIVITY

In February 2005 the Group acquired a 16.49% strategic shareholding in Eurogold Limited, an Australian Company with gold exploration and mining operations in Romania and the Ukraine. Discussions continue with the management of Eurogold with a view to developing this alliance to the benefit of the shareholders of both companies.

In March 2005 the Group signed a co-operation agreement with the Navoi Mining and Metallurgical Combinat to work together with a view to developing the Kosmanachi silver / gold deposit situated near the AGF mine. The project has been extensively explored and is estimated to contain Soviet classified resources in the C1 and C2 categories of at least 40 million ounces of silver at an average grade of 105 grammes per tonne and 270,000 ounces of gold at an average grade of 0.5 grammes per tonne. Oxus intends to carry out a detailed review of all the existing data and to undertake a drilling programme to confirm the earlier exploration results in order to complete the pre-feasibility study. Kosmanachi also has additional resources in the Soviet P category.

EXPLORATION

A total of 11,367 metres of reverse circulation (RC) drilling and 637 metres of diamond core drilling was completed within the AGF exploration area, which focused on deposit mining preparation and increasing resource confidence. In summary the work completed was:

- 3,413m of RC drilling at the Asaukak deposit. High grade mineralisation has been encountered within existing mineralised zones, e.g. BH SRA44 intersecting 6m at 9.97g/t gold.
- 7,569m of RC drilling at the Vysokovoltnoye deposit defined mineralised zones in more detail. Higher than average gold veins have been identified within mineralised zones, e.g. BH SRV27 intersecting 9m at 4.97g/t gold.
- 385m was drilled in the Northern Uzunbulak/Zapadny Amantaytau area with the aim of extending known mineralised zones. The results show that mineralisation is present and further work on these extensions is planned.
- 344m of diamond drilling was focussed on recovering sulphide ore from Amantaytau Centralny for metallurgical testwork.
- As part of the aim to develop 500,000 ounces of additional reserves on the AGF balance sheet, all Soviet data for four deposits within the AGF exploration area was input into digital form. These deposits are being remodelled using Datamine® resource evaluation software and will be drilled in 2005.

REPORT ON ACTIVITIES

DIRECTORS

Following the board restructuring, Douglas Sutherland and Oliver Prior joined the board as non-executive directors and after the departure of certain directors there remain vacancies which the Company expect to fill in the near future.

OUTLOOK

The significant increase in shareholders' funds, the Group's strong cashflow and the strength of the balance sheet will provide the springboard for the next phase of the Company's development.

The Company looks forward to operating as an unhedged producer at both AGF and Jerooy from 2006 onwards. The Company also remains committed to achieving an annual attributable gold production of at least 500,000 ounces by 2008, and with this objective firmly in mind the Group will continue to pursue an aggressive exploration programme and to identify and develop strategic and other alliances.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months to 31 December 2004 (unaudited) \$'000	Twelve months to 30 June 2004 (audited) \$'000
Consolidated turnover	1,328	1,932
Interest in joint venture		
Income attributable	3,668	3,738
Dividend receivable	500	0
	4,168	3,738
Administration expenses	(1,102)	(5,287)
Deferred revenue expenditure incurred by Marakand Minerals Limited	(1,187)	(1,198)
Consolidated operating profit (loss)	3,207	(815)
Net interest receivable		
Group	155	212
Joint venture	363	575
	518	787
Profit (loss) on ordinary activities before exceptional items and taxation	3,725	(28)
Exceptional items		
re abortive 2002 project financing	(110)	(634)
re application to court to convert the share premium to distributable reserves	0	(156)
	(110)	(790)
Profit (loss) on ordinary activities	3,615	(818)
Net gain on disposal of minority interest in Marakand Minerals Limited	0	12,252
Profit (loss) on ordinary activities before taxation	3,615	11,434
Tax on profit (loss) on ordinary activities	(5)	(5)
Profit on ordinary activities after taxation	3,610	11,429
Minority interests – Group	(629)	(539)
Retained profit for the financial period/year	2,981	10,890
Earnings per share		
– basic profit (per share cents)	1.61	5.32
– diluted profit (per share cents)	1.58	5.20

Turnover is wholly derived from continuing activities.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTES:

- 1 The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. The principal accounting policies of the group are set out in the Group's annual report and financial statements.
- 2 The interim financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2004 have been filed with the Registrar of Companies.
- 3 Basic earnings per share is based on the weighted average number of shares in issue for the period of 224,048,919. Diluted earnings per share is based on the weighted average number of shares in issue for the period plus potential dilutive ordinary shares arising from share options and warrants for the period of 228,514,269.
- 4 The directors are not declaring a dividend for the period.
- 5 On 3 March 2005, 99.9% of the convertible redeemable loan notes were converted to equity and 33,970,000 new ordinary shares out of a possible 34,000,000 shares were issued.
- 6 The consolidated profit and loss account includes Oxus Gold plc and its attributable shares of subsidiaries and joint ventures.
- 7 Copies of this report are being sent to all shareholders. Additional copies will be available to the public at the registered office, 105 Piccadilly, London, W1J 7NJ and will be posted on the company's website at www.oxusgold.co.uk

CONSOLIDATED BALANCE SHEET

	At 31 December 2004 (unaudited) \$'000	At 30 June 2004 (audited) \$'000
Fixed assets		
Tangible assets	214	193
Exploration and mining rights	28,456	28,456
Exploration and evaluation properties	18,549	12,354
	47,219	41,003
Investments		
Interest in joint venture		
Share of gross assets	27,338	25,844
Share of gross liabilities	(15,812)	(17,987)
	11,526	7,857
Loan to joint venture	15,294	14,438
	26,820	22,295
Total fixed assets	74,039	63,298
Current assets		
Debtors	5,415	7,107
Monies receivable for convertible redeemable loan notes held in escrow	32,963	0
Cash at bank and in hand	26,974	5,541
	65,352	12,648
Creditors – amounts falling due within one year	(695)	(741)
Net current assets	64,657	11,907
Total assets less current liabilities	138,696	75,205
Creditors – amounts falling due after one year		
AGF Phase 2 Project Development Fund	(4,789)	(1,761)
Total assets less liabilities	133,907	73,444
Capital and reserves		
Called up share capital	3,825	3,289
Share premium account	29,842	5,861
Merger reserve	34,929	34,929
Capital reserve	19,658	19,656
Profit and loss account	(806)	(4,416)
Equity shareholders' funds	87,448	59,319
Convertible redeemable loan notes	32,963	0
Minority interests	13,496	14,125
Capital employed	133,907	73,444

CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31 December 2004 (unaudited) \$'000	Twelve months to 30 June 2004 (audited) \$'000
Net cash inflow (outflow) from operating activities	3,513	(11,787)
Returns on investments – Interest received	518	787
Taxation	(1)	0
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(49)	(241)
Exploration and evaluation expenditure	(6,195)	(3,167)
Funding of joint venture's capital expenditure	(856)	(1,632)
Net cash outflow for capital expenditure and financial investment	(7,100)	(5,040)
Disposals		
Sale of minority shares in subsidiary on flotation	0	5,846
Sale of minority shares in subsidiary	0	689
Net cash inflow from disposals	0	6,535
Net cash outflow before use of liquid resources and financing	(3,070)	(9,505)
Financing		
Issue of ordinary share capital	26,485	11,413
Expenses of share issues	(1,982)	(222)
Net cash inflow from financing	24,503	11,191
Increase in cash	21,433	1,686
Reconciliation to net cash		
Net cash at 1 July	5,541	3,855
Increase in net funds from cash flows	21,433	1,686
Net cash	26,974	5,541

RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 December 2004 (unaudited) \$'000	Twelve months to 30 June 2004 (audited) \$'000
Operating profit (loss) including exceptional items and minority interests		
Operating profit (loss)	3,207	(815)
Exceptional items	(110)	(790)
Minority interests	(629)	(539)
	2,468	(2,144)
Depreciation	28	48
Decrease (increase) in debtors and prepayments	1,692	(6,842)
Increase in creditors and accruals	2,982	344
Salaries and bonuses converted to shares	15	529
Income attributable to joint venture	(3,668)	(3,738)
(Profit) loss on foreign exchange	(4)	16
Net cash inflow (outflow) from operating activities	3,513	(11,787)

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

Profit for the year/period	3,610	11,429
Net proceeds of ordinary shares issued	24,517	11,720
Distribution of Marakand Minerals Limited shares	0	(17,490)
Capital reserve arising on revaluation of exploration and mining rights	0	16,296
Capital reserve arising on issue of shares in Marakand Minerals Limited	2	3,360
Minority interest adjustment	0	14
Net change in shareholders' funds	28,129	25,329
Shareholders' funds at beginning of period/year	59,319	33,990
Shareholders' funds	87,448	59,319

STATEMENT OF TOTAL CONSOLIDATED RECOGNISED GAINS AND LOSSES

Group profit for the financial period/year	3,610	11,429
Unrealised surplus arising from the revaluation of exploration and mining rights on flotation of Marakand Minerals Limited	0	16,296
Total recognised profit for the period/year	3,610	27,725

CORPORATE DETAILS

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Board of Directors:	William Trew – Chief Executive Officer Jonathan Kipps – Finance Director Richard Wilkins – Executive Director Oliver Prior – Non-executive Director Douglas Sutherland – Non-executive Director
Company Secretary:	Richard Wilkins
Nominated Adviser and Broker:	Canaccord Capital (Europe) Limited 1st Floor Brooke House, 27 Upper Brook Street, London W1K 7QF, United Kingdom
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Auditors:	BDO (Isle of Man) 9 Myrtle Street, Douglas, Isle of Man, IM1 1ED, British Isles
Registrars:	Capita Registrars The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom

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