



## news release

For immediate release: 10 October 2006

### Oxus Gold plc

#### **Final Results for the twelve months ended 30 June 2006**

LONDON: 10 October 2006 - Oxus Gold plc (“Oxus”, the “Company” or “the Group”) is pleased to report on its final results for the 12 months ended 30 June 2006 (the “year”).

#### **Highlights**

- Amantaytau Goldfields (“AGF”) reports \$11.29 million profit for the six month period to 30 June 2006 and \$20.33 million profit for the year
- Oxus reports gross profit of \$6.57 million for the year (2005: \$4.76 million); retained profit of \$2.11 million (2005: \$2.28 million)
- AGF produced 62,818 ounces of gold in the six month period to 30 June 2006 and 146,937 ounces for the year
- AGF project finance repaid and hedge commitments eliminated
- AGF has produced more than 371,500 ounces of gold since commencement of operations in 2004
- AGF’s Vysokovoltnoye has to date produced 2,122 kgs of doré containing 53,606 ounces of silver and 2,303 ounces of gold that awaits refining prior to sale. In addition, the plant has stockpiled over 45.5 tonnes of concentrate containing 257,052 ounces of silver and 3,878 ounces of gold
- Feasibility study for AGF’s Phase 2 sulphides underground project is progressing through the approval stage as part of Uzbek Government State Review
- AGF reports encouraging drilling results for the Asaukak cluster of deposits
- Major exploration and reserve development drilling programme underway with the intention of producing upgraded JORC resource and reserve statements at AGF
- Pre-stripping of overburden has started at the Asaukak deposit with the goal of commencing hard rock mining by end of October 2006 to supply additional feed to the AGF plant
- The Group increased its stake in Marakand Minerals to 85.78%
- \$20 million corporate credit facility drawn down in January 2006
- International arbitration commenced in respect of the Jerooy gold deposit

## **Report on Activities**

### **Financial Results**

The Group reports a rise in gross revenue, including attributable joint venture income, to \$13.55 million (2005: \$10.11 million) and an audited profit after taxation and minority interest of \$2.11 million (2005: \$2.28 million).

The profit on ordinary activities was \$0.411 million (2005: \$1.87 million) after deducting \$1.39 million (2005: \$nil) for stock based compensation. This is in accordance with International Financial Reporting Standard 2, which is being applied to the Group's accounts for the first time. A further \$4.67 million (2005: \$1.41 million) was deducted in respect of legal and other costs arising from the abortive 2002 project financing. This includes the costs of High Court litigation that resulted in a judgment in April 2006 which ruled that the cancellation by the Company in August 2003 of five million warrants granted to Templeton Insurance Limited in August 2001 was invalid.

Net assets increased to \$133.07 million (2005: \$122.73 million), including cash and cash equivalents of \$13.71 million (2005: \$34.83 million). During the year the Company issued 11,102,855 shares. The total number of shares in issue at 30 June 2006 was 298,120,198. Earnings per share, based on the average number of shares in issue during the year, were 0.73 US cents (2005: 0.92 US cents).

AGF in Uzbekistan contributed \$10.16 million (2005: \$6.43 million) towards the gross revenue, being the Group's 50% attributable share of profits for the year.

During July and August 2006 AGF underwent a State 'complex' tax, customs and compliance audit as part of the established regulatory procedure. All enterprises in Uzbekistan, whether State owned or otherwise, are subject to this procedure every three years.

As a result of the audit, at 30 June 2006 AGF has provided for \$2.60 million in taxes and interest relating to the period 1 January 2003 to 31 December 2005. In addition, a further amount of approximately \$7.00 million in withholding taxes on subcontractor invoices and customs duties is the subject of ongoing discussion with the relevant Uzbek authorities. The audit sought to impose various fines and penalties on AGF, and AGF is negotiating to have these amounts waived.

The Uzbek government has introduced two decrees that remove the tax privileges previously granted to AGF. As a result, AGF is currently operating under the regular Uzbek tax regime. AGF's legal advisors maintain that AGF is protected under Uzbek law from adverse changes to its investment environment until 2010, and AGF has applied to the relevant authorities, based on the 10 year legal protection, to have these privileges confirmed or reinstated as applicable.

Whatever the final outcome, AGF understands that it will be given reasonable time to pay any amounts due and is cooperating with the Uzbek authorities to ensure the minimum adverse effect on AGF's ongoing operations and expansion plans.

## Operations

### *Amantaytau Goldfields Phase 1 oxides project*

The following table summarises AGF's operating results:

	<b>Six months to 30 June 2006</b>	<b>Six months to 31 December 2005</b>	<b>Year to 30 June 2006</b>	<b>Year to 30 June 2005</b>
Ore mined, tonnes	770,930	746,644	1,517,574	1,407,200
Ore processed, tonnes	814,329	795,397	1,609,726	1,225,600
Average grade (g/t)	3.4	4.3	3.9	5.3
Average gold recovery (%)	69.8	76.7	73.6	79.1
Gold produced, ounces	62,818	84,119	146,937	166,318
Gold sales, ounces	62,843	91,195	154,038	158,670
Hedge ounces	Nil	76,699	76,699	134,270
Spot ounces	62,843	14,496	77,339	24,400
Average gold price \$ per ounce	594	353	451	338
Average cash cost \$ per ounce	329	196	250	177
Average total cost \$ per ounce	366	221	302	225
Net profit after tax & debt service	\$11,295m	\$9.042m	\$20.337m	\$12.872m

Despite the increase in tonnes mined and treated, year on year, annual gold production was down. This was due to the combined effect of lower grades and lower metallurgical recoveries. The former was related to a combination of dilution and lower grade ore mined. The latter was related to the increase of sulphidic and carbonaceous ore in the deeper parts of the pits.

As a consequence of the above, combined with the imposition of new, non-profit taxes total cost per ounce has increased substantially.

During the six month period to 31 December 2005 the AGF hedge book was eliminated, ahead of schedule, and Oxus bought out the balance of the project finance debt of \$8.40 million.

The AGF Vysokovoltnoye heap leach project produced its first silver and gold doré during the six month period to 30 June 2006. The stacking of agglomerated ore on the pads commenced during January 2006 and has shown a steady increase up to June 2006 when the tonnage of ore stacked was regularly exceeding design expectations. By June 2006 a total of 182,000 tonnes had been stacked of which only 76,000 tonnes was under irrigation. The tonnage difference is found on the side slopes which have yet to be irrigated. The Merrill Crowe plant is running at full capacity of 230 cubic metres per hour.

To date Vysokovoltnoye has produced 2,122 kgs of doré containing 53,606 ounces of silver and 2,303 ounces of gold. In addition to this the plant has stockpiled 45.58 tonnes of concentrate containing 257,052 ounces of silver and 3,878 ounces of gold. Difficulties have been experienced with smelting capacity and acid treatment which have prevented Vysokovoltnoye from converting the concentrate to doré product for refining and sale. It is anticipated that these difficulties will be overcome within the next 2 months, at which time the project will be fully operational, and the stockpile of concentrates will be refined and sold into the market.

## *Amantaytau Goldfields Phase 2 underground sulphides project*

The underground AGF Sulphides project study has been converted to meet Uzbek regulatory requirements. In September 2006 the Uzbek Government approved the technical scope of the feasibility study for the Phase 2 underground sulphides operation representing a significant step forward in the overall State expertise project approval procedure. Following this, the feasibility study was formally submitted to the Government for approval.

Progress of the detailed process design criteria is ongoing, and in particular consideration of various process technology partners. Access to the underground ore-body was obtained in mid-March 2006 following the refurbishment of Shaft 10 and bulk samples were obtained for confirmatory testwork, essential for the detailed design of plant with a long lead time.

The Sulphides project is designed to mine the deeper sulphide extensions to the oxide ore-bodies currently being mined by open-pit methods by AGF at Centralny and to mine the underground Severny ores. Combined, these deposits contain ore reserves of 9.71 million tonnes at an average grade of 7.71 g/t containing 2.41 million ounces of gold, within a mineral resource of 12.4 million tonnes at an average grade of 8.7g/t, and containing 3.50 million ounces of gold at a cut-off of 3.5 g/t gold. The total resource is 17.73 million tonnes at an average grade of 6.84g/t, and containing 3.90 million ounces of gold at zero cut-off grade.

Simultaneous submission of the study to the relevant State bodies should ensure the earliest approval. It is anticipated to receive final approval for the project late in the first quarter of 2007. Subject to the availability of finance, construction of the process plant could then start in April 2007 although it should be possible to begin construction of the access decline to the underground ore body in January. It is anticipated that commissioning and first gold would be around mid 2008 with full production attained three to four months later.

### **Jerooy**

In June 2006 Oxus served a notice of arbitration on the Kyrgyz Government in respect of the investment dispute over the Jerooy gold project. The notice was served pursuant to the UK-Kyrgyz Bilateral Investment Treaty. The Company, however, remained in ongoing discussions with the Kyrgyz Government and indicated that it was prepared to improve the returns to the Kyrgyz Government from the joint venture as originally structured.

Despite management's best efforts the Kyrgyz Government failed to respond positively and to reinstate the mining licence for the Jerooy project which was awarded on 19 July 2006 to another party. Group expenditure to date on Jerooy amounts to \$54.5 million before management fees and interest charges.

Oxus will continue to pursue all legal remedies available to it both within Kyrgyzstan and internationally, in order to have the licence reinstated or to seek appropriate compensation for the costs incurred to date and lost profits.

The Arbitration is ongoing and the parties have been directed to respect the confidentiality of these proceedings in public statements.

## **Other activity**

### *Eurogold*

During 2005 Oxus agreed to acquire certain assets of, and subsidiary company shares in, Eurogold Limited, a company listed on the Australian Stock Exchange and on the AIM market of the London Stock Exchange. In October 2005 the Company announced that it was withdrawing from this offer. But, as the major shareholder, with 15.4% of Eurogold, the Company continued to monitor developments as part of its ongoing planned investment strategy.

After further discussions Oxus entered into an asset purchase agreement in April 2006 with Eurogold to acquire certain assets owned by Eurogold in the Ukraine for £9.16 million cash consideration and agreed to the cancellation of the shares it holds in Eurogold, valued at that time at approximately £1.727 million.

Oxus terminated the asset purchase agreement when it became apparent that the Government approved C1/C2 reserves were significantly less than the 578,000 ounces that Oxus had been led to believe. Eurogold later confirmed that only a portion of the C1/C2 reserves had been fully approved and stated "Eurogold remains confident that the Central Planning Committee in Kiev will ultimately approve a C1/C2 ore reserve broadly in line with the 580,000 ounces estimate of the Regional Expedition". The issue is now the subject of litigation.

### *Marakand Minerals Limited*

During 2006, the Company acquired a further 28,842,066 shares in Marakand Minerals, increasing its stake from 57.23% to 85.78%. This acquisition, on a three for one basis, was settled by the issue of 9,614,016 shares in the Company.

Marakand's involvement in the development of the Khandiza deposit was to be by way of a Joint Venture ('JV') with the State Committee of Geology of the Republic of Uzbekistan ("Goscomgeology"). However, a recent decree of the Uzbek Government, transferring the Khandiza mineral reserves from Goscomgeology to the state owned Almalyk Mining and Metallurgical Combinat ("AMMC") has meant the previously proposed JV with Goscomgeology appears to have fallen away. Marakand is presently seeking to clarify the nature of its continued role in the project with the Uzbek Government.

Regional exploration work carried out in the South East Uzbekistan exploration areas during the year continued to indicate encouraging results.

Marakand has entered into exclusive option arrangements to acquire majority interests in two separate copper / gold license areas situated in southern Turkey, on which it is currently conducting exploration work. Initial work at the Hatay project shows that mineralisation, extends over at least 1,600m along strike. Grab samples collected by Marakand confirm significant levels of gold and copper. Analyses of samples from the eastern end of the area indicated the presence of up to 9.48 g/t gold and 3.09 % copper, whilst samples from the west of the area indicate up to 17.28 g/t gold but with less copper (0.15 %). A stream sediment sampling programme, together with further rock sampling, is expected to increase the overall strike extent of mineralization.

Marakand has established a technical office in Antakya and has commenced satellite image interpretation of the area. A programme of geological mapping, sampling and surveying has commenced, to be followed by surface drilling before the end of 2006.

On the 26 September 2006 the Company entered into a loan agreement which provides for Marakand to borrow up to \$500,000 of which \$260,000 had been advanced by 30 June 2006, and is renewable by mutual agreement. Interest is payable at 3% above 1 month LIBOR and the loan is secured by a pledge over Marakand's assets.

## **Exploration**

Exploration activities during the period were focussed on proving up new oxide reserves for AGF and latterly on upgrading resources at the deep sulphide project.

Reverse circulation (RC) drilling programmes on the Uzunbulak, and the Asaukak Cluster (Asaukak, Northern Asaukak, Sredinny and North Western deposits) were undertaken during the year. At Uzunbulak and Asaukak resource definition drilling programmes and geological modelling were completed. Exploration drilling programmes were also completed on Northern Asaukak and Aksai where geological modelling is now in progress.

Project development work comprised condemnation RC drilling for waste dump extensions and an infill drilling programme in the vicinity of the existing Amantaytau Centralny open pits as part of the assessment of the feasibility of a "Superpit" alternative option for mining the Centralny sulphides. A total of 37,196m of exploration and development RC drilling was completed during the year, of which 32,924m was exploration work.

The drill results from Aksai are particularly encouraging as the strike length of the oxide mineralisation has been extended beyond the original deposit limits defined by the Soviets/Uzbeks from 500m to 700m. Exploration drilling has been completed along the 800m strike length of the Northern Asaukak deposit. A 600m zone in the west and centre of the deposit has returned results which confirm the presence of a series of consistent mineralised bodies. Computer based geological modelling is in progress on these two deposits. Drilling continues at Sredinny where two 300m long zones on the western side of the deposit have returned relatively thick (10-20m) drill intersections with consistent mineralisation. Drilling to date on these deposits has returned values in line with the previously quoted resource figures.

An AGF revised Mineral Resource and Ore Reserve statement will be published with the 2006 Annual Report.

AGF has purchased two core drilling rigs and drilling operations commenced with the CS14 surface rig. A total of 942m of core drilling was achieved during the year. A total of 183m of exploration core drilling took place using both the AGF CS14 and contract drillers. The CS14 was primarily used to complete 659m of geotechnical drilling along the proposed access decline to the Amantaytau sulphides. The second core rig, a Diamec U6 underground drilling rig, was purchased with the intention of carrying out underground development and exploration drilling on the Amantaytau sulphide project.

During the year a structural and alteration geology interpretation of the AGF licence area using ASTER satellite imagery was completed. The results confirm the presence of areas of argillic alteration and silicification within the AGF licence area. The gold deposits at Amantaytau, Daugystau, Asaukak and Vysokovoltnoye are all characterised by the presence of this type of alteration. Based on the association between the alteration style and the gold mineralisation favourably altered areas will form the focus of ongoing exploration.

## **Directors**

Gordon Wylie joined the board of the Company as a non-executive director in February 2006. Mr Wylie is a geologist with over 30 years experience in the mining industry both as an exploration and mining geologist mainly with the Anglo American Group. He is a former Executive Officer of Exploration and Geology for AngloGold Ashanti. Gordon Wylie also serves as a geological consultant to the Group.

Darryl Norton was appointed as alternate director. Mr Norton has in excess of 23 years experience in the engineering and mining industry. He was responsible on behalf of the contractors, Maed Limited, for the construction of the Amantaytau Goldfields Oxide plant in Uzbekistan. Mr Norton was previously employed by Fluor, TWP, Bateman and Gencor before joining Maed Limited.

## **Outlook**

The Group has been through an uncertain period. Developments at Jerooy and Khandiza have been disappointing. However, with a strong production base at AGF underpinning ongoing operations, there is a solid foundation on which to build and the Group remains committed to expanding its production output from its current levels. The underground sulphides project at AGF, subject to availability of finance, will enable significant expansion. Expectations remain high and the directors are committed to protecting shareholder value. The mitigation of political risk and geographic diversification will also form an integral part of the strategy going forward. Operations will be expanded in both Turkey and the Ukraine.

In addition, a major geological programme is well advanced to convert the Group's resources into reserves, with the full resource statement to be published with the Annual Accounts.

Despite setbacks the year ended 30 June 2006 has seen record profits at AGF and the Company continues to look to the future with confidence.

For further information please visit [www.oxusgold.co.uk](http://www.oxusgold.co.uk) or contact:

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## CONSOLIDATED INCOME STATEMENT

(US\$000)	Year ended 30 June 2006	Year ended 30 June 2005
<b>Revenue</b>		
Gross revenue	3,383	3,678
Income attributable from joint venture	10,169	6,437
	<b>13,552</b>	<b>10,115</b>
<b>Expenses</b>		
Administration expenses	(5,749)	(3,067)
Deferred exploration and evaluation expenditure incurred by Marakand Minerals Limited	(1,224)	(2,281)
	<b>6,579</b>	<b>4,767</b>
<b>Gross profit</b>		
Stock-based compensation	(1,393)	-
Foreign exchange loss	(158)	(1,487)
Costs arising from abortive 2002 project financing	(4,617)	(1,410)
	<b>411</b>	<b>1,870</b>
<b>Profit from operations</b>		
Net interest receivable:		
- Group	3	696
- Joint venture	1,969	914
	<b>2,383</b>	<b>3,480</b>
<b>Profit before taxation</b>		
Taxation	15	(6)
	<b>2,398</b>	<b>3,474</b>
<b>Profit after taxation</b>		
Minority interests	(288)	(1,191)
	<b>2,110</b>	<b>2,283</b>
<b>Profit for the year</b>		
<b>Profit per share (US cents)</b>		
Basic	0.73	0.92
Diluted	0.71	0.90

## CONSOLIDATED BALANCE SHEET

(US\$000)	As at 30 June 2006	As at 30 June 2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,717	34,834
Trade and other receivables	10,172	5,954
	<b>23,889</b>	40,788
<b>Non-current assets</b>		
Exploration and mining properties and other tangible assets	95,870	60,228
Investments	51,318	43,306
	<b>147,188</b>	103,534
	<b>171,077</b>	144,322
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables due in less than one year	13,533	2,635
<b>Non-current liabilities</b>		
Trade and other payables due after one year	20,449	6,093
<b>Minority interests</b>	<b>4,020</b>	12,858
<b>Shareholders' Equity</b>		
Capital stock	4,774	4,581
Reserves	128,301	118,155
	<b>133,075</b>	122,736
	<b>171,077</b>	144,322

## CONSOLIDATED STATEMENT OF CASH FLOWS

(US\$000)	Year ended 30 June 2006	Year ended 30 June 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	2,110	2,283
Adjustments for:		
Depreciation	136	16
Profit on sale of assets	-	(6)
Salaries and bonuses converted to shares	42	33
Debt for services converted to shares	503	-
Income attributable from joint venture	(10,169)	(6,437)
Dividend from joint venture	1,250	-
Stock-based compensation	1,393	-
Profit on foreign exchange	-	13
Operating loss before working capital changes	(4,735)	(4,098)
(Increase) decrease in trade and other receivables	(4,218)	1,153
Increase in trade and other payables	25,254	6,226
<b>Net cash generated from operations</b>	<b>16,301</b>	<b>3,281</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure and financial investment		
Exploration and mining properties expenditure	(35,778)	(19,235)
Funding of joint venture's capital expenditure	(572)	(8,852)
Investments	(895)	(6,839)
Loan	(416)	-
<b>Net cash used in investing activities</b>	<b>(37,661)</b>	<b>(34,926)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Warrants and options exercised	243	146
Shares issued	-	60,792
<b>Net cash provided by financing activities</b>	<b>243</b>	<b>60,938</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(21,117)</b>	<b>29,293</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>34,834</b>	<b>5,541</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>13,717</b>	<b>34,834</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(US\$000)	Share capital	Capital reserve	Accumulated loss	Total	Minority interests	Total
<b>Balance as at 1 July 2004</b>	3,289	60,446	(4,416)	59,319	14,125	73,444
Shares issued	1,281	59,511	-	60,792	-	60,792
Warrants and options exercised	10	136	-	146	-	146
Conversion of directors' remuneration to shares	1	32	-	33	-	33
Stock-based compensation	-	-	-	-	-	-
Capital reserve arising on revaluation of investments	-	(1,117)	-	(1,117)	-	(1,117)
On consolidation	-	4	85	89	(76)	13
Profit for the year	-	-	3,474	3,474	(1,191)	2,283
<b>Balance as at 1 July 2005</b>	4,581	119,012	(857)	122,736	12,858	135,594
Shares issued	167	11,105	-	11,272	-	11,272
Warrants and options exercised	15	228	-	243	-	243
Conversion of services for equity	10	493	-	503	-	503
Conversion of directors' remuneration to shares	1	41	-	42	-	42
Stock-based compensation	-	1,364	-	1,364	29	1,393
Capital reserve arising on revaluation of investments	-	(2,790)	-	(2,790)	-	(2,790)
Capital reserve arising on shares in Marakand acquired during year	-	(11,272)	-	(11,272)	-	(11,272)
On consolidation of minority interests	-	9,794	(1,215)	8,579	(8,579)	-
Profit for the year	-	-	2,398	2,398	(288)	2,110
<b>Balance as at 30 June 2006</b>	4,774	127,975	326	133,075	4,020	137,095

### NOTES

- The above financial information for the year ended 30 June 2006 is audited, with an unqualified opinion, and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 30 June 2005 has been extracted from the accounts for that year, which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified opinion. Statutory accounts for the year ended 30 June 2006 will be delivered to the Registrar of Companies. The Annual Report will be posted to shareholders in mid-November 2006 and the Annual General Meeting will be held on the 7 December 2006.
- The basic and diluted profit per share has been calculated by reference to profit for the year, after taxation, of \$2.110 million (2005: \$2.283 million) and the weighted average number of ordinary shares in issue of 290,744,132 (2004: 248,790,894).
- The directors do not recommend the payment of a dividend in respect of this period (2005: Nil).

4. The Consolidated Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the Standing Committee of the IASB.
5. The licence relating to the Jerooy project is under dispute with the Government of the Republic of Kyrgyzstan, whilst Marakand is seeking clarification of its role in the Khandiza project in Uzbekistan. The Company is of the opinion that the licences will be reinstated or that the Company will receive appropriate compensation to include the sunk expenditure, therefore that no diminution in value is appropriate.
6. On 4 August 2003 the Company cancelled 5,000,000 warrants for shares exercisable at £0.1525 per share, believing that it was entitled to do so. The grantee disputed this cancellation, and following litigation the warrants were ordered by the court to be reinstated. The warrants have been returned to the ownership of Oxus. After the year-end, the Company paid an interim amount of £2.97 million in damages (including interest) plus £0.36 million in costs, on account of the damages, interest and costs claimed by the grantee. The interim amount has been accrued at 30 June 2006 and set off against a credit for the value to the Company of the re-instated warrants less the exercise price. The net charge to the Profit and Loss Account in the year for the interim amount was \$2.028 million excluding legal costs already provided. These warrants, which were due to expire on 8 August 2006, have been extended for a further six months.

In the litigation, the grantee asserted an entitlement, under an adjustment provision in the original warrant deed, to an additional 3,313,380 warrants. The Company disputes this entitlement.