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Price:	\$0.79	Price Target:	\$1.40
	£0.45		£0.80
52-Wk High:	£0.71	52-Wk Low:	£0.42
Float (MM):	256.3	Debt-to-Cap:	0.2
Shs O/S (MM):	256.3	Mkt Cap (MM):	\$202.5
Dividend:	\$0.00	Yield:	0.0%
Tr. 12 ROE:	14.80%	3-Yr Est. EPS Gr:	238.0%
Trading Volume (000s):	1197		
Strategic Shareholders:	RAB Capital 14.5%		

(FY June 30)	2004A	2005A	2006E	2007E
EPS	\$0.05	\$0.04	\$0.10	\$0.17
P/E	15.8	19.8	7.9	4.6
CFPS	\$0.00	\$0.05	\$0.12	\$0.19
P/CFPS	n.m.	15.8	6.6	4.2
EPS		1H		2H
2004A		(\$0.01)		\$0.06
2005E		\$0.01		\$0.03
2006E		\$0.04		\$0.07
Cash Flow				
2002A		(\$0.01)		\$0.00
2003E		\$0.01		\$0.04
2004E		\$0.04		\$0.12
Prod'n ('000oz)				
2002A		0.0		29.8
2003E		44.5		57.1
2004E		53.3		64.7

All values in US\$ unless otherwise noted.

Priced as of 26th July 26, 2005

For Required Disclosures, please see page 5.

Oxus Gold Plc

(LSE: OXS)

Outperform Speculative Risk

Near term wobble as the wait continues

Event

Update report following discussions with management and the acquisition of Eurogold Limited assets.

Investment Opinion

- **AGF Oxides** – The production problems that were encountered in the Amantaytau open pit in Q1 seem to be behind them now with the grade and recoveries holding up well over the past few months. **Production from the mine is expected to fall materially from September onwards** as a result of the depletion of the high-grade zone at Centralny, approx. six months earlier than we expected. **The plan to expand the oxides plant capacity from 1 mtpa to 2 mtpa appears to have been shelved.**
- **Vysokovoltnoye Project** - Ore stacking is expected to begin in early September at the silver/gold heap leach project with full production expected by December. Construction is running about a month behind schedule. The proposed production rate is approximately 15% lower than the estimates carried in our financial model.
- **AGF Phase 2 Sulphides Project** - The feasibility study is scheduled **to be released in early September**. We understand that the Uzbekistan government is insistent on the BIOX process over roasting with obvious capital cost implications. As a result, we have revised our capital cost estimate up to US\$70 million (all inclusive) for the project. As a result of the delay, we have pushed out production by six months in our financial model with gold production from the sulphides to start in H2-2006.
- **Jerooy Project** - The reinstatement of the Jerooy license (annulled in August 2004) remains outstanding despite the July 10 elections in Kyrgyzstan. It is our understanding that the president-elect and the prime minister-elect are both supportive of the reinstatement of the license, despite calls for the license to be put out to tender from certain cabinet members. **The fact remains that no decision has yet been taken.**
- **Valuation.** We have updated our model for the revised production and cost profile at Amantaytau, Vysokovoltnoye and Jerooy, as well as the dilution following the acquisition of the Eurogold assets. **Our NAV (@5%) changes from £0.99 to £0.79.** We continue to use a 1.0x P/NAV multiple for a revised 12-month target of £0.80 per share or US\$1.40/share (down from £1.00 or US\$1.88). We rank the company an **Outperform, Speculative Risk.**
- Commodity prices, production risk, political and fiscal risk, mineral right ownership, environmental regulations. The most prevalent risks are **mineral right ownership risk** and production risk as it progresses with the development of an underground mine at Amantaytau.

Details

Update report following discussions with management and the acquisition of Eurogold Limited assets.

Amantaytau Goldfields (AGF)-Oxide Plant

The production problems that were encountered in the Amantaytau open pit in Q1, which were related to a block of transitional ore mined at the base of pit shell 1, seem to be behind them now with **the grade and recoveries holding up well over the past few months**. The mine is currently producing approximately 19,000 ounces per month at a total cash cost (C2) of US\$200/oz. The AGF mine has produced 235,000 ounces of gold (50% attributable) since commencing production in February 2004, and has closed out 58% of the hedge book (forward sales at US\$323.50/oz). It is estimated that Oxus will have repaid US\$21.5 million of the US\$30 million project finance facility at the end of July. By the end of January, it is expected that the debt will be fully repaid and that the associated hedge book (55,000 ounces remaining) will be completely closed out.

Although we initially attributed the increase in the cash costs to recovery problems in the plant, the persistence of the cash costs at current levels suggests continued rehandling of the problematic transitional ore and stockpiled low grade ore, higher contract mining costs and that some of the cost of developing the Vysokovoltnoye project is being loaded on AGF. The Centralny pit is currently going through a very high grade (14-15 g/t) zone. This ore is being blended with stockpiled low grade ore in order to maintain an optimum feed grade to the mill of 6.5 g/t. **Production from the mine is expected to fall materially from September onwards** as a result of the depletion of the high grade zone at Centralny. We are expecting the grade to fall to just over 5 g/t in line with the estimated remaining proven and probable reserves at Centralny of 1.6 mt @ 5.29 g/t. This ore will be blended with low -grade ore from the neighbouring Uzumbulak pit (proven & probable reserves stand 1.35 mt @ 2.26 g/t) in late 2005 and into 2006. The Centralny pit is expected to be depleted in late 2006/early 2007, approximately six months earlier than we expected. **The Plan to expand the oxides plant capacity from 1 mtpa to 2 mtpa appears to have been shelved.**

We have revised our production estimates and our unit cost estimates for AGF in financial years 2006 and 2007 based on this new information. We understand that drilling is expected to commence on a number of prospective satellite pits that will feed the mill beyond 2008. However, we are loath to apply economic parameters on this upside at this stage.

Vysokovoltnoye Project

Ore stacking is expected to begin in early September at the Vysokovoltnoye silver/gold heap leach project (50% attributable) with full production expected by December. The company anticipates an average annual production rate of 85,000 tonnes per month stacked, initially producing 85,000 gold equivalent¹ ounces (100% basis) at a cash operating cost of US\$150/oz, before settling down at around 45,000 gold equivalent ounces. Proven and probable reserves in the two pits (4 & 7) contain 8.7 million oz silver at 68g/t and 153,000 oz gold at 1.19g/t. The two pits (both 20 month lives) will be mined in sequence starting with the high-grade No.7 pit (130 g/t Ag). The recovery rate is expected to build up to 90% by month four (January 2006). Construction is running about a month behind schedule. **The proposed production rate is approximately 15% lower than the estimates carried in our financial model.** Accordingly, we have revised our valuation for the project down from US\$29 million to US\$27 million.

In March, Oxus signed a 50-50% agreement with the State Navoi Mining, with a view to develop the Kosmananachi silver/gold deposit situated 20km from the AGF mine. Oxus intends to conduct drilling on the property to validate the historic data and undertake a pre-feasibility study within the next 12 months. We have not placed a value on this agreement but believe that it could add significant value to the current value that we attribute to Vysokovoltnoye, should the current project prove successful.

AGF Phase 2 Sulphides Project

The feasibility study conducted by Wardell Armstrong for the AGF sulphide project was completed in May 2005 but not released to the market because of required reworking of the mining plan and the finalisation of the metallurgical plant decision. The current JORC reserves stand at 2.03 million ounces at 11.54 g/t, and JORC M,I resources at 2.34 million ounces, of which 50% is attributable to Oxus. The project capital was originally estimated at US\$28 million with a cost over-run contingency of 20% and including US\$12 million for the construction of the sulphide plant. We have modeled an underground throughput of 850Kt per year after initial mining of the sulphides from the base of the open pit. The capital estimate assumes the purchasing of a second hand roaster instead of a BIOX plant, saving the company US\$29 million in capital costs. However, we understand that **the Uzbekistan government is insistent on the BIOX process over roasting**. As a result, we have revised our capital cost estimate up to US\$70 million (all inclusive) for the project.

The second major decision that has to be made is whether the company adopts the "Super Pit" or the underground option to extract the sulphide reserves. Although the Super Pit option may yield the company more ounces over the life of the project and

¹ Using a silver price of US\$7.10 per ounce

could enhance the value of the project, this option appears to be a non-starter due to the high upfront stripping costs. Our base case valuation assumes underground mining the sulphides from the base of the Centralny pit and the utilization of existing exploration shafts.

The feasibility study is now scheduled to be released in early September. As a result of the delay, we have pushed out production by six months in our financial model with gold production from the sulphides to start in H2-2006 (Q1-FY2007) at 160,000oz (80,000oz attributable) at around US\$130/oz, ramping up to 260,000oz (130,000oz attributable) by FY2009-2010, slightly more conservative than the company's estimates of 276,000oz.

Jerooj Project

The reinstatement of the Jerooj license (annulled in August 2004) remains outstanding despite the post-“revolution” elections in Kyrgyzstan, which took place on July 10. It is our understanding that president-elect Kurmanbek Bakiev and prime minister-elect Felix Kulov are both supportive of the reinstatement of the license, despite calls for the license to be put out to tender from certain cabinet members whose agendas are unclear. **The fact remains that no decision has yet been taken.**

Bakiev will be inaugurated as President on August 14 and is expected to propose Kulov as prime minister three days later. The formal appointment of Kulov and the remaining members of the cabinet will follow over a two-week period. Realistically, our reading of the situation is that **it is unlikely that any decision on the Jerooj license will be taken before mid-September.**

Despite the uncertainty with regards to the reinstatement of the license, Oxus continues to forge ahead with the construction of the mine. Power has been installed on site, the accommodation blocks are virtually complete and the steelwork is about to commence following the completion of the foundation work. Progress to date has won over the support of the local Governor, who is lobbying the government for the reinstatement of the license. Key critical path decisions need to be taken within the next six weeks which will determine whether the project remains on schedule (revised) for production in Q2 2006. To date US\$13 million of the US\$55 million raised at the beginning of the year has been spent on the project.

Eurogold Acquisition

On July 14, Oxus acquired the Romanian and Ukrainian assets of Eurogold Limited for £17.34 million, or US\$30.4 million, in an all scrip offer. After canceling out the 17.44% of the fully diluted Eurogold share capital already owned, Oxus will be issuing 30.6 million new shares to Eurogold for the assets. This transaction will increase Oxus shares outstanding by 11% to 317.5 million.

The value-add of this transaction for Oxus shareholders remains unclear and difficult to quantify at this stage. Oxus has acquired **50% of Transgold SA** in Romania, which operates a 2.5 mtpa CIL plant at Baia Mare. The plant was constructed in 1998 at a capital cost of US\$28 million to process tailings from a state owned gold mine operated by Remin, their partner in Transgold SA. Following an environmental disaster in 2000, the mine changed its emphasis to hardrock mining and recently started openpit mining the Hanau deposit 20 kilometres from the plant. In the March 2005 quarter, the mill processed 59,762 tonnes of ore producing 4,064 ounces of gold and 16,833 ounces of silver at cash costs of US\$478/oz, up from US\$387/oz the previous quarter. A Central Tailings Dam Project to feed the mill for 4 years from late 2005 is being investigated by Transgold and is subject to project financing being approved. Exploration work has delineated two other deposits in the region.

Oxus also acquired **99.9% of the Sualyak Gold Project** in the far southwest of Ukraine, located 60 kilometers from the Baia Mare plant. The deposit has an estimated resource (C1 & C2) of 2.14 million tonnes at 8.4 g/t, containing approximately 578,000 ounces of gold. In addition, 2.53 million tonnes at 8 g/t, being 650,000 ounces, has been identified from the 2004 drilling programme, and classified as “Inferred” under the JORC resource classification system.

We believe that the “sleeper” in the portfolio could be the **6.33% interest** in the **Beregove gold project**, with an option to increase the stake to 20%. The project is located 80 kilometres northwest of Baia Mare in the Ukraine and comprises the Beregove, Muzhievo and Kvasove gold prospects. Mining and processing of ore from underground continues on a small scale at the operation.

The nature of the transaction with Eurogold means that any potential liability associated with the environmental disaster at Baia Mare in 2000 stays with Eurogold while the assets are stripped out into Oxus. This frees Oxus up to conclude agreements between Transgold, who are in possession of a hungry plant, and other projects in the region. The resources identified at Sualyak imply that Oxus paid US\$47 per reserve ounce (C1 & C2) for the assets, on Sualyak alone.

The value of the transaction lies in the regional and project specific exploration upside as well as the ability of Oxus to leverage off its positioning in the region. The timing seems opportunistic and to a certain degree a reaction to the slowing pace of Oxus' targeted production build-up to 500,000 ounces per annum. On balance, we see the transaction as value neutral for Oxus shareholders on the back of the exploration upside that is difficult to quantify. We have increased the value of Oxus' exploration portfolio by US\$30 million to capture the value of the Eurogold assets.

Investment Advice

Management earned its credibility when it successfully developed the Amantaytau oxide mine in Uzbekistan in 2003/04, the pilot project for the high-value Amantaytau sulphide mine. However, delays in securing the reinstatement of the Jerooy license and delays in releasing the Amantaytau sulphide feasibility study is fast undermining this hard-earned credibility. In addition, amendments to the mining plans at AGF openpit and Vysokovoltnoye from the schedule released in November 2004 are causing further damage to the company's reputation.

We are not overly concerned about the revised mining plan at the open pit mine. By January, the plant will be fully paid for with sufficient satellite deposits in the region available to keep the plant operating for a number of years, albeit that the forecast lower production levels translates into lower free cashflow estimates than earlier indications. In reality, the principal value in company (NAV of £0.79) lies in the AGF sulphide project (£0.26 per share) and Jerooy (£0.27). The sulphide project remains very attractive; however, reduced cashflows from the oxide mine and possibility of a significant upward revision to the proposed capital expenditure, has introduced funding concerns.

At £0.45 per share, the market appears to be discounting the loss of the Jerooy mining license and placing no value on exploration upside. Despite the downward revisions discussed in this report, which we attribute to overambitious plans driven by the a fixation to produce 500,000 ounce per annum in a very short time period, we recognize the inherent value in the company and the platform that is being developed to convert exploration ounces into reserves and resources over the coming years. However, **we are becoming increasingly despondent with the slow rate of converting exploration ounces into measurable reserves and resources.** A well targeted exploration programme is clearly missing in this company. We feel that the acquisition of the Eurogold assets simply exacerbates the problem and that the market will not recognize the exploration potential in Romania and Ukraine in the short to medium term.

Valuation

We have updated our model for the revised production and cost profile at Amantaytau, Vysokovoltnoye and Jerooy, as well as the dilution following the acquisition of the Eurogold assets. Our NAV (@5%) changes from £0.99 to £0.79. We continue to use a 1.0x P/NAV multiple for a 12-month target of £0.80 per share or US\$1.40/share (down from £1.00 or US\$1.88). Our EPS and CFPS estimates for FY2005 remain unchanged. In our NAV calculation we have modeled each project separately and placed a value of US\$15/oz for the 'unmined indicated resource ounces' of 3.02 million ounces. To be conservative we have not given any value to attributable gold inferred resource ounces nor prognostic resources, nor the recent resource from the Kosmananachi silver/gold deposit. We continue to rank the company an Outperform, Speculative Risk.

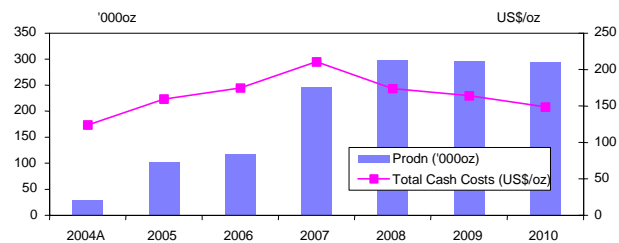
Price Target Impediments

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 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, and a 57% 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											
LSE: OXS	Share Price:	\$0.79	£0.45	Stock Rating:	Outperform	1 Yr Target:	\$1.40	£0.80			
	Market Cap: (US\$MM)	\$201.9	£115.3	Risk Qualifier:	Speculative						
Fiscal Year Ended Jun 30											
RATIO ANALYSIS					BALANCE SHEET						
		FY2004A	FY2005E	FY2006E	FY2007E		FY2004A	FY2005E	FY2006E	FY2007E	
Gold Price	US\$/oz	389	425	454	455	Cash & equivalents	US\$MM	5.5	60.0	42.0	69.1
Shares outstanding-FD	MM	220.3	256.3	317.5	317.5	Other current assets		7.1	5.4	5.4	5.4
Net profit	US\$MM	10.9	11.4	32.6	53.1	Net fixed assets		79.2	96.6	144.1	170.7
EPS	US\$	0.05	0.04	0.10	0.17	Total assets		91.8	162.0	191.5	245.2
P/E	x	15.93x	17.75x	7.67x	4.71x	Current liabilities		0.7	0.7	0.7	0.7
CFPS	US\$	0.00	0.05	0.12	0.19	Long-term debt		17.6	12.0	8.9	9.5
P/CF	x	n.m.	14.84x	6.84x	4.05x	Other non-current liabilities		0.0	4.8	4.8	4.8
Dividend per share	US\$	0.00	0.00	0.00	0.00	Total Liabilities		18.4	17.5	14.3	15.0
Dividend yield	%	0.00%	0.00%	0.00%	0.00%	Total shareholder's equity		73.4	144.6	177.2	230.2
Book value per share	US\$	0.42	0.63	0.60	0.77	Total liabilities & equity		91.8	162.0	191.5	245.2
P/Book value	x	1.89x	1.25x	1.31x	1.02x	ATTRIB. MINE STATS					
R.O.E	%	15%	8%	18%	23%	Attributable Gold Production	000oz	29.84	101.52	118.04	246.88
R.O.A	%	12%	7%	17%	22%	Cash Costs	US\$/oz	0	160	175	211
EBITDA	US\$MM	0.0	0.0	0.0	0.1	Reserves	M Moz	3.0	2.9	2.8	2.5
EBITDA per share	US\$	0.00	0.00	0.00	0.00	Adj. Market Cap/Reserve oz	US\$		70		
PROFIT & LOSS					PRODUCTION PROFILE						
		FY2004A	FY2005E	FY2006E	FY2007E	Resources	M Moz	6.4	6.4	6.4	6.4
Mining revenue	US\$MM	5.7	35.8	59.2	119.2	Adj. Market Cap/JORC Resource oz	US\$		32		
Gold production costs		0.0	16.9	23.1	55.8	Adj. Market Cap/Total Resource oz	US\$		11		
Mine Operating Profit		5.7	18.9	36.1	63.4	Hedge Committed Oz-50%	000oz	0.0	30.6	29.5	0.0
DD&A		0.0	3.0	4.0	8.6	% of Annual Production		0.0	30.1%	25.0%	0.0%
Other Expenses		6.5	2.3	2.4	2.4	Total Committed Ozs	000oz		60.1		
Investment Income		0.8	2.1	4.3	6.7	ESTIMATED SHARE VALUATION					
Interest expense		0.0	0.5	0.1	0.0	Projects	% Ownership	US\$MM	US\$/Shr	GBP/Shr	
Exceptional Gain(loss)		11.5	-0.1	0.0	0.0	Amanlaytau O/P (NPV @5%)	50%	33.7	0.11	0.06	
Taxation		0.0	0.0	0.2	4.8	Amanlaytau U/G (NPV @5%)	50%	147.0	0.46	0.26	
Minority interests		0.5	1.2	1.2	1.2	Vysokovolnoye (NPV @5%)	50%	27.1	0.09	0.05	
Net Profit After Tax		10.9	13.7	32.6	53.1	Jerooy O/P (NPV @ 5%)	67%	38.1	0.12	0.07	
Dividends		0.0	0.0	0.0	0.0	Jerooy U/G (NPV @ 5%)	67%	109.5	0.34	0.20	
EPS	US\$	0.05	0.04	0.10	0.17	Marakand Minerals (Market)	57%	6.4	0.02	0.01	
DPS	US\$	0.00	0.00	0.00	0.00	Net Operating Assets		361.7	1.14	0.65	
CASH FLOWS					Exploration Assets						
		FY2004A	FY2005E	FY2006E	FY2007E		50-100%	45.3	0.14	0.08	
Net Cash From Operations		-11.0	14.6	36.6	61.7	Hedge	50%	-6.7	-0.02	-0.01	
Capital expenditure	US\$MM	-3.3	-15.8	-51.5	-35.2	Corporate UK Tax		-18.6	-0.06	-0.03	
Changes in other non-cash items		4.8	0.0	0.0	0.0	Working Capital		57.8	0.18	0.10	
Net cash in investments		1.5	-15.9	-51.5	-35.2	Debt		-15.9	-0.05	-0.03	
Debt issued (repaid)		1.8	-3.9	-3.1	0.6	Management Fees	100%	36.1	0.11	0.06	
Dividends		0.0	0.0	0.0	0.0	Corporate G&A	100%	-18.4	-0.06	-0.03	
Shares issued		9.4	59.6	0.0	0.0	Net Asset Value (@5%)		441.3	1.39	0.79	
Other non-current liabilities		0.0	0.0	0.0	0.0	*JORC M1 oz not mined = Measured & Indicated Resources not mined					
Net cash from financing		11.2	55.7	-3.1	0.6						
Net change in cash		1.7	54.5	-18.1	27.1						
Beginning cash		3.9	5.5	60.0	42.0						
Ending cash		5.5	60.0	42.0	69.1						
CFPS	US\$	0.00	0.05	0.12	0.19						



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Rating	Count	Percent	Count	Percent
BUY [TP/O]	398	43.31	144	36.18
HOLD [SP]	439	47.77	132	30.07
SELL [U]	82	8.92	27	32.93



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