

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services Act 1986 of the United Kingdom (the “FSA”) who specialises in advising on the acquisition of shares and other securities.

This document which is an admission document, has been drawn up in accordance with the AIM Rules and has been issued in connection with the application for admission to trading of the Ordinary Shares on AIM. A copy of this document (a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995) has been delivered to the Registrar of Companies in England and Wales for registration, in accordance with regulation 4(2) of those regulations.

Application has been made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to AIM. It is expected that Admission will take place and that trading in the Existing Ordinary Shares and New Ordinary Shares will commence on AIM on 4 July 2001.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not officially listed. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. You should be aware that an investment in Oxus Mining plc involves a high degree of risk. Your attention is drawn to the Risk Factors set out in Part II of this document.

OXUS MINING plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered No. 4056219)

Placing of 26,666,666 New Ordinary Shares of 1p each at 30p per share

Admission to trading on the Alternative Investment Market

Nominated Adviser and Broker

OLD MUTUAL SECURITIES

Share capital immediately following the Placing and Admission

Authorised:			Issued and fully paid:	
Nominal	Number		Nominal	Number
£2,300,000	230,000,000	Ordinary Shares of 1p each	£1,243,492	124,349,216

The New Ordinary Shares will, upon Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

The Existing Ordinary Shares and the New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities legislation of any state of the United States of America, Canada or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Canada or Japan or to or for the account or benefit of any national, resident or citizen of Canada or Japan or any person located in the United States of America. This document does not constitute an offer, or the solicitation of an offer, to subscribe or buy any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or such solicitation in such a jurisdiction. **The attention of investors outside the United Kingdom is drawn to paragraph 16 of Part IX of this document.**

The Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

In accordance with the AIM Rules, Old Mutual Securities has confirmed to the London Stock Exchange that the Directors have received satisfactory advice and guidance as to the nature of their obligations to ensure compliance by Oxus with the AIM Rules and that, to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules (save for this document’s compliance with Regulation 9 of the Public Offers of Securities Regulations 1995) have been complied with. In giving its confirmation to the London Stock Exchange, Old Mutual Securities has not made its own enquiries except as to matters which have come to its attention on which it considers it necessary to satisfy itself. Old Mutual Securities has not authorised the contents of, or any part of, this document and no representation or warranty, express or implied, is made by Old Mutual Securities as to any of the contents of this document, and without limiting the statutory rights of any person to whom this document is issued, no liability whatsoever is accepted by Old Mutual Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Old Mutual Securities is acting for Oxus and Oxus Resources only in connection with the matters referred to in this document and shall not be responsible to anyone other than Oxus and Oxus Resources for providing the protections afforded to its customers or for providing advice in connection with the transactions referred to in this document.

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DEFINITIONS

“Accountants’ Reports”	the accountants’ reports on the Company and Oxus Group as set out in Parts VII and VIII of this document
“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Existing Ordinary Shares and New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AGF”	Amantaytau Goldfields A.O., a company incorporated and registered in Uzbekistan in which Oxus Resources has a 50 per cent. interest
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers
“Amantaytau Phase I”	the open pit mining and heap leaching of the oxide ores of the Amantaytau
“or “Phase I”	Centralny, Uzunbulak and Vysokovoltnoye deposits
“Amantaytau Phase II” or “Phase II”	the underground mining and processing of the sulphide ores of the Amantaytau Centralny and Amantaytau Severny deposits
“Articles”	the Articles of Association of the Company at the date of this document, a summary of certain provisions of which is set out in paragraph 3 of Part IX of this document
“CIS”	Commonwealth of Independent States
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel, published in June 1998
“Company”	Oxus Mining plc
“Concession Agreement”	the proposed concession agreement to be made between Oxus Resources and Goscomgeology, which is intended to replace the Primary Exploration Agreement in relation to the Khandiza Deposit
“CREST”	the system for paperless settlement of trades and holdings of uncertificated shares administered by CRESTCo Limited
“CREST Member”	a person who has been admitted by CRESTCo as a system member (as defined in the Regulations)
“CREST Participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations)
“CSMA”	CSMA Consultants Limited, minerals industry consultants
“Competent Persons’ Report”	the report by CSMA on the Group’s principal mining properties as set out in Part V of this document
“Directors” or “Board”	the Directors of the Company
“Existing Ordinary Shares”	Ordinary Shares in issue at the date of this document and Ordinary Shares which will be in issue on completion of the Reorganisation
“Founders”	Charles Cooper, Roger Turner and Richard Wilkins
“FSU States”	Former Soviet Union States
“Goscomgeology”	the State Committee of the Republic of Uzbekistan for Geology and Mineral Resources
“IFC”	International Finance Corporation, part of the World Bank
“IMF”	International Monetary Fund

“Khandiza Deposit”	the zinc VMS deposit, which also contains silver, lead and copper by-products at Khandiza, Uzbekistan
“Kappes Cassiday” or “KCA”	Kappes Cassiday Associates, metallurgical consultants
“Kyrgyzaltyn”	a State owned joint stock company incorporated and registered in Kyrgyzstan
“Kvaerner”	Kvaerner Metals, a division of Kvaerner Canada Inc
“Lakefield”	Lakefield Research Limited, metallurgical consultants
“London Stock Exchange”	London Stock Exchange plc
“Lonmin”	Lonmin plc, formerly Lonrho plc
“Navoi MMC”	Navoi Mining and Metallurgical Combinat
“New Ordinary Shares”	the 26,666,666 Ordinary Shares to be issued pursuant to the Placing
“Normandy”	Normandy Mining Limited, a company incorporated and registered in Australia
“Norox”	Norox Mining Company Limited
“Old Mutual Securities” or “OMS”	a division of Old Mutual Securities Limited
“Option”	an option granted under the Share Incentive Plan
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Oxus Group” or “Group”	the Company and its subsidiary undertakings, or in respect of periods prior to the Reorganisation, Oxus Resources Corporation and its subsidiary undertakings
“Oxus”	Oxus Mining plc
“Oxus Resources”	Oxus Resources Corporation, a company incorporated and registered in the British Virgin Islands which will, on completion of the Reorganisation, be a subsidiary of Oxus
“Oxus Resources Purchase Warrants”	warrants to subscribe for Oxus Resources Shares
“Oxus Resources Shares”	common shares in the capital of Oxus Resources with a par value of \$0.06 per share
“Phase I Feasibility Study”	the full feasibility studies by Kappes Cassiday and CSMA dated 18 September 2000 in relation to Amantaytau Phase I
“Placing Price”	30p per New Ordinary Share
“Placing”	the conditional placing of the New Ordinary Shares by OMS pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 28 June 2001 between the Company, the Directors and Old Mutual Securities relating to the Placing, summary details of which are set out in paragraph 11 of Part IX of this document
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Primary Exploration Agreement”	the Southeast Uzbekistan Primary Exploration Agreement between Oxus Group and Goscomegeology dated 14 December 1996
“Purchase Warrants” or “Warrants”	warrants to subscribe for Ordinary Shares on the terms set out in paragraph 2.5 of Part IX of this document
“Regulations”	the Uncertificated Securities Regulations 1995

“Reorganisation”	the reorganisation of the Oxus Group whereby Oxus Resources will, at Admission, be acquired by the Company and the Company will become the holding company for the Group, details of which are set out in paragraph 13.6 of Part IX of this document
“Roscoe Postle”	Roscoe Postle Associates Inc, geological consultants
“Samarkand Geology”	the Samarkand branch of Goscomegeology
“Share Incentive Plan”	the Oxus Resources Corporation share incentive plan, details of which are set out in paragraph 7 of Part IX of this document
“Shareholder(s)”	holder(s) of Ordinary Shares
“Snowden”	Snowden Associates, geological consultants
“Som” or “KGS”	Kyrgyz Som, being the lawful currency of the Republic of Kyrgyzstan
“Soum” or “UZS”	Uzbek Soum, being the lawful currency of the Republic of Uzbekistan
“Talas Gold” or “TGMC”	Talas Gold Mining Company, a company incorporated and registered in Kyrgyzstan in which Oxus Resources, through its wholly owned subsidiary, Norox, has a 66.67 per cent. interest
“UK Listing Authority” “or “UKLA”	the Financial Services Authority as the competent authority for listing in the United Kingdom
“Uncertificated” or “In Uncertificated Form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and entitlement to which, by virtue of the Regulations, may be transferred by means of CREST
“WGM”	Watts, Griffis and McOuat, consulting geologists and engineers
“ZVOS”	Uzbek Environmental Impact Assessment

All references in this document to “£” or “p” are to the lawful currency of the United Kingdom, and all references to “\$” or the “US\$” are to the lawful currency of the United States of America.

The Group’s reserves, and the resources from which they are derived, are described in the Glossary of Terms and Measures and Abbreviations and Symbols set out at the end of this document.

All references to legislation in this document are to English legislation unless the contrary is indicated.

The exchange rate used in this document is \$1.41252 to £1, unless otherwise stated.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Charles Arthur Cooper	Non-Executive Chairman
	Roger William Turner	Chief Executive
	Richard Vaughan Lindsay Wilkins	Commercial Director
	Michael John de Villiers	Finance Director
	Guido Edward Maria Pas	Non-Executive Director
	Anthony Michael Warrender	Non-Executive Director
	Mark Michael Wellesley-Wood	Non-Executive Director

all of whose business address is:

Griffin House, West Street, Woking, Surrey GU21 1BS

Company Secretary Richard Vaughan Lindsay Wilkins

Registered Office Griffin House, West Street, Woking, Surrey GU21 1BS

Nominated Adviser and Broker Old Mutual Securities
Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG

Auditors and Reporting Accountants PricewaterhouseCoopers
1 Embankment Place, London WC2N 6RH

Solicitors to the Company *As to English Law*
CMS Cameron McKenna
Mitre House, 160 Aldersgate Street, London EC1A 4DD

As to CIS Law
Denton Wilde Sapte
One Fleet Place, London EC4M 7WS

As to BVI Law
Smith-Hughes, Raworth & McKenzie
Sea Meadow House, 49 Main Street, P.O. Box 173, Road Town, Tortola,
British Virgin Islands

Solicitors to Old Mutual Securities Ashurst Morris Crisp
Broadwalk House, 5 Appold Street, London EC2A 2HA

Mineral Industry Consultants CSMA Consultants Limited
Trevenson Pool, Redruth, Cornwall TR15 3SE

Project Finance Adviser for Amantaytau Phase I Barclays Capital, a division of Barclays Bank plc
5 The North Colonnade, Canary Wharf, London E14 4BB

Bankers Barclays Bank Plc
High Street, St Peter Port, Guernsey GY1 3BE

Registrars Capita IRG plc
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

KEY INFORMATION

The following information should be read in conjunction with the full text of this document, from which it is derived:

Background

Oxus will, on Admission, be the holding company for a group of companies whose business is the acquisition, exploration and development of precious and base metal properties in the Central Asian region. Oxus Resources has built a portfolio of gold and base metal properties in the republics of Uzbekistan and Kyrgyzstan.

The Founders of the Group have experience of mining in the Central Asian region and the Group's operations in Uzbekistan and Kyrgyzstan are manned by teams of local and expatriate geological, mining, metallurgical, civil engineering and financial professionals and support staff.

Oxus' Projects

The Group is evaluating three substantial mining projects together with their associated exploration potential. Two are precious metals projects and one is a base metals project. The following are Oxus' attributable reserves and resources in terms of contained metals:

	Gold Ounces '000	Silver Ounces '000	Zinc Tonnes '000	Copper Tonnes '000	Lead Tonnes '000
Attributable Reserves					
Amantaytau Phase I and II	1,497	4,610	–	–	–
Jerooy	1,351	–	–	–	–
Khandiza	57	25,030	433	50	173
Total	2,905	29,640	433	50	173
Attributable Resources					
Amantaytau	2,296	7,333	–	–	–
Jerooy	2,994	–	–	–	–
Khandiza	116	40,900	705	81	286
Total	5,406	48,233	705	81	286
Attributable Resource Exploration Potential					
Amantaytau	4,215	73,500	–	–	–
Jerooy	273	–	–	–	–
Total	4,488	73,500	–	–	–

The detailed classification of these reserves and resources can be found in Part V of this document.

Amantaytau Goldfields in Uzbekistan, the Group's most advanced project, is a precious metals project located within a 192 square kilometre exploration area. The Group has a 50 per cent. interest in the joint venture and operational management of the project, which is currently focused on three of the 18 known deposits.

A feasibility study has been completed for Amantaytau Phase I – the initial open-pit mining and heap leaching of the oxide ore deposits at Amantaytau Centralny, Uzunbulak and Vysokovolnoye. A preliminary feasibility study has been completed for Amantaytau Phase II – an underground mine on the Amantaytau Centralny and Amantaytau Severny sulphide deposits. The feasibility study for Amantaytau Phase I estimates that in the first four years of production the project is expected to recover 508,380 ounces of gold with a further 129,117 ounces of gold and 6.624 million ounces of silver being recovered in the remaining five years. The preliminary feasibility study for Phase II estimates that an average of 190,000 ounces of gold per year could be recovered over the ten-year life of the underground mine.

Barclays Capital has been appointed as project finance adviser to assist in securing project finance to fund the construction of Amantaytau Phase I. Project finance may be conditional on a further equity issue. It is the Board's intention that Phase I will be in production during 2002.

Khandiza in Uzbekistan is a VMS zinc deposit that also contains silver, copper and lead by-products. It is estimated that the deposit contains approximately 24 million tonnes of resource. In December 1996, Oxus Resources entered into an agreement with Goscomgeology, the Primary Exploration Agreement, which provides it with a right to a 50 per cent. joint venture interest in the project, although Oxus and the Government of Uzbekistan are currently negotiating the terms of a concession agreement which, if agreed, would replace the Primary Exploration Agreement and give Oxus Resources 100 per cent. ownership of the operating company for the project. A preliminary feasibility study has been completed on Khandiza with a view to developing an underground mine in the future. Subsequently, the existing ore-body definition for the deposit has, through underground exploration and drilling, been increased, and a full feasibility study for this project is now planned.

Jerooy is one of the largest known gold deposits in Kyrgyzstan. Oxus has a 66.67 per cent. interest in Talas Gold, the operating company for the project, which is managed by Oxus through its wholly owned subsidiary, Norox. A preliminary feasibility study was completed in February 2001 with a view to developing Jerooy as an open pit and underground mine, based on a production scale of an initial 850,000 tonnes per year rising to 1,000,000 tonnes per year. Progress on a full feasibility study and further development of the project are dependent upon favourable tax treatment for the project being agreed with the government.

Exploration potential

Oxus has further gold and silver exploration potential within the Amantaytau Goldfields area, and further base metal exploration potential within the Khandiza Deposit and within the 6,000 square kilometre area covered by the Primary Exploration Agreement.

Reasons for the Placing and Use of Proceeds

Under the Placing, Oxus is raising £6.6 million after expenses. Further details of how this figure is comprised can be found on page 29. The proceeds of the Placing will be used principally to advance the Group's existing projects and to increase the Group's resources and reserves through further exploration.

In particular, the funds will be used:

- to finance the detailed civil, mechanical and electrical engineering designs for the construction of Amantaytau Phase I;
- to finance the costs of obtaining project finance for the construction of Amantaytau Phase I;
- to finance the ongoing exploration at Amantaytau, in order to increase the Phase I reserves;
- to explore and assess the other gold and silver resources within the 192 square kilometre licence area at Amantaytau;
- to secure further rights with resource and reserve potential within the immediate vicinity of Amantaytau;
- to fund the completion of the feasibility study on the Khandiza project;
- to negotiate the Concession Agreement in relation to the Khandiza project;
- to continue to assess the exploration potential within the Khandiza Deposit and the surrounding 6,000 square kilometre exploration areas adjacent to Khandiza;
- to repay existing loans owed to certain shareholders of an aggregate amount equal to approximately £1.1 million; and
- to provide further working capital.

Risk Factors

In addition to normal risks associated with exploration, development and mining of resources, Oxus faces political and economic risks associated with its activities. Your attention is drawn to the "Risk Factors" set out in Part II and the "Regional Political Risk Overview" set out in Part IV of this document.

PLACING STATISTICS

Placing Price per New Ordinary Share	30p
Number of New Ordinary Shares being issued under the Placing	26,666,666
Estimated net proceeds receivable by the Company ¹	£6.6 million
Number of Ordinary Shares at Admission ²	124,349,216
Market capitalisation of the Company following Admission ³	£37.3 million

Notes:

- The estimated net proceeds receivable by the Company are based on the issue of 26,666,666 New Ordinary Shares at the Placing Price after deduction of the estimated commissions, fees and expenses of the Placing payable by the Company of £1.4 million. Further details of how this figure is comprised can be found on page 29.*
- The Company has outstanding Warrants to subscribe for 28,577,900 Ordinary Shares which are exercisable until 30 June 2001, outstanding Warrants to subscribe for 1,388,106 Ordinary Shares which are exercisable until 31 October 2002, and Options to subscribe for a further 13,590,000 Ordinary Shares exercisable between 31 May 2003 and 31 March 2006. Further details of the Options and Warrants are set out in paragraph 2 of Part IX of this document. In addition, the Company has agreed to issue to Barclays Capital at Admission, warrants to subscribe for 376,672 Ordinary Shares exercisable at 38p per Share, being 26.7 per cent. above the Placing Price, over a period of three and a half years from Admission.

*These Options and Warrants, if exercised at Admission, would represent 26 per cent. of the then enlarged issued Ordinary Share capital. However, if the Warrants exercisable until 30 June 2001 are not exercised, the remaining Options and Warrants, if exercised, would represent 11 per cent. of the then enlarged issued Ordinary Share capital at Admission.**
- The market capitalisation of £37.3 million is based on the Placing Price and there being 124,349,216 Ordinary Shares in issue following Admission.*

EXPECTED TIMETABLE

	2001
Dealings in Ordinary Shares commence on AIM	4 July
Delivery of Ordinary Shares into CREST	4 July
Despatch of definitive share certificates	by 7 July

PART I – INFORMATION ON THE GROUP

INTRODUCTION

Oxus will, on Admission, be the holding company for a group of companies whose business is the acquisition, exploration and development of precious and base metal properties in the Central Asian region.

Oxus Resources has built a portfolio of gold and base metal properties in the Central Asian republics of Uzbekistan and Kyrgyzstan. This portfolio includes interests in, together with operational management of, two gold projects – Amantaytau Goldfields in Uzbekistan (in which the Group has a 50 per cent. interest) and the Jerooy Gold project in Kyrgyzstan (in which the Group has a 66.67 per cent. interest). Oxus also has the right to a 50 per cent. interest in the Khandiza VMS zinc project in Uzbekistan, which also contains silver, copper and lead by-products. In addition, the Group has further exploration potential within existing project areas and over 6,000 square kilometres of precious and base metals exploration territory in the Central Asian region.

Oxus is raising £6.6 million after expenses. Further details of how this figure is comprised can be found on page 29. The proceeds of the Placing will be used principally to finance further development of the Group's projects and to provide further working capital. The Directors believe that, in addition to raising funds for the Group's development, the flotation of the Company will create greater awareness of the Group and its operations in Central Asia and provide access to future funding for the development of the Group's precious and base metals properties as well as for future acquisitions.

Set out below is a map showing the locations of the Group's licence and exploration areas:

LOCATION OF LICENCE AREAS

BACKGROUND TO THE FORMATION OF THE GROUP

Oxus Resources was established in February 1996 by Roger Turner, Richard Wilkins and Charles Cooper. The Founders, having experience of mining in the Central Asian region, recognised the substantial mining potential in the region and believed there were significant opportunities for a mining group focused on the Republics of Uzbekistan, Kyrgyzstan, Tajikistan and Kazakstan.

Oxus was formed with the purpose of becoming the UK registered holding company for the Group. On 22 March 2001 an offer was made by Oxus to the shareholders of Oxus Resources to acquire all of the issued ordinary share capital of Oxus Resources in exchange for Ordinary Shares. The offer has been accepted by 99.97 per cent. of Oxus Resources shareholders. Further details of the Reorganisation are set out in paragraph 13.6 of Part IX of this document. Oxus Resources will continue to carry on the Group's operations.

Although assets and mining interests have been acquired in Tajikistan and Kazakstan by the Group since its formation, the management's focus has principally been on Uzbekistan and Kyrgyzstan. Administrative and project offices have been established in Tashkent, Samarkand and Amantaytau in Uzbekistan and Bishkek in Kyrgyzstan. These offices are manned by teams of local and expatriate geological, mining, metallurgical, civil engineering and financial professionals and support staff. The Group has a total staff, including staff employed by AGF and six staff based at the Group's UK office in Woking, Surrey, of 110.

Since its formation, Oxus Resources has raised a total of approximately \$27.5 million through private share placements which has principally financed the purchase of equipment, exploration activities and feasibility studies. Oxus Resources has also issued shares amounting to approximately \$7.5 million by way of part consideration for the acquisition of interests in AGF and Norox.

Oxus' 265 shareholders include Normandy, Lonmin, CIBC World Markets and Equitable Life Assurance Society.

Targeting projects with the following criteria has been a key feature of Oxus Resources' acquisition and development strategy:

- the potential for production costs to be in the lowest worldwide quartile;
- mining operations which will use tried and tested technology; and
- significant territory and exploration potential.

THE GROUP'S PROJECTS

The Group has interests in three substantial mining projects in Uzbekistan and Kyrgyzstan. The following is a summary, which is derived from the Competent Persons' Report set out in Part V of this document, of the precious metal and base metal resources within the Amantaytau project in Uzbekistan, the Jerooy gold project in Kyrgyzstan and the Khandiza polymetallic zinc, silver, copper and lead project in Uzbekistan:

Total Measured, Indicated and Inferred gold and silver resource summary (excluding exploration potential)

Deposit	Cut-off Grade g/t	Tonnes '000	Gold Grade g/t	Silver Grade g/t	Contained Ounces		Ref CP Report*	Oxus Attributable Interest	
					Gold '000	Silver '000		Ounces Gold '000	Ounces Silver '000
Amantaytau oxide resources (in which Oxus has a 50% interest)									
Centralny	0.0	3,421	6.21		683	–	B3.5.1		
Uzunbulak	0.0	4,238	1.62	5.41	220	656	B3.5.1		
Vysokovoltnoye OB4	0.0	5,896	1.17	30.51	223	5,780	B3.5.1		
Vysokovoltnoye OB7	0.0	2,608	1.23	98.10	103	8,230	B3.5.1		
Sub Total		16,163			1,229	14,666		615	7,333
Amantaytau sulphide resources (in which Oxus has a 50% interest)									
Centralny	0.0	7,726	5.67	–	1,408	–	B4.3.1		
Severny	0.0	7,291	8.34	–	1,955	–	B4.3.1		
Sub Total		15,017			3,363			1,681	–
Amantaytau resources total								2,296	7,333
Jerooy (in which Oxus has a 66.67% interest)									
Northwest OB	0.0	74,300	1.88	–	4,491	–	C4.4		
Sub Total		74,300			4,491			2,994	–
Total Oxus attributable Gold and Silver Resources (excluding exploration potential)					5,290	7,333			

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

In addition to the above resources, the following further resources, based on Soviet exploration data and resource estimates, form the exploration potential within the Amantaytau area and at Jerooy:

Total additional Inferred gold and silver exploration resource potential

Deposit	Tonnes '000	Gold Grade g/t	Silver Grade g/t	Contained Ounces		Ref CP Report*	Oxus Attributable Interest	
				Gold '000	Silver '000		Ounces Gold '000	Ounces Silver '000
Amantaytau (in which Oxus has a 50% interest)								
Amantaytau Oxides	25,990	1.52	–	1,270	–	B3.13		
Amantaytau Sulphides	79,800	2.79	65.00	7,160	147,000	B4.8		
Sub Total	105,790			8,430	147,000		4,215	73,500
Jerooy (in which Oxus has a 66.67% interest)								
Central and SE Zone	3,630	3.50	–	410	–	C13.0		
Sub Total	3,630			410			273	–
Total Oxus attributable resource potential					4,488		73,500	

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

The Group's total Measured and Indicated gold and silver mineral resource, in line with the 1999 JORC Code (Australasian Code for Reporting of Mineral Resources and Ore Reserves), is as follows:

Total Measured and Indicated gold and silver resource summary

Deposit	Cut-off Grade g/t	Tonnes '000	Gold Grade g/t	Silver Grade g/t	Contained Ounces		Ref CP Report*	Oxus Attributable Interest	
					Gold '000	Silver '000		Ounces Gold '000	Ounces Silver '000
Amantaytau oxide resources (in which Oxus has a 50% interest)									
Centralny	0.6	2,904	6.74	–	629	–	B3.5.1		
Uzunbulak	0.6	1,311	2.45	11.22	103	473	B3.5.1		
Vysokovoltnoye OB4	0.6	2,272	1.34	28.39	98	2,074	B3.5.1		
Vysokovoltnoye OB7	0.6	1,614	1.22	138.01	63	7,164	B3.5.1		
Sub Total		8,101			893	9,711		447	4,856
Amantaytau sulphide resources (in which Oxus has a 50% interest)									
Centralny	7.0	1,090	12.49	–	438	–	B4.3.1		
Severnny	6.0	1,803	16.51	–	957	–	B4.3.1		
Sub Total		2,893			1,395			698	
Jerooy resources (in which Oxus has a 66.67% interest)									
Measured	2.0	4,900	8.14	–	1,282	–	C4.4		
Indicated	2.0	14,000	3.35	–	1,508	–	C4.4		
Sub Total		18,900			2,790			1,860	
Total Oxus attributable Measured and Indicated resource					3,004		4,856		

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

The total Measured and Indicated mineral resource for Khandiza, in which Oxus has a right to a 50 per cent. interest, in line with the 1996 Australasian Code (Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves) and the Canadian National Policy 2-a, is as follows:

Measured and Indicated Khandiza resource summary

Category	Cut-off Grade % Zn	Tonnes Millions	Zinc %	Lead %	Copper %	Silver g/t	Gold g/t	Ref CP Report*
Measured	2.0	4.1	8.36	3.15	0.98	135	0.42	B5.4
Indicated	2.0	19.9	5.36	2.22	0.61	100	0.28	
Measured & Indicated	2.0	24.0	5.87	2.38	0.67	106	0.30	B5.4

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

Your attention is drawn to the distinction between reserves and resources and the categories of reserves and resources, defined according to the amount of information available and the level to which they have been studied. These terms are explained in the Glossary of Terms and Measures on page 153 of this document.

AMANTAYTAU GOLDFIELDS PROJECT, UZBEKISTAN

The Amantaytau gold and gold-silver mineral deposits are located within a 192 square kilometre exploration area in the Kyzylkum region of central Uzbekistan. The property is situated close to the State owned gold mining complex at Muruntau, which produces approximately 1.7 million ounces of gold per year and is operated by the State owned Navoi MMC, and Newmont Mining's Zarafshan heap leach operation, which has been in operation since 1995 and produces 500,000 ounces of gold per year. The principal town of the region, Zarafshan, which serves the Muruntau and Newmont Mining operations, is approximately 30 kilometres north of Amantaytau. As a result, AGF, the operating company for the project, will have access to an experienced labour force and mining services when it commences mining operations.

Set out below is a map showing the location of AGF's licence area:

Description and History

Oxus' initial interest in AGF was acquired from Lonmin in 1999.

From 1993 to 1997, Lonmin had carried out a feasibility study that proposed a 3.5 million tonnes per annum open pit operation for the Daugystau and Amantaytau deposits.

In February 1998, Goscomgeology (one of the shareholders of AGF) invited Oxus Resources to review the Amantaytau database. In October 1998, following a detailed review of the project, Goscomgeology and Navoi MMC (the other shareholder in AGF, a state-owned company which operates the Muruntau open pit gold mine in Uzbekistan) granted Oxus Resources the right to participate in the AGF joint venture. The detailed review by Oxus Resources proposed that the property be developed in two phases. These phases comprise an initial open pit mine and heap leaching of the oxide ore deposits at Amantaytau Centralny, Uzunbulak and Vysokovoltnoye (Phase I), followed by an underground mine on the Amantaytau Centralny and Amantaytau Severny sulphide deposits (Phase II).

Oxus Resources acquired Lonmin's 43 per cent. interest in AGF on 31 August 1999 for \$4.3 million. In September 1999, a preliminary feasibility study based on the two-phase development was submitted to the AGF shareholders.

Following completion of the preliminary feasibility study, a drilling and metallurgical testwork programme was started and CSMA were commissioned to complete a feasibility study on Amantaytau Phase I and a preliminary feasibility study on Amantaytau Phase II. Kappes Cassiday were commissioned to provide a detailed capital and operating cost estimate and a comprehensive laboratory evaluation programme to determine the heap leach amenability of the ores to feasibility study level. In July 2000, Oxus increased its interest in AGF by an additional 7 per cent. for \$814,000, thus attaining a 50 per cent. shareholding in AGF. In September 2000, the studies were completed and submitted to the shareholders for approval. Approval was received on 4 December 2000. These studies focused on three of the 18 known gold deposits within the licence area.

Resources and Reserves

The following table summarises the Amantaytau Phase I and Phase II resources:

Class	Cut-off g/t	Tonnes '000	Gold Grade g/t	Silver Grade g/t	Contained Ounces		Ref CP Report*	Oxus Attributable	
					Gold '000	Silver '000		Ounces Au '000	Ounces Ag '000
Oxide resource (in which Oxus has a 50% interest)									
Centralny	Meas+Ind 0.6	2,904	6.74	–	629	–	B3.5.1		
Uzunbulak	Meas+Ind 0.6	1,311	2.45	11.22	103	473	B3.5.1		
Vysokovoltnoye OB4	Meas+Ind 0.6	2,272	1.34	28.39	98	2,074	B3.5.1		
Vysokovoltnoye OB7	Meas+Ind 0.6	1,614	1.22	138.01	63	7,164	B3.5.1		
Sub Total		8,101			893	9,711		447	4,856
Sulphide resource (in which Oxus has a 50% interest)									
Severny & Centralny	Meas+Ind 6.0/7.0	2,893	15.00	–	1,395	–	B4.3.1		
Severny & Centralny	Inf 6.0/7.0	2,070	14.77	–	983	–	B4.3.1		
Sub Total		4,963			2,378	–		1,189	
Total					3,271	9,711		1,636	4,856

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

The Phase I and Phase II reserves are as follows:

Class	Cut-off g/t	Tonnes '000	Gold Grade g/t	Silver Grade g/t	Contained Ounces		Ref CP Report*	Oxus Attributable Ounces Au '000	Ounces Ag '000
					Gold '000	Silver '000			
Oxides for open pit mining and heap leaching (in which Oxus has a 50% interest)									
Centralny Prov+Prob	0.6	2,980	6.20	–	595	–	B3.5.1		
Uzunbulak	Prov+Prob 0.6	1,345	2.26	10.32	98	447	B3.5.1		
Vysokovoltnoye OB4	Prov+Prob 0.6	2,331	1.24	26.52	93	1,988	B3.5.1		
Vysokovoltnoye OB7	Prov+Prob 0.6	1,656	1.13	127.37	60	6,783	B3.5.1		
Sub Total		8,312			846	9,218		423	4,609
Sulphides for underground mining feasibility study (in which Oxus has a 50% interest)									
Severny & Centralny	Prov+Prob 6.0/7.0	2,994	13.10	–	–	1,261	–	B4.3.3	
Severny & Centralny	Inferred** 6.0/7.0	2,142	12.87	–	–	886	–	B4.3.3	
Sub Total			5,136					2,147	1,074
Total						2,993	9,218		1,497
									4,609

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

** Note: "Inferred" includes additional resources with mining dilution and recovery applied as a basis for advancing to feasibility study.

Phase I Mining

The feasibility study for Amantaytau Phase I proposes the development of the oxide deposits of Amantaytau Centralny, Uzunbulak and Vysokovoltnoye by open pit mine and heap leach processing. In Phase I it is planned to extract a total of 8.577 million tonnes of ore at an average gold grade of 3.16 grammes per tonne and an average silver grade (from Uzunbulak and Vysokovoltnoye only) of 37.71 grammes per tonne. The total mine life of the current reserves for Phase I is believed to be approximately 10 years (including one year pre-production). The total gold and silver recovered over the mine life is estimated to be 638,000 ounces of gold and 6.624 million ounces of silver.

During the first four years of production, the project is expected to recover 508,380 ounces of gold which would represent 80 per cent. of the total oxide gold expected to be produced. The remaining 129,117 ounces of gold and 6.624 million ounces of silver are expected to be recovered in the remaining five years. Silver production, which is planned to start in year five and run through to the end of the oxide mine life, will be produced from the Uzunbulak and Vysokovoltnoye deposits. The annual gold and silver production forecast is shown in the combined production schedule set out on page 16 of this document.

Wardell Armstrong (mining, minerals, engineering and environmental consultants), have completed an environmental report and all material environmental and other licences and consents required for construction have been granted. Phase I is now ready to commence subject to Oxus securing all necessary project finance. With a view to assisting Oxus in securing project finance, Barclays Capital has been appointed as project finance adviser for Amantaytau Phase I. Project finance may be conditional upon a further equity issue. It is the Board's intention that Phase I will be in production during 2002.

The doré gold produced by AGF will be refined at the Navoi MMC refinery, which has London Bullion Market accredited status, and exported as gold bullion for sale in hard currency, as has been the case with Newmont Mining's production since commissioning its heap leach operation in 1995.

The planned pre-production capital cost of Phase I is \$33.3 million. At a \$285 per ounce gold price, the project would have a 1.58 year payback period and an ungeared IRR to Oxus of 32.9 per cent. The estimated cash cost of production is \$113 per ounce of gold and on a taxed and ungeared cost basis the estimated production cost is \$200 per ounce of gold.

The following table shows the sensitivity of the ungeared NPV to Oxus (at a 10 per cent. discount rate) and the IRR to Oxus to movements in the gold price:

	-\$40/oz	-\$20/oz	Base case*	+\$20/oz	+\$40/oz
Gold price per ounce:	\$245	\$265	\$285	\$305	\$325
NPV (\$m)	6.6	10.8	15.0	19.1	23.3
IRR (%)	19.9	26.4	32.9	39.6	46.3

* Over the 12 months to April 2001, the price of gold has ranged between \$255 and \$291 per ounce.

Although the current mine life of the oxides has been estimated at 9 years, ongoing exploration drilling within the 192 square kilometre licence area indicates that the mine life could be extended.

Much of the preparation work required to commence construction has already been completed.

Phase II Mining

The preliminary feasibility study for Amantaytau Phase II is based on developing an underground mine for the sulphide deposits of Amantaytau Centralny and Amantaytau Severny. The mine will be accessed from surface via a series of ramps and the planned extraction rate is 500,000 tonnes of ore per year. The sulphide ore will be treated using a combination of flotation, bio-oxidation technology and cyanidation. The total mining reserve estimated over the 10 year mine life is 5.14 million tonnes of ore at a gold grade of 13 grammes per tonne. The study estimates that an average of 190,000 ounces of gold per year could be recovered over the ten year life of the underground mine.

The following table shows the projected combined production schedule for Phase I and Phase II:

Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Phase I - Surface oxides															
Ore to pad (Kt)	1,116	1,009	1,038	1,026	1,037	1,015	1,014	1,006	316						8,577
Aver. Au grade (g/t)	6.50	6.35	4.39	3.01	1.57	1.20	1.08	1.35	1.47						3.16
Aver. Ag grade (g/t)					47.29	27.64	44.03	195.65	15.51						37.71
Recov. Gold (oz)	175,029	155,638	106,843	70,870	38,172	27,696	24,574	28,818	9,857						637,497
Recov. Silver (oz)					896,598	447,890	778,921	4,429,625	70,909						6,623,943
Phase II - Underground sulphides															
Ore (Kt)				300	500	500	500	500	500	500	500	500	500	336	5,136
Aver. Au grade (g/t)				15.16	15.16	14.45	14.41	14.31	14.09	13.82	10.71	10.48	10.33	9.98	13.00
Recov. Gold (troy oz)				131,599	219,332	209,060	208,482	207,035	203,852	199,893	154,951	151,623	149,453	97,029	1,932,309
Combined Project															
Total Ore Production (Kt)	1,116	1,009	1,038	1,326	1,537	1,515	1,514	1,506	816	500	500	500	500	336	13,713
Total Silver Recov. (Koz)					897	448	779	4,430	71						6,625
Total Gold Recov. (Koz)	175	156	107	202	257	237	233	236	214	200	155	152	149	97	2,570

The estimated pre-production capital cost of Phase II is \$91 million. The estimated cash cost of production per ounce of gold is \$115.

The underground ore bodies are open at depth and the potential exists to increase the reserves with diamond drilling.

The ungeared cash cost of production for Phase I and Phase II combined is estimated to be \$114 per ounce of gold and the total after tax production cost is estimated to be \$195 per ounce of gold. This implies a break-even gold price for the project, on an ungeared basis, of less than \$200 per ounce of gold. Based on the production costs referred to above and the financial analysis referred to in section B4.7 of the Competent Persons' Report in Part V, an after tax ungeared IRR to Oxus, based on a gold price of \$285 per ounce, would be 28.3 per cent.

The following table shows the sensitivity of the Phase I and Phase II ungeared NPV to Oxus (at a 10 per cent. discount rate) and the IRR to Oxus to movements in the gold price:

	-\$40/oz	-\$20/oz	Base case*	+\$20/oz	+\$40/oz
Gold price per ounce:	\$245	\$265	\$285	\$305	\$325
NPV (\$m)	14.1	26.5	38.1	49.4	60.7
IRR (%)	16.0	22.2	28.3	34.6	41.5

* Over the 12 months to April 2001, the price of gold has ranged between \$255 and \$291 per ounce.

Joint Venture and Taxation Arrangements

AGF's share capital of \$11.6 million is fully paid. The contribution of the Uzbek parties for their shares consisted of all geological and other information concerning the deposits and the licence area, the exclusive rights to evaluate, test and explore within the licence area, and the exclusive rights to mine the deposits and any newly discovered deposits, and to profitably sell gold, silver and other commercial minerals so extracted. The contribution of Oxus Resources was in cash.

The material terms of the AGF Charter, the constitutional document of the Company, are set out in paragraph 12 of Part IX of this document.

In addition, Oxus Resources (but not the other shareholders) has made loans to AGF and incurred expenditure on AGF's behalf which in total amount to approximately \$6.5 million. It is intended that Oxus Resources will make further loans and incur further expenditure on AGF's behalf and the Directors expect that, as part of the financing of the project, interest will become payable on such amounts. Oxus Resources will also receive a management fee equal to 5 per cent. of operating costs for the full life of the project. Goscomgeology and Navoi MMC will together receive a 2 per cent. management fee.

A full summary of the tax privileges and exemptions available to Oxus Resources under the AGF joint venture is set out in section B3.12.2 of the Competent Persons' Report. The key benefits are as follows:

- a five-year Uzbek tax holiday from the start of production, and thereafter a maximum rate of 16 per cent. profits tax;
- a five year carry forward of Uzbek tax losses;
- the right to export bullion and to operate joint venture foreign currency bank accounts onshore and offshore;
- the right to pledge AGF assets in order to secure bank or other project finance;
- protection against adverse legal and tax changes for a period of 10 years from 11 July 2000; and
- that the Amantaytau Goldfields project will not be subject to nationalisation or requisition.

Exploration Potential

Following Admission, the Board intends to conduct a drilling programme to increase the reserves for Amantaytau Phase I.

The inferred resources on the other deposits within the 192 square kilometre AGF licence area are 26Mt at an average grade of 1.52g/t (approximately 1.3 million ounces of gold). This includes a 4.97Mt resource at Asaukak and Sarybatyr at an average gold grade of 2.23g/t (344,000 ounces of contained gold), which is currently being assessed as additional production feed for Phase I.

The additional Phase II sulphide resource potential within the AGF licence area has been estimated to be 79.8Mt at an average grade of 2.79g/t gold, containing some 69.9Mt at an average grade of 65.5g/t silver (over 7.1 million ounces of contained gold, and 147 million ounces of contained silver). This resource exists within a further seven known gold and gold-silver deposits and represents a target for further assessment and drilling.

KHANDIZA ZINC-COPPER-LEAD-SILVER PROJECT, UZBEKISTAN

Khandiza is a VMS zinc deposit that contains silver, copper and lead by-products. It is estimated that the deposit has approximately 24 million tonnes of resources. Khandiza is located in the Sariasia region of Southeast Uzbekistan, in Surkhandarya Province, and is 50 kilometres from the regional towns of Sariasia and Denau.

Access to the area is by road from Samarkand, a distance of some 480 kilometres. From Sariasia, and the fertile Surkhandarya valley, the road follows the Sangardak River valley and then the Khandiza River valley. The nearest railhead is at Sariasia and there are airports at Sariasia and Termez. Electrical power and water provision is in place.

Set out below is a map showing the location of the Khandiza VMS deposit:

Description and History

The Khandiza Deposit is a classic volcanogenic massive sulphide deposit. Overall, mineralisation extends over a strike length of 1,200 metres, and extends down dip for 750 metres.

The Khandiza Deposit was discovered in 1957 by Samarkand Geology as a result of exploration of a mineralised horizon at the base of the Vakshyvar Volcanic Suite. A total of 29,000 cubic metres of trenching and sampling were completed, and between 1957 and 1968 the horizon was investigated by eight adits which intersect the deposit. In 1970, massive sulphide lenses in the overlying volcanic rocks higher up in the Vakshyvar Volcanic Suite were discovered by diamond drilling and, between 1970 and 1974, a major underground development and underground drilling programme was completed. This included the development of the No. 10 Adit at the 1,356 metre level (with an entrance directly off the main Sariasia – Khandiza road). By the end of 1974, 77,000 metres of diamond drilling and 23 kilometres of underground exploration development had been completed, together with a considerable amount of metallurgical testwork on samples from underground.

No further exploration took place after 1974, until Oxus Resources commenced its investigation of the deposit in July 1996. In April 1997 Oxus Resources commissioned a preliminary feasibility study from WGM. Snowden carried out the resource evaluation.

As a result of preliminary rehabilitation of the underground workings, Oxus Resources and WGM carried out a programme of bulk sampling by drilling and blasting. Metallurgical testwork was carried out at Lakefield's laboratories in Canada.

By the end of 1997, the preliminary feasibility study on the Khandiza Deposit was completed. Snowden continued with further resource evaluation work during 1998. Also in 1998, Oxus Resources carried out further underground rehabilitation and installed a power supply, ventilation and rail track into the underground workings enabling the current underground investigation and drilling programme to proceed. Oxus Resources has had up to three diamond drills working underground at any one time and has commenced an estimation of the resources, on the basis of which a detailed mine design will be carried out, followed by a reassessment of reserves.

In December 1996, Oxus Resources entered into an agreement with Goscomgeology, the Primary Exploration Agreement, which provides it with the right to a 50 per cent. joint venture interest in the project.

Oxus Resources and the Government of Uzbekistan are currently negotiating the terms of the Concession Agreement which will, if agreed, supersede the Primary Exploration Agreement and its right to a 50 per cent. joint venture interest and, instead, give Oxus Resources 100 per cent. ownership of the operating company that will be established for the project.

Resources and Reserves

Based on further geological interpretation, Snowden continued to refine the Khandiza deposit model, and improved on the resource and reserve estimates throughout 1998. Measured and Indicated resources above a 2 per cent. zinc cut-off are summarised as follows:

Resource Class	Tonnes millions	Zinc %	Copper %	Lead %	Silver g/t	Gold g/t	Ref CP* Report
Total resources							
Measured	4.1	8.36	0.98	3.15	135	0.42	B5.4
Indicated	19.9	5.36	0.61	2.22	100	0.28	
Measured & Indicated	24.0	5.87	0.67	2.38	106	0.30	B5.4
Ore Zone 3							
Measured	3.4	9.03	1.14	3.53	151	0.46	B5.4
Indicated	14.9	5.66	0.73	2.69	125	0.31	
Measured & Indicated	18.3	6.29	0.81	2.85	130	0.34	B5.4

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

The 24Mt resource contains 1,409,000t of zinc, 161,000t of copper, 571,000t of lead, 81.79M ounces of silver and 231,000 ounces of gold.

The following table summarises Snowden's Proven and Probable reserve estimation, above a 5 per cent. zinc cut-off:

Reserve Ore Zone	Tonnes millions†	Zinc %	Copper %	Lead %	Silver g/t	Gold g/t	Ref CP* Report
1	0.418	4.75	0.14	0.40	9	0.05	B5.5
2	0.771	6.51	0.51	2.12	73	0.19	B5.5
3	8.142	9.42	1.14	3.98	180	0.40	B5.5
5	0.340	8.06	0.56	1.21	103	0.20	B5.5
Total	9.672	8.94	1.03	3.58	161	0.37	

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

† Note: Reserves are quoted as fully diluted recoverable tonnes. Dilution (at zero grade) and mining recovery factors have been applied independently for each ore zone.

The above reserve contains 865,000t of zinc, 100,000t of copper, 346,000t of lead, 50.06M ounces of silver and 115,000 ounces of gold.

Based on WGM's preliminary feasibility study and the existing Proven and Probable reserves, it is envisaged that a 1 million tonne per year underground mine can be established with a ten year mine life. Potential exists to extend the mine life by defining additional reserves through further exploration on the Khandiza deposit, and carrying out further investigation and drilling of 10 other known VMS occurrences within the licence area.

Mining

The WGM study proposes to develop the underground mine at the Khandiza Deposit with an internal footwall ramp system, developed from the existing 1,350 metre level. This will be a trackless mining operation employing, 'drift and fill', 'blast hole' and 'post fill' stoping methods. The proposed production schedule, based on Snowden's September 1998 revised resource model is as follows:

Khandiza Proposed Production Schedule

YEARS	1	2	3	4	5	6	7	8	9	10	11	Total
Ore milled t'000s	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	172	9,672
Zinc grade %	12.07	12.05	11.79	9.55	9.18	8.48	8.51	49	6.53	6.05	4.63	8.94
Copper grade %	1.37	1.39	1.56	1.36	1.09	0.96	0.87	0.87	0.71	0.43	0.16	1.03
Lead grade %	3.89	3.99	4.82	3.36	4.11	2.50	3.90	4.96	3.31	1.67	0.34	3.58
Silver grade g/t	198.0	196.0	175.0	87.0	52.30	107.0	599.0	81.0	97.0	57.0	51.7	161.0
Gold grade g/t	0.43	0.45	0.66	0.29	0.20	0.24	0.89	0.19	0.30	0.15	0.07	0.37
Cadmium grade %	0.06	0.06	0.06	0.05	0.04	0.04	0.03	0.03	0.03	0.03	0.01	0.04
Concentrate Produced												
Zinc t'000s	83.64	167.00	163.40	132.35	127.23	117.53	117.94	103.80	90.50	83.85	11.04	1,198
Copper t'000s	19.12	38.79	43.53	37.95	30.42	26.79	24.29	24.28	19.81	12.00	0.77	278
Lead t'000s	26.76	54.90	66.32	46.23	56.55	34.40	53.66	68.25	45.55	22.98	0.81	476

A full feasibility study for this underground mine is now planned and will commence following Admission. Oxus also intends to conduct a base line environmental study as part of the preparation for a full environmental impact assessment. The full feasibility study is expected to be completed in 2002.

Exploration Potential

Within a ten kilometre radius of the Khandiza Deposit there are ten other known VMS occurrences with varying degrees of exploration work completed. These will be future targets for Oxus over the next five years. Oxus also has exploration rights over areas totalling 6,000 square kilometres in which several exploration targets have already been identified by Landsat imagery, archive data and preliminary fieldwork.

The two areas shown on the above map comprise the following:

- *Kugitang Baisun Polymetallic Area* (surrounding the Khandiza Exploration Concession) – including westward extensions along the Khandiza VMS mineralised trend, through Karasan and Kuldara.
- *Shing Magian (Zarafshan Ridge) Area* – including the Shing Magian ‘Gold Belt’ trend from the Karakamar and Akata Deposits, westwards to include Akba, Udum and Kyzilturuk, and the gold-tungsten trend from Katagan towards Yachton. This area is on the main Tien Shan gold belt.

JEROOY GOLD PROJECT, KYRGYZSTAN

The Jerooy gold deposit, which is one of the largest known gold deposits in the country, is located in north-central Kyrgyzstan, some 190 kilometres west-southwest of the capital Bishkek, and 40 kilometres southeast of the provincial capital of Talas. There is a paved road between Bishkek and Talas from which a gravel road leads some 20 kilometres south to the deposit. The spur road follows a steep mountain valley with the last few kilometres being a switchback up to the deposit. Jerooy outcrops at 3,700 metres to 3,800 metres on the Ala Tau Ridge.

Description and History

A preliminary feasibility report on the Jerooy deposit was completed in March 1998. As a result, Oxus Resources and Normandy formed a joint venture company, Norox, in April 1998, in order to develop the deposit. Oxus Resources initially had a 25 per cent. equity interest in Norox, with Normandy holding the other 75 per cent. In September 1998, Norox negotiated a 66.67 per cent. joint venture interest in the Jerooy Gold project with Kyrgyzaltyn.

In October 1999 Oxus Resources purchased the Normandy 75 per cent. interest in Norox for \$4.5 million, satisfied by the issue of Oxus Resources Shares.

In December 1999, Talas Gold was registered in Kyrgyzstan as the operating company for the project with Norox (which has overall management of the project) holding 66.67 per cent. of the share capital and Kyrgyzaltyn holding 33.33 per cent.

A more detailed preliminary feasibility study was completed in February 2001 with a view to developing Jerooy as an open pit and underground mine based on a reduced production scale of an initial 850,000 tonnes per year rising to 1,000,000 tonnes per year.

Oxus, along with its Kyrgyz partner, is currently negotiating with the Kyrgyz Government appropriate tax privileges and a Foreign Investment Agreement following which it is planned to complete the feasibility study for the project followed by project financing if justified. The latest study has highlighted the need for Talas Gold to agree the project taxation status with the government. Without an acceptable agreement in place the project is unlikely to proceed.

Resources and reserves

The following table summarises the resources for Jerooy as estimated by Snowden (and audited by Roscoe Postle):

NW orebody resource Class	Cut-off g/t	Tonnes '000	Gold g/t	Total Ounces Au '000	Ref CP* Report	Oxus Attributable Ounces Au '000
Measured	2.00	4,900	8.14	1,282	C4.4	
Indicated	2.00	14,000	3.35	1,507	C4.4	
Measured and Indicated	2.00	18,900		2,789		
Inferred	2.00	1,800	2.73	160	C4.4	
Total (Measured, Indicated and Inferred)		20,700		2,949		1,967

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

The following table summarises the reserves for Jerooy:

NW orebody Envisaged feed to plant	Cut-off g/t	Tonnes '000	Gold g/t	Total Ounces Au '000	Ref CP* Report	Oxus Attributable Ounces Au '000
Open-pit direct ore	2.70	5,597	5.18	932	C4.6	
Open-pit low grade stockpile	1.60	4,185	2.08	280	C4.6	
Open-pit total		9,782		1,212		
Underground ore	3.00	2,840	8.92	814	C4.6	
Total (Open-pit and underground)		12,622		2,026		1,351

* Note: "Ref CP Report" is a cross-reference to the Competent Persons' Report contained in Part V of this document.

Norox is currently reviewing Snowden's resource estimates. The 1998 preliminary feasibility study produced a total open pit reserve at a significantly higher grade than that reported above.

In April 2000, a resource estimate was prepared which produced grades similar to those estimated in the 1998 preliminary feasibility study and an earlier Soviet estimate. A review of the resource estimates has identified that the difference appears to lie partly in the wireframe models and partly in the block size used in Snowden's estimates. Once this review work has been completed and independently audited, the economics of the project are likely to be enhanced.

Exploration Potential

Additional resource potential in the Central and Southeast zones and around the main Jerooy orebody includes mineralisation associated with five other zones. Gold occurrences up the Tooshashoo River, 10 to 12 kilometres to the north of the Jerooy Deposit have only been partially explored and are also regarded as being worthy of further exploration.

DIRECTORS AND SENIOR MANAGEMENT

Directors and Officers

The Board comprises three executive Directors and four non-executive Directors, whose brief biographies are included below:

Charles Arthur Cooper, PhD (Non-executive Chairman) (aged 67)

Charles Cooper has extensive experience in international economics, finance and resource sectors. He is a former US Assistant Secretary of the Treasury for International Affairs and US Director of the World Bank and at the time of the world oil crisis he served on the National Security Council as Deputy Assistant to the President for International Economic Affairs. After leaving the US Government in 1976 he moved into the private sector, working for Exxon Corporation as Deputy Treasurer and Finance Director of Esso Europe. He has a longstanding interest in Eastern Europe and the former Soviet Union and until January 1996 was a director of the Zarafshan Gold Joint Venture in Tajikistan. One of the Group's founders, he was non-executive Chairman of Oxus Resources from its formation in 1996 until the Reorganisation.

Roger William Turner, ACSM, MSc, MIMM (Chief Executive) (aged 58)

Roger Turner is a graduate mining engineer from the Camborne School of Mines and has a Master's degree in Economic Geology from Leicester University. He has over 35 years of experience in mine engineering, management and consulting, on both open pit and underground projects, with major mining companies and mining financial institutions around the world. Since graduating he has worked for Falconbridge, Hudson Bay Mining and Smelting and Granby Mining Corporation in Canada. In the UK he worked for Costain Mining, RTZ, Montague Mining Finance and Warrior International. For approximately 10 years he worked as a consulting mining engineer on gold and base metal projects in North America, Africa, Latin America and Europe. Until 1996 he was President of Nelson Gold Corporation and Chairman of the Zarafshan Gold Joint Venture in Tajikistan. He is a chartered engineer of the UK and is a member of the Institution of Mining and Metallurgy as well as the Canadian Institute of Mining and Metallurgy and a member of the Society of Mining Engineers of the United States of America. Roger Turner was one of the founders of Oxus Resources and was President and Chief Executive Officer from its formation in 1996 until the Reorganisation.

Richard Vaughan Lindsay Wilkins, MA, FCA (Commercial Director and Secretary) (aged 43)

Richard Wilkins is a graduate of Pembroke College, Oxford and a Fellow of the Institute of Chartered Accountants in England and Wales. He worked for Coopers & Lybrand for five years, in both London and Egypt. He was a founder shareholder and managing director of Tajik Development Agency Limited, which was established in 1991 in co-operation with the Government of Tajikistan. He played a key role in negotiating and signing the Zarafshan Gold Joint Venture in Tajikistan on behalf of Commonwealth & British Minerals ('CBM') and, until January 1996, was a director of both CBM and the Zarafshan Gold Joint Venture. One of the founders of Oxus Resources, he was Executive Vice President from its formation until the Reorganisation.

Michael John de Villiers, B.Comm, CFA (SA) (Finance Director) (aged 38)

Michael de Villiers qualified as a commercial and financial accountant with Ernst & Young in Cape Town and gained some eleven years' experience as financial manager at mining and chemicals operations in Namibia, Botswana, Ghana and Bulgaria. Subsequently, he was appointed as Finance Director of Navan Resources plc and was part of the team that listed Navan Mining plc on the London and Dublin stock exchanges. He joined the Board as Finance Director in May 2001.

Guido Edward Maria Pas, BEc (Non-executive Director) (aged 50)

Guy Pas has a 'cum laude' degree in Applied Economics from HHS Antwerp University. From 1973 to 1983 he was a vice president in commodity and structured finance at Chase Manhattan Bank in Belgium, France and Switzerland. He was a finance director for African petroleum marketing interests from 1984 until 1995, when he co-founded, via an MBO, the Addax & Oryx petroleum group in 1987. In 1989 he co-founded and was, until 1995, the chairman of Samax Resources Limited, subsequently a wholly owned subsidiary of Toronto-listed, Samax Gold Inc. He is Chairman and Chief Executive Officer of Vector XXI Finance, a Geneva-based fund management and investment advisory firm. In addition, he is Director and Chief Executive Officer of Eastbound Resources Limited, a private mining holding company with wide interests in emerging markets' resources. Through Eastbound, he is co-chairman of Mano River Resources Inc. a gold and diamond exploration company which he founded in 1995. He joined Oxus Resources as a non-executive director in May 1997.

Anthony Michael Warrender, MA, FCA (Non-executive Director) (aged 50)

Anthony Warrender is a graduate of Christ Church, Oxford and a Fellow of the Institute of Chartered Accountants in England and Wales. After four years with Coopers and Lybrand in London, he was a vice president (Corporate Finance) of J. Henry Schroder Corporation, investment bankers in New York and, since 1983 has been President of Warrender Associates, Inc., a private financial consultancy and investment business in Virginia, USA. Amongst other directorships, he served as a director of CoCa Mines, Inc., a publicly traded company based in Denver, Colorado, which was acquired by Hecla Mining in 1991. He joined Oxus Resources as a non-executive Director in October 1997.

Mark Michael Wellesley-Wood, BSc, MBA, CEng, MIMM (Non-Executive Director) (aged 49)

Mark Wellesley-Wood is a graduate mining engineer from the Royal School of Mines and a Chartered Engineer. He has an MBA from City University Business School. Currently he is Chairman and Chief Executive Officer of Durban Roodepoort Deep Limited which produces approximately 1.2 million ounces of gold a year from its South African operations. Following graduation in 1972 he worked for Anglo American in Zambia and South Africa and between 1976 and 1986 worked as a mining analyst for Wood Mackenzie and Grieverson Grant. When Grieverson Grant was acquired by Kleinwort Benson plc in 1986 he became a director of Kleinwort Benson Securities responsible for stockbroking activities in Australia, South Africa and South East Asia. He became Chairman of Geevor plc in 1990 but returned to Kleinwort Benson plc in 1992 and in 1995 became Global Sector Head of Metals, Steel and Mining for Dresdner Kleinwort Benson Global Corporate Finance Division. Between 1999 and 2000 he was a non-executive director of Western Areas Gold Mining Company Limited and took up his current position with Durban Roodepoort Deep Limited in May 2000. He is a Fellow of the Securities Institute, a member of the Institution of Mining and Metallurgy and an Associate of the Institution of Investment Management and Research. He joined the Board in April 2001.

Senior Management

William John Charter BSc, CGeol, FGS, CEng, MIMM (Vice President Geology & Exploration) (aged 45)

Bill Charter is a Geologist and has over 20 years of experience in project management and in the design and supervision of exploration programmes, drilling contracts and ground investigation. He gained experience as an Exploration Geologist and then as a mine geologist with Anglo American Corporation (in Fiji and South Africa), and then worked in minerals and geological consultancy in both Central Asia and other regions before joining Oxus Resources in 1996.

Malcolm Ernest Crowe BSc, CEng, FIMM (Vice President Metallurgy) (aged 57)

Malcolm Crowe has been a metallurgist for over 30 years and spent many of those as a metallurgical consultant for Lonmin. He has worked in Africa and Central Asia on a number of feasibility studies, administered project procurement, and designed and planned gold plants for most technologies, including heap leaching. He has been with Oxus Resources since 1996.

Alexander Stanislavovich Polikashin (Vice President Administration) (aged 41)

Alexander Polikashin had several years of experience with international companies trading in Central Asia, including Tajik Development Agency Limited and Gulf International Minerals. He worked for Nelson Gold Corporation in Tajikistan between 1993 and mid 1996 before joining Oxus Resources where he has been responsible for administrative and commercial matters and government relations.

Valery Sharafovich Axanov (Vice President Business Development) (aged 51)

Valery Axanov, a graduate from the Mining Department of Tashkent State Technical University, has been a mining engineer for almost 30 years. Prior to joining Oxus Resources in 1996, he was the Chief Engineer on the Zarmitan underground mine in Uzbekistan and then the Chief Engineer of TajikGold, a gold mining government body in Tajikistan.

Alexander Lesser (Vice President & General Counsel) (aged 44)

Alexander Lesser is a graduate of Columbia Law School in New York and a fluent Russian-speaker with substantial international experience in New York, London and the former Soviet Union. Until February this year, he was Managing Partner of Lesser, Zhakenov & Newton, a law firm based in Almaty, Kazakstan, primarily advising on natural resource development projects. Alexander Lesser has broad experience in the mining sector in Central Asia, including experience in Kazakstan, Kyrgyzstan, Uzbekistan and Tajikistan. Alexander Lesser was formerly associated with the firms of Squire, Sanders & Dempsey, Jones, Day, Reavis & Pogue and Mayer, Brown & Platt. He is also a member of the American Bar Association and the Association of the Bar of the City of New York. He joined Oxus Resources in March 2001.

Raymond Oates, ACSM, CEng, MIMM (General Manager, Amantaytau Goldfields) (aged 50)

Raymond Oates is a graduate mining engineer from the Camborne School of Mines and a Chartered Engineer of the Institute of Mining and Metallurgy. He has had over 25 years of experience in the mining industry mainly in base and precious metals in underground and surface mining and has worked extensively overseas in South Africa, Australasia, South America and Europe. The majority of his working experience has been as a project engineer, project manager and mine manager. Prior to this appointment, Raymond Oates was employed by Volcan Minera in Peru as a technical adviser and Group Chief Planning Engineer. He joined Oxus Resources in 2000.

Stephen John Westhead, BSc, MSc, PhD, FGS, MIMM (Chief Geologist, Amantaytau Goldfields) (aged 36).

Dr Stephen Westhead graduated with a BSc in Applied Geology, a MSc. in Mineral Exploration and Mining Geology from the University of Leicester and a Ph.D in Structural Controls on Mineralisation from the University of Wales, Cardiff. Following graduation he worked in India as senior geologist for four years. He joined Oxus Resources in 1997.

Norman Livingstone, B.Sc (Construction Manager, Amantaytau Goldfields) (aged 53).

Norman Livingstone is a graduate Mechanical Engineer from Strathclyde University, Glasgow. He has had over 25 years of experience in the construction and mining industries, both in underground and surface mining and has worked extensively overseas in Zambia, Ghana, Russia, Ukraine, Uzbekistan and Tajikistan. He has considerable experience in both mine maintenance and construction. He was the construction manager of the Zarafshan Gold Joint Venture whilst working for Nelson Gold in Tajikistan from 1994 to 1996. He joined Oxus Resources in 2000.

Barrie Oakes MSc, PhD (Technical Director, Norox) (aged 53).

Dr Barrie Oakes is a graduate of Aston University in Birmingham and has a MSc from McGill University and Doctorate from Imperial College, Royal School of Mines. He is currently Technical Director of Norox in charge of the Jerooy Project. Prior to this, he worked for 3K Exploration and Mining Limited in Kazakstan and was General Manager of Pan African Resources Corporation (Gabon). Other appointments include Mine Manager of the Sunace Gold Mine, Zimbabwe and Project Geologist conducting uranium property evaluation for Eldorado Nuclear, Canada. He joined Oxus Resources in 1997.

CORPORATE GOVERNANCE

Subject to certain matters relating to Directors' service contracts and Directors' options referred to below, the Directors intend, so far as possible, given the Group's size and the constitution of the Board, to comply with the Combined Code (as modified by the recommendations of the Quoted Companies Alliance).

Roger Turner and Richard Wilkins have previously been contracted to Oxus Resources under five year contracts. Both Roger Turner and Richard Wilkins recently entered into new three year contracts with Oxus with notice periods of 12 months. In addition, Michael de Villiers has entered into a contract, conditional upon Admission, for an initial period of one year and thereafter, if both parties agree, it will continue, unless terminated by not less than twelve months' written notice, to expire no sooner than the third anniversary of Admission. In the light of the Oxus Group's non-revenue generating status to date and with a view to attracting non-executive directors of standing to the Oxus Group, non-executives have, to date, been granted share options in Oxus Resources under the Share Incentive Plan instead of being paid directors' fees. Details of the Directors' share options, Purchase Warrants and Directors' service contracts are set out in paragraphs 4 and 5 of Part IX of this document.

There is a clear division of responsibility at the head of the Company with a non-executive Chairman and a full-time Chief Executive. The Chairman is primarily responsible for the workings of the Board and ensuring that its role is achieved and he is not involved in day to day operational issues. Save for matters reserved for decision by the Board, the Chief Executive, together with the Commercial Director and the Finance Director, are responsible for the running of the Group's business, carrying out the agreed strategy and implementing specific Board decisions relating to the operations of the Group.

The Combined Code states that the Board should have a recognised senior independent Director to whom any concerns can be conveyed. Mr Guy Pas has been elected by the Board as the senior independent Director.

The Board has agreed to meet at least six times a year and appropriate documentation and financial information will be provided in advance of each Board meeting. These would normally include management accounts, reports on current trading and papers on matters in respect of which the Board will make decisions or give its approval. Regular reports will be given to the Board on matters such as strategic planning, budgets, risk management, treasury issues, insurances and pensions and specific presentations will be made by the Board on business or strategic issues when appropriate. These procedures are intended to ensure that the Board is supplied in a timely manner with information appropriate to enable it to discharge its duties.

A procedure has been adopted for Directors to obtain independent professional advice, where appropriate, at the cost of the Company. In relation to non-reserved matters, the Board is assisted by a number of committees with delegated authority.

The Remuneration Committee will be made up of Charles Cooper and Mark Wellesley-Wood, who will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of executive Directors, the Remuneration Committee will seek to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee will also make recommendations to the full Board concerning the allocation of share options to employees. No Director will be permitted to participate in discussions or decisions concerning his own remuneration.

The Audit Committee will be made up of Anthony Warrender and Guy Pas. It will meet at least twice each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the auditors without executive Board members being present and review reports from the auditors relating to accounts and internal control systems.

The Nominations Committee comprises Charles Cooper, Guy Pas and Roger Turner. The Committee is responsible for nominating candidates (both executive and non-executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board. It is also responsible for making recommendations regarding the composition and balance of the Board.

MANAGEMENT AND STAFF INCENTIVES

Oxus Resources established the Share Incentive Plan for the benefit of directors and officers of Oxus Resources and affiliated companies (and persons or companies engaged to provide ongoing management or consulting services). At Admission, there will be Options outstanding over 10,040,000 Ordinary Shares with an exercise price of \$0.45 per share and over 3,550,000 Ordinary Shares with an exercise price of \$0.55 per share under this plan. No further Options will be granted under the Share Incentive Plan.

In order to incentivise employees and Directors, the Company intends to establish three new share option schemes. These will be an all-employee share ownership plan and two discretionary share option plans. One of the discretionary plans will have unapproved status. The other will be submitted to the Inland Revenue for approval in order to benefit from tax-advantaged status under existing UK legislation.

WARRANTS AND RIGHTS TO ORDINARY SHARES

In addition to the Options in issue referred to above, there will be outstanding at Admission Warrants to subscribe for 28,664,566 Ordinary Shares at the higher of \$0.60 or 120 per cent. of the Placing Price per share which shall be exercisable until 30 June 2001, and Warrants to subscribe for 1,388,106 Ordinary Shares at \$0.85 per share, exercisable until 31 October 2002. In addition, the Company has agreed to issue to Barclays Capital at Admission warrants to subscribe for 376,672 Ordinary Shares exercisable at 38p per Share, being 26.7 per cent. above the Placing Price, over a period of three and a half years from Admission.

These Options and Warrants, if exercised, would represent 26 per cent. of the then enlarged issued Ordinary Share capital at Admission. However, if the Warrants exercisable until 30 June 2001 are not exercised, the remaining Options and Warrants, if exercised, would represent 11 per cent. of the then enlarged issued Ordinary Share capital at Admission.

THE GROUP'S INTERESTS IN AMANTAYTAU, KHANDIZA AND JEROOY

Set out below is a schematic diagram showing the Group's interests at Admission in its three principal projects:

Schematic of Group's interests at Admission

* The 50 per cent. interest in the Khandiza Project reflects Oxus Resources' current entitlement under the Primary Exploration Agreement.

STAFF, ADMINISTRATIVE AND PROJECT OFFICES

The Group has established administrative offices in Tashkent in Uzbekistan and Bishkek in Kyrgyzstan to monitor and support its operations in these countries. In addition, the Group has set up project offices in Samarkand and Amantaytau to carry on operations in respect of the Khandiza and Amantaytau projects.

The Group has a total staff of 110, including 62 staff employed by AGF and six at its UK office based in Woking.

FINANCIAL INFORMATION

Oxus Group's audited financial results for the three years ended 31 December 2000 are summarised below:

	Year ended 31 December 2000 \$'000	Year ended 31 December 1999 \$'000	Year ended 31 December 1998 \$'000
Turnover	–	108	244
Operating loss (2,153)	(5,645)	(1,915)	
Loss on ordinary activities before taxation	(2,277)	(5,822)	(2,115)

	As at 31 December 2000 \$'000	As at 31 December 1999 \$'000	As at 31 December 1998 \$'000
Net assets	17,109	16,237	6,311

The above information has been extracted from the Accountants' Report on Oxus Group included in Part VIII of this document. Investors should read the whole document and not just rely on the summarised information above.

Oxus Group incurred costs in relation to exploration and evaluation activity on its mineral deposits in Central Asia during each of the three years ended 31 December 2000. This expenditure related primarily to professional salaries, consultants' fees and other direct exploration costs. Expenditure incurred directly on exploration and evaluation activity, where the Oxus Group has a valid right to develop the property and the recovery of the costs is considered probable, was capitalised. Indirect costs, predominantly the cost of the corporate office and other costs not associated with exploration and evaluation activity, were recorded directly in the profit and loss account. As the Oxus Group has not yet begun mining operations, no minerals have been extracted or sold. In 1998 and 1999, some revenue was generated in connection with consulting services provided by the Oxus Group.

Parts VII and VIII of this document contain the Accountants' Reports on the Company and Oxus Group. The Accountants' Reports do not constitute statutory accounts of either the Company or Oxus Group.

STRATEGY AND PROSPECTS

The Board plans to build on the Group's reputation in the CIS through the development of its existing properties and, in due course, to expand through acquisitions. In the near term, the Group's strategy remains focused on increasing the oxide and sulphide reserves of the Amantaytau Project Phases I and Phase II, on bringing Phase I into production, on negotiating the Concession Agreement for Khandiza and completing the full feasibility study on the Khandiza project.

The Directors are confident that both the 192 square kilometre licence area at Amantaytau and the 6,000 square kilometre licence areas around Khandiza offer promising exploration targets which have the potential to increase significantly the Group's resources and reserves of gold, silver, zinc and copper.

DIVIDENDS

Given the Group's anticipated funding requirements in the short to medium term, the Directors do not expect to recommend or pay a dividend in the foreseeable future. Furthermore, it is the Directors' intention, in the event that Amantaytau Phase I is constructed, to utilise the Group's cash flows from production to develop its mining operations and its exploration activities.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Under the Placing Oxus is raising £6.6 million after expenses. The proceeds of the Placing will be used principally to advance the Group's existing projects and to increase the Group's resources and reserves through further exploration.

In particular, the funds will be used:

- to finance the detailed civil, mechanical and electrical engineering designs for the construction of Amantaytay Phase I
- to finance the costs of obtaining project finance for the construction of Amantaytau Phase I;
- to finance the ongoing exploration at Amantaytau, in order to increase the Phase I reserves;
- to explore and assess the other gold and silver resources within the 192 square kilometre licence area at Amantaytau;
- to secure further rights with resource and reserve potential within the immediate vicinity of Amantaytau;
- to fund the completion of the feasibility study on the Khandiza project;
- to negotiate the Concession Agreement in relation to the Khandiza project;
- to continue to assess the exploration potential within the Khandiza Deposit and the surrounding 6,000 square kilometre exploration areas adjacent to Khandiza;
- to repay existing loans owed to certain shareholders of an aggregate amount equal to approximately £1.1 million; and
- to provide further working capital.

The amount raised includes £176,989 of the loan indebtedness due to Joural Foundation under the loans to Oxus Resources referred to in paragraph 18.17.3 in Part IX of this document and £290,000 of the loan indebtedness due to Lonmin which they have agreed will be satisfied by the issue of 589,963 and 966,666 of the New Ordinary Shares respectively at the Placing Price. The balance of these loans (which are included in the shareholder loans referred to above) will be repaid out of the cash proceeds of the Placing.

The amount raised also includes £496,204 of accrued remuneration and loans owed to certain Directors and employees who have agreed that such sums be satisfied by the issue of 1,654,013 New Ordinary Shares in total at the Placing Price.

The Directors believe that in addition to raising funds for the Group's development, the flotation of the Company will create greater awareness of the Group and its operations and provide access to future funding for the development of the Group's precious and base metal properties, as well as for future acquisitions.

The Placing has been underwritten by Old Mutual Securities and is conditional upon, amongst other things, Admission. Details of the Placing Agreement are set out in paragraph 11 of Part IX of this document. The Placing has been marketed to institutional and other investors in the UK and certain parts of Europe by Old Mutual Securities in conjunction with other brokers in the UK and Europe.

Charles Cooper, Michael de Villiers and Mark Wellesley-Wood will subscribe for 347,723, 200,000 and 17,000 New Ordinary Shares respectively at the Placing Price under the Placing.

416,666 of the New Ordinary Shares will be issued to OMS at the Placing Price, in satisfaction of £125,000, being part of the amount due to OMS under the Placing Agreement.

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders, insofar as known to the Company, are given below:

Shareholder	Number of Ordinary Shares before Admission	Percentage holding held before Admission
Normandy	24,069,520	24.63%
Lonmin	6,666,666	6.82%
Sassan Holdings Limited	5,909,078	6.05%
Equitable Life Assurance Company	5,416,666	5.54%
Roger Turner	3,846,190	3.94%
Richard Wilkins	3,328,976	3.41%
CIBC World Markets	3,231,416	3.31%

LOCK-IN ARRANGEMENTS

Each of the Directors has agreed not to dispose of his interests in the Ordinary Shares held by him at any time prior to the second anniversary of Admission and in the case of directors of subsidiary companies, and of AGF, at any time prior to the first anniversary of Admission, save in certain circumstances. These are in the event of an intervening court order, a takeover offer relating to the Ordinary Shares that is open to all shareholders and has been recommended by a majority of the Board, or on the death of the individual. The Directors may, however, dispose of interests in Ordinary Shares in the year after the first anniversary of Admission provided that Amantaytau Phase I has commenced production.

Normandy and Lonmin have each agreed not to dispose of any interests in the Ordinary Shares respectively held by them at any time prior to the first anniversary of Admission, save in the event of an intervening court order or a takeover offer that is open to all shareholders and has been recommended by a majority of the Board.

FURTHER INFORMATION

Your attention is drawn to the additional information in Parts II to IX of this document.

PART II – RISK FACTORS

The New Ordinary Shares are subject to certain risk factors and should be considered to be speculative investments. Prospective investors should carefully consider the following risk factors and all other information contained in this document before deciding to subscribe for or purchase Ordinary Shares.

Nature of Mineral Exploration and Mining

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditure may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Group's projects or the current or proposed exploration programmes on any of the properties in which the Company has exploration rights will result in a profitable commercial mining operation.

The Group's operations are subject to all of the hazards and risks normally incidental to exploration, development and production of precious metals and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Group's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Group has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance which may be taken out or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Group's earnings and competitive position in the future and, potentially, its financial position.

Whether a precious metal or base metal deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of precious metals or base metals and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Group not receiving an adequate return on invested capital.

Resources, Reserves and Production

The figures for resources and reserves presented herein are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realised. Market fluctuations in the price of precious metals or base metals may render ore reserves and resources uneconomical. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Limited Operating History

The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Group has not earned profits to date and there is no assurance that it will do so in the future. A portion of the Group's activities will be directed to the search for and the development of new mineral deposits. Significant capital investment will be required to achieve commercial production from the Group's existing projects and from successful exploration efforts. There is no assurance that the Group will be able to raise the required funds to continue these activities.

Key Personnel

The Group relies on a limited number of key employees and has entered into employment agreements with three of its key executives (details of which are set out in paragraph 5 of Part IX of this document). However, there is no assurance that the Group will be able to retain such key executives or other senior management. If such personnel do not remain active in the Group's business, its operations could be adversely affected.

Additional Financing

The Group is required to fund its share of approved exploration expenditures on certain of the properties on which it has exploration rights, failing which the Group's exploration rights in the relevant property may be either reduced or forfeited. The net proceeds of the Placing will be sufficient to fund certain activities in relation to the development of its projects. The net proceeds of the Placing will not be used to finance the full development work and plant and equipment required to enable Amantaytau Phase I to commence mining operations and production of precious metals. The Company has commenced negotiations with banks with a view to securing finance for Amantaytau Phase I. If, in due course, loan or project finance can be secured then the Board will review timing issues and the overall level of finance required for Amantaytau Phase I. There is no assurance that the Company will be successful in securing finance. Further, the Group may acquire exploration rights in other exploration properties in Central Asia and elsewhere which may require acquisition payments to be made and exploration expenditures to be incurred. The only source of funding currently available to the Company is through the issue of additional equity capital, project finance or borrowing. There is no assurance that the Company will be successful in raising sufficient funds to commence mining operations or to meet its obligations with respect to the exploration properties in which it has or may acquire exploration rights.

Political Risk

The Group is conducting its exploration and development activities primarily in the Central Asian republics of Uzbekistan and Kyrgyzstan. The Directors believe that the governments of these countries support the development of natural resources by foreign operators. There is no assurance that future political and economic conditions in these countries will not result in their governments adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The republics of Uzbekistan and Kyrgyzstan have passed laws protecting the rights of foreign investors. However, the possibility that a future government of these Central Asian countries may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Regulatory Approvals

The operations of the Group and the exploration agreements which it has entered into require approvals, licences and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees). The Directors believe that the Group holds or will obtain all necessary approvals, licences and permits under applicable laws and regulations in respect of its three main projects and believes it is presently complying in all material respects with the terms of such approvals, licences and permits. However, such approvals, licences and permits are subject to change in various circumstances and further project specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that the Group will be able to obtain or maintain all necessary approvals, licences and permits that may be required and/or that all project specific governmental decrees and/or required legislative enactments will be forthcoming to explore and develop the properties on which it has exploration rights, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Precious Metal and Base Metal Prices

The profitability of any precious or base metal mining operations in which the Group has an interest will be significantly affected by changes in the market price of precious and base metals. Precious and base metal prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of precious and base metals and stability of exchange rates can all cause significant fluctuations in precious and base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of precious and base metals has fluctuated widely and future serious price declines could cause commercial production to be uneconomic. Depending on the price of precious or base metals, cash flow from mining operations may not be sufficient. If, as a result of a decline in precious or base metal prices, revenues from metal sales were to fall below cash operating costs, production, if started, might be discontinued.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Group, in the search for and the acquisition of exploration and development rights on attractive mineral properties. The Group's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties or prospects for exploration and development. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties or prospects.

Currency Risk

Currency fluctuations may affect the cash flow that the Group will realise from its operations, as mineral production is sold in the world market in United States dollars. The Group's costs are incurred primarily in United States dollars, British pounds sterling and also in the currencies of the Central Asian countries where it has exploration and development rights.

Note: References in this Part to "Group" includes references to AGF.

PART III – COUNTRY INFORMATION

UZBEKISTAN

Introduction

Uzbekistan is in Central Asia and is the fourth largest state of the former Soviet Union, covering an area of 447,400 square kilometres and measuring 925 kilometres from north to south and 1,400 kilometres from east to west. The country has a strategic location between the Aral Sea and the Tien Shan Mountains and, with its ancient cities of Samarkand, Bukhara and Khiva, once formed an integral part of the Silk Route from Europe to China.

Entirely landlocked, Uzbekistan is bordered by Kazakstan to the north and west, Kyrgyzstan and Tajikistan to the east, and Turkmenistan and Afghanistan to the south. The capital of Uzbekistan, Tashkent, is 3,500 kilometres from the Black Sea and 3,000 kilometres from Moscow. Uzbekistan is easily accessible by air and also has a well-developed road and rail network.

With approximately 24.4 million people, Uzbekistan has Central Asia's largest population. The two main ethnic groups are Uzbek and Russian, comprising 75 per cent. and 6 per cent. respectively of the population. The country is secular and the predominant religion is Sunni Muslim. Russian is widely spoken, in addition to Uzbek, which is a Turkic language. The workforce is well educated.

Telecommunications coverage is extensive, with most main cities having access to reliable international communication lines and internet accessibility, as well as mobile telephone networks.

Politics and Economy

Uzbekistan declared its independence from the Soviet Union in September 1991. A new constitution was adopted in December 1992, declaring a multiparty democracy and a presidential republic. The national legislature consists of the unicameral, 250 member, Oliy Majlis (Supreme Council). The electoral system is based on universal suffrage over the age of 18. Parliamentary elections were last held in December 1999, and Presidential elections in January 2000, when President Islam Karimov was re-elected. Parliamentary elections are next due in 2004. The Council of Ministers is headed by the Prime Minister, who is nominated by the President.

A member of the United Nations since 1991, Uzbekistan has signed a partnership and co-operation agreement with the European Union and become a member of many international organisations including the IMF, European Bank of Reconstruction and Development, Asian Development Bank and the World Bank.

Uzbekistan, in common with other FSU states emerging in the post-Soviet period, has faced difficult economic, financial and social changes since gaining independence in 1991. Nevertheless, gross domestic product ("GDP") is estimated to have increased from \$10.1 billion in 1995 to \$15.5 billion in 1999, with real GDP growth increasing from -0.9 per cent. to 4.1 per cent. over the same period. Consumer price inflation has fallen from an annual average of 304.6 per cent. in 1995 to 29.0 per cent. in 1999. The main origins of GDP in 1999 were agriculture and forestry at 31.7 per cent. of the total, and industry and construction at 26.3 per cent. In 1998 cotton accounted for 41.5 per cent. of total exports, energy products 22.7 per cent. and gold 9.6 per cent. The national currency is the Soum.

Significant sectors of the Uzbek economy include agricultural production and food processing, the development of hydrocarbon and energy and the extraction of mineral resources, and the automotive and aerospace industries. Of these, agriculture, which depends to a large extent on irrigation, is the dominant activity and is principally centred around cotton although there is significant production of fruit, vegetables and grain. Tourism is also regarded as a development area of national importance.

Uzbekistan is a net exporter of energy. According to BP Amoco, at the end of 1997, resources of natural gas amounted to 1,880 billion cubic metres and petroleum resources amounted to 600 million barrels, although Uzbek Government estimates are much higher. In 1999 gas and oil production amounted to 55.6 billion cubic metres and 162,000 barrels per day respectively.

Muruntau, part of Navoi MMC, is believed to be one of the world's largest open pit gold mining operations. It was discovered in 1958 and is now mining and processing 22 million tonnes of ore each year. This mine is estimated to have produced approximately 45 million ounces of gold and, together with the Newmont Zarafshan Joint Venture (a joint venture between Newmont Mining Limited and Goscomgeology and Navoi MMC), represents the majority of current annual gold production. The Muruntau mine is reported to have sufficient reserves to sustain production until 2032. The Newmont Zarafshan Joint Venture is currently processing low-grade stockpiles from Muruntau, and annual production was over 500,000 ounces of gold in 1999, which is refined at Navoi MMC's London Bullion Market accredited precious metals refinery at Muruntau, prior to export and sale.

Foreign Investment

President Karimov's government has taken a number of steps to support foreign investment.

"The Law On Foreign Investments and the Law on Guarantees and Protection of the Rights of Foreign Investors", provides the general framework for foreign investment in Uzbekistan. Investments cannot be nationalised or confiscated without the payment of compensation. Further protection is provided in the form of a 10-year guarantee against adverse changes in legislation, including tax legislation. Generally, if changes in the legislation impair the treatment of an investment within 10 years of initial investment, then the legislation in force at the time of initial investment will continue to apply to that investment.

The Foreign Investment Law provides that foreign investors are entitled to repatriate profits in hard currency (i.e. freely convertible currency) after the payment of taxes and other dues. It should be noted, however, that the Soum is not a freely convertible currency and that the free-market rate for the Soum has been much lower than the official rate over the past several years. Recent moves, however, to allow limited Soum conversion to Dollars at a value close to the free-market rate shows some government progress in tackling this difficult issue.

Further to a Decree of the President, "On the Additional Measures Stimulating the Establishment and Activity of Enterprises with Foreign Investments" on 31 May 1996, additional privileges are granted for enterprises with foreign capital participation specialising in production of both the export orientated and import substituting commodities.

Uzbekistan is currently the ninth largest gold producer in the world, with an estimated production of 83 tonnes in 1999. In addition to gold, there are several other non-ferrous metals produced including copper, lead, molybdenum, silver, tungsten, zinc, uranium and recycled steel. Industrial minerals include feldspar and fluorite, as well as a range of minerals for the construction industry, including cement and phosphate. Estimated mineral production in 1998 included 70,000 tonnes of copper, 900 tonnes of lead, 1,930 tonnes of uranium and 1,100 tonnes of zinc. Coal production is also estimated at 3.01 million tonnes.

The Foreign Investment Programme provides that projects with foreign investment of 50 per cent. or more and a Charter Fund (share capital) of at least \$1 million will qualify for a seven-year holiday from profits tax, and thereafter pay a maximum profits tax rate of only 16 per cent. In addition, certain other exemptions and privileges are granted to projects qualifying for this programme. The Amantaytau Goldfields project was included in the Foreign Investment Programme by Presidential Decree dated 22 September 1994. Its continued inclusion was recently confirmed in a further Presidential Decree dated 12 December 2000, which also listed Oxus Resources as the foreign partner on the project.

AON Limited Political Risk is one of the world's foremost political risk insurance brokers. They, in conjunction with Euromoney and Reactions (the financial magazine for the global insurance market), publish an annual analysis of each country's political risk profile. In the year 2001 they rank Uzbekistan as a lower political risk than Mali, Zambia, Zimbabwe, Burkino Faso, Russia, Kazakstan, Ukraine and Indonesia. Uzbekistan has the lowest political risk profile in Central Asia and all other CIS countries and has the same profile as Kenya, Tanzania, Peru, Venezuela, Romania, Mongolia and Thailand.

KYRGYZSTAN

Introduction

Kyrgyzstan is one of the smallest and most mountainous nations of the former Soviet Union. It covers approximately 198,000 square kilometres in the northern and central Tien Shan mountain range. Kyrgyzstan borders China to the east, Kazakstan to the north, Uzbekistan to the west and Tajikistan to the south. The population of Kyrgyzstan is approximately 4.8 million and mixed between Asian and East European.

Politics and Economy

Kyrgyzstan declared its independence from the Soviet Union in August 1991, and approved a new constitution in May 1993. The national legislature consists of a 105 member bicameral parliament, elected for a four year term. Parliamentary elections were last held in March 2000, and Presidential elections in October 2000, when President Askar Akayev was re-elected. The President appoints the Prime Minister, who in turn forms a government.

Kyrgyzstan, in common with all other states emerging in the post-Soviet period, has faced difficult economic, financial and social changes since gaining independence in 1991, during which period GDP is estimated to have fallen from \$1.5 billion in 1995 to \$1.2 billion in 1999. Over the same period, however, real GDP growth is estimated to have risen from -5.4 per cent. in 1995 to 3.6 per cent. in 1999, whilst consumer price inflation has fluctuated from 40.7 per cent. in 1995, to 12.1 per cent. in 1998, and 35.9 per cent. in 1999. Agriculture accounted for 38.9 per cent. of GDP in 1999, whilst non-ferrous metallurgy accounted for 47.9 per cent. of exports. The national currency is the Som.

Although the economy is mainly based on agriculture, in 1999 industrial production also accounted for 18.3 per cent. of GDP, of which the Kumtor gold mine contributed 6.9 per cent. This mine is being developed as a joint venture between the state owned Kyrgyzaltyn and Cameco Corporation, and produced 645,000 ounces of gold in 1998. The Makmal and the Soltan-Sary gold deposits also have significant resources. In addition, the State Agency for Geology and Mineral Resources has catalogued a large number of other prospective gold deposits and occurrences, many of which are considered to have commercial potential.

Foreign Investment

Kyrgyzstan, like Uzbekistan, has also taken a number of steps to support foreign investment, including protection against adverse changes in legislation. As yet, though, there is no equivalent of Uzbekistan's Foreign Investment Programme, and tax and other privileges continue to be negotiated on a case by case basis.

PART IV – REGIONAL POLITICAL RISK OVERVIEW

Set out below is a copy of a report to Oxus Mining plc and Old Mutual Securities on general issues of political risk in Central Asia, with special reference to Uzbekistan and Kyrgyzstan and operations of the mining sector. This report was written by James Arnold, a freelance consultant and a former Moscow bureau chief for the Economist Intelligence Unit. **Everything contained in this report represents only the personal views of the author based on his experience and knowledge of the region, and does not constitute legal or investment advice.**

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28 June 2001

Dear Sirs,

The upheavals caused by the collapse of the Soviet Union have rendered Central Asia a generally high-risk business environment. In particular, the situation in neighbouring Afghanistan has caused some deterioration in regional security. Central Asian governments have, however, maintained power with notable stability, and appear likely to continue to do so. Business, especially the mining sector, has to date suffered no serious disruption. Foreign companies in the region must however recognise that successful investment and operations demand both awareness of the security risks and strong relationships with government. Laid out below is what this author believes to be the main issues.

Political overview

In former Soviet Central Asia, comprising Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan there is a perceived incompatibility between the European style of secular government imposed by the Soviets, and the fundamentally Sunni Muslim way of life pursued by most of the region's population. Exploitation of the region's mineral wealth has given an economic incentive to competition for political power.

Central Asia's apparent instability rarely breaks down into actual conflict. Only Tajikistan has experienced civil war in the last decade, and that conflict came to an amicable end in 1997. All five countries have had the same governments in power since they achieved independence following the collapse of the Soviet Union in 1991. In Uzbekistan, the regime of President Islam Karimov appears well entrenched, mainly because it has clamped down on the more threatening opposition parties and organisations. Full democracy, with a flourishing civil society and strong state institutions, has yet to emerge. In Kyrgyzstan, where democratic reforms have perhaps taken root more firmly, President Askar Akayev won an overwhelming majority in October 2000 elections, and also looks unlikely to be seriously challenged in the foreseeable future.

However, two factors make it possible that instability will rise in the future. First, the Islamist Taliban now have almost complete control of Afghanistan. All Central Asian governments, and especially the defiantly secular regime in Uzbekistan, fear that the Taliban will not be content to remain in Afghanistan, but will push their crusade further north into the former Soviet Union. There is no sign of this but perceptions of an Afghan threat have led governments around the region to raise security measures.

Second, the end of the war in Tajikistan, and the poor economic situation in that country, means that there is a large population of unemployed ex-soldiers in that country. Many of these are involved in the drugs trade, for which Central Asia is becoming an increasingly important conduit. In 2000, there have been several incursions of fighters into Uzbekistan and Kyrgyzstan, and the countries' armed forces are often powerless to chase them out of remote mountain regions. Because of the difficult terrain, it has proved almost impossible to control the region's borders, especially the Kyrgyz-Tajik border. Unless the Kyrgyz and Uzbek governments can enlist help from, for example, the Russians, it seems inevitable that the security situation will continue to deteriorate. In a hopeful development, US officials have recently begun to step up dialogue with the Uzbeks on ways to cooperate on regional security.

Political instability and mining operations

To date, the security situation has not affected mining operations in Uzbekistan and Kyrgyzstan. The region's biggest foreign-run mining operation, the Kumtor goldfield in Kyrgyzstan (run jointly by the Kyrgyz government and Cameco of Canada), has suffered no disruption, and is generally regarded as one of the most successful foreign investment projects in the region. Another substantial mining operation is the Newmont Zarafshan joint venture at Muruntau, Uzbekistan. This venture, between the Uzbek state and Newmont Mining of the USA, has operated for around five years with no disruption to its activities, and Newmont completed a five-year \$30m financing agreement with the European Bank for Reconstruction and Development in January 2001.

In Uzbekistan, most mining activity is in the centre of the country and around the capital, Tashkent, regions that have suffered relatively little instability. There is little reason to expect that this might change in the near future.

Contract enforcement and the rule of law

Both Kyrgyzstan and Uzbekistan have an acceptable set of commercial laws, drawn up in many cases by international advisers. However, these laws are often erratically enforced. In both countries the problem is mainly one of petty officials, who are poorly paid and sometimes corrupt. This problem extends to the countries' courts, which are not regarded as either impartial or efficient. Disputes involving foreign investors, however, are usually settled in international arbitration courts, rather than in-country. There is no significant evidence of corruption in the mining sector.

In Uzbekistan, where the government controls most aspects of the economy, large foreign investment projects tend to be discussed in advance at the highest political level. This tends to produce a tacit guarantee of fair treatment, and a measure of protection from bureaucratic interference. Indeed, Uzbekistan has a programme of special incentives for large foreign investments, and its laws protect investors against changes both in legislation and taxation. In Kyrgyzstan, legal protections specific to foreign investors are less comprehensive but there are no significant instances of investments being derailed by corruption or red tape.

Crime, terrorism and physical security

Terrorism, once unknown, is starting to emerge. The worst incident to date was a car-bomb blast in February 1999 in Tashkent, which killed 16 people and injured 100. In the Fergana Valley, to the east of Tashkent, minor incidents have become common, but are poorly reported, as access for the media is highly regulated. Kyrgyzstan, has suffered less, although there are occasional incidents in towns near the Uzbek border, such as Osh and Jalal-Abad. The Uzbek government blames Islamist militants; opposition groups blame government agents provocateurs. The overall situation is relatively secure: aside from a few isolated troublespots, terrorism is no more of a problem than in most European cities.

According to official statistics, both Uzbekistan and Kyrgyzstan have low crime rates. There have been no high-profile incidents of kidnapping or murder of foreign businesspeople, but robbery, burglary and car crime are increasingly common, especially in Bishkek.

Governance and policy environment

In Kyrgyzstan, the government has since independence adhered to internationally acceptable economic and commercial policies. Levels of tax and regulation are moderate, policy towards foreign investors is welcoming, and there is a commitment to free trade. In recognition of this, Kyrgyzstan was the first former Soviet country to join the World Trade Organisation, and agencies such as the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development have consistently given their approval.

In Uzbekistan, foreign investment law is also acceptable; indeed, some aspects (such as taxation) are more favourable to investors than in Kyrgyzstan. The government periodically promises to expedite free-market reform in an attempt to please the USA or the IMF; in practice, however, these promises have been rarely fulfilled. This has not materially affected foreign businesses on the ground, but it has ensured that relations with the international financial institutions are poor.

The Uzbek government is consistently keen to attract foreign investment into the mining sector. Because of their typical size, mining operations tend to qualify for the special incentives reserved for significant foreign investments. So far, the government has tended to keep its promises to foreign mining firms (although this cannot be absolutely relied upon, as there have been instances of change to other aspects of policy).

Risk management imperatives

For any investment in Uzbekistan, Kyrgyzstan or the other Central Asian countries, the single most crucial factor is to recognise the importance of government in economic and commercial decision-making. Agreeing and maintaining an investment project requires substantial, active and ongoing relationship-building and communication with government officials, and up to the highest political levels, in the case of a large project.

Companies must be prepared to conduct due diligence, not only on potential business partners, but also on the many agencies and individuals that a foreign company will tend to attract in these markets.

Companies must also be prepared to be flexible in order to perform what in Western Europe would be normal commercial transactions. Neither Uzbekistan nor Kyrgyzstan has an efficient financial system: banking services, payroll and currency conversion can often be difficult. Whilst foreign mining operations are largely insulated, government policy can change overnight, and is often inconsistently implemented.

Finally, companies need to bear in mind cultural sensitivities. Uzbekistan and Kyrgyzstan are essentially Sunni Muslim societies but the business environments in these countries also continue to be influenced by the legacy of 70 years of Soviet communism. Companies should not assume that Central Asia is moving rapidly towards Western norms of doing business. But this need not stand in the way of profitable business, if companies conduct themselves with tact, care and diligence.

Yours sincerely

James Arnold

PART V – COMPETENT PERSONS’ REPORT

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28 June 2001

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Dear Sirs,

COMPETENT PERSONS’ REPORT FOR OXUS MINING plc MINERAL PROPERTIES IN UZBEKISTAN AND KYRGYZSTAN

At the request of Oxus Mining plc (hereinafter called “Oxus”) and Old Mutual Securities, CSMA Consultants Limited (“CSMA”) has prepared a competent persons’ report on Oxus’ mineral properties in Uzbekistan and Kyrgyzstan which include Amantaytau and Khandiza in the former and Jerooy in the latter. In addition, the report covers the exploration licences held by the company in those countries, both around the mineral properties and in other areas.

This report is based on the findings of technical studies at various levels undertaken by CSMA or other third parties and visits by CSMA personnel to all the properties listed above during 2000 and 2001, and at other occasions since 1998.

Yours faithfully

N CLARKE
Managing Director
CSMA Consultants Limited

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PART A: COMMON INTRODUCTORY SECTION

CONSULTANTS AND INTERESTS

CSMA Consultants Limited (“CSMA”) is an internationally recognised, independent minerals industry consultancy. All consultants used in the preparation of this report are employed either directly by CSMA or are Associates of CSMA, and have variously visited Oxus Resources Corporation’s (“Oxus”) properties in Uzbekistan and Kyrgyzstan. All have over 15 years of relevant professional experience. The most recent property visits were carried out by P Newall who visited Uzbekistan in June 2000 and Kyrgyzstan in October 2000, whilst N Clarke also visited Kyrgyzstan in February 2001. CSMA’s staff have prior field experience of the geology and mineralisation of the Oxus properties through previous work in these regions.

Details of the principal consultants involved in the preparation of this document are as follows:

- P Newall, BSc PhD MIMM CEng, is Senior Consulting Geologist with CSMA and has practised his profession as a mine and exploration geologist for nearly twenty years, and has particular experience within the CIS.
- M Hooper, BSc, MSc, FIMM, FGeol, CEng, is a Senior Associate Mining Engineer with CSMA. He has more than thirty years experience in mine production and development, as well as broad geological experience.
- N Clarke, ACSM, CEng, MIMM, is Managing Director of CSMA Consultants Limited and a mining engineer with 26 years experience most of which has been gained within the production mining industries of South Africa, Ghana, UK and Saudi Arabia with multi disciplinary teams.
- M Owen, BSc, MSc, FGS, FGeol, is an exploration and mine geologist with CSMA and has over twenty years worldwide experience on a broad range of commodities.

Neither CSMA, its directors, employees or company associates hold any securities in Oxus, its subsidiaries or affiliates, nor have:

- Any rights to subscribe for any Oxus securities either now or in the future;
- Any vested interest or any rights to subscribe to any interest in any properties or concessions, or in any adjacent properties and concessions held by Oxus; and
- Have not been promised or led to believe that any such rights would be granted to CSMA in the event of a successful listing.

The only commercial interest CSMA has in relation to Oxus is the right to charge professional fees to Oxus at normal commercial rates, plus normal overhead costs, for work carried out in connection with the investigations reported herein. The payment of these professional fees is not dependent either on listing success or any project financing.

SUMMARY

Oxus has been operating in Uzbekistan since early 1996 and has acquired significant gold and base metal exploration territory. Offices have been established in Tashkent, Zarafshan and Samarkand. In addition, Oxus has maintained an office, through its subsidiary Norox Mining Company, in Bishkek, Kyrgyzstan since 1998 while reviewing the Jerooy Gold project.

Oxus has undertaken substantial work on a number of projects, namely the Amantaytau Oxide and Sulphide Projects, the Khandiza Zinc Project in Uzbekistan and the Jerooy Gold Project in Kyrgyzstan. Much of the project documentation has been reviewed by CSMA and forms the basis for this Competent Persons Report.

The data reviewed has generally been prepared in a professional and competent manner. Where data has been accepted in good faith, CSMA has endeavoured to ensure its validity.

The most advanced project is Amantaytau Goldfields where Oxus has a 50% interest. A recent Feasibility Study on the oxide material has outlined a 1 Mtpa open pit heap leach gold operation extracting ore from the Centralny, Uzunbulak and Vysokovoltnoye deposits. A lesser study has considered the higher grade sulphide resources at depth for the Severny and Centralny orebodies.

The Khandiza Zn-Pb-Cu deposit, located in southern Uzbekistan, represents a classic volcanogenic massive sulphide (VMS) deposit, comprising a number of overlapping sulphide lenses hosted by acid volcanics. A pre-feasibility study has outlined a 1 Mtpa underground mine producing 3 concentrates.

The Jerooy Gold deposit, situated near Talas in north central Kyrgyzstan, is a low sulphide, gold-quartz, mesothermal orebody. Oxus has a 66.67% interest through Norox Mining. Studies to date have defined the potential for a combined surface and underground operation producing 1.4 Mtpa. Further work is ongoing in resource definition and on a number of other technical issues.

The resources/reserves and exploration potential of the various mineral assets have been summarised, and cross-referenced to the report, in the following table.

Deposit	Cut-off g/t	Kt	Au g/t	Ag g/t	Total Au M oz	Total Ag M oz	Ref CP section	Comments
AMANTAYTAU								
RESOURCES (Meas+Ind+Inf)								
Oxides (Feasibility study)	0.00	16,163	2.36	37.2	1.23	14.66	B3.5.1	Includes 12,273 Kt at an average silver grade of 37.2 g/t
Sulphides (Pre-feasibility study) <i>including (Meas+Ind)</i>	0.00 6.00/7.00	15,017 2,893	6.97 15.00	– –	3.36 1.39	– –	B4.3.1	
RESERVES								
Open pit mining (Prov+Prob) <i>including Centralny orebody</i>	0.60 0.60	8,312 2,980	3.16 6.20	53.8 –	0.84 0.56	9.22 –	B3.6	Includes 5,333 Kt at an average silver grade of 53.8 g/t Conceptual estimate
Underground potential <i>including (Prov+Prob)</i>	6.00/7.00 6.00/7.00	5,136 2,994	13.00 13.10	– –	2.15 1.26	– –	B4.3.3	
EXPLORATION POTENTIAL (Unclassified)								
Oxides (Asaukak, Sarybatyr, + others within licence area)		25,990	1.52	–	1.27	–	B3.13	Oxus+Soviet estimates Includes 69,940 Kt at an average silver grade of 65.5 g/t
Sulphides (within licence area)		79,840	2.79	65.5	7.16	147.19	B4.8	
JEROOY								
RESOURCES (Meas+Ind+Inf)								
North West Orebody <i>including Meas+Ind</i>	0.00 1.50	74,300 26,100	1.88 3.79	– –	4.49 3.18	– –	C4.4	
RESERVES								
Open pit mining (unclassified)	1.60	9,782	3.86	–	1.21	–	C4.6	
Underground mining (unclassified)	3.00	2,840	8.92	–	0.81	–	C4.6	
EXPLORATION POTENTIAL								
Central and South East Zone	1.50	3,630	3.50	–	0.41	–	C13.0	
KHANDIZA								
Resources (Meas+Ind)	2.00	24,000	5.87	2.38	0.67	106	0.30	Sect B5.4
Reserves (Prov+Prob)	5.00	9,672	8.94	3.58	1.03	161	0.37	Sect B5.5

PART B: OXUS UZBEKISTAN PROPERTIES

B1.0 PROPERTIES AND PROJECT HISTORY

B1.1 Amantaytau

The Amantaytau gold-silver property is located in the arid Kyzylkum Region of Central Uzbekistan and comprises a number of structurally controlled, steeply dipping deposits hosted by Ordovician to Silurian age metasediments. The deposits have been extensively sampled and explored during the Soviet era, but remain undeveloped. The main deposits are primarily near surface oxide targets (with the exception of Severny) and are amenable to open pit, heap leach development. From north to south, they are Amantaytau Severny (sulphide), Amantaytau Centralny, Uzunbulak and Vysokovoltnoye. Furthermore, Asaukak and Sarybatyr and a further 16 other satellite deposits within the 192km² licence area, represent resources which may provide additional feed to the main orebodies.

For the purposes of this document, the Amantaytau oxide and sulphide mineralisation has been separated as the former has been studied to feasibility level whilst the latter to pre-feasibility. However, the financial appraisal of the sulphide project includes the financial data on the oxides, as the sulphides cannot be deemed a stand-alone project.

During the 1950's, systematic prospecting began in the Kyzylkum Region, initially with the discovery of Muruntau in 1958, then with Vysokovoltnoye silver-gold deposit in 1969, Amantaytau Centralny in 1976, and Uzunbulak in 1978, as well as many other smaller satellite deposits.

Lonrho became involved in the project in 1993, produced a Feasibility Study Report in June 1995 under the name of Amantaytau Goldfields AO ("AGF"), but announced their decision not to proceed in 1997. Oxus signed an agreement with Lonmin on 27 August 1999 in which Oxus agreed to purchase Lonmin's 43% shareholding in AGF, whilst in July 2000 this shareholding was increased to 50% with Goscomgeology (State Committee of Geology) holding 40% and Navoi MMC (State Mining Company) 10%.

B1.2 Khandiza

The Khandiza polymetallic zinc-copper-lead-silver deposit is located in mountainous terrain in southeast Uzbekistan and comprises a number of sulphide lenses hosted within a Visean age volcano-sedimentary sequence. The deposit represents a classic volcanogenic massive sulphide body. Oxus also retain a 6,000km² exploration licence which surrounds and includes the Khandiza deposit, that has significant massive sulphide exploration potential.

The deposit was extensively explored by the Samarkand Geology Division (Samarkandgeologiya) of Goscomgeology between 1960 and 1974, culminating in the preparation of a Feasibility Study in 1974. This study was updated in 1983, but no further development took place.

During 1997, Oxus, assisted by Watts Griffis and McOuat, and others, continued with the investigation of the deposit. By the end of the year, Phase I of a Feasibility Study had been completed and further work by Snowden in 1998 provided a reserve estimate of 9.672Mt @ 8.94% Zn, 1.03% Cu, 3.58% Pb, 161.19g/t Ag and 0.37g/t Au.

B2.0 UZBEKISTAN GEOGRAPHICAL INFORMATION

B2.1 Deposit Location and Access

The Amantaytau area is located in the Kyzylkum Region, Kanimekh district of the Navoi Oblast and lies about 160km to the northwest of the industrial town of Navoi, and 300km northwest of Samarkand (Figure B2.1). The area is connected to all major centres by paved road and railway. The deposits are situated some 30 to 40km south of the town of Zarafshan, and to the southwest of the gold mining complex at Muruntau.

The Khandiza deposit is located in the Sariasia Region of southeast Uzbekistan, in Surkhandarya Oblast (Figure B2.1). The administrative centre for the region is the town of Termez, with Sariasia being the administrative centre for the local Hokimiat and the nearest rail siding to Khandiza located some 50km from Khandiza. Access to Khandiza is by road from Samarkand, a distance of some 480km. Denau, the nearest large town some 50km away, is located on the main road and railway from Dushanbe, in Tajikistan, to Termez, on the southeast Uzbekistan border with Afghanistan.

B2.2 Mineral Rights and Permitting

B2.2.1 General Legislation

All exploration concessions must be registered with the State Committee on Geology and Mineral Resources, with the approval of the Cabinet of Ministers. A Cabinet of Ministers grants mining licences and once granted, an application must be made to the State Committee of Mining Control for the allocation of a site. The Government approves the projected feasibility study at the time of application.

B2.2.2 Amantaytau

The Amended AGF Charter provides the boundary of AGF as shown in Figure B2.2.

It should be noted that within the AGF area there is an exclusion zone for Daugystau, a low grade, large tonnage gold deposit recently handed back to the balance sheet of Navoi MMC.

B2.2.3 Khandiza

A Primary Exploration Agreement (PEA) was signed between Oxus and Goscomgeology on 14 December 1996 (as amended 10 July 1997 and 9 June 2000) which granted Oxus exclusive rights to carry out exploration within the Khandiza Property and the surrounding 12,000km² Expanded Exploration Area. Oxus has now relinquished 50% of the Expanded Exploration Area to form two separate, smaller areas: Shing Magian to the north, and the Kugitang-Baisun area to the south. Figure B2.3 shows the positions of the Khandiza Exploration and Mine Concessions.

B2.3 Physiography, Climate and Land Use

The Kyzylkum Region, in the north-central area of the country, is typically flat terrain, with gentle hills and sparse vegetation, typical of semi-desert steppe. Generally, the climate of Uzbekistan is continental and arid, with hot summers and cool winters producing a wide range in diurnal temperatures. Annual precipitation, which occurs mainly in the spring, may be as little as 100mm.

The Khandiza deposit is located in the Surkhantau Mountains, in the steep sided Khandiza Valley. The climate of the Khandiza area is temperate continental. Summers are hot and dry, whilst winters are short with snow cover. The average annual rainfall is 527mm, with most of the precipitation occurring in winter and spring.

B3.0 AMANTAYTAU OXIDES

B3.1 Geological Setting

The Amantaytau district forms the western part of the Tien Shan geosynclinal-orogenic system, within which lies the metallogenic province known as the “Tien Shan Gold Belt.” Basal formations, which underlie the Amantaytau district, are represented by intensely folded metasediments and volcanics of Upper Proterozoic to Lower Palaeozoic age. The dominant host formations for gold and silver mineralisation form part of the Besapan Suite, of Ordovician to Silurian age.

Faulting both controls and hosts gold and silver mineralisation and associated alteration. The deposits at surface are represented by an oxide cap where all the sulphide minerals have been oxidised to depths up to 80m and represent a significant gold and silver resource, relatively easy to mine by open pit and amenable to heap leaching.

B3.2 Amantaytau Centralny

The Amantaytau gold deposit is effectively two separate deposits. The Centralny deposit is bounded to the southeast by the intersection of two major faults, whilst the Severny deposit, situated to the north of Centralny, was probably continuous with Centralny, but has since suffered dextral displacement by as much as 500m.

The geology of the Centralny deposit is illustrated in Figure B3.1 The dominant structural feature is the northern extension of the Beltau-Daugystau syncline which, in the Amantaytau area, plunges to the northeast. Host rocks for the Centralny deposit include sandstone, siltstone and shale. Four structurally controlled mineralised structures have been defined in the Centralny deposit:

- The Western Mineralised Zone (Orebody 1 and 2) is controlled by a submeridional fault, which dips 45° to 60° to the east. The two mineralised zones are believed to have been originally one zone that has been displaced by a sublatitudinal fault.
- The North-Central Zone (Orebody 8) is the largest within the deposit and has consistently high gold grades of several tens to several hundreds of g/t over a strike length of 420m. The strike of the zone is generally north-northwest with steep dip (70° to 90°) to the east and northeast. The zone is truncated to the south by the Shirotny Fault and to the northwest by the Centralny Fault.
- The Central Mineralised Zone (Orebody 3) is limited to the north by a spur off the Shirotny Fault, and gradually pinches out to the south. Gold grade is highly erratic ranging from less than 1g/t to over 1000g/t.
- The Eastern Mineralised Zone (Orebody 4 and 5) has a strike length of 700m, strikes generally north to south, has variable gold grade which appears to decrease with depth.

The mineralisation associated with the Amantaytau Centralny deposit is the result of a multiphased hydrothermal event. The sulphide mineralisation seen at depth is in the form of lenses, veins, disseminations and as infilling within the tectonically crushed host rock. Gold grades follow the sulphide content.

Oxide ore, which forms the primary objective of the revised AGF development programme, extends from 30m to 40m from surface, but can reach to 70m to 80m in areas of intense fracturing. Recent RC drilling has confirmed the presence of sulphide “pods” within oxide ore as well as a variable elevation contact. These observations have been factored into the production schedule for the oxide operations. The average gold grade for the Amantaytau Centralny oxide is 6.21 g/t.

B3.3 Uzunbulak

The Uzunbulak deposit extends between 2.5km to the southwest to less than 1km to the west of the Amantaytau Centralny deposit (Figure B3.2). The deposit is bounded by the Centralny Fault to the east and southeast and to the north by a series of northeast-southwest trending faults that dissect, displace and eventually truncate the mineralised zones and orebodies. To the west, the deposit passes under the Mesozoic cover.

The host rocks are the same as those at Amantaytau Centralny, with gold mineralisation associated with shear and fracture zones. Six mineralised zones have been identified with strike lengths varying from hundreds of metres to several kilometres (up to 5km). The dip of these structures varies from 45° to 80° to the east and they are dislocated and truncated by northeast trending faults.

Uzunbulak is characterised by numerous, limited strike length mineralised bodies, although three zones are significantly large to warrant evaluation (orebodies 3, 4 and 5). The morphology of each of the mineralised structures is similar. Approximately 85% of the gold is free associated with iron oxide and hydroxide, sulphate and arsenate. The average grade of the Uzunbulak oxide zone is 1.62g/t gold and 5.41g/t silver.

B3.4 Vysokovoltnoye

The Vysokovoltnoye silver-gold deposit is the largest deposit in the Amantaytau-Daugystau area (Figure B3.3). It is located 3km to the south-southwest of the Daugystau deposit and is bounded to the east by the north-northeast trending Daugystau Fault. The eastern limb of the deposit (orebody 4) follows this fault in the direction of the Daugystau deposit. A second major fault which defines the limits of the deposit is the Subshirotny Fault which trends east-west and has been traced for a strike length of 2.5km. In total, the strike length of the deposit is 3.5km with variable widths from 50 to 300m.

Metasomatic alteration occurs in host rocks adjacent to major faults and it is these zones of alteration which host the silver-gold mineralisation. Of the seven ore zones identified, the largest ones are zones 4 and 7.

Zone 4 represents the largest resource with a strike length of 2,250m. The width progressively increases from north to south from 50 to 100m in the north to 140 to 200m at the southern end. Although the largest in volume, the grades tend to be lower than in Zone 7 with average grades of 1.17g/t gold and 30.5g/t silver.

Ore zone 7 has a strike length of 1,700m, width from 40 to 100m, and has been tested to a depth of over 300m. The structure dips to the south at between 45° to 60°. The grades in Zone 7 are appreciably higher than Zone 4 at 1.23g/t gold and 98g/t silver.

As with the other deposits in the area, Vysokovoltnoye was formed during a multiphased hydrothermal event with the introduction of gold and silver associated with sulphide minerals, selenides and tellurides. Free silver forms only a small proportion of the total. Only 4 to 5% of the silver can be considered free. In oxide ore, the gold is essentially free and associated with the iron oxides, whereas the silver is predominantly associated with chlorargyrite (AgCl).

From a modelling perspective, the two orebodies have been treated separately as the high silver grades associated with Orebody 7 not only give a different metallurgical response than Orebody 4, but also the characteristic silver mineralisation probably results from the overprinting of a later silver-rich sulphosalt fluid in this part of the fracture system.

B3.5 Amantaytau Resource Estimates

B3.5.1 Resource Summary

The total resource for all the Amantaytau deposits as proposed by the State Committee of Geology (Goscomgeology) is very difficult to assess due to the large amount of data, lack of a “western approach” to orebody definition, and the diversity of results that have been obtained over the years.

However, from best estimates, the total geological resource of oxide and sulphide material within the Amantaytau deposits is approximately 59Mt at a gold grade in excess of 3g/t. This tonnage figure also includes the Vysokovoltnoye deposit which contains approximately 14.7M oz of silver.

For the current investigation, the oxide resource of the deposits initially scheduled for development by Oxus within the Goscomgeology geological ore frames, without dilution, can be summarised in Table B3.1 below.

Table B3.1: Global Resource Statement for Amantaytau Oxide Deposits

Area	Cut-off g/t	Resource Kt	Au g/t	Ag g/t	Total Au M oz	Total Ag M oz
Centralny	0.00	3421	6.21		0.683	
Uzunbulak	0.00	4238	1.62	5.41	0.220	0.656
Vysokovoltnoye OB4	0.00	5896	1.17	30.51	0.223	5.780
Vysokovoltnoye OB7	0.00	2608	1.23	98.10	0.103	8.230
Sub Total		16163		1.229	14.666	

Within the global resource, a classified in-pit resource for each of the main orebodies based on wireframe modelling was calculated, using cut-offs as detailed in Table B3.2 below. For Vysokovoltnoye Orebody 7, wireframes were generated using a Ag Equivalent cut-off where $Ag_{Eq} = 52Au + Ag$. Definition of the in-pit resource includes preliminary design and haul road planning.

Table B3.2: Classified In-Pit Resource Statement

Area	Cut-off Class	Resource g/t	Au Kt	Ag g/t	Total Au g/t	Total Ag M oz	M oz
Centralny	Meas+Ind	0.60	2904.4	6.74		0.629	
Uzunbulak	Meas+Ind	0.60	1311.3	2.45	11.22	0.103	0.473
Vysokovoltnoye OB4	Meas+Ind	0.60	2272.0	1.34	28.39	0.098	2.074
Vysokovoltnoye OB7	Meas+Ind	0.60	1614.0	1.22	138.01	0.063	7.164
Sub Total			8101.7			0.893	9.711

The wireframing exercise generated a number of pits for each orebody, thus for final pit scheduling (see Reserves), the following pits were selected for inclusion:

Centralny: Pit 1, Pit 2, Pit 3

Uzunbulak: Pit 2, Pit 3, Pit 6, Pit 7, Pit 8, Pit 9, Pit 10, Pit 11, Pit 12, Pit 13, Pit 41, Pit 42

Vysokovoltnoye OB4: Pit 4A, Pit 4B, Pit 4C, Pit 5A, Pit 5B, Pit 5C, Pit 5D OB7: Pit 6A, Pit 6B, Pit 7, Pit 8

This classified resource considers material in the Measured and Indicated category only.

B3.5.2 Data Acquisition and Management

B3.5.2.1 Data Source

The resource statement defined above (Table B3.2) has been compiled by Oxus from the Amantaytau 4th Database which utilises all data from the original Lonrho database and additional information compiled from later data searches. Also, data for Vysokovoltnoye, which was not investigated by Lonrho, were extracted directly from Goscomgeology. All data have been subjected to an internal audit check by Oxus, and an independent audit by CSMA.

The Lonrho and Oxus database have been vetted within DATAMINE® using a series of standard procedures that have been established by Oxus Resources Corporation.

All geological section perimeter files have been digitised from Goscomgeology data and compared directly with the sections from the Daugystau Expedition.

B3.5.2.2 Audit Observations

Oxus has defined a number of discrepancies within the Lonrho database primarily associated with the gold data values and absent data records which have been ascribed a “zero” value rather than absent. This has an overall effect to reduce tonnage and grade where this problem has occurred within the ore frame. Oxus has corrected this problem for their own database and also located additional data previously unreported by Lonrho. These data were subsequently added to the resource database.

Recently, Oxus has begun to fit a geological model (based on Soviet interpretation) to the wireframe grade model. CSMA has seen the initial results from Centralny, and with the exceptions of a few small discrepancies, the wireframe grade perimeters lie within the modelled geological boundaries.

Core drilling by Oxus at Centralny, Uzunbulak and Vysokovoltnoye has revealed some inconsistencies with regard to the elevation of the transition zone in relation to its modelled position. A more detailed study of the effect of the sulphide content of mineralisation, and hence recovery properties, has been undertaken, the results of which have been included in the final production schedule.

A recent programme of RC drilling over all three deposits, has revealed some discrepancies between the position of the block model and mineralisation identified from the drilling. This seems most prevalent at Uzunbulak, which as a highly disjointed series of mineralised lenses, would expect to show some discrepancies. However, similar discrepancies can be seen at Centralny.

The discrepancies can be categorised as follows:

- High grade drill intersections outside of the wireframe model.
- Barren drill intersections through modelled areas of mineralisation.

Overall, most of the errors are constrained by the pit shells, and therefore there will be no significant affect on the resource base. However, careful grade control measures will be required to optimise extraction of waste and ore, which within the oxide zone can be done visually. The provision of a blast hole rig to provide forward information in advance of a blast or ripping would be a useful grade control tool and has been included in the mining equipment manifest.

Notwithstanding the above, CSMA believes that although errors, omissions and discrepancies have been identified within the database utilised by Oxus, which are currently being revised, the large volume of high quality data allows the overall integrity of the database to remain intact. Thus, for resource estimation purposes, the database can be considered robust.

B3.5.2.3 Mining Software

The digitising of ore frame boundaries and resource evaluation has been completed using DATAMINE® and GUIDE® software. Ore frame perimeters were converted into wire frame models and filled with mining blocks (cells) which were then sub-celled at the wire frame boundaries. Variograms and resource evaluation using inverse power of distance (IPD) and Kriging were completed in DATAMINE®.

Pit optimisation has been completed using Earthworks NPV® with the resource block models prepared in DATAMINE®. CSMA is satisfied that DATAMINE® is a highly capable system for resource block modelling and is appropriate for the Amantaytau project.

B3.5.3 Resource Evaluation Parameters

B3.5.3.1 Introduction

The classification used during the current study is based on the Australasian Institute of Mining and Metallurgy's (AusIMM) "Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code, 1999) and

Canadian National Policy 2-a. Resources are classified into three groups, Measured, Indicated and Inferred, depending on the level of confidence of the resource as defined by the geological data available and its position in space.

Throughout the resource estimation procedure, Oxus has used the cut-off grade as previously defined by Goscomgeology for both oxide and sulphide ore (0.6 and 1.5g/t respectively). These values are geological cut-offs and tend to define the margins to the mineralisation. In addition, if higher cut-offs are selected, significant segmentation of the orebodies occurs which is unsatisfactory both from a tonnage and mine planning perspective.

B3.5.3.2 Amantaytau Centralny

The ore zones for the oxide portion of the Amantaytau Centralny deposit have been classified on the basis of structure and styles of mineralisation as follows:

- Blocks which are supported by underground development, trench and drillhole samples at distances of 20m along strike, 10m across strike, and 30m down dip are considered to be Measured resources. A search radius of 20m applies to this classification.
- Blocks which are supported by underground development, trench and drillhole samples at distances of 40m along strike, 20m across strike, and 40m down dip are considered to be Indicated resources. A search radius of 40m applies to this classification.
- All other sample blocks are considered to be Inferred resources. A search radius of 80m applies to this classification.

Five ore zones (1, 2, 3, 4 and 8) were defined and digitised in section. Grade modelling was specific to ore zone and to oxide and sulphide mineralisation using 2m grade composites. Inverse power of distance (IPD) and kriging were used to interpolate Au grades. No modelling has been completed for silver. A density of 2.55t/m³ was used for the oxide zone, 2.65t/m³ for waste.

Underground channel, face, raise and trench samples were used to define Measured and Indicated blocks within the resource. The drillhole samples were only used to define Inferred resources outside the underground development areas.

Underground development has been completed at the +260, +300 and +340m levels with crosscuts every 20m and in-filling at 10m. At the extremities of the deposit, the crosscuts are at 30 and 40m. Trench sampling was along profiles at 5 to 20m intervals. Drillhole data were on a 40m line separation.

Data clipping was done on the Amantaytau Centralny data. Ore Zones 2, 4 and 8 for oxides were cut at 40g/t, 80g/t and 100g/t respectively.

Variograms were completed along strike, across strike and down dip to check the anisotropy of the deposit. The apparent ranges from the variograms were used as a guide for the resource modelling.

B3.5.3.3 Uzunbulak

The resource for Uzunbulak have been classified into Measured, Indicated and Inferred using the following criteria:

- All blocks using underground samples within a range of 25 x 25 x 10m have been classified as Measured resources.
- All blocks using underground, surface and drillhole samples within a range of 50 x 50 x 20m have been classified as Indicated resources.
- All blocks using underground and drillhole samples or drillhole samples only occurring greater than 50 x 50 x 20m have been classified as Inferred.

However, for the current resource estimate, due to the small size of the mineralised zones and density of data, all oxide mineralisation can be classified as either Measured or Indicated.

Due to the large number of ore zones and variable nature of the mineralisation, the Uzunbulak deposit has proved very difficult to model. There are four main ore zones (2, 3, 4 and 5) but during the wire framing of the deposit, a minimum of 10 zones have been defined. A density of 2.5t/m³ has been used for the oxides, waste at 2.6t/m³.

One metre composites were used for modelling and variograms were run separately for oxides and sulphides. A block size of 10 x 10 x 5m was used with sub-cell splitting. Au was interpolated by block kriging and Ag by IPD.

Drillholes were completed every 20m along profile lines with a line separation of 40m. Underground development is at +290m and +330m with cross-cuts at between 30 and 60m. No data clipping has been used for the current modelling.

B3.5.3.4 Vysokovoltnoye

The resources for Vyzokovoltnoye have been classified into Measured, Indicated and Inferred using the following criteria:

- All blocks using underground samples within a range of 20 x 20 x 20m have been classified as Measured resources.
- All blocks using underground, surface and drillhole samples within a range of 40 x 40 x 40m have been classified as Indicated resources.
- All blocks using underground and drillhole samples or drillhole samples only occurring greater than 40 x 40 x 40m have been classified as Inferred.

The mineralisation has been divided into two main orebodies based primarily on the gold:silver ratio, but also on the structural control of the mineralisation. Thus, Orebody 4 to the northeast is Ag/Au, whereas Orebody 7 to the southwest is Au/Ag. Underground data are available for the +220m, +250m, +280m and +320m levels. Drillholes were completed every 20m along profile lines with a line separation of 25 to 50m.

A density of 2.5t/m³ has been used for the oxides, 2.6t/m³ for waste. Interpolation has been completed for Au and Ag by block kriging and IPD. A composite length of 1m was modelled.

B3.6 Reserve Estimation

The open pit oxide reserves have been calculated using the current resource models from the Amantaytau 4th Database. Pit Optimisation was completed using “NPV Scheduler®” software for all the deposits planned for open pit mining.

Optimal pit block models generated by NPV Scheduler® were then imported back into DATAMINE® for further design and calculation of reserves. The GUIDE® system was used for interactive construction of pits from bottom to top. Where possible, haul roads were designed on the west side of pits, thus necessitating a shallower slope angle on this face. For the pit design, bench height was set at 12m (although it is likely ore will be mined on 6m benches), bench slope angles 70°, and berm width at 5m.

A reserve statement is summarised in Table B3.3. All deposits use 8% dilution, a 95% recovery, and 0.1g/t Au grade in waste. In addition, Uzunbulak uses a zero Ag grade in waste, whilst Vysokovoltnoye uses 5g/t Ag.

Table B3.3: Classified In-Pit Reserve Statement

Area	Class	Cut-off g/t	Ore Kt	Au g/t	Ag g/t	Total Au M oz	Total Ag M oz
Centralny	Prov+Prob	0.60	2979.9	6.20		0.595	
Uzunbulak	Prov+Prob	0.60	1345.4	2.26	10.32	0.098	0.447
Vysokovoltnoye OB4	Prov+Prob	0.60	2331.3	1.24	26.52	0.093	1.988
Vysokovoltnoye OB7	Prov+Prob	0.00	1656.2	1.13	127.37	0.060	6.783
Sub Total			8312.8	3.16		0.846	9.218

B3.7 Mine Planning

B3.7.1 Introduction

The oxidised ores at Amantaytau, Uzunbulak and Vysokovoltnoye are well suited to heap leaching even at a fairly coarse particle size. These deposits occur at a shallow depth, with the majority of mineralisation outcropping on surface. The oxide ores are generally soft and highly fractured, although drill and blast will be required in some areas, particularly within the hangingwall waste.

The mining fleet is configured with O&K RH40 front shovels, and 55t dump trucks. Grade control will be carried out from blast hole drill sampling of the orebodies and rip line (or ditch witch) sampling.

Blasting will be carried out as required, but will be constrained within the mineralisation halo. Large waste areas close to the ore zones will be blasted separately and removed prior to the ore being blasted which will eliminate a substantial amount of blast induced dilution. Ore blocks will be mined without blasting if possible, but this will vary throughout the pits.

Mining to the predicted grades will require detailed grade control and geological mapping, both for gold content and oxidation state. Geological services will also be vital in the excavation and maintenance of the pit slopes and on-going slope monitoring.

In general, the proposed pits in the Amantaytau area show only a small potential for failure to occur by a combination of joint orientation and pit geometry. This is generally a function of the steep easterly dip of the bedding, which dictates the footwall or western sides of the open pits to have strata dipping into the pit. This will require a shallower pit slope angle on this flank.

Oxus has proposed that to assist in the reduction of stripping ratio, the haul roads will be confined to the western side of the open pits, with a target slope angle of 38-45°, whilst the eastern slopes will have a slope angle of 43-52°. CSMA believes that the adoption of steeper slope angles, i.e., 52° on the eastern slopes, should be exercised with caution as these slopes are likely to degrade to the natural angle of repose which is often governed by the schistosity angle. However, this process may take several years to occur and thus the short duration and shallow depth of the proposed pits allows some flexibility to these figures.

Thus, for pit planning, CSMA accept the defined pit angles for each pit, although localised remedial measures may be required in some instances to achieve the desired pit angles.

B3.7.2 Production Schedule

Operations are scheduled to start with open pit development at Amantaytau in order to access the high-grade open pit oxide reserves. 2.6Mt of waste pre stripping will be required from Amantaytau Centralny Pit 1. Oxide ore production will commence at a rate of approximately 1Mt of ore per year. When the oxide reserves are depleted at the three Amantaytau pits (Pit 1 is divided into two for scheduling purposes), mining operations will move to Uzunbulak and then Vysokovoltnoye and continue for at least 9 years. However, assessment of additional reserves within the Amantaytau area may extend the life of the operation.

Waste loading and hauling (and associated activities) will operate for three eight hour shifts per day, six days per week, 50 weeks per year, but ore loading and hauling will be restricted as far as possible to daylight hours. Drilling and blasting and grade control operations will be limited to two eight hour shifts per day with blasting being carried out at the daylight shift change. The overall production schedule for ore and waste and grades to pad are provided in Table B3.4.

Table B3.4: Amantaytau Oxides Production Schedule

Years	1	2	3	4	5	6	7	8	9	10	Totals
Ore to pad (Kt)		1,116	1,009	1,038	1,026	1,037	1,015	1,014	1,006	316	8,577
Waste mined (Kt)	2,600	8,371	8,371	8,765	5,940	4,489	2,378	2,344	3,351	1,433	48,042
Contained Au (Kg)		7,250	6,412	4,557	3,090	1,631	1,222	1,090	1,358	465	27,075
Contained Ag (Kg)						49,043	28,058	44,649	196,824	4,901	323,475
Average Au grade (g/t)		6.50	6.35	4.39	3.01	1.57	1.20	1.08	1.35	1.47	3.16
Average Ag grade (g/t)						47.29	27.64	4.03	195.65	15.51	37.71
Recovered Silver (oz)						896,598	447,890	778,921	4,429,625	70,909	6,623,943
Recovered gold (troz)		175,029	155,638	106,843	70,870	38,172	27,696	24,574	28,818	9,857	637,497

B3.7.3 Mine Equipment Selection

O&K RH40-E front shovels and Terex TR60 dump trucks were utilised within the Caterpillar “Fleet Production Costing” (FPC) software calculations. Initial calculations indicated that two shovels and ten trucks would meet the required production, especially in the early phases of the open pits. In addition, a Cat 375 excavator has been included within the mining fleet. Generally five trucks will be allocated to each front shovel as this will be the most efficient combination.

It is proposed to utilise Atlas Copco L8 blasthole drillrigs and it has been calculated that 2 units will satisfy the production requirements. Drilling and blasting, where necessary, but expected to be approximately 75% of ore and waste, will be on 6m benches although the possibility exists to increase to 12m benches in waste only areas.

It is anticipated that one D9R bulldozer will be required for support and/or ripping from the start of operations. A Cat 824 wheeled dozer has been included for around shovel and general clean-up, and two Caterpillar 14G graders have been included in the mobile fleet. A Caterpillar 988F has also been included within the mobile fleet as a stockpile management machine.

B3.7.4 Other

A total manpower compliment of 142 has been estimated for the Amantaytau project which comprises 119 operators and maintenance, 12 geology and grade control, and the remainder management and senior mining posts.

A rehabilitation fund, added to at \$250,000 per annum, has been included in the G & A operating cost estimate.

B3.8 Processing

Oxus Resources is proposing to treat the oxide ores by heap leaching. Previous heap leach testwork undertaken, by Lonrho, at Ingichka in Uzbekistan on oxide samples from various locations all gave recoveries in excess of 80%.

B3.8.1 Testwork

Recently, Oxus commissioned two programmes of metallurgical testwork which were undertaken by Kappes, Cassiday and Associates (KCA) in Nevada, USA and the Ingichka laboratories in Uzbekistan. The programmes included head sample analysis, fraction assays, bottle and column testwork and compacted permeability tests. The column tests first undertaken by KCA on the trench samples concentrated on relatively coarse crush sizes of 75 and 25mm. Later tests on the costean and core samples investigated the feasibility of leaching at a finer crush size (9.5mm). Samples for metallurgical testwork were provided from Amantaytau Centralny orebodies 1, 4 and 8, Vysokovoltnoye orebodies 4 and 7 and Uzunbulak orebodies 3, 4a and 5.

KCA estimated that fully oxidised, high grade (6 to 8g/t Au) Centralny ores may be expected to produce commercial heap leach gold recoveries of about 80%, with a primary leach time of 45 days (90 days of direct application of leach solution) at a crush size of -25mm. The recovery is grade dependent, so lower recoveries, about 76%, may be received on ores with a grade of about 2.7g/t Au. The ore will be agglomerated with cement and stacked in 6.5m high lifts, the number of lifts in a heap being related to the quantity of cement using in agglomeration.

Similarly, the gold recovery established for the Uzunbulak and Vysokovoltnoye deposits are 70% for Uzunbulak and Vysokovoltnoye orebody No. 7 and 75% for Vysokovoltnoye orebody No. 4. The Uzunbulak deposit should require the same crush and leach time as Centralny. At Vysokovoltnoye, a finer, 9.5mm, crush will likely be required, along with a 120 day direct application leach time, to obtain good recoveries.

Gold recovery in all deposits will be directly affected by sulphide content. The fully oxidised gold recoveries have been factored to take account of remnant sulphide pods within the oxidised zones.

For the Vysokovoltnoye area, silver production is significant, with the potential to produce about 3Moz. per year. For this area commercial heap leach recoveries of about 70% for high grade (-400g/t ores) in orebody No. 7 have been projected with 45% in the lower grade (-40 g/t) ores in orebody No. 4.

A series of twenty-seven (27) compacted permeability tests was completed, by KCA, the results of this work can be summarised as:

- The Vysokovoltnoye and Centralny samples passed with 2kg/t of cement up to a calculated height of 60m and 40m respectively.
- The Uzunbulak sample passed with 5kg/t of cement up to a calculated height of 40m.

B3.8.2 Flowsheet Selection

B3.8.2.1 Introduction

Treatment of the oxides will be conducted in two phases. Phase 1 of the operation will commence in Year 1 with the installation of a treatment plant close to the Centralny pit. In Phase 2, this treatment plant will be removed to a second location, so that, from Year 5 ore from Vysokovoltnoye can be processed.

KCA flowsheet selection included a crushing, stacking and agglomeration station, leach pads, process ponds and a gold/silver recovery plant. A Merrill Crowe zinc precipitation unit will be used to recover gold and silver from solution due to the high silver grades in the Vysokovoltnoye ore that will be processed during the later years. Gold and silver will be smelted on site and be produced in the form of doré bars. Doré will be transported to the London good delivery refinery of Navoi Mining & Metallurgical Combinat at Murantau and the refined gold, exported on international flights (as is done with Murantau and Newmont/Zarafshan), to be sold on the international market.

During Year 5 the second heap leach facility will be built at Vysokovoltnoye. The pads and ponds will be installed first and the crushing, stacking and agglomeration station and Merrill Crowe plant relocated from Amantaytau once the Uzunbulak ore is depleted.

B3.8.2.2 Crushing, Agglomeration and Stacking

At each of the two operating sites, the run of mine ore will be dumped into the reception hopper of a heavy-duty apron feeder, which will discharge into a crushing plant. Cement, at a rate controlled by screw feeders, will be added to the crushed product belt and the mixture of cement and ore will be conveyed to the agglomeration drum where barren solution will be added at a controlled rate to maintain optimum conditions for the formation of agglomerates.

The crushed product will discharge onto a moveable overland conveyor, which in turn will feed a collection of mobile conveyors in series. The last mobile conveyor will discharge onto an inclined transfer conveyor, which will feed the stacker feed conveyor. From the stacker feed conveyor, the material will report to the feed hopper of the slewing stacker fitted with a telescopic “stinger” conveyor.

B3.8.2.3 Pad Design and Preparation

A single lined system of 1.5mm thick HDPE liner will be laid over the prepared sub-base that has been compacted to permeability permit requirements. During the installation of the liner, the entire pad membrane will be visually and pressure tested for punctures and/or faulty seams. All factory seams will be tested and certified by the manufacturer prior to shipment and installation.

A perimeter berm 2m in height, constructed of compacted soil, will surround the entire heap leach pad. Internal berms 1m high will be erected to run from front to back of the pad to divide it into individual heap modules, each approximately 45m wide. These internal berms will be constructed below the liner using compacted fill material.

Perforated solution drain pipes, each 100mm in diameter, will be laid on the liner, spaced on 4m centres and running parallel to the internal berms. The drainpipes will be held in position by a layer of crushed rock. The drain pipes and the drainage layer allow the heap to drain freely and serve to reduce the hydraulic head on the geomembrane.

A collection ditch will contain the two 200mm diameter solution application pipes, which serve the heap spraying system and the three 300mm diameter solution collection pipes, which carry the solution from the heaps.

In addition to an excess solution pond, two process ponds will be constructed to contain the pregnant solution and the intermediate solution. The two process ponds and the excess solution pond will be connected by shallow overflow ditches with drainage occurring from the pregnant pond to the intermediate pond and then to the excess solution pond. Pond construction will feature two HDPE liners, the lower 2.0mm thick and the upper 1.5mm thick. A leak detection sump will be located between the two liners for the process ponds.

Agglomerated ore will be piled to a height of 6.5m on the prepared heap module using the system of mobile conveyors and stacker. While a module is being charged with ore the adjacent module will be prepared. This process will continue until each of the modules has been filled, at which point, the stacker will be moved back to the first module to undertake the second lift of 6.5m. A roadway will be constructed up the top of the heap to allow the stacker access and a second heap is piled on the first. Eventually, when the pad is covered in ore to a height of 13m, the third lift will be added.

Once the heap has been built, it will be equipped with piping for solution application. “Wobbler” type sprinkler feed lines will be used on the side slopes of the heaps. Side sprinkling will only be performed in the warmer months but, when they are in operation, approximately 30% of the solution will be applied to the heap by the sprinklers. The drainage pipes laid beneath them will collect the solution flowing from the heaps.

Solution from each module will exit by way of one of three 300mm diameter HDPE pipes extending through the perimeter berm. These pipes will be fitted with knife gate valves to permit the solution to be directed to the pregnant solution pond or to the intermediate solution pond or to the excess solution pond.

B3.8.2.4 *Solution Treatment*

Pregnant solution will be treated in a Merrill Crowe plant where finely divided zinc metal is used to precipitate the gold. The solution, as pumped from the solution pond, will require clarifying in a filter press. Oxygen is removed using a vacuum tower which is filled with inert plastic balls through which the solution passes and a high vacuum removes oxygen. Zinc powder is injected into the solution as it leaves the vacuum towers prior to being pumped through filter presses, which collect the gold precipitate.

B3.8.2.5 *Gold Recovery*

The excess zinc together with the silver and gold are recovered from the filters as a black slime that is calcined prior to smelting. The frequency of filter cleanup depends on the pregnant solution grades. The product is a doré bar of gold and silver, which is then sent for refining at Navoi MMC.

B3.8.2.6 *Water Requirements*

The project will be a net consumer during every operating period of the year and that no provision for accumulation or discharge of process solutions will be necessary. An average of about 20m³/hr of make-up water will be required over the course of an operating year and will be supplied by pipeline.

B3.9 Power, Fuel & Water

Due to the close proximity of the operations to Zarafshan, delivery of fuel by road and rail will be both simple and cheap.

Power will be supplied from the Daugystau sub-station which was built to supply the proposed mine with electricity and has sufficient capacity for the project. It is supplied at 220kV from the Uzbekistan grid, and there are two independent 220kV feeders. A price of 2.5 US cents per kWh has been used in this study.

There is a 6kV line to Amantaytau. However, a new twin 6kV line will be installed to meet Amantaytau requirements.

Water is in short supply and will be conserved wherever possible. The calculated water requirements for the oxide phase is ±840m³/d, comprising 23m³/hr for the heap leach unit, 6m³/hr for haul roads and 6m³/hr for potable and other. Water will be purchased from the existing pipeline under a contract for the supply of 840m³/d negotiated with the Central Mining Board, Navoi Mining-Metallurgical Combinat. Water will also be reclaimed from the pits and pumped from shafts No. 10 at Severny and 3 at Vysokovoltnoye for the haul roads. There will be a tank for potable water at the workshop complex. To implement the above contract, some 8km of pipeline and a connection pump will need to be installed.

B3.10 Environmental Studies

Environmental permitting in Uzbekistan follows a very strict regime. Oxus proposals consist of heap leaching of oxide ore from Amantaytau Centralny, Uzunbulak and finally Vysokovoltnoye orebodies 4 and 7. CSMA believes that the project proposed by Oxus is unlikely to raise significant environmental permitting issues.

Oxus has worked closely with Goscompriroda, State Committee For Nature Protection and other agencies to ensure that all the necessary permissions and permits are issued in a timely manner. A ZVOS has been submitted and accepted. Wardell Armstrong has recently prepared an initial Environmental Impact Statement to international standards for the project.

B3.11 Capital and Operating Costs

B3.11.1 *Mining Capital*

The initial capital expenditure for the open pits is based on new O&K and Terex equipment. Capital costs for ancillary mobile equipment have been estimated from second user Caterpillar plant. Start up capital estimates are all based on current quotations and are shown in Table B3.5 below. Replacement capital for the open pits is shown within the financial analysis section of the report. The quotations for equipment are all “delivered Zarafshan” and therefore, no freight charges have been included in the financial model.

Table B3.5: Open Pit Capital Estimates

Equipment	Unit Price US\$	Yr 1 Units	Yr 1 US\$	Yr 2 US\$
Pre-stripping, waste tonnage	0.50	2,713,000	1,357,000	
Mobile equipment, open pit		18	7,923,000	380,000
Drill rigs	205,000	2	205,000	205,000
Roads	250,000	1	250,000	
Explosives		3	190,000	
Ancillary mobile equipment		27	447,000	
Manpower build up	325,000	1	325,000	
Suppliers training programme	150,000	1	100,000	50,000
International Freight (20% on 2nd hand equipment)			300,000	117,000
Local freight	225,000	1	225,000	
Contingency 10%			632,000	75,000
Total			11,954,000	827,000

B3.11.2 Processing Capital

Kappes, Cassidy and Associates were contracted by Oxus to prepare a capital cost estimate for the development and operation of a facility to recover gold and silver from one million tonnes of ore per year.

The quotations are based on a combination of budget quotations and on KCA's file data and experience. A general freight rate of \$485 per tonne was based on a quotation to Oxus with an additional \$125 per tonne included to allow for transport within the US and from Tashkent to the project site.

Svedala Industri AB were asked to provide a firm quotation for a 350t/hr crushing, agglomeration and stacking plant and a Merrill Crowe recovery unit. The Svedala quotation is on a CIP (carriage and insurance paid) Zarafshan basis. The combined KCA and Svedala capital cost estimates are given in Table B3.6, whilst the KCA cost estimate for transporting the facility to Vysokovoltnoye site is given in Table B3.7.

Table B3.6: Combined Svedala and KCA Cost Estimates

Item	Estimated cost including contingency US\$
Crushing/agglomeration/stacking	4,376,000
Process plant, Merrill Crowe	1,650,000
Svedala installation costs	0,544,000
Leach pad, phase 1	1,838,000
Solution ponds	0,207,000
Solution application	0,260,000
Total plant	8,875,000
EPCM	0,346,000
Operating supply inventory	0,102,000
Maintenance supply inventory	0,120,000
Total project	9,443,000
Phase 2, Leach pad	0,290,000
Phase 3, Leach pad	0,290,000
Total, Amantaytau site	10,023,000

Table B3.7: KCA Estimate Of Plant Relocation Costs

	Estimated cost \$US Including contingency	% Contingency
Crushing	2,217,000	20
Agglomeration	2,109,000	15
Conveying and stacking	2,227,000	15
Leach pad, Phase 1	1,838,000	30
Solution ponds	2,207,000	30
Solution application	2,150,000	20
Process plant	2,171,000	20
Total plant	2,919,000	26
EPCM	2,200,000	
Operating supply inventory	2,200,000	
Maintenance supply inventory	2,200,000	
Total project	2,919,000	26
Phase 2, Leach pad	2,290,000	30
Phase 3, Leach pad	2,290,000	30
Total, Vysokovoltnoye site	3,499,000	27

B3.11.3 G & A – Infrastructure Capital

Total capital expenditure on buildings (including construction costs), water and power supply and general site preparation is estimated at \$7.03 million. Estimates for G&A capital infrastructure are US\$4.28 million during pre-production and US\$623,000 in the first year of operation.

B3.11.4 Mining Operating Costs

Mine operating costs are summarised in Table B3.8 below.

Table B3.8: Open Pit Operating Costs

Element	Ore US \$/t	Waste US \$/t	Pre-production Waste US \$/t
Drill and blast	0.24	0.20	
Equipment operation	0.31	0.30	0.24
Labour including geology and grade control	0.26	0.26	0.26
Total	0.81	0.76	0.50

B3.11.5 Processing Operating Costs

A breakdown of the operating costs for each site is given in Table B3.9 below.

Table B3.9: Process Operating Costs for Amantayau and Vysokovoltnoye Sites

	Amantaytau \$/t ore	Vysokovoltnoye \$/t ore
Process management	0.60	0.60
Crushing	0.79	0.79
Agglomeration and stacking	0.19	0.14
Leaching	0.27	0.34
Recovery	0.14	0.21
Smelting	0.03	0.14
General	0.01	0.01
Total processing	2.03	2.23

The difference between the two operating costs is due to variations in the cyanide and cement requirements and also in the quantity of metal recovered at each site. Vysokovoltnoye will have higher zinc and smelting costs due to the high levels of silver recovered. Process labour costs account for US\$612,971 per year.

B3.11.6 G&A Operating Costs

A summary of the G&A operating costs can be found in Table B3.10 below.

Table B3.10: G&A Operating Cost Summary

Element	Annual Cost	
	Year 1	Year 2 (and after)
Expenses and supplies	1,409,000	1,409,000
Labour (including training)	3,377,000	2,018,000
Power	144,000	144,000
Heating	292,000	292,000
Mine rehabilitation	250,000	250,000
Total	5,472,000	4,113,000

B3.12 Financial Analysis

B3.12.1 Economic Model

The economic appraisal of the Oxide Project has been completed using a Microsoft Excel spreadsheet. CSMA has reviewed and audited this model and is satisfied that it reflects the prevailing economic conditions prevalent to Amantaytau.

B3.12.2 Base Case Fiscal and Taxation Parameters

Capital and operating costs are stated in second quarter 2000 US Dollars, and no provision has been made for inflation during the pre-production period or thereafter. However, a 10% contingency has been added to the mining, processing and owners capital costs.

The base case model assumes a gold price of \$285 per ounce, and a silver price of \$5.00 per ounce for the life of the project. The impact of different gold prices has also been assessed as part of the sensitivity analysis.

This financial analysis assumes that Oxus has a shareholding of 50% in AGF as laid down in the amended AGF Charter Fund.

The standard Uzbek tax system has been assumed except where negotiated otherwise or provided for by the Foreign Investment Programme or the provisions of the Law On Foreign Investments and the Law On Guarantees and Protection of the Rights of Foreign Investors.

As an existing Joint Venture, AGF has already negotiated a number of tax privileges and exemptions. The taxation regime used in the financial model consists of the following:

- a 5-year tax holiday from the start of production, and thereafter a maximum rate of 16% profits tax. Standard capital allowance deductions have been applied;
- a five year carry forward of tax losses;
- a gold and silver royalty, payable 100% in the year of metal sale, of 2.8% of gross revenue. It is assumed that silver will be regarded as 'gold equivalent';
- exemption from withholding taxes on dividends and interest;
- exemption from property tax;
- a provision has been made for the Social Fund equivalent to 2% of after tax profits;
- no provision for VAT has been made on the basis that imported goods and services are exempt from VAT and that VAT payable on locally sourced goods and services is either exempt, will be recovered, or will be offset against royalties payable;

- exemption from social security and related deductions in respect of non Uzbek citizens employed by AGF, and
- all other taxes in accordance with current Uzbek tax legislation, including road tax at 1.5% of revenue, pension fund contribution at 0.5% of revenue, and ecology tax at 1% of capital and operating costs.

The JV Agreement, Charter and Decree also confirm the following:

- the Charter Capital is fully paid and any subsequent Oxus project equity participation is considered a shareholder loan and repaid before dividends to shareholders;
- the right to operate foreign currency bank accounts inshore and offshore, and to keep and use foreign currency funds offshore in order to meet foreign currency obligations;
- the right to export product for freely convertible foreign currency at world prices and free from any requirement to convert into Uzbek Soums (other than to pay local costs in Uzbek Soums);
- exemption from any mandatory sale of foreign currency for Uzbek soums;
- the right to pledge Joint Venture assets in order to secure bank or other project finance;
- the price of electricity to be fixed at \$0.025 (incl VAT) per kwh until all loan credits are repaid;
- the right to obtain insurance both inshore and offshore;
- the right to denominate the Charter Fund in US dollars;
- that profits tax, royalties, social fund contributions, and dividends are to be paid in freely convertible currency;
- protection against adverse tax changes for a period of 10 years;
- that the Project will not be subject to nationalisation, nor subject to requisition.

It is assumed that Oxus, as managers of the Project, will receive a management fee equivalent to 5% of the operating costs. The Uzbek parties receive a payment equivalent to 2% of the operating costs.

B3.12.3 Base Case Results

The results of the Base Case are shown in Table B3.11 below.

Table B3.11: Base Case Results

Parameter	No./Value
Ounces Of Gold Produced (000)	637.5
Tonnes Of Gold Produced	19.8
Ounces Of Silver Produced (000)	6,624
Operating (Cash) Cost Per Ounce (\$)	112.73
Direct Production Cost Per Ounce (\$)	173.50
Taxed Ungeared (Total) Cost Per Ounce (\$)	200.05
Gold Price US\$ per ounce	285
Silver Price US\$ per ounce	5.00
Mineral Revenue (\$M)	212.2
Operating Costs (Excl Payroll Tax)(\$M)	91.6
Pre-production Capital Costs (\$M)	33.3
Life of Mine Capital Costs (\$M)	44.0
Management Fees (\$M)	6.7
Taxes & Royalties (Incl Payroll Tax) (\$M)	15.8
Net Profit (\$M)	53.0
Additional & Sustaining Capital (\$M)	10.7

B3.12.4 Sensitivity Analysis (NPV To Oxus)

Table B3.12 below shows the IRR and NPV to Oxus at a 10% discount rate, with respect to the sensitivity to the gold price:

Table B3.12: Gold Price Sensitivity (NPV to Oxus)

Gold price per ounce:	\$245	\$265	\$285	\$305	\$325
Oxus NPV (10%, \$m)	6.6	10.8	15.0	19.1	23.3
Oxus IRR (%)	19.9	26.4	32.9	39.6	46.3

The project sensitivity to the capital and operating costs have also been computed and the results are tabulated in Table B3.13 and presented graphically in Figure B3.4.

Table B3.13: Amantaytau Oxides Project NPV Sensitivity (NPV to Oxus)

Parameter	-10%	Base Case	+10%
Capex	\$17.1M	\$15.0M	\$12.9M
Operating Cost	\$16.8M	\$15.0M	\$13.1M
Gold Price	\$9.0M	\$15.0M	\$20.9M

The oxide project exhibits the most sensitivity to the gold price and least sensitivity to the operating costs.

B3.12.5 Summary of Financial Analysis

- Total capital expenditure is \$44.0 million, of which the pre-production capital cost is \$33.3 million.
- The Project NPV (after tax) is estimated to be \$28.4 million at a 10% discount rate, equivalent to an IRR of 46.9%.
- Oxus NPV, at 10% discount rate, on 50% ownership of AGF is estimated to be \$15.0 million, equivalent to an IRR to Oxus of 32.9%, with a payback of 1.58 years.
- The Oxus share of distributable cash (management fees, taxes & royalties, dividends), excluding project loan repayments, over the life of the Project is \$30.75 million, or 40.1% of the total.
- The cash cost of production per ounce is \$112.73, the direct production cost is \$173.50, and the total (taxed) cost is \$200.05.

B3.13 Exploration Potential

A number of smaller oxide deposits outside the defined Exploration Areas within the AGF licence area have been delineated (Figure B2.2) and their resource potential estimated. However, further investigation is warranted. The most significant resource that will take priority for drilling in the short term is Western Amantaytau in juxtaposition with Amantaytau Centralny. This could usefully contribute to the planned heap-leach feed from Amantaytau Centralny and Uzunbulak.

Further out from the main deposits, Asaukak and Sarybatyr represent the two most important satellite targets. The Asaukak deposit is located 1.5km to the northeast of the Daugystau deposit and has much in common with it geologically. The deposit is strongly fault controlled and has a substantial, low grade, oxide cap near surface. Similarly, Sarybatyr, which is located approximately 5km west-southwest of Vysokovoltnoye, forms another modest surface oxide target, which is amenable to heap leaching. Table B3.14 shows the results of recent modelling by Oxus which has calculated the following Measured, Indicated and Inferred resources (applying no cut-off):

Table B3.14: Asaukak and Sarybatyr Resource Statement

	Resource Mt	Au g/t	Au (oz)
ASAUKAK	2.54	2.33	184,000
SARYBATYR	2.43	2.11	160,000
Sub-Total Resources Modelled	4.97	2.23	344,000

In total, 18 oxide deposits (including Asaukak and Sarybatyr) within the 192km² licence area have been explored in recent years by Daugystau Geological Expedition, and are currently being assessed by Oxus. The additional (uncategorised) resource potential (in the Soviet C1+C2 category) in these 18 deposits total 26Mt at an average grade of 1.52g/t gold (i.e., over 1.2Moz. contained gold). Prospective gold-silver resources to be tested by reverse circulation drilling are estimated to contain a further 430,000oz. of gold and over 17.8Moz. silver.

In summary, CSMA believes that there is potential to increase the resource base for oxides amenable to heap leaching, and that the overall exploration potential of the district remains high.

B4.0 AMANTAYTAU SULPHIDES

B4.1 Introduction

The sulphide mineralisation at Amantaytau (Severny and Centralny) has been studied to pre-feasibility level and subsequently in less detail than its associated oxide mineralisation. It is worth noting that the financial analysis is for the combined oxide and sulphide project as the sulphide project relies on existing infrastructure already established for the oxide project and therefore has shared costs.

B4.2 Geology

B4.2.1 Centralny

The geology of the Centralny deposit is discussed in detail in the oxide section of this report.

Underground exploration of Centralny Orebody No 8 has been carried out in the sulphides on the 300 and 260m levels, principally from Shaft No 8a, sunk to a depth of 196m, and Orebodies 1, 2, 3 and 4 to the south of the Shirotny Fault from Shafts 7a and 11, sunk to depths of 171 and 165m respectively. The underground development was part of the pre-independence exploration programme by Goscomgeology.

Mineral paragenesis is similar to Severny and differences relate to the abundance of sulphide minerals, which are predominantly pyrite with minor arsenopyrite. Up to 30% of the gold is free, although there is a direct relationship of gold grade and the abundance of sulphide. The sulphide mineralisation seen at depth is in the form of lenses, veins, disseminations and as infilling within the tectonically crushed host rock. Average sulphide content is 6.5%, occasionally reaching over 10%, with sulphide grain size between 1 and 100µm.

Mineralised trends relative to the Centralny Fault in the north and the Shirotny Fault in the south have been identified, which may have acted as conduits for ascending hydrothermal fluids.

B4.2.2 Severny

The structure of the deposit is characterised by frequent faulting and deformation and to the north, the deposit is limited by the Geophysical Fault, whilst to the northeast, the mineralised structures pinch out. The general trend of these structures is northwest-southeast.

Eight mineralised zones have been identified, of which seven have been explored by underground development and drilling from surface. Five have warranted inclusion in the resource calculations. The southern zone is the largest and longest, traced for a strike length of from 400m to over 700m depending upon depth, and to a down dip extent of 620m. It has a lenticular morphology, pinching and swelling along its length and down dip with widths varying from 5m to 55m.

This southern zone (Ore Zone 8a) is truncated by the northeast-southwest trending Smeshayushy Fault. To the northwest of this fault and displaced to the northeast there are several zones, one of which is probably the extension of the southern zone. This extension zone (Ore Zone 11) has a strike length of 250m trending northwest and dipping at between 50° to 80° to the northeast, widths vary from 1.0m to 12.0m, averaging 5.0m. These two zones combined, represent approximately 55% of the resource of the Severny deposit.

Other mineralised zones (Ore Zones 10 and 12) are more discontinuous and are frequently truncated by faults.

Underground exploration of Severny Orebody No 8a has principally been carried out on the 140m level. Very limited exploration (about 100m strike extent) was carried out on the 260m level. Orebodies 11, 12 and 12a have been explored by underground development on both the +20 and +140m levels, but Orebodies 10, 10a and 11a have only been explored on the +140m level.

The deposit has not been closed at depth, and one deep borehole has intersected mineralisation on the –500m level, about 870m below surface.

Host rocks are of the same lithology as Centralny, intensely deformed and sheared with a pronounced cleavage. The dominant sulphide mineral is pyrite, with subordinate arsenopyrite. Sulphide content averages 6% to 7% and can be several tens of percent in high-grade ore. Fine gold occurs, widely dispersed both as free grains and in sulphide aggregates. 70% of the gold is associated with sulphide minerals. The higher gold grades at Severny are directly attributable to the higher sulphide concentration in the mineralised zones.

Mineralised trends have been recognised relative to the Centralny Fault in the east and the Smeshayushy Fault in the west.

B4.3 Resource Estimation

B4.3.1 Resource Summary

The current sulphide resource for Centralny and Severny defined within the Goscomgeology geological ore frames, without dilution, are summarised in Table B4.1 below:

Table B4.1: Global Sulphide Resource Statement

Area	Class	Cut-off g/t	Resource Kt	Au g/t	Au M oz
Centralny	Meas+Ind+Inf	0.00	7726.0	5.67	1.408
Severny	Meas+Ind+Inf	0.00	7291.0	8.34	1.955
Sub Total			15017.0	6.97	3.363

As a result of the limited sample information available below existing underground exploration development at both Centralny and Severny, a large part of the total resource is restricted to the Inferred category. A classified resource estimate based on Measured, Indicated and Inferred with an appropriate cut-off grade is shown in Table B4.2 below:

Table B4.2: Classified Resource Statement

Area	Cut-off g/t	Class	Resource Kt	Au g/t	Au M oz
Centralny	7.00	Meas+Ind	1090.0	12.49	0.438
Severnny	6.00	Meas+Ind	1803.0	16.51	0.957
Sub Total Measured+Indicated			2893.0	15.00	1.395
Centralny	7.00	Inf	833.0	12.06	0.323
Severnny	6.00	Inf	1237.0	16.70	0.660
Sub Total Inferred			2070.0	14.83	0.983
Total Meas+Ind+Inf			4963.0	14.90	2.378

From the above, it is evident that the Measured and Indicated resource total would only sustain 5-6 years of production and thus an alternative approach has been adopted to present a more realistic mining scenario. The details of this are described in Section B4.3.3.

B4.3.2 Resource Evaluation Parameters

As with the oxides, resources have been calculated using parameters laid down by the JORC Code, 1999 and Canadian National Policy 2-a. Cut-off grade is based on a 1.5g/t Au value as previously defined by Goscomgeology. This is a geological cut-off and tends to define the margins of the mineralisation. The higher cut-off used for the classified resource reflects economic parameters and the fact that Severnny is generally of higher grade than Centralny.

Details of resource evaluation parameters at Centralny are dealt with in the oxide section of this report. However, all blocks 40m below the +260m level, i.e., at depths below 220m, which are supported only by drillholes are considered to be Inferred resources.

Underground development in the sulphides has been completed on the +300 and +260m levels with crosscuts every 20m and infilling at 10m. At the extremities of the deposit, the crosscuts are at 30 and 40m. Drillhole data approximates to a 40m line separation. In general, a high reliability is assigned to the underground development sampling data.

Severnny has been classified as follows:

- All blocks using underground samples within a range of 25 x 25 x 10m are Measured resources.
- All blocks using underground and drillhole samples within a range of 50 x 50 x 20m are Indicated.
- All blocks using underground and drillhole samples or drillhole samples only and occurring greater than 50 x 50 x 20m are classified as Inferred.

Underground development has been carried out on the +20m, +140m and +260m levels, with cross-cuts approximately every 20m. Surface drillhole spacing is on a 40m line separation, with 40m centres except when in ore where the separation is 20m.

Three main orebodies (8a, 11 and 12) have been established for Severnny, of which the largest is Orebody 8a. Ore zones have been defined using a cut-off grade of 1.5g/t. A density of 2.95t/m³ has been used for the sulphides and 2.65t/m³ for waste.

The ore zone was defined using geological cross sections and underground geological perimeters. Au was modelled by ordinary kriging, Ag by Inverse Power of Distance (IPD). The defined block size was 5 x 5 x 5m with sub-cells at ore frame boundaries. All samples were composited to a 1.5m length. Variograms produced to date have been completed along strike, across strike and down dip to check the anisotropy of the deposit.

B4.3.3 Reserve Status

As a result of the limited sample information available at depth, approximately 40% of the total resource is restricted to the Inferred category (Table B4.2).

By application of 90% recovery and 15% dilution (at a grade of 0.5g/t gold in wallrock), mineable reserves can be estimated from the Measured and Indicated part of the resource (Table B4.3).

Table B4.3: Mineable Reserve Estimate

Area	Cut-off g/t	Class	Ore Kt	Au g/t	Au M oz
Centralny	7.00	Prov+Prob	1,128.2	10.93	0.396
Severny	6.00	Prov+Prob	1,866.1	14.42	0.865
Total			2,994.3	13.10	1.261

Figures calculated on 90% Recovery, 15% Dilution and 0.5g/t Au grade in waste.

For the purpose of advancing to surface drilling, underground investigations and feasibility study, an indicative estimate of the tonnage and grade which may be available, should Inferred material be upgraded to Indicated or Measured, is also presented.

Although Soviet exploration has demonstrated that the mineralisation extends in depth, the reason why a large part of the resource is Inferred is primarily due to the reliance on drilling for the deeper mineralised intersections. Problems with the reliability of deep core drilling include poor core recoveries and uncertain survey data. Guidelines stipulated within the JORC code can only allocate an Inferred category for mineralisation defined under these conditions. However, to provide a more realistic estimate of tonnage on which to base a conceptual underground operation, all classified resources have been taken into account for the purpose of mine planning. Therefore, by application of recovery and dilution factors, a conceptual tonnage and grade has been estimated (Table B4.4).

Table B4.4: Conceptual Resource Estimate (with dilution and recovery)

Area	Cut-off g/t	Class	Resource Kt	Au g/t	Au M oz
Centralny	7.00	Meas+Ind+Inf	1,990.0	10.71	0.685
Severny	6.00	Meas+Ind+Inf	3,146.0	14.45	1.462
Total			5,136.0	13.00	2.147

Figures calculated on 90% Recovery, 15% Dilution and 0.5 g/t Au grade in waste.

A programme of surface drilling is proposed to upgrade the resource base.

B4.4 Mining

An underground production rate of 500,000tpy for an approximate mine life of 10 years, utilising existing development where appropriate, such as Shaft No. 10 is proposed. This shaft is 360m deep with stations at 200m, 140m, and 20m levels; although the 200m level is an intermediate pump station and has no lateral development. The shaft will be used for access to the underground workings to enable development to commence ahead of the planned decline, although it will not lend itself to full scale hoisting production and would be used mainly for exploration/access/ventilation.

A ramp decline is planned to access the Severny deposit at the +260m level. Access to the Centralny deposit can be achieved by a number of options, namely, a haulage level on the +260m level from Severny underground operations or, more likely, from a ramp starting at pit bottom Centralny No. 3 pit. Haulage levels will be developed off the main ramp at 60m intervals, with transportation of ore and waste to surface by Low Profile dump trucks.

At the present time, the selected mining method is Mechanised Cut and Fill where close control can be made of the ore being mined and also good control of hangingwall and footwall dilution. However, this method is inherently expensive and equipment intensive thereby providing a level of conservatism to productivities and the cost of production. Cut and fill is a clean system of stoping with maximum ore extraction and minimum dilution. Accordingly, 90% extraction and 15% dilution have been used in the calculation of the resource available for mining. Further study should address the issue of stoping methods in more detail.

As the development of the sulphide resources relies to an extent on the infrastructure and production from the oxide operations, it is prudent to discuss the production schedule in terms of the combined project. Table B4.5 shows the combined production schedule for oxide and sulphide.

Table B4.5: Combined Project Production Schedule

Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Surface Oxide															
Ore to pad (Kt)	1,116	1,009	1,038	1,026	1,037	1,015	1,014	1,006	316						8,577
Aver. Au grade (g/t)	6.50	6.35	4.39	3.01	1.57	1.20	1.08	1.35	1.47						3.16
Aver. Ag grade (g/t)					47.29	27.64	44.03	195.65	15.51						37.71
Recov. Gold (oz)	175,029	155,638	106,843	70,870	38,172	27,696	24,574	28,818	9,857						637,497
Recov. Silver (oz)					896,598	447,890	778,921	4,429,625	70,909						6,623,943
Underground Sulphide															
Ore (Kt)				300	500	500	500	500	500	500	500	500	500	336	5,136
Aver. Au grade (g/t)				15.16	15.16	14.45	14.41	14.31	14.09	13.82	10.71	10.48	10.33	9.98	13.00
Recov. Gold (troy oz)				131,599	219,332	209,060	208,482	207,035	203,852	199,893	154,951	151,623	149,453	97,029	1,932,309
Combined Project															
Total Ore Production (Kt)	1,116	1,009	1,038	1,326	1,537	1,515	1,514	1,506	816	500	500	500	500	336	13,713
Total Silver Recov. (oz)					896,598	447,890	778,921	4,429,625	70,909						6,623,943
Total Gold Recov. (oz)	175,029	155,638	106,843	202,469	257,504	236,756	233,056	235,853	213,709	199,893	154,951	151,623	149,453	97,029	2,569,806

B4.5 Processing

Considerable testwork has been undertaken on the sulphide ores of the Amantaytau/Daugystau region by both the Soviets and Lonrho, and having eliminated all but bio-oxidation, AGF adopted BIOX®, the Gencor proprietary process technology.

This study follows the general conclusions formed by AGF in their Feasibility Study and utilises the bio-oxidation of flotation concentrate. Preliminary testwork currently being carried out on Severny ore indicates that the application of Dense Media Separation (DMS) to crushed mill feed could result in the elimination of some 30% by weight of the feed. This will result in a considerable upgrading of the flotation feed and a smaller milling and flotation plant.

B4.6 Project Costs

B4.6.1 Introduction

The capital and operating costs have been derived primarily from the extensive data provided in the Lonrho feasibility study of June 1995 and recent costing exercises by CSMA and Oxus during the preparation of the Feasibility Study on the Amantaytau oxide project. The cost estimates used have been checked against industry standards, the Pincock, Allen and Holt cost estimating system (PAH), the Western Mining Cost Estimating Service, and CSMA experience in similar projects in Uzbekistan, Kazakstan and other CIS countries.

B4.6.2 Capital Costs

The capital costs included for underground mining are those that will be expended over the 11 year underground plan for the project. They include capital equipment and capital development costs. Table B4.6 shows a summary of these costs.

Table B4.6: Sulphide Mining Capital Estimates

Element	US \$000's
Equipment	14,487
Sustaining Equipment	4,320
Development	21,462
Mine Infrastructure	1,450
Total	41,719

The total underground capital development costs over the ten year mine life are US\$21.462 million, which equates to a mining cost of US\$4.18 per tonne of ore.

The process route, proposed by Lonrho, has been assumed for this study and factored down accordingly to reflect the reduced yearly production. The route includes flotation with bio-oxidation of the flotation concentrates and a carbon plant for the bio-oxidation products and the flotation tailings. Costs, equipment and staff are therefore, generally as proposed by Lonrho. Table B4.7 shows a summary of the costs by section.

Table B4.7: Sulphide Plant Capital Estimates

Section	Year 3 \$000's	Year 4 \$000's
Crushing/Mill/Float	8,000	6,000
Bio-ox		10,000
Bio-oxidation/CIL		1,000
Tailings		2,500*
Ancillaries and Services		2,500
Power Supply	2,000	1,000
Engineering Equipment		400
Sustaining Capital		1,800*
Engineering and Construction	2,000	4,300
Freight	1,600	4,100
Total	13,600	33,600

* Note: Capital is spread over the life of the operations

A summary of the infrastructure capital estimates are provided in Table B4.8.

Table B4.8: Infrastructure Capital Estimates

Item	Year 3 \$000's	Year 4 \$000's
Security and roads	100	400
Water Supply/reticulation	3,000	4,000
Offices/Warehouses		420
Communications		400
Biomin Fee		1,000
Total	3,100	6,220

An allowance of \$1.37 million has been made for a feasibility study as well an additional \$1.345 million for drilling and \$1 million for the mine spares inventory.

B4.6.3 Operating Costs

The operating costs have been built up from the Lonrho feasibility study 1995 (factored for 2000). The average cost of mine production is US\$21.4 per tonne of ore, comprising \$1.70/t for tramming, \$5.20/t for labour, \$2.30/t for stope preparation development, \$2.35/t for equipment costs, \$8.04/t for consumables, and an additional \$1.75/t for ventilation, drilling, etc. The total life of mine costs are estimated at \$109.9 million.

Table B4.9: Sulphide Plant Operating Cost Summary

	Cost US\$	US\$/tonne milled
Labour	837,491	1.67
Consumables	4,800,000	9.60
Power	1,580,000	3.16
Total	7,217,491	14.43

The general expenses for operating the mine including engineering, workshops, warehouse, security, safety, training and the Assay Office are included in the G&A operating expenditure. This study assumes that the capital elements associated with these functions are covered in the oxide project costs; the extra operating cost burden of the sulphide project is therefore allowed for in the financial analysis.

B4.7 Financial Analysis

The projects are inextricably linked as many of the capital costs borne by the oxide project are applicable to the sulphide project. Accordingly the economic appraisal has combined the two models to provide a consolidated financial assessment of the projects.

A financial summary of the development of the combined oxide and sulphide deposit gives:

- The combined Project appears robust with a base case undiscounted post tax profit of \$205.6 million at a gold price of \$285 per ounce. Total capital expenditure is \$162 million.
- The estimated Project NPV (after tax) is \$101.9 million at a 10% discount rate, equivalent to an IRR of 45.1%.
- At a 50% Oxus ownership of AGF the NPV to Oxus on the same basis is estimated to be \$38.1 million, equivalent to an IRR to Oxus of 28.3%.
- The Oxus share of distributable cash (management fees, taxes and royalties, dividends), excluding project loan repayments, over the life of the Project is \$114.9 million, or 37.4% of the total.
- The cash cost of production per ounce is \$114, the direct production cost is \$175, and the total (taxed) cost is \$195, implying a break-even gold price for the Project of less than \$200 per ounce, even if contingency is allowed for shareholder or bank loan interest.

The results of the combined oxide and sulphide projects are reported at a gold price of \$285 per ounce and a discount rate of 10%. The base case results appear in Table B4.10 below:

Table B4.10: Base Case Combined Project Financial Results

Parameter	Oxide	Sulphide	Combined
Gold Price (US\$ per ounce)			285
Production tpy	1,000,000	500,000	N/A
Ounces of gold produced (000)	637.5	1,932.5	2,570
Tonnes of gold produced	19.8	60.1	79.9
Ounces of silver produced (000)	6,624	N/A	6,624
Operating (cash) cost per ounce (\$)	\$112.73	\$115.03	\$114.46
Direct production cost per ounce (\$)	\$173.50	\$175.57	\$175.06
Taxed (total) cost per ounce (\$)	\$200.05	\$193.72	\$195.29
Mineral revenue (\$m)	212.2	545.9	758.1
Operating costs (excl payroll tax)(\$m)	91.6	195.1	286.7
Pre-production Capital costs (\$m)	33.3	90.94	N/A*
Life of Mine Capital costs (\$m)	44.0	118.3	162.3
Management fees(\$m)	6.7	8.3	15.0
Taxes & royalties (incl payroll tax)(\$m)	15.8	40.8	56.6
Net Profit	53.0	152.55	205.6

Note* Pre-production capital costs not relevant due to difference in project timing.

Gold price sensitivity is illustrated in Table B4.11 below:

Table B4.11: Gold Price Sensitivity (NPV to Oxus)

	\$245	\$265	\$285	\$305	\$325
Gold price per ounce:					
NPV @ 10% (\$m)	14.1	26.5	38.1	49.4	60.7
IRR (%)	16.0	22.2	28.3	34.6	41.5

In addition, The combined project sensitivity to the capital and operating costs have also been computed and the results are tabulated in Table B4.12 and presented graphically in Figure B4.1.

Table B4.12: Amantaytau Combined Project NPV Sensitivity (NPV to Oxus)

Parameter	-10%	Base Case	+10%
Capex	\$44.4M	\$38.1M	\$31.7M
Operating Cost	\$44.6M	\$38.1M	\$31.5M
Gold Price	\$21.5M	\$38.1M	\$54.2M

B4.8 Exploration Potential

Severny and Centralny are structurally controlled orebodies and have indications of sulphide mineralisation at depth and possibly within faulted extensions of the currently delineated mineralisation. In addition, many of the oxide deposits within the licence area are located above known primary sulphide mineralisation. Total sulphide exploration potential, included within deeper and lateral extensions of Amantaytau Severny and Centralny, and a further seven deposits within the licence area, is estimated to total 79.8Mt at an average grade of 2.79g/t gold, including 69.9Mt at an average grade of 65g/t silver (i.e., over 7.1Moz. contained gold, and 147Moz. contained silver).

The sulphide mineralisation at Centralny has not been closed off at depth, and considerable potential exists for the delineation of mineralisation below existing underground development levels. However, due to a lack of deep drilling and further underground development, prospective resources do not appear to have been estimated by the State Committee of Geology. It is considered reasonable that there should be at least a further 50% of the currently estimated resource at deeper levels of Orebodies 1, 2, 3, 4, 5 and 8. This equates to approximately 2Mt @ 7.33g/t using a 1.5g/t gold cut-off.

Like Centralny, Severny has not been closed off at depth. In 1995, Zverev (Chief Geologist of Daugystau Expedition), estimated the deeper resource potential at Amantaytau Severny, below the existing stated resource (500 to 1000m depth), as 3.65Mt @ 13.76g/t. He also estimated the resource potential in the Umid Area (500 to 750m depth), a westerly extension of Amantaytau Severny to the northwest of the Geophysical Fault as 4.17Mt @ 12g/t.

In summary, the exploration potential of the sulphide mineralisation is significant as the strong structural control of orebodies in combination with their complex morphology dictate that orebody extensions and additional, new targets are potentially available for discovery, provided a diligent and determined approach to exploration is applied.

B5.0 KHANDIZA

B5.1 Study Background

This report is based on an audit of documents supplied to CSMA by Oxus, together with more recent data, collected by CSMA staff on a site visit in July 2000.

In April 1997, Watts, Griffis and McOuat Limited (“WGM”) of Canada, prepared a Phase 1 Feasibility Study that included a re-estimation of the resources, a review of the exploration potential of the area surrounding the deposit, a bulk sampling and metallurgical testwork programme, selection of process plant and tailings disposal sites, a concentrate marketing study, estimation of capital and operating costs and an evaluation of the project economics. In addition, Lakefield Research Ltd (Lakefield) carried out metallurgical testwork on representative samples of the massive, brecciated and disseminated “ore types” from the 1,356m level (Adit 10).

Snowden Associates (Europe) (Snowden) was contracted, initially to carry out an independent block model estimation of the tonnage and grade of Ore Zone No. 3 at Khandiza and subsequently to review and prepare an independent report on orebody modelling and production scheduling, which has been carried out by Oxus up to September 1998.

B5.2 Project History

The Khandiza Deposit was discovered in 1957 by the Samarkand Geological Expedition (“Samarkand Geology”), but it was not until between 1970 and 1974 that a major underground development and drilling programme was completed. This included the development of No 10 and No 10A Adits, at the 1,356m level. By the end of 1974, 77,000m of diamond drilling and 23km of underground development had been completed. No further exploration took place after 1974, until Oxus commenced investigations of the deposit in July 1996. During 1997, Oxus, assisted by WGM, and other consultants, continued with the investigation of the deposit.

B5.3 Geology and Mineralisation

The Khandiza deposit is a classic volcanic-hosted massive sulphide (VMS) deposit, within Upper Visean sediments, rhyolitic volcanics and pyroclastics, which are for the most part, capped by barren, post mineralisation dacites. The mineralisation consists mainly of exhalative/syngenetic massive sulphides that occur at various horizons within a sequence of rhyolitic volcanics and volcanoclastics. There appear to have been several exhalative events, as indicated by the different massive sulphide lenses/mineralised zones. The final massive sulphide event is capped by a red chert/jasper horizon, overlain by barren dacites, which form the hangingwall to the mineralisation. Each massive sulphide unit appears to have its own footwall feeder/stockwork system, but these are not as yet clearly defined.

Four main mineralised zones, of which the largest portion of the resource is in Zone 3, are now recognised (Zones 1, 2, 3 and 5). Overall, mineralisation extends over a strike length of 1,200m, and down dip for 750m (from 1,450m asl down to 700m asl). The main mineralised zones do not outcrop at surface. Footwall rocks comprise quartz-sericite-chlorite altered volcanoclastics that are usually weakly mineralised with disseminated sulphides, whilst hangingwall rocks are generally an unmineralised dacitic tuff. The mineralisation is very fine grained and generally black to dark grey in colour. Figure B5.1 shows a schematic section through the main ore zones.

Dips vary considerably at Khandiza with steeper dips above about 1,350m asl, and below 1,200m. Between these elevations, the dip in places can be near horizontal, giving rise to the highest tonnes per vertical metre, with mineralisation in places exceeding 40m vertical thickness.

The ore is found within three styles of mineralisation, which consist of massive, brecciated and disseminated types. The main sulphide minerals are pyrite, sphalerite, galena, chalcocopyrite and fahl ores (silver ores). Precious metals are present in both native form and as electrum. Silver is also present.

The Samarkandgeology underground programme in the 1970’s, included the sampling of all underground development. In 1997, re-sampling by Oxus of selected cross-cuts indicated a reasonable comparison with the 1970’s sampling results. Furthermore, additional metallurgical samples were taken, representative of massive, brecciated and disseminated ore types for flotation testwork, and later, samples were taken for testwork to confirm the amenability to pre-concentration by dense media separation (DMS).

More recently, Oxus has carried out further underground investigations and completed over 3,750m of underground core drilling, to confirm grade distributions, increase the confidence in the reserve, upgrade resources from the Indicated to the Measured category, provide drillcore to establish the density relationships, for geotechnical information, additional metallurgical testwork, and to enable hydrogeological measurements to be made.

B5.4 Resource Estimation

Snowden Associates (Europe) has completed all the recent resource estimations from 1997 to 1998. They have adopted a resource reporting regime that combines the July 1996, Australian Code for Reporting of Identified Mineral Resources and Ore Reserves, and that of the Canadian National Policy 2-a.

Geological reinterpretation, and modelling of the deposit continues, enabling a more refined model and resource estimate to be made, the results of which were the subject of a resource audit by Snowden Associates in September 1998 (Table B5.1).

For the new resource model, the original nine ore zones were combined into four new zones numbered 1, 2, 3 and 5 with a general increase in grade from zones 1 through to 5 (i.e., in ascending stratigraphic order). The resource envelope is defined by an approximate 2% zinc equivalent cut-off grade.

Table B5.1: Khandiza Resources (Snowden – September 1998)

Resource Category	Cut-off Grade	Total Resource					Tonnage Mt	Average density
		%Zn	%Pb	%Cu	g/t Ag	g/t Au		
Measured+Indicated	2%Zn	5.87	2.38	0.67	106	0.3	24.0	3.09
Measured	2%Zn	8.36	3.15	0.98	135	0.42	4.1	3.23
Ore Zone 3								
Measured+Indicated	2%Zn	6.29	2.85	0.81	130	0.34	18.3	3.13
Measured	2%Zn	9.03	3.53	1.14	151	0.46	3.4	3.28

The 24Mt resource contains 1,409,000t of zinc, 161,000t of copper, 571,000t of lead, 81.79M ounces of silver and 231,000 ounces of gold.

All resource modelling was undertaken utilising DATAMINE® computer software.

The grades of Zn, Pb, Cu, Cd, Ag and Au were interpolated into the block model from the sample assay data, separately for each ore zone. For this model, Zn, Pb, Cu, and Ag, were interpolated by Kriging, Au and Cd were interpolated using inverse-power-of-distance moving average. For Zn, Pb and Cu, the variograms used for Kriging were those already defined in the study by Snowden Associates, in 1997. For Ag, new variogram models were developed.

Measured resources were defined as all material lying within 50m above and below the adit level and also within 30m of an assayed sample, the remainder of the model was considered as Indicated.

Studies by Oxus in 1998 have shown that the Snowden 1997 density estimates were probably too conservative. Ore densities were recalculated using a second order regression developed by Oxus (and approved by Snowden) and were increased from those which had originally been adopted from tests done by the Soviets. The density is now estimated to be 3.09 for the whole resource and 3.28 for the Measured category.

As part of Oxus' current underground drilling campaign, laboratory density determinations have been carried out for each core assay interval, and hence all styles of mineralisation, thus providing a substantially better database upon which to base density determinations in the future.

B5.5 Reserves

The Snowden September 1998 estimate applied WGM dilution and loss factors to its latest resource model and produced two main cases of reserve estimates, Case 1 at 6% Zn cut-off, for a production rate of 750,000tpa and Case 2 at 5% Zn cut-off, for a production rate of 1,000,000tpa. Case 2 has been utilised in all Oxus Financial Appraisals, as summarised in Table B5.2.

Table B5.2: Total Reserves (Proven and Probable) at 5% Zn Cut-Off (Snowden 1998)

Ore Zone	Tonnes 1000's	%Zn	%Cu	%Pb	g/t Ag	g/t Au	Dilution %	Mining Loss %
1	418	4.75	0.14	0.40	9	0.05	12	8
2	771	6.51	0.51	2.12	73	0.19	12	8
3	8,142	9.42	1.14	3.98	180	0.40	7	5
5	340	8.06	0.56	1.21	103	0.20	30	15
Total	9,671	8.94	1.03	3.58	161	0.37		

The above reserve contains 865,000t of zinc, 100,000t of copper, 346,000t of lead, 50.06M ounces of silver and 115,000 ounces of gold

B5.6 Mining

It is proposed to develop the underground mine with an internal footwall ramp system (Figure B5.2), using Load Haul Dump units, mining with a Drift and Fill or Blasthole and Post Fill stoping method, in a down dip sequence.

In stopes, the ore will be mucked with front-end loaders and transferred to the crusher from where it will be transported by rail to the portal stockpile. From here, the ore will be trucked to the concentrator, which is to be located 13.6km downstream from the No. 10 portal. The truck haulage will operate seven days per week at 3,000t per day. A paste backfill system, connected by drillholes to the stopes, will return filtered mill tailings underground.

A push-pull fan system to ventilate the mine is proposed, incorporating electric air heaters for winter usage. Secondary fans with flexible duct will direct the air from the ramp to the working faces.

Water flow from the mine has been measured to be about 3l/s (11.33m³/h), and it has been estimated that if the mine is developed to the 800m elevation, the potential inflow would be approximately 30 to 40l/s. For all mining above the main haulage elevation, water will drain out naturally, although when operations proceed below the 1,225m level, pump stations will be established at intervals along the ramp.

The mining department will consist of 226 full time employees (of which 11 will be expatriates) for full production. These will comprise 27 mine staff, 176 mine operators and 23 mine technical staff. The mining operations will be serviced from a separate complex located near the portal of the 1,350m Access Adit, with other facilities including surface operations located at or near the concentrator site. Ample electrical power is available from an existing twin 63kVA, 110kV, 3 phase, 50Hz overhead transmission line.

The existing road through the valley is adequate for light traffic but will require up-grading to a state suitable for use as a haul road. The cost of this up-grade is estimated at approximately \$1 million per km.

The proposed mining production schedule is provided in Table B5.3.

Table B5.3: Khandiza Production Schedule

YEARS	1	2	3	4	5	6	7	8	9	10	11	Total
Ore milled t'000s	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	172	9,672
Zinc grade %	12.07	12.05	11.79	9.55	9.18	8.48	8.51	49	6.53	6.05	4.63	8.94
Copper grade %	1.37	1.39	1.56	1.36	1.09	0.96	0.87	0.87	0.71	0.43	0.16	1.03
Lead grade %	3.89	3.99	4.82	3.36	4.11	2.50	3.90	4.96	3.31	1.67	0.34	3.58
Silver grade g/t	198.0	196.0	175.0	87.0	52.30	107.0	599.0	81.0	97.0	57.0	51.7	161.0
Gold grade g/t	0.43	0.45	0.66	0.29	0.20	0.24	0.89	0.19	0.30	0.15	0.07	0.37
Cadmium grade %	0.06	0.06	0.06	0.05	0.04	0.04	0.03	0.03	0.03	0.03	0.01	0.04
Concentrates Produced												
Zinc t'000s	83.64	167.00	163.40	132.35	127.23	117.53	117.94	103.80	90.50	83.85	11.04	1,198
Copper t'000s	19.12	38.79	43.53	37.95	30.42	26.79	24.29	24.28	19.81	12.00	0.77	278
Lead t'000s	26.76	54.90	66.32	46.23	56.55	34.40	53.66	68.25	45.55	22.98	0.81	476

B5.7 Process Plant

Several metallurgical testwork programmes were carried out during the period 1961 to 1974, including a pilot plant test on a 15t composite sample of Khandiza ore.

Recent testwork on representative ore types by Lakefield included bond rod mill and ball mill indices and a MacPherson autogenous grindability test, which was performed at Hazen Research Inc. Golden, Colorado. In addition, flotation testwork and locked cycle tests were devised, the results of test F26 are presented in Table B5.4. These recoveries and grades have been used in the most recent Financial Appraisal.

Table B5.4: Results of Locked Cycle Tests (Lakefield 1997)

	%Wt	Cu %	Pb %	Zn %	Ag g/t
Calculated Head Assays	100.00	1.16	3.81	6.35	68.9
Copper Concentrate Assays		29.6	4.13	5.70	715
Recoveries, %	3.25	82.6	3.5	2.9	33.8
Lead Concentrate Assays		2.40	61.7	12.5	657
Recoveries, %	5.24	10.8	84.9	10.3	50.0
Zinc Concentrate Assays		0.51	2.30	59.6	78.1
Recoveries, %	8.80	3.8	5.3	82.6	10.0
Final Tailings Assays		0.04	0.29	0.32	5.26
Recoveries, %	82.7	2.8	6.3	4.2	6.3

The ore processing facilities, together with the maintenance shops, warehouse, administration and all other support facilities will be located on a nine hectare site.

The concentrator is designed to treat the ore using autogenous and ball milling followed by selective flotation. The mill will treat 2,857tpd, for an annual production rate of 1Mt of ore, assuming a plant availability of 90%. The grinding circuit will operate 350 days per year, 7 days per week and 24 hours per day. The concentrator flowsheet is given in Figure B5.3.

The final concentrates would then be transferred to haul trucks by front-end loaders and delivered 50km to the railhead at Sariasia for transportation to the smelters.

Water from the settled tailings will be stored in a lagoon, whilst precipitation over the tailings catchment area will also be captured. Water from the tailings lagoon will be used as makeup water for the concentrator as required. There will be on average an excess of 224m³/hr over and above the requirements of the concentrator and after treatment this water would have to be discharged.

Theoretically, the concentrator will not require any water to be taken from the Khandiza River. However, a provision has been made to pump up to 20% (150m³/hr) of the concentrator's total water requirement from the river.

Approximately 50% of the thickened plant tailings will be diverted for use as mine backfill and the balance of the tailings will be pumped to the tailings disposal area for which a number of site options exist. For the first year of the mine's life, all tailings will go to tailings disposal.

B5.8 Concentrates

The Khandiza project will produce three products, a zinc concentrate, a copper concentrate and a lead concentrate. The grade and recovery achieved to these concentrates is given in Table B5.5.

Table B5.5: Concentrate Grades

	Zinc Conc	Copper Conc	Lead Conc
Assay Zn	59.6	5.7	12.5
Assay Cu	0.5	29.6	2.4
Assay Pb	2.3	4.1	61.7
Assay Fe	2.3	24.9	3.3
Assay Ag	78.0	1542	1352
Metal Recovery to Concentrate (wt % total)	82.6	82.6	84.9

Western style smelter contracts have been assumed in assessing costs, but it is most likely that all concentrates will be sold to local smelters in Uzbekistan and Kazakstan and thus the costs would be lower. The zinc concentrate accounts for 48% of the NSR with copper concentrate 27% and lead concentrate 25%. However, both the copper and lead concentrates contain a high proportion of silver and smaller amounts of gold. The contribution of each metal to the revenue is zinc 48%, copper 19%, lead 16%, silver 15% and gold 2%.

By western standards the zinc concentrate is high in copper and the copper concentrate is high in zinc and lead. This would not present a problem so long as these concentrates are smelted in the CIS, as they incur no penalties.

It is imperative that the long term viability of the smelters is investigated in order that an accurate estimate of the costs associated with transporting the concentrates, to identified smelters, can be made.

B5.9 Environmental Studies

The largest potential environmental impacts will arise from discharge of effluent waters and storage of tailings. Baseline studies and an Environmental Impact Assessment (EIA) have yet to be carried out.

B5.10 Capital & Operating Costs

B5.10.1 Capital Costs

Capital costs for the year -2 to year 2 (first four years of the project) have been estimated for the project at a production rate of 1Mt per year and total \$161.8 million. An additional \$14.2 million is allowed for as replacement capital. Table B5.6 presents these data.

Table B5.6: Initial Capital Costs (from WGM December 1997 modified by Oxus)

Items	US\$000's
Site Preparation	5,600
Mine Pre-production	7,520
Mine Facilities	1,520
Mine Equipment	11,130
Crusher (underground)	655
Ore Storage	2,000
Concentrator Building	28,700
Concentrator Equipment	15,300
Tailings Disposal and Water Supply	3,400
Backfill Plant	5,747
Yard Services	5,100
Electrical Distribution	5,400
Service Buildings	1,700
Mobile Equipment (surface) leased	
Concentrate Storage and Loading	5,600
Construction Camp Rehabilitation	2,500
Access Road	12,000
Total Direct Costs	113,872
Feasibility Study	3,000
Field Indirect Costs	8,760
Freight	10,828
Construction Camp	5,520
Catering	2,760
EPCM	17,060
Total Indirect Costs	47,928
Total Initial Project Costs	\$161,800

The capital costs for the mine were prepared by WGM, with some recent additions and inflation by Oxus to bring them in line with year 2000 prices, including elimination of WGM's 15% contingency.

B5.10.2 Operating Costs

At an operating rate of 1Mt per annum WGM estimated the operating costs at \$28.84 per tonne processed (in constant 1997 US dollars) for years 2 - 4 of the operation. CSMA has applied industry standard Mining Cost Indices to inflate these costs by 2% to an estimated Life of Mine operating cost of \$34.75 per tonne, which is felt to more accurately reflect year 2000 costs. A breakdown of these costs is presented in Table B5.7.

Table B5.7: Summary of Operating Costs LOM

	Total Cost (US 000\$)	Unit Cost (\$/tonne)
Mining	89,541	9.26
Milling	111,151	11.49
General & Administration	102,642	10.61
Restoration Fund	2,418	0.25
Contingency (10%)	30,331	3.14
Total	336,083	34.75

B5.11 Financial Analysis

Cashflow analysis of the project, prepared by CSMA, is almost entirely based on the concepts, capital and operating costs developed by WGM in the Phase 1 Feasibility Study with the exceptions in the capital costs that have already been detailed. However, the financial analysis has taken Snowden's September 1998, Case 2 geological resource model and added dilution and mining losses, used by WGM in their Phase 1 Study, to calculate a mineable reserve. The most important assumptions used in the cash flow calculations are given in Table B5.8.

At a production rate of 1Mt per year and assuming Western smelter terms and smelting in Uzbekistan or Kazakhstan, the project shows an internal rate of return of 22% and an NPV to Oxus after tax and bank gearing of \$30.4 million at a discount rate of 10%. The pay back period for the project is 3.96 years.

Table B5.8: Assumptions Used in Cash Flow Calculations

Zinc price	\$1168/t
Copper Price	\$1875/t
Lead price	\$551/t
Silver price	\$5/oz
Gold price	\$285/oz
Initial capital cost	\$179.5 million
Replacement capital	\$0.0 to \$4.0 million/year
Rehabilitation fund	\$0.25/t (incl. Op. costs)
Depreciation	straight line
Management fee	5%
Uzbek Taxes	16% (on net project op. profit-after depreciation)
Tax free period	7 years
Royalty Tax	2% NSR
VAT	none
Export taxes	none
Payback period	3.96 years
Smelter terms	Western

A sensitivity analysis (Table B5.9 and Figure B5.4) shows that the Oxus NPV is most sensitive to zinc price and to a lesser extent to capital and operating costs.

Table B5.9: Khandiza Project NPV Sensitivity (NPV to Oxus)

Parameter	-10%	Base Case	+10%
Capex	\$37.0M	\$30.4M	\$24.1M
Operating Cost	\$37.0M	\$30.4M	\$24M
Zinc Price	\$16.8M	\$30.4M	\$44.5M
Copper Price	\$27.0M	\$30.4M	\$33.8M
Lead Price	\$27.1M	\$30.4M	\$33.8M

B5.12 Exploration Potential

Recent studies based on fieldwork by Oxus, indicate that the mineralisation at Khandiza is related to rhyolite dome structures which are located adjacent to the main Khandiza Deposit. The mineralisation at Khandiza is likely to be derived from these rhyolite domes, as exhalative sulphides in a Carboniferous age (Visean), shallow marine, sea floor, environment.

WGM suggested that potential exists for continuity of the Khandiza mineralisation on the north limb of the west-northwest plunging syncline, although considerable work will be required to substantiate this. Similarly, CSMA also believes there is potential to increase the Khandiza resource, but suggests that other prospective occurrences of polymetallic mineralisation, located along strike to the east, and within about 6km of Khandiza, probably represent more attractive targets.

These prospects which include Vodnisai, Chinarsai, Maidansai, Novasai, Chornova, Dalney, Gurud, and N, C and S Yangaklyk are being reassessed in terms of their location relative to Khandiza, and adjacent volcanic centres, and are being prioritised as targets for future drilling.

Further afield, within the SE Uzbekistan Exploration Area, CSMA has reviewed much of the exploration data and can conclude that many of the localities are of interest for both gold and base metals, although nearly all are at an early stage of exploration. For example, At Karasan and Kuldara, there are similar structural and mineralisation features as those seen at Khandiza.

PART C: OXUS KYRGYZSTAN PROPERTIES

C1.0 STUDY BACKGROUND

CSMA staff preparing this report have visited the mine site at Jerooy and discussed the project with Norox Mining Company Limited (“Norox”), Oxus and Kyrgyzaltyn staff in Bishkek and Woking. There has also been contact with consultants working on the Project.

The principal documents provided by Oxus and utilised during preparation of this report are from a number of sources, all commissioned by Norox in the period 1998-2001.

In September 1997 Oxus was invited to participate in an unofficial tender to investigate and develop the Jerooy Gold Deposit in the Kyrgyz Republic. To undertake this work Norox was formed by Oxus and Normandy Mining (Normandy) of Australia through its subsidiary LaSource SAS. Normandy managed Norox until September 1999 when Oxus resumed management of the project. Normandy has since transferred its 75% interest in Norox to Oxus (who now own 100% of Norox), in return for an increased equity in Oxus, and Norox has continued with project evaluation and design. Following a decision to proceed to production the operating company responsible for the exploitation of Jerooy would be Talas Gold Mining Company (Talas Gold), a closed joint stock company registered in Bishkek on 23 December 1999. Talas Gold is owned by Norox (66.67%) and the Kyrgyz State closed joint stock company Kyrgyzaltyn (KA) (33.33%).

The deposit was intensively explored during the Soviet era and, in recent years, has been the subject of a number of investigations by Western mining companies, the most important of which is a definitive feasibility study by Morris Knudssen Gold (MK Gold) who had a 35% joint venture interest.

Norox completed a Preliminary Feasibility Study (PFS) in March 1998 indicating a potentially viable operation. Further studies were commissioned by Norox and completed in April and July 1999. Subsequently Oxus assumed management of Norox and has produced a revised resource estimate and mining plans, followed by the most recent internal feasibility study on the project.

C2.0 KYRGYZSTAN GEOGRAPHICAL INFORMATION

C2.1 The Country

Kyrgyzstan (Figure C2.1) is seen as one of the most democratic nations of the former Soviet Union and has generally embraced western style commercial law, banking reform, mining code and currency regulations. The climate is continental with hot summers and cold winters strongly modified by the high mountains. Rainfall is light, nevertheless, water resources from mountain streams are abundant.

The economy is mainly agriculture with some light industry around the major cities. Under the Soviets mining for a variety of strategic minerals and precious metals was important and remains significant in the industrial sector. Kumtor, owned jointly by the State and Cameco of Canada, is the largest operation producing approximately 643,000oz. of gold annually.

C2.2 Deposit Location and Access

The Jerooy deposit is located in north-central Kyrgyzstan some 190km west-southwest of the capital Bishkek, and 40km south-east of the Oblast capital of Talas (Figure C2.1). There is a paved road between Bishkek and Talas from which a good gravel road leads some 20km south to the deposit. It is also possible to fly from Bishkek to Talas.

The gravel road section follows a steep mountain valley with the last few km being a switchback up to the deposit. Jerooy outcrops at 3700m to 3800m on the inhospitable Ala Tau Ridge. Although snowfall is not generally heavy the access road is said to be prone to avalanches/slides in the winter. There are permanent glaciers within a kilometre of the deposit.

C2.3 Land, Mineral Rights and Governmental Consents

Feasibility and other work is being performed under a Licence Agreement between The State Agency on Geology and Mineral Resources and Talas Gold issued in Bishkek. Following submission and approval of the agreed bankable feasibility study a full mining licence should be issued. The licence covers an area of 5.92km².

C2.4 Project History

The Jerooy gold occurrence was discovered in 1968 with Jerooy “ore reserves” registered in 1986 as 12.5Mt at an average grade of 6.36g/t Au containing 79.7t of gold (CIS classification C1, C2). Following detailed investigation the State Concern Kyrgyzaltyn was awarded the mining licence in 1991 and given the authority to develop the Jerooy deposit. Preliminary construction commenced in 1992 but was halted in 1993 due to lack of funds.

Following independence, Kyrgyzaltyn invited Western mining companies to participate in the development of the deposit. Initial investigations were undertaken by MK Gold who completed several definitive feasibility studies with negative conclusions between 1993 and 1996. MK Gold calculated a reserve estimate of 6.08Mt at an average grade of 8.13g/t Au containing 49.4t of gold. MK Gold only held 35% of the proposed Joint Stock Company and no beneficial tax agreements in place.

In 1997 Oxus agreed an exclusive option with Kyrgyzaltyn to review the project. A preliminary feasibility study was completed by Norox in March, 1998 and which indicated that a viable operation might be developed at Jerooy based on a recoverable reserve of 11.2Mt at an average grade of 5.92g/t Au at a gold price of \$300/oz.

Since completion of the preliminary feasibility study, Norox has continued the investigation and optimisation of the project.

C3.0 GEOLOGY

The Jerooy deposit occurs at the southern contact of a large Palaeozoic quartz diorite, quartz syenite massif that forms part of a widespread granitoid batholith. Three ore bodies have been identified although the Northwest Orebody comprises the bulk of the reserves.

The deposit appears as a sub-vertical to steep westerly dipping, quartz filled, flattened cylinder, hosted by altered diorite with remnants of metasediments. The Northwest Orebody is arcuate with dimensions approximately 300m in the east–west direction and 200m north–south. With depth the deposit changes from a broad dispersed zone of mineralisation to a narrower, well-defined, high grade, highly silicified zone.

The upper section of the deposit is formed of mineralised zones exceeding 30m in width with an average grade in excess of 5.0g/t Au and is mostly highly silicified. In the lower levels of the deposit the western lobe contributes the major portion of the resource in contrast to the upper levels where the mineralisation is more broken up. Within the northern lobe the ore shoots tend to dip more steeply than the orebody as a whole and branch, forming an en echelon relationship. Widths are generally 3 to 10m.

Jerooy is a low sulphide, gold-quartz mesothermal deposit with the sulphide content less than 1%. The main host mineral is quartz. Alteration associated with the quartz stockwork includes silicification, sericitisation and weak albitisation.

Gold generally occurs as free grains in quartz (85%). Silver is ubiquitous but rarely present in significant amounts. Arsenic is also rarely present. Gold particles range in size from 0.001mm to 0.5mm with 80% <0.01mm and 3% 0.1 to 0.5mm.

C3.1 Resource Sampling

The deposit was extensively sampled during the Soviet period. All recent resource estimates are primarily based on these Soviet samples.

The deposit was explored by drives and cross-cuts on each of the 10 levels and channel sampled using 1000mm long by 100mm wide by 50mm deep channels. Raises were sampled on all four sides.

The ten levels were also explored by core drilling on a nominal grid spacing of 40m. Norox completed a further programme of drilling in 1998 to confirm and improve the confidence in the resources between the 3480m elevation and 3400m elevation. Twenty exploration drillholes were completed for a total length of 1428m.

The overall results of the underground drilling program confirmed the continuity of the ore grade mineralisation in this section of the deposit. These new drill data and the Soviet drill results were subsequently incorporated into the database.

MK Gold undertook an extensive check-sampling programme between July and November 1993. The results of this work showed that correlation between MK Gold reject and channel sampling results and previous Soviet results were good.

In October 1998 Roscoe Postle undertook an independent due diligence and collected 13 samples from the wall of a drift originally sampled in Soviet times and again by MK Gold. The average of the 13 samples on the Soviet plans showed an increase of 21% above the Soviet results. Roscoe Postle concluded that gold is present at the sample sites tested in the same order of magnitude as reported by the Soviets and MK Gold. Roscoe Postle concurred with Snowden's opinion that the reproducibility between the MK Gold check assays and re-sampling, and the Soviet assays, is reasonable.

C4.0 RESOURCES AND RESERVES

C4.1 Resource Base

Snowden Associates of Perth, Australia prepared the resource estimate based primarily on the Soviet samples compiled into a database by MK Gold and Cameco. Norox checked, upgraded and digitised this database and included additional samples, including raise sampling, Soviet drilling and the results of the recent drilling programme have also been incorporated into the database.

It is Snowden's stated opinion that "... this database is suitable for use in a bankable-standard Feasibility Study."

The Soviet database includes 450 specific gravity samples. One standard specific gravity of 2.64t/m³ was selected by MK Gold and was also applied by Norox and Snowden for the bulk density for all the resource rock types.

C4.2 Methodology

Snowden identified three domains based on grade and lithological type.

- **High Grade Domain** containing typically >5.0g/t Au to 8.0g/t Au and consisting of massive quartz and stockwork with some vein material. Average grade 10.2g/t Au.
- **Medium Grade Domain** has grade typically above 1.0g/t Au and consists primarily of vein and stringer material with lesser amounts of stockwork and massive quartz. Average grade 2.8g/t Au.
- **Low Grade Domain** essentially defines the extent of silicification and mineralisation indicated by grades above trace to 0.5g/t Au. Average grade 1.0g/t Au. This boundary is guided by Soviet interpretation of the silicification boundary and may also be restricted by the extent of underground sampling or drilling. This outer domain contains isolated zones of good mineralisation with uncertain continuity.

The resource grades were estimated by computer block modelling using geostatistical multiple indicator kriging methods.

C4.3 Resource Classification

The resource is classified as Measured, Indicated and Inferred according to the Australasian code for reporting of identified mineral resources and ore reserves (JORC – Joint Ore Reserves Committee – Code, 1996).

Measured Resources. Resource blocks within the continuous and well-constrained High Grade and Medium Grade Domains of the Northwest orebody, and with relative kriging errors of less than 1.05. There are, therefore, some Measured Resources defined even between the 80m spaced sample levels, providing the blocks are suitably informed.

Indicated Resources. Those model blocks within the High Grade and Medium Grade Domains of the Northwest orebody that do not comply with the Measured Resource classification. This relatively high resource status has been assigned because of the demonstrated continuity of these domains between main sample levels, and because the domains are constrained by relatively well defined boundaries. Model blocks within the Low Grade Domain of the Northwest Orebody with a relative kriging error of less than 1.10 have also been defined as Indicated Resources. Slightly modified criteria were used for the Central orebodies.

Inferred Resources. All model blocks within the outer boundary of the Low Grade Domains are considered as Inferred if they do not meet the criteria for Measured and Indicated Resources set out above. In addition, all resources between elevations 3275m and 3355m in the Central orebodies are classified as Inferred.

C4.4 Resource Summary

Table C4.1 below shows the resource summary for the Northwest Orebody.

Table C4.1: Northwest Orebody Resource Tabulation

Cut-off Grade g/t Au	Measured		Indicated		Inferred		Total	
	Tonnes (x106)	g/t Au	Tonnes (x106)	g/t Au	Tonnes (x106)	g/t Au	Tonnes (x106)	g/t Au
0.00	6.1	6.80	57.6	1.48	10.6	1.21	74.3	1.88
0.50	6.0	6.86	45.2	1.80	8.5	1.44	59.7	2.26
1.00	5.7	7.18	30.5	2.32	5.0	1.93	41.2	2.95
1.50	5.2	7.69	20.9	2.82	3.2	2.33	29.3	3.64
2.00	4.9	8.14	14.0	3.35	1.8	2.73	20.7	4.43

C4.5 Roscoe Postle Resource Audit

Norox retained Roscoe Postle to prepare an audit of the Snowden resource estimate and they are of the opinion that the Snowden “...resource estimate is acceptable for use in a feasibility study for open pit design and optimisation and for general underground mine planning” subject to minor qualifications.

C4.6 Ore Reserves

Open pit design is based on 5m x 5m x 5m block model data exported from the resource model by Snowden. Kvaerner transferred this data to Medsystem and generated a series of nested pit shells utilising Medsystem's Lerchs-Grossmann pit optimisation system. The pit bottom selected is at an elevation of 3460m. Only measured and indicated resources were included in the pit shells. Based on a bench height of 7.5m and the assumption that small equipment will permit highly selective mining, it has been assumed that total mining loss will be 2.5% and dilution 2.5% at 1.0g/t Au.

Novox have utilised a separately derived higher grade underground resource model, at a 3.0g/t Au cut-off and 90% recovery.

Table C4.2 below presents the open pit and underground reserve estimates.

Table C4.2 Unclassified, Recovered and Diluted Ore Reserve

Source	Cut-off (g/t Au)	Tonnes (x106)	Grade (g/t Au)	Gold (Oz)
Open Pit Direct Ore	2.70	5.597	5.18	932,000
Open Pit Low Grade Stockpile	1.60	4.185	2.08	280,000
Total Open Pit Ore	–	9.782	3.86	1,212,000
Underground Ore	3.00	2.840	8.92	814,400
Total Reserve to Plant		12.622	5.00	2,026,400

Norox is currently reviewing the resource and reserve estimation. The 1998 pre-feasibility study produced a

total open pit reserve (high and low grade, diluted and with ore losses) of 8.4Mt at an average grade of

4.90g/t Au compared to the estimate shown above. Both estimates have a similar sample-base and methodology. The difference in grade between these two estimates is partly explained by the deeper pit bottom used in 1998 (3400m).

Kvaerner generated preliminary open pit reserve estimates based on the resource model data. Kvaerner were of the opinion that further exploration and/or resource modelling should be conducted to address localised resource model deficiencies identified by Roscoe Postle, and to verify open pit reserve estimates.

Further resource estimates have subsequently been carried out for Norox by the Institute of Rock Physics of the Kyrgyz Academy of Sciences in April 2000 produced grades similar to those estimated in 1998. An independent consultant has since reviewed the resource estimates and found that the difference appears to lie partly in the wireframe models and partly in the blocksize used in the estimation. The most recent (February 2001) open pit reserve estimate (un-audited) prepared by Oxus, for an internal study gives 8.734Mt at a grade of 5.02g/t Au with total reserves, including feed from underground, of 10.68Mt at 6.41g/t Au.

C4.7 Comments

CSMA make the following comments with regard to the resource and reserve base:

- The sample base is extensive and consists primarily of good quality channel samples. Soviet sample preparation and assay procedures appear to have been thorough and have shown good correlation and reproducibility in three independent check programmes. The check programmes have all indicated that the Soviet assay results appear conservative.
- The resource estimate has been prepared by a respected organisation in accordance with the accepted Australasian code of practice. It has withstood an audit by independent consultants.
- The overall allowance in the pit of 2.5% ore loss and 2.5% dilution appears optimistic.
- There remains a possibility that the original Norox open pit reserve is understated in grade. This reserve is currently being reviewed and, if justified, could significantly improve the viability of Jeroooy.

C5.0 OPEN PIT MINING

C5.1 Open Pit Design

Following an optimisation study it was concluded that a process rate of 1.4 million tpy would be used in conjunction with the reserve estimates. The open pit should supply 900,000tpy direct to the plant with lower grade material stockpiled adjacent to the pit to be recovered when open pit mining is completed.

Norox commissioned others to undertake a geotechnical survey that included drilling of the highest northwest pit slope. This study resulted in average pit wall slopes between 44° and 50° compared to the 45°-60° planned by MK Gold. The ultimate design results in an overall stripping ratio of 2.15. Mining is planned in two stages to minimise pre-production stripping. Pre-production stripping will take 18 months and produce 1.98 Mt of ore and waste.

It is planned to dispose of waste in controlled dumps above the Northwest Valley. The Low Grade Stockpile will be located southwest of the pit and a 100,000t High Grade stockpile will also be required to store pre-production ore and act as surge storage during mining. The twelve waste/ore locations involve relatively short hauls. Ore will be recovered from stockpiles using front end loaders.

The ramp is designed at a grade of 10° and a width of 22m reducing to 17m in the lowermost benches where truck passing is not required. Ore is planned to be dumped in an ore pass on the southwest side of the pit at an elevation of 3510m and will be recovered from a chute on the 3160m main haulage.

C5.2 Reserve and Mining Schedule

Optimisation with Medsystem using the design parameters described above and \$300/oz gold indicated that a 1.6g/t Au COG would be used to design the open pit shell. Ore above 2.7 g/t Au will be sent direct to the plant whilst ore between 1.6g/t Au and 2.7g/t Au stockpiled for later use. This gives a stripping ratio of 4.51 for high grade ore alone and an overall ratio of 2.15 when low grade ore is included.

C5.3 Production Equipment

A study prepared by Norox assumed open pit production equipment to be Cat 988F loaders and Cat 773D haul trucks with standard blasthole drill rigs. In addition, support equipment such as dozers, graders, water trucks etc are specified.

C5.4 Manpower

The mine will operate for two twelve hour shifts per day, 7 days per week. The manpower, estimated as 104 local employees and 3 western expatriate supervisors, will be employed directly by Talas Gold. The local workforce is expected to be available from the Talas Valley or within the CIS and will be transported to the mine each day from their homes.

C5.5 Comments

- The equipment provided appears adequate with the exception of the production drill. Only one drill is included although the calculation sheet recommends two machines.
- CSMA consider the manpower provision to be light. The recent Oxus study assessed the requirements for labour at some 200.
- Despite the minor comments provided above, CSMA believe that the plan for the open pit is reasonable and within the margins of error.

C6.0 UNDERGROUND MINING

C6.1 Underground Mine Design

The underground mine is planned to recover ore between the 3460m and 3080m elevations at a rate of 500,000tpy. Six adits, driven during Soviet times, at 80m vertical intervals, are to be utilised for access and ventilation wherever possible.

The mine is planned with an access ramp from a portal at the 3480m elevation to the footwall of the orebody and then a spiral ramp at -15% to the 3080m elevation. Sub levels will be developed from the ramp at 20m intervals, and primary levels at 80m to coincide with the Soviet development. A sill pillar of 20m is planned above and below each primary level. An ore pass system (separate from the pit pass) is planned to allow the ore to gravitate to the 3160m main haulage. Ore from below 3160 will be trucked up the ramp. Provision is made to load the ore using 6.0m³ loaders into 50t underground trucks for haulage to a surface dump. Contractors will load from this dump and truck the ore to the plant 26km away in the Talas Valley.

C6.2 Stoping

The ore narrows from 30m in width in the upper sections to between 3m and 7m in the lower part of the mine. The dip is generally in excess of 85°. Geotechnical studies have indicated that the quartz ore is structurally weaker than the fairly competent wall rocks. Mining is based on sub level, open, long hole, transverse stoping with cemented post fill.

C6.3 Manpower and Equipment

All underground plant would be purchased from Western sources.

A North American contractor will complete all underground development and mining. The contractor would hire North American supervisors and miners. Local labour would be hired and trained to operate loaders and trucks. It is intended that the mine will operate 3 x 8 hour shifts seven days a week, 320 days per year. Expatriate personnel will work on a 28 day fly-in fly-out shift pattern. Full operating staff is estimated as 44 expatriates and 23 local employees. The contractor will provide and maintain all mining equipment.

C6.4 Production Schedule

The Norox study assumed simultaneous open pit and underground production for a mine life of some

10 years, with the underground operation producing 500ktpy. The life of mine production is 12.62Mt at a grade of 5.00g/t Au.

C6.5 Comments

As stated elsewhere, the available resource and technical data is not sufficient to prepare a detailed underground mining plan. However, the conceptual plans described above are probably adequate for a preliminary study but will require greater attention to detail as more data becomes available. Studies completed to date show some margin for optimising the project remains.

C7.0 THE PROCESS PLANT

C7.1 Metallurgical Investigations

The Soviets completed a major programme of metallurgical investigations between 1977 and 1985 using channel samples, drill core, bulk samples and pilot plant tests. MK Gold conducted further testwork using Hazen Research and McClelland Laboratories. In 1998 Norox commissioned Lakefield Research to undertake some additional testwork.

The data from all laboratories are in general agreement and the process route selected was cyanidation following grinding to 80% passing 65µm should result in mine-life gold recovery averaging 88% from mill feed containing approximately 5.0g/t gold.

C7.2 Process Description

A conventional agitated-tank carbon-in-pulp cyanidation process is proposed for the Jerooy Project. Recovery is estimated to be 89.6% when mill head grades approach 7.0g/t Au in the early years declining to 84.3% when the 2.06g/t Au low grade stockpile is treated. Estimated recovery averages 88%.

The ore will be jaw crushed to 100% passing 200mm and conveyed to a 1500t capacity storage bin that isolates the grinding circuit from the intermittent operation of the crushing circuit.

The grinding circuit product passes through a high-rate thickener, to a cyanidation circuit consisting of four tanks. Leached gold is recovered onto activated carbon in a carbon-in-pulp circuit. Carbon-in-pulp tailing flows by gravity to the tailings impoundment area.

The carbon is stripped using the Zadra process and is reactivated in an electric horizontal reactivation kiln.

Tailings slurry will be discharged to a contained site where the solids settle out and water forms a pond above the settled solids. Tailings pond water will be reclaimed for reuse in the grinding and cyanidation process. The tailings containment area has been assessed and designed by others. It is located in an area confined by natural ridges but will require several relatively low dams to complete containment in the 113 hectare basin.

C7.3 Comments

- The ore has a simple mineralogy, is not refractory, contains mainly liberated, fine-grained gold with less than 1% sulphides. It should not prove a difficult ore to process and should result in a good recovery. However, the quartz matrix is hard resulting in a high work index. Tests have shown that it is amenable to semi-autogenous grinding.
- There has been extensive testwork, including pilot plant work on bulk samples by the Soviets. This work indicated recoveries between 91% and 93% and, with finer grind, a recovery of over 95% was achieved. Soviet results, with one exception, appear to have been confirmed by testwork in western laboratories. The estimated recovery of 89.6% for 6.99g/t Au ore appears conservative.
- The CIP process selected is conventional and used throughout the world for gold recovery

C8.0 INFRASTRUCTURE

In addition to the mine and its services, there are two other sites. The maintenance shops and the mine dry will be located at the existing exploration camp at an elevation of 2800m. These facilities are 3km south-southeast of the mine. The process plant, the administration building and accommodation complex will be located upstream of the tailings site.

C8.1 Electric Power

The maximum power demand for the project is estimated at 10MVA. The State energy company, Kyrgyzenergo operates a hydroelectric power station at Toktogul and a 500kV transmission line from Toktogul to Bishkek. The recently commissioned 220kV transmission line from Alabel to Talas will provide adequate electric power for the Jerooy project.

C8.2 Water Supply/Treatment

Both the mine site and the process plant site will require a fresh water supply. The supply for the mine will come from the Jerooy River upstream of the site. The water supply for the process plant will come from two wells located east of the plant.

C8.3 Access Roads

Upgrading of existing roads will be required from the mine site to the process plant. This work will include removal of rockfall, reconstruction of drainage ditches and cross culverts, protecting areas having steep side slopes from future rockfall and provision of road surfacing as required.

C8.4 Accommodation Camp

The majority of the local workforce will be recruited from the Talas Valley and live in their own accommodation. An accommodation complex for expatriate and non-local employees will be located south west of the process plant. During the construction phase it will be used for housing of the expatriate contractor work force.

C8.5 Railhead

The existing marshalling yard, including spur lines at Juan Tube (approximately 160km west of the site), will be staffed with a contracted freight forwarder in order to receive all equipment and supplies being used on the property. A 100t crane will be purchased to unload all goods shipped by rail and load onto trucks for transfer to the receiving yard at the site.

C8.6 Communications

The facility will be equipped with a satellite link or microwave system, in order to provide external communications. Within the mine site, complete communication systems will be established between plant, mine and all administration facilities.

C8.7 Comments

- The condition and future maintenance of the existing 110kV transmission line from Chat Bazaar may require additional consideration and expenditure.
- Current Kyrgyz regulations require provision of two independent power sources for an underground mine.
- In general the facilities described appear adequate.

C9.0 ENVIRONMENTAL STUDIES

C9.1 Current Status

The Jerooy Project has received environmental approval from the Kyrgyz authorities on two previous occasions; the Soviet development plan in 1992, and the MK Gold's Feasibility Study of 1994.

Considerable baseline data has been accumulated and several environmental assessments made in order to obtain these earlier approvals. This work was undertaken by the National Academy of Sciences of the Kyrgyz Republic. The results are presented in a series of reports that have yet to be consolidated into a baseline study, environmental impact assessment (EIA) and mitigation proposals. A small amount of additional fieldwork has been recommended. In general it appears that there are no major environmental problems presented by existing conditions.

C9.2 Comments

- As yet there is no EIA upon which to comment. However, all standard precautions required to comply with Western standards will have to be identified and implemented.
- CSMA believe that most of the baseline studies have been completed and it is unlikely that new environmental approvals will be withheld.

C10.0 CAPITAL COST ESTIMATES

C10.1 Estimate

The 1999 study prepared by Norox estimated the pre-production capital cost of the project at \$123 million.

C10.2 Comments

- The Norox report does not have a fully documented "paper trail" and as a result the detailed cost estimation is not always clear. However, the principals used and general parameters provided appear to conform to standard practice for a study of this level.
- CSMA checked some equipment prices and estimations using the Western Mine Engineering Mine Costing Service. In general the estimates were within the given parameters.

C11.0 OPERATING COST ESTIMATES

C11.1 Estimate

There is no description of the calculation of operating costs in the study, however, an average life of mine operating cost of \$US19.14/t of ore has been assumed.

C11.2 Comments

CSMA believes that in general the overall Life of Mine (LOM) mine (open pit and underground) operating costs used by Norox may be low by 15% to 20%.

C12.0 CSMA ASSESSMENT

C12.1 The Financial Model

It is not feasible to apportion a realistic NPV to the project on the studies completed by Norox to date. However, using the parameters and capital and operating cost estimates provided a number of various financial statistics may be obtained.

The study has assumed a gold price of \$US285/oz and gold production of 1.79Moz over the mine life for a cash cost of \$148/oz. The estimated IRR is a little over 10% and accordingly the returns to Norox were not considered sufficiently attractive at the prevailing gold price to warrant the further involvement of Normandy Mining.

C12.2 Comment

Examination of the reports indicate that the project is unlikely to be attractive to a Western partner as it is presently planned and reported.

The most recent Norox (February 2001) internal study has raised a number of important key technical issues that give cause for optimism that the project can be enhanced by re-examination and optimization.

The Compact Mine concept (all facilities at the mine site), recalculated reserves and the use of paste technology, need to be further examined and audited before a new financial model can be produced.

In addition, the latest study has highlighted the need for Talas Gold to confirm the project taxation status with the Government and without an acceptable agreement in place the project has little likelihood of proceeding.

C13.0 EXPLORATION POTENTIAL

Although the main study above investigates the Northwest deposit, there are five other known mineralised zones within 500m or so of the main deposit. These zones have only been partially explored but have been found to contain significant grades.

Norox is currently assessing the additional potential, calculated at a 1.5g/t Au cut-off, consisting of inferred resources in the Central Zone, as summarised in Table C9.6 below:

Table C9.6: Jerooy – Central Zone – Additional Resources

Category	Resource Mt	Au g/t	Au (t)	Au (oz)
Inferred	2.86	2.91	8.32	268,000

Additional resources have been estimated for the Southeast Zone, situated 300m to 400m to the southeast of the Northwest Orebody. This zone has been explored by trenching, underground exploration and drilling. Resources above a cut-off grade of 1.5g/t have been estimated as 774,000t at an average grade of 5.7g/t Au (about 143,000oz). It is believed that the Central Zone has open pit potential, and further investigation is warranted.

Additional resource potential around the main Jerooy orebody includes the following areas of mineralisation:

- **Western Zone:** located 300m to the west of the Northwest Orebody and has been explored to a limited degree by underground exploration and drilling. Close proximity to the proposed open pit suggests an additional open pit resource. At present no resource estimate has been calculated. Average grades are around 5.0g/t over widths of from 1m to over 3m.
- **Northern Zone:** Lies to the east of the Northwest Orebody and appears to be a group of mineralised structures around a high grade quartz vein over 1m in width, with sample grades of up to 42.8g/t.
- **Apophysis Zone:** situated to the northeast of the main ore body and explored from only one underground level. A zone of quartz veining from 1m to 4m in width, grades from 5g/t to 8g/t with a maximum of 16.8g/t.
- **Deep Zone:** Intersected at an elevation of 2,640m by bore holes drilled from Adit No 11. So far the report covering this exploration has not been traced and no assays are available. However, a large silicified zone is reported to have been intersected.

PART VI – METAL MARKETS

The Gold Market

The gold price has been in a general downtrend trend since February 1996, which was the last time that it was trading at over US\$400/oz. In July 1999 the price recorded a 20-year low of US\$252/oz, recovering to US\$325/oz in October 1999. Over the last 12 months it has dropped from US\$291/oz in June 2000 back to US\$255/oz at the start of April 2001, although this has been interspersed with short lived volatile surges. The price recently rallied to \$266/oz on 4 May 2001, and on 21 June 2001 was \$273/oz.

Growth in global mine production (2,573t during the year 2000) has been declining as lower gold prices are constraining expansion plans and new projects, together with the obvious pressures on existing high cost and marginal producers.

In the year 2000 jewellery consumption (3,175t) absorbed new mine supply (2,573t) and recycled scrap (611t). Other uses consumed 563t and bar hoarding 198t. The supply balance is made up by official sector sales (471t), which largely consists of declared programmes from European Central Banks and hedging by producers, largely related to gold price volatility.

The Silver Market

Silver went through a volatile period during 1997 and 1998, from a low in July 1997 of US\$4.22/oz to a high in February 1998 of US\$7.81/oz. Since then, the silver price has been trading in the US\$4.30/oz to US\$5.80/oz range, and from the beginning of March this year, it has been trading at and below the bottom end of this range (ie US\$4.30/oz to US\$4.50/oz).

World mine production declined slightly in 1999 to reach a level of 546.8Moz (17,007t). Mine supply is relatively inelastic – only 23 per cent. of silver is from primary sources, as most output is a by-product of lead-zinc, copper and gold production. High cost primary production has been curtailed. Scrap recycling provided a further 5,440t in 1999.

Demand for silver is based on industrial and decorative uses, photography, jewellery and silverware. Together these categories represent more than 95 per cent. of annual consumption. The greatest consumption of silver in 1999 was for industrial uses. There was an overall supply deficit of 2,473t balanced from official sales, investors and banks. The overall stock inventory may have now been severely eroded but no reliable estimate is available.

The Zinc Market

The zinc price sustained an upward trend from a three year low of US\$0.41/lb in January 1999 to a high of US\$0.58/lb in September 2000. Since then it has witnessed a steady decline back to US\$0.43/lb in April 2001.

World mine production increased in 2000 to reach a level of 8.42Mt, a 5 per cent. increase on 1999. Total refined metal production in 2000 increased to 8.92Mt, exceeding annual consumption at 8.68Mt. The market is thus very sensitive to relatively minor changes caused by supply disruptions or inventory swings.

The market balance has shown a modest deficit over the last few years. There are few supply side constraints and demand is closely linked to the galvanising industry which is estimated to account for about 47 per cent. of the total consumption.

The Copper Market

The copper price has risen erratically from a three year low of US\$0.61/lb in June 1999 to a high of US\$0.91/lb in September 2000. It has since shown a slight decline to current levels at around US\$0.75/lb.

World mine production continued to increase in 2000 to 13.24Mt, 92.6 per cent. of world copper mine capacity. Total refined metal production (primary and secondary) in 2000, on the other hand, increased to 14.86Mt, only 88.7 per cent. of world refinery capacity. Consumption of refined copper in 2000 increased to 15.20Mt.

The Lead Market

The lead price has risen from a three year low of US\$0.18/lb in May 2000 to a high of US\$0.24/lb in September 2000. It has since traded in the US\$0.20 to US\$0.24/lb range.

World mine production continued to decrease in 2000 to 2.94Mt. Total refined metal production in 2000, on the other hand, increased to 6.64Mt, exceeding annual consumption at 6.45Mt. The market is thus very sensitive to relatively minor changes caused by supply disruptions or inventory swings.

The key factor in the lead market is the consumption, net of recycling, from replacement and industrial batteries which is in turn linked to the severity of climate changes, particularly northern hemisphere winters.

PART VII – ACCOUNTANTS’ REPORT ON OXUS MINING plc

The Directors
Oxus Mining plc
Griffin House
West Street
Woking
Surrey GU21 1BS

The Directors
Old Mutual Securities Limited
Old Mutual Place
2 Lambeth Hill
London
EC4V 4GG

28 June 2001

Dear Sirs

Oxus Mining plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 28 June 2001 (“the prospectus”) of Oxus Mining plc (“the Company”) relating to the proposed Placing and Admission to the Alternative Investment Market of the London Stock Exchange.

The Company was incorporated as Intercede 1642 Limited on 21 August 2000, was renamed Golski Limited on 30 November 2000 and was re-registered as a public company and changed its name to Oxus Mining plc on 8 June 2001. Save for the proposed acquisition of Oxus Resources Corporation noted below, the Company has not yet commenced trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the Company.

The directors of the Company are responsible for the contents of the prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of Oxus Mining plc as at the date stated.

Consent

We consent to the inclusion in the prospectus of this report and accept responsibility for it for the purposes of paragraph 45(8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

Balance sheet as at 5 June 2001

	Note	2001 £
Current Assets		
Debtors		50,000
Cash		1
		50,001
Capital and reserves		
Called up share capital	2	50,001
Total shareholders' funds		50,001

1 Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom.

2 Share capital

The Company was incorporated with an authorised share capital of 100 Ordinary Shares of £1 each, of which one Ordinary Share of £1 was issued to the subscriber to the memorandum of association. On 30 November 2000, the Subscriber Share was transferred to Oxus Resources in consideration for Oxus Resources undertaking to pay the subscription monies of £1.

Since incorporation of the Company, there have been the following changes to its authorised and issued share capital:

on 5 June 2001 an ordinary share of £1 was transferred to Richard Wilkins in consideration of his assuming the obligation to pay the Company £1.

By a written resolution of the Company passed on 5 June 2001:

the authorised share capital of the Company was increased from £100 to £2,300,000 by the creation of 224,990,000 Ordinary Shares of 1p each. 50,000 redeemable shares of £1 each redeemable in accordance with the Articles of Association of the Company ("Redeemable Shares") and the existing 100 ordinary shares of £1 each were subdivided into 10,000 Ordinary Shares of 1p each; and

on the same day the Company issued 25,000 fully paid Redeemable Shares to Roger Turner and 25,000 fully paid Redeemable Shares to Richard Wilkins in consideration for their undertaking to pay in aggregate £50,000 to the Company.

The share capital comprises:

	Authorised	Issued
1p Ordinary Shares	225,000,000	100
£1 Redeemable Shares	50,000	50,000

Redeemable Shares:

The 50,000 Redeemable Shares of £1 each issued on 5 June 2001, which shall rank pari passu in all respects with Ordinary Shares (save as to the right of redemption), shall be automatically redeemed upon Admission at a price of £1 per share paid for out of the proceeds of the Placing.

3 Subsequent events

Through certain offers made variously to all shareholders of Oxus Resources and holders of Oxus Resources Purchase Warrants on 22 March 2001 or soon thereafter, the Company has offered to acquire all Oxus Resources Shares and Oxus Resources Purchase Warrants in issue by the issue of up to 97,682,550 Ordinary Shares fully paid on a two for one basis, and up to 29,966,006 Purchase Warrants on a two for one basis, with a corresponding price adjustment, but in all other respects on the same terms and conditions as the existing Oxus Resources Purchase Warrants, subject to the completion of the Reorganisation. The Company has also agreed to issue 13,590,000 Options, on a two for one basis, with a corresponding price adjustment, to the holders of Options over Oxus Resources Shares under the Share Incentive Plan, subject to completion of the Reorganisation.

The existence of the Oxus Resources Purchase Warrants and Oxus Resources Options, denominated in US dollars, will give rise to short-term currency risk where those Purchase Warrants and Options are converted into Ordinary Shares in the Company denominated in £ Sterling.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART VIII – ACCOUNTANTS’ REPORT ON OXUS GROUP

The Directors
Oxus Mining plc
Griffin House
West Street
Woking
Surrey GU21 1BS

The Directors
Old Mutual Securities Limited
Old Mutual Place
2 Lambeth Hill
London
EC4V 4GG

28 June 2001

Dear Sirs

**Oxus Resources Corporation (“Oxus Resources”) and its subsidiaries
(the “Oxus Group” or the “Group”)**

Introduction

We report on the financial information of Oxus Resources and its subsidiaries set out below. This financial information has been prepared for inclusion in the prospectus dated 28 June 2001 (“the prospectus”) of Oxus Mining plc relating to the proposed Placing and Admission to the Alternative Investment Market of the London Stock Exchange.

Basis of preparation

The financial information for the years ended 31 December 2000 is based on the audited consolidated financial statements of the Oxus Group for the year then ended.

The financial information for the years ended 31 December 1999 and 31 December 1998 is based on the audited consolidated financial statements for Oxus Group for the years then ended, which were originally prepared in accordance with International Accounting Standards. Other than certain presentational amendments, no adjustments were required to present this information in accordance with generally accepted accounting principles in the United Kingdom as used for the preparation of the consolidated financial statements of the Oxus Group for the year ended 31 December 2000.

Responsibility

Such financial statements are the responsibility of the directors of Oxus Group who approved their issue.

The directors of Oxus Mining plc are responsible for the contents of the prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by ourselves relating to the audit of the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of Oxus Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus, a true and fair view of the state of affairs of Oxus Group as at the dates stated and of its consolidated losses and cash flows for the periods then ended.

Consent

We consent to the inclusion in the prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

Consolidated profit and loss account*for the year ended 31 December*

	Note	2000 US\$'000	1999 US\$'000	1998 US\$'000
Group Turnover		–	108	244
Administration expenses		(2,153)	(5,753)	(2,149)
Group operating loss		(2,153)	(5,645)	(1,905)
Share of operating loss in				
– joint ventures	9	–	–	–
– associates	9	–	–	(10)
Total operating loss: Group and share of joint ventures and associates		(2,153)	(5,645)	(1,915)
Profit on sale of fixed asset	4	123	–	–
Net interest (payable)/receivable:				
– Group	3	(250)	(177)	(200)
– Joint ventures	3	3	–	–
Loss on ordinary activities before taxation	4	(2,277)	(5,822)	(2,115)
Tax on loss on ordinary activities	5	(13)	(17)	(23)
Retained loss for the financial year		(2,290)	(5,839)	(2,138)
Loss per share				
– basic (per share cents)	6	(5.25)	(16.75)	(8.33)
– diluted (per share cents)	6	(5.19)	(16.51)	(8.24)

The results above are derived from continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the periods stated above, and their historical cost equivalents.

The Group has no recognised gains and losses other than those included in the profit and loss above, and therefore no separate statement of total recognised gains and losses has been presented.

Reconciliation of movements in Group shareholders' funds*for the year ended 31 December*

	Note	2000 US\$'000	1999 US\$'000	1998 US\$'000
Loss for the financial year		(2,290)	(5,839)	(2,138)
Other movements in the year				
Proceeds of ordinary shares issued	14	3,205	1,637	18
Proceeds of special warrants issued	14	–	9,634	4,011
Special warrants issued on acquisition of subsidiary	14	–	1,500	–
Ordinary shares issued on acquisition of subsidiary	14	–	3,000	–
Foreign exchange movement on special warrants	14	(53)	(6)	(202)
Net change in shareholders' funds		862	9,926	1,689
Shareholders' funds as at 1 January		15,985	6,059	4,370
Shareholders' funds as at 31 December		16,847	15,985	6,059

Consolidated Balance Sheet

at 31 December

	Note	2000 US\$'000	1999 US\$'000	1998 US\$'000
Tangible fixed assets				
Tangible assets	8	269	582	242
Exploration and evaluation properties	7	12,029	11,244	6,225
		12,298	11,826	6,467
Investments				
Interests in joint ventures				
Share of gross assets	9	6,015	3,851	–
Share of gross liabilities	9	(1,896)	(545)	–
		4,119	3,306	–
Loans to participating interests				
Loans to joint ventures	9	3,453	876	–
Loans to associates	9	–	–	490
Total investments		7,572	4,182	490
Total fixed assets		19,870	16,008	6,957
Current assets				
Debtors	10	104	2,406	1,083
Cash at bank and in hand		573	191	75
		677	2,597	1,158
Creditors – Amounts falling due within one year	11	(3,438)	(2,368)	(1,594)
Net current (liabilities)/assets		(2,761)	229	(436)
Total assets less current liabilities		17,109	16,237	6,521
Creditors – Amounts falling due after more than one year	12	–	–	(210)
		17,109	16,237	6,311
Capital and reserves				
Called up share capital	14	2,872	2,557	1,247
Share premium account	14	31,651	26,488	7,800
Share warrants	14	–	2,326	6,559
Other reserves	15	752	752	752
Profit and loss account	16	(18,428)	(16,138)	(10,299)
Total shareholders' funds		16,847	15,985	6,059
Equity minority interests		262	252	252
Capital employed		17,109	16,237	6,311

Consolidated Cash Flow Statement

for the year ended 31 December

	Note	2000 US\$'000	1999 US\$'000	1998 US\$'000
Net cash outflow from operating activities	20	(737)	(1,298)	(104)
Returns on investments and servicing of finance				
Interest received		7	14	11
Interest paid		(18)	(20)	(30)
Net cash outflow from returns on investments and servicing of finance		(11)	(6)	(19)
Taxation		(14)	–	–
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(141)	(223)	(73)
Exploration and evaluation expenditure		(2,591)	(2,444)	(1,972)
Funding of Group share of joint ventures and associates capital expenditure		(1,085)	(2)	–
Net cash outflow for capital expenditure and financial investment		(3,831)	(2,669)	(2,045)
Acquisitions				
Purchase of associate undertakings		–	–	(100)
Net cash acquired with subsidiary undertakings	17	–	311	–
Sale of stock acquired on acquisition of joint venture	18	–	120	–
Net cash inflow/(outflow) for acquisitions		–	431	(100)
Net cash outflow before use of liquid resources and financing		(4,579)	(3,542)	(2,268)
Management of liquid resources				
Cash placed on short term deposit	19	–	–	1,300
Cash withdrawn from short term deposits	19	–	–	(1,300)
Net cash inflow from management of liquid resources		–	–	–
Financing				
Issue of ordinary share capital and special warrants	14	5,070	3,645	2,219
Expenses of share issues		(64)	(24)	(170)
Proceeds from convertible note	19	–	–	200
Payment on convertible note	19	(130)	–	–
Proceeds from directors' loan		85	37	50
Net cash inflow from financing		4,961	3,658	2,299
Increase in cash		382	116	31
Reconciliation to net debt				
Net (debt)/cash at 1 January		(1,109)	(185)	44
Increase in net cash		382	116	31
Directors loan converted to special warrant		14	87	–
Convertible note converted to special warrant		–	306	–
Interest and bonus costs on convertible note capitalised		(148)	(96)	(10)
Movement in directors' loan		(85)	(37)	(50)
Movement in convertible loan		130	(1,300)	(200)
Net debt at 31 December	19	(816)	(1,109)	(185)

1. Principal accounting policies

This consolidated financial information is prepared under the historical cost convention in accordance with applicable accounting standards and is stated in thousands of US dollars, which is the reporting currency of the Group. The Group has adopted the requirements of FRS 18 Accounting policies.

Basis of preparation

Oxus Resources, together with its subsidiaries as listed in note 29, is a mineral exploration and development group that is focused on precious and base metal opportunities in Central Asia. The recoverability of the amount shown in the consolidated balance sheet in relation to the deferred exploration expenditure is dependent upon the discovery of economically recoverable reserves, confirmation of the operating subsidiaries' continuing interest in the underlying mining claims, the political, economic and legislative stability of Central Asian countries in which it operates, the ability of the Group to obtain the necessary financing to fulfil its obligations as they arise, the ability of the Group and joint venture companies to obtain necessary financing to complete their respective developments and upon future profitable production or proceeds from the disposition of properties.

The audit opinions on the consolidated financial statements of the Group for the years ended 31 December 2000 and 31 December 1999 were modified to include explanatory paragraphs referring to the going concern basis on which those financial statements were prepared. Those modifications have not been repeated in this report as this accountant's report has been prepared solely for the purposes of the prospectus of Oxus Mining plc which assumes that on the Admission of Oxus Mining plc to AIM and the Placing of its ordinary shares sufficient proceeds will be raised, together with its existing capital resources, to enable it to meet its working capital requirements over the next twelve months.

Basis of consolidation

The consolidated financial information of the Group include the accounts of Oxus Resources and of its subsidiaries. The results of subsidiary undertakings are accounted for in the profit and loss account from the date that Oxus Resources gained control of the subsidiary.

The Group's share of the post-acquisition operating results and net assets of associates is included in the consolidated financial information using the equity accounting method. The Group includes separately in its results its share of the results of associates and the Group's share of the net assets of associates are included and disclosed separately in the balance sheet.

Investments in which the Group has a long term interest that are jointly controlled are accounted for as joint ventures. The Group's interests in joint ventures are included in the consolidated financial statements under the gross equity method of accounting. The Group includes separately in its results its share of the results of joint ventures and the Group's share of the net assets of joint ventures are included and disclosed separately in the balance sheet.

The accounting policies of subsidiaries, associates and joint ventures are consistent with those applied by Oxus Resources.

Foreign currency

Transactions denominated in foreign currencies are translated into US dollars at the average exchange rate ruling during the month in which the transaction occurs. All exchange differences are taken through the income statement. Assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date.

Exchange differences on the translation of the net assets of subsidiaries with non US\$ functional currencies are taken directly to reserves.

Deferred exploration expenditure

When the Group has incurred expenditures on mining properties that have not reached the stage of commercial production the costs of acquiring the rights to such mineral properties, and related exploration and development costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset.

Where a feasibility study indicates that the future recovery of the costs is not probable, full provision is made in respect of the deferred costs. Where mining properties are abandoned, the deferred expenditure is written off in full.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. Individual mining properties are considered to be separate income generating units for this purpose.

The amounts shown as deferred exploration expenditure represent costs incurred and do not necessarily reflect present or future values.

Operating leases

Operating lease rentals payable are charged to the profit and loss account on a straight line basis over the lease term.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at historical cost. Depreciation of tangible fixed assets is provided on the straight line basis over their estimated useful lives, being five years for leasehold improvements, office furniture and equipment, and motor vehicles, and three years for computer and communications equipment.

Site restoration

Provision is made for site restoration and for environmental clean up costs in the accounting period in which the related environmental disturbance occurs, based on the net present value of estimated future costs.

Turnover

Turnover amounts comprises consulting services provided to third parties by the Group.

Financial instruments

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

Interest costs are charged against income in the year in which they are incurred. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are taken to net interest payable over the life of the instrument.

Deferred tax

Deferred tax is provided using the liability method in respect of all timing differences to the extent that, in the opinion of the directors, they are expected to reverse in the foreseeable future. FRS 19 Deferred tax, will take effect in future periods.

Share schemes

Oxus Resources has a share incentive plan for the benefit of the directors and employees of the Group designated from time to time by the board of directors. The plan consists of three parts:

- (a) the share option plan providing for the grant of non-transferable options that become exercisable on a cumulative basis over three years from grant date. Options are not granted at a discount to their market value;

- (b) the share purchase plan under which Oxus Resources matches the employees contribution to purchase shares that cannot exceed 10% of the employees basic remuneration. The amount contributed by Oxus Resources is charged to the profit and loss at the time of each purchase; and
- (c) the share bonus plan that permits the issue of discretionary bonus shares to employees. The market value of the shares issued under this plan is charged to the profit and loss at the time of grant of the shares. At the discretion of Directors, wages in arrears may be paid for under the terms of the share bonus plan.

Cash

Cash as presented in the consolidated balance sheets and cash flow statements comprises balances held in the Group's various bank current accounts. There are no restrictions over the access and use of these funds.

2. Segmental reporting

The Group's operations are entirely focussed on exploration and development opportunities within Central Asia. Accordingly, the directors believe that there is only one relevant class of business and geographic segment.

3. Interest payable and similar charges

	2000	1999	1998
	US\$'000	US\$'000	US\$'000
Interest payable on convertible notes	(148)	(8)	(10)
Bank overdraft charges	(2)	(1)	(1)
Other charges	(107)	(182)	(200)
Group interest and similar charges payable	(257)	(191)	(211)
Share of joint venture interest payable	–	–	–
Total interest and similar charges payable	(257)	(191)	(211)
Group interest receivable	7	14	11
Share of joint venture interest receivable	3	–	–
Total interest receivable	10	14	11
Net interest (payable)/receivable and similar items	(247)	(177)	(200)

4. Loss on ordinary activities before taxation

	Note	2000	1999	1998
		US\$'000	US\$'000	US\$'000
Loss before taxation is stated after charging/(crediting)				
Staff costs	22	906	812	441
Depreciation of tangible fixed assets:				
– owned assets		172	167	101
(Profit)/loss on transfer of fixed assets to joint venture		(123)	7	–
Hire of machinery and equipment		–	8	4
Other operating lease rentals		125	119	105
Auditors remuneration:				
– audit services		110	69	73
– non audit services in the United Kingdom		213	25	92
Exploration and evaluation expenditure		302	731	–
Provision against deferred exploration	7	9	1,698	–

5. Tax on loss on ordinary activities

	2000	1999	1998
	US\$'000	US\$'000	US\$'000
UK corporation tax at 20% (1999: 20.25%, 1998: 21%) Current	13	17	23

The Group provision for taxation comprises United Kingdom corporation tax relating to the activities of Oxus Mining Limited, a subsidiary incorporated in the United Kingdom. No further liability to taxation arises as Oxus Resources is incorporated in a non-taxable jurisdiction and as other Group activities in Central Asia have not as yet generated taxable income. Results from Central Asia may in due course be subject to taxation in the relevant country.

6. Loss per share

	Year ended 31 December 2000			Year ended 31 December 1999			Year ended 31 December 1998		
	Loss \$'000	Weighted average number of shares	Per share cents	Loss \$'000	Weighted average number of shares	Per share cents	Loss \$'000	Weighted average number of shares	Per share cents
Basic LPS									
Loss attributable to shareholders	(2,290)	43,611,429	(5.25)	(5,839)	34,863,944	(16.75)	(2,138)	25,670,675	(8.33)
Effect of dilutive securities									
Options	–	5,020,000	0.06	–	5,020,000	0.24	–	2,625,000	0.09
Warrants	–	–	–	–	–	–	–	–	–
Diluted LPS	(2,290)	48,631,429	(5.19)	(5,839)	39,883,944	(16.51)	(2,138)	28,295,675	(8.24)

7. Deferred exploration and evaluation expenditure

(a) Movements on deferred exploration and evaluation expenditure, by area of interest, are as follows:

1998	Opening balance 1 January 1998 US\$'000	Additions US\$'000	Written off US\$'000	Closing balance 31 December 1999 US\$'000	Provision against recoverability US\$'000	Net Closing balance 31 December 1998 US\$'000
KAZAKSTAN						
– Muzbel	926	103	–	1,029	–	1,029
KYRGYZSTAN						
– Jerooy	346	–	(346)	–	–	–
– SW Kyrgyzstan	376	112	–	488	–	488
TAJIKISTAN						
– Matcha	201	23	–	224	–	224
– Chulboi	323	151	–	474	–	474
UZBEKISTAN						
– Amantaytau	–	180	–	180	–	180
– Khandiza	2,039	1,607	–	3,646	–	3,646
– Aristantau and Balpantau	173	11	–	184	–	184
	4,384	2,187	(346)	6,225	–	6,225

7. **Deferred exploration and evaluation expenditure *continued***

1999	Opening balance 1 January 1999 US\$'000	Additions US\$'000	Written off US\$'000	Closing balance 31 December 1999 US\$'000	Provision against recoverability US\$'000	Net Closing balance 31 December 1999 US\$'000
KAZAKSTAN						
– Muzbel	1,029	7	–	1,036	(1,036)	–
KYRGYZSTAN						
– Jerooy	–	4,822	–	4,822	–	4,822
– SW Kyrgyzstan	488	–	(488)	–	–	–
TAJIKISTAN						
– Matcha	224	–	(224)	–	–	–
– Chulboi	474	3	–	477	(477)	–
UZBEKISTAN						
– Amantaytau	180	1,781	–	1,961	–	1,961
– Khandiza	3,646	815	–	4,461	–	4,461
– Aristantau and Balpantau	184	1	–	185	(185)	–
	6,225	7,429	(712)	12,942	(1,698)	11,244

2000	Opening balance 1 January 2000 US\$'000	Additions US\$'000	Transfer to Joint Venture US\$'000	Written off US\$'000	Closing balance 31 December 2000 US\$'000	Provision against recoverability US\$'000	Net Closing balance 31 December 2000 US\$'000
KAZAKSTAN							
– Muzbel	1,036	9	–	–	1,045	(1,045)	–
KYRGYZSTAN							
– Jerooy	4,822	618	–	–	5,440	–	5,440
– SW Kyrgyzstan	–	–	–	–	–	–	–
TAJIKISTAN							
– Matcha	–	–	–	–	–	–	–
– Chulboi	477	–	–	–	477	(477)	–
UZBEKISTAN							
– Amantaytau	1,961	1,619	(1,892)	(69)	1,619	–	1,619
– Khandiza	4,461	509	–	–	4,970	–	4,970
– Aristantau and Balpantau	185	–	–	–	185	(185)	–
	12,942	2,755	(1,892)	(69)	13,736	(1,707)	12,029

In 1998, the Group's interest in the Jerooy deposit was transferred to an associated company, Norox Mining Company Limited ("Norox"). Until 31 August 1999, The Group's interest in Jerooy was included in the results of Norox. On 31 August 1999 Norox became a subsidiary of the Group.

The Group's interest in the Amantaytau exploration area is predominantly held by Amantaytau Goldfields ("AGF") (2000: \$4,120,000; 1999: \$3,656,000), which is a joint venture, the details of which are disclosed in note 9. Direct expenditure on the area incurred directly by Oxus Resources only is disclosed above. The total book value attributed to the Group's share of deferred expenditure on the Amantaytau exploration area is \$7,385,000 (1999: \$5,617,000).

- (b) The table below sets out the expenditure incurred by category in relation to each of the areas of interest to 31 December 2000:

	Property and licence costs US\$'000	Exploration and evaluation US\$'000	Exploration other costs US\$'000	Development direct costs US\$'000	Development other costs US\$'000	Provision against recoverability US\$'000	31 December 2000 Total US\$'000
KAZAKSTAN							
– Muzbel	43	628	374	–	–	(1,045)	–
KYRGYZSTAN							
– Jerooy	–	4,693	747	–	–	–	5,440
– SW Kyrgyzstan–	–	–	–	–	–	–	–
TAJIKISTAN							
– Matcha	–	–	–	–	–	–	–
– Chulboi	–	390	87	–	–	(477)	–
UZBEKISTAN							
– Amantaytau	–	871	157	380	211	–	1,619
– Khandiza	–	4,214	756	–	–	–	4,970
– Aristantau and Balpantau	–	168	17	–	–	(185)	–
	43	10,964	2,138	380	211	(1,707)	12,029

Property and licence costs include fees paid to obtain exploration, evaluation or development rights. Exploration and evaluation costs include the direct costs incurred in undertaking exploratory drilling, technical evaluations and feasibility studies of mineral deposits, including the costs of external consultants. Other direct development costs include administrative and operational costs incurred in support of such exploration and evaluation activities, including legal and professional fees.

- (c) Deferred exploration expenditure relates to the following agreements signed by Oxus Resources or either of its wholly owned subsidiaries, Oxus Mining Limited and Norox Mining Company Limited:

– *Kazmincorp, on the Muzbel gold deposit in Kazakstan;*

Dated 27 March 1997, the agreement provides for the establishment of a Kazak limited liability partnership called “Oxus Central Asia Exploration & Mining Limited” (“OCA”), of which the Group holds 60% of the equity. OCA holds title to the 25 year complex mining & exploration licence, issued on 9 July 1997 that covers the Muzbel deposit and the surrounding exploration area.

– *Joint Stock Company Kyrgyzaltyn (“KA”) and the Normandy Group (NG), on the Jerooy gold deposit in Kyrgyzstan;*

Dated 8 October 1999, an agreement with NG to purchase its shares in Norox, increasing the Group’s holding from 25% to 100%. On 9 September 1998 a Joint Venture Agreement, subsequently modified on 15 May and 16 December 1999, between Norox and KA was signed granting Norox a 66.67% interest in Talas Gold Mining Company, a company registered in Kyrgyzstan on 23 December 1999, to develop and operate the Jerooy gold deposit.

– *South Kyrgyz Geological Expedition (“SKGE”), to create the Ravat Gold Company, for exploration in SW Kyrgyzstan;*

Dated 12 March 1997, the agreement provides for the establishment of a Kyrgyz Joint Venture called “Ravat Gold Company” (“RGC”), of which the Group owns 50%. RGC holds title to a licence dated 11 December 1997 (amended 3 September 1998) that covers certain exploration territory in SW Kyrgyzstan. Previous expenditure by SKGE will be deferred over the operational period of development of the exploration territory and credited to the account of SKGE in the charter fund pro-rata to expenditure by the Group under the work programme.

7. Deferred exploration and evaluation expenditure continued

– Tajik Geology, on the Matcha exploration area and Chulboi gold deposit;

Dated 26 March 1996, the agreement grants the Group the exclusive right to conduct exploration in the Matcha exploration area. Dated 28 March 1997, an additional agreement grants the Group the exclusive right to conduct exploration on the Chulboi gold deposit. Both agreements provide the Group with the option to create a joint venture vehicle with Tajik Geology to mine the deposits should feasibility be established.

– the Uzbek State Committee for Geology and Mineral Resources and the Navoi Mining and Metallurgical Combinat, on the Amantaytau Goldfields deposits and exploration area;

Dated 31 August 1999, the agreement secures the Group the rights to a 43% interest and a share of management in Amantaytau Goldfields AO from Lonmin Plc. Lonmin Plc previously held the rights to explore and develop deposits in the Amantaytau area as set out in a joint venture agreement dated 24 November 1993. Dated 10 July 2000, agreement to increase the Group's rights to a 50% interest in Amantaytau Goldfields AO. Amantaytau Goldfields AO has defined a number of deposits within the licensed area on which the Group is undertaking feasibility studies.

– the Uzbek State Committee for Geology and Mineral Resources, on the Khandiza polymetallic deposit and exploration area;

Dated 14 December 1996 and amended 10 July 1997 and 9 June 2000, the agreement grants the Group an exclusive right to 50% of any future income generated through the development of the Khandiza deposit following the completion of the feasibility study currently in progress. The agreement also includes a 5-year exploration agreement over property surrounding the deposit.

– the Uzbek State Committee for Geology and Mineral Resources, on the Aristantau and Balpantau gold exploration areas;

Dated 10 July 1997, the agreement grants the Group the exclusive right to conduct exploration on the Aristantau deposit and surrounding Ayirak area. Following the completion of a preliminary feasibility study the Group has the right to earn 50% of the production of the Aristantau deposit and surrounding Ayirak area, as well as 50% of the production of the Balpantau deposit and surrounding Tamdybulak area, if this is proven feasible by conducting additional geological study and exploration works. While the right lapsed on 30 June 2000, efforts are being made to renew the rights.

- (d) During 1999, the Group recognised an impairment provision of \$1,697,932 (1998: nil) against deferred exploration expenditure carried in the balance sheet in respect of certain other mineral deposits in which the Group has an interest. The Directors undertook a review of the recoverable value of each mineral property based on changes in opportunities identified for each property and whether the commercial viability of the property was supported by a feasibility study. The recoverable value of the assets relating to certain mineral properties had fallen below the level of expenditure deferred in respect of those properties and therefore the amounts have been provided in full. This provision was recorded in accordance with the provisions of FRS 11, Impairment of Fixed Assets and Liabilities. Deferred exploration expenditure capitalised at 31 December 2000 is considered recoverable by the directors and has been subject to independent minerals industry consultants' evaluation by CSMA Consultants Limited as reported in their "Competent Persons' Report for Oxus Resources Mineral Properties in Uzbekistan and Kyrgyzstan May 2001".

8. Tangible fixed assets

	Leasehold improvements and furniture	Computer and communications equipment	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cost				
At 1 January 1998	99	180	110	389
Additions	13	42	37	92
Disposals	–	(19)	–	(19)
At 31 December 1998	112	203	147	462
Additions	99	190	267	556
Disposals	–	(5)	(33)	(38)
At 31 December 1999	211	388	381	980
Additions	8	13	120	141
Transfer to joint venture	(24)	(114)	(274)	(412)
Exchange rate movement	(6)	(10)	–	(16)
At 31 December 2000	189	277	227	693
Accumulated depreciation				
At 1 January 1998	(29)	(59)	(31)	(119)
Depreciation for year	(22)	(49)	(30)	(101)
At 31 December 1998	(51)	(108)	(61)	(220)
Depreciation for year	(43)	(90)	(69)	(202)
Disposals	–	–	24	24
At 31 December 1999	(94)	(198)	(106)	(398)
Depreciation for period	(43)	(94)	(91)	(228)
Transfer to joint venture	10	58	122	190
Exchange rate movement	5	7	–	12
At 31 December 2000	(122)	(227)	(75)	(424)
Net book amount				
At 31 December 1998	61	95	86	242
At 31 December 1999	117	190	275	582
At 31 December 2000	67	50	152	269

9. Interest in joint ventures & associates

Investments of the Group are analysed as follows:

	Investments in joint ventures US\$'000	Loans to joint venture US\$'000	Investments in associates US\$'000	Loans to associates US\$'000	Total US\$'000
As at 1 January 1998	–	–	–	–	–
Group's share of losses net of distributions	–	–	(10)	–	(10)
Additions	–	–	10	490	500
As at 31 December 1998	–	–	–	490	490
Group's share of losses net of distributions	–	–	–	–	–
Additions	3,306	876	–	–	4,182
Other movements	–	–	–	(490)	(490)
As at 31 December 1999	3,306	876	–	–	4,182
Group's share of losses net of distributions	–	–	–	–	–
Additions	813	3,390	–	–	4,203
Disposals and repayments of advances	–	(813)	–	–	(813)
As at 31 December 2000	4,119	3,453	–	–	7,572

Further details relating to investments in joint ventures is set out in note 18. Other movements relate to the change in status to subsidiary of a former associate, Norox, including the treatment of the loan to the associate. On 8 October 1999, the Group acquired the remaining voting shares in the company from Normandy Mining as disclosed in note 17.

At 31 December 2000, the Group had advanced \$3,453,330 (31 December 1999 – \$876,000) to Amantaytau Goldfields AO.

Interests in shares of joint ventures and associates comprise:

Investment	Country of incorporation	Type of shares held	Proportion of shares held by the group			Accounting date
			2000	1999	1998	
Amantaytau Goldfields AO	Uzbekistan	Ordinary	50%	43%	–	31 December
Talas Gold Mining Company CJSC	Kyrgyzstan	Ordinary	66.7%	66.7%	–	31 December
Norox Mining Company Limited	Cayman Islands	Ordinary	100%	100%	25%	30 June

On 23 December 1999 Talas Gold, established under a joint venture agreement with Joint Stock Company Kyrgyzaltyn on 9 September 1998, was registered as a closed joint stock company in Kyrgyzstan through which the Group will hold its 66.7% interest in the joint venture to develop and operate the Jeroy deposit. There was no material financial activity in the joint venture to 31 December 2000, therefore no results have been included in the Group accounts.

Amantaytau Goldfields AO is a joint venture undertaking. The following information on Amantaytau Goldfields AO is disclosed in accordance with FRS 9 'Associates and Joint Ventures'. All amounts represent the Group's share and represent the total for joint ventures.

	Year ended 31 December 2000 US\$'000	4 months to 31 December 1999 US\$'000
Turnover	–	–
Profit before tax	3	–
Profit after tax	3	–
Current assets	(9)	89
Deferred exploration expenditure	5,775	3,660
Other non current assets	249	102
Liabilities due within one year	(1,896)	(545)
Liabilities due after more than one year	–	–
Net assets	4,119	3,306
Interest in fair value of assets at date of acquisition	3,306	3,306
Cost of acquisition	3,306	3,306
Cost of additional 7% interest	813	–
Carrying value of equity investment	4,119	3,306

10. Debtors

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Amounts falling due within one year			
Amounts receivable on issue of common shares and special warrants	75	2,326	916
Other debtors	9	58	113
Prepayments	19	21	53
	103	2,405	1,082
Amounts falling due after one year			
Loan to Kazmincorp	1	1	1
	104	2,406	1,083

In accordance with the agreement signed on 27 March 1997 relating to the Muzbel deposit in Kazakstan, the Group granted Kazmincorp an unsecured loan of \$1,333, which formed that company's share of the paid-up charter capital of Oxus Central Asia Exploration & Mining Limited.

11. Creditors – amounts falling due within one year

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Trade creditors	675	416	456
Loan from director	71	–	50
United Kingdom corporation tax	49	52	42
Other taxes and social security	288	198	208
Accruals	351	99	279
Other creditors	686	303	559
	<hr/>	<hr/>	<hr/>
	2,120	1,068	1,594
Convertible note – Lonmin plc	1,318	1,300	–
	<hr/>	<hr/>	<hr/>
	3,438	2,368	1,594

A convertible debenture was issued to Lonmin plc on 31 August 1999 as part settlement of the purchase of its 43% shareholding in Amantaytau Goldfields AO as described in note 18. The \$1,300,000 convertible debenture in Oxus Resources was convertible at the discretion of Lonmin plc between 1 January 2000 and 31 March 2000 to equity on the same terms as the special warrant issued to Lonmin plc, also described in note 18. Interest is accrued at a rate of 1% per month from 1 January 2000 on the outstanding value at month end.

On 14 January 2000 a repayment of \$130,000 was made against the principal amount outstanding in response to a call by Lonmin plc.

On 22 September 2000, Lonmin plc agreed to extend the maturity date on the convertible note to 31 March 2001 and the conversion date to the earlier of 31 March 2001 or the issue of a pathfinder prospectus by the Group. Interest continues to accrue on the convertible note at the rate of 1% per month.

12. Creditors – amounts falling due after more than one year

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Convertible Note – Quest Mining Resources (L) Ltd	–	–	210

On 16 April 1999 Oxus Resources redeemed a convertible note to Quest Mining Resources (L) Ltd for \$305,872 of which \$200,000 was for the principal, \$8,480 for accrued interest, \$10,000 for accrued interest in previous years and \$87,392 for conversion bonus. The note on redemption was converted to a special warrant that on 31 December 1999 was converted into common shares at \$0.90 a share with an attaching purchase warrant exercisable at the higher of \$1.20 or 120% of the issue price on an initial public offering per share exercisable any time before expiry on 30 June 2001.

13. Financial instruments

Oxus Resources' management identifies, evaluates and manages its financial risks on a continual basis, analysing the impact of changes in the Group's funding position, as well as developments in its individual business units. The Group's treasury management is based at its Guernsey office in the Channel Islands and provides the various Group companies with financial services according to local needs and requirements. Treasury management seeks to cover specific areas such as foreign exchange risk, interest rate risk and liquidity management. Significant treasury related decisions are considered at Group board meetings.

The financial instruments held by the Group include cash balances and a convertible debt instrument. The Group has never taken out, or speculated in, currency swaps, forward contracts or other derivatives.

Short-term debtor and creditor balances are only included in the currency analysis. The information provided below relates to the parent company and its subsidiaries, and excludes joint ventures and associates.

(a) Foreign exchange risk

The Group operates across a number of countries and is thus exposed to foreign exchange risk arising from various currency combinations. The functional currency of the Central Asian subsidiaries is US dollars. Assets and liabilities denominated in currencies other than the US dollar give rise to foreign exchange exposure. However, the majority of the Group's assets are denominated in US dollars and therefore management does not consider the potential adverse effects of foreign currency movements to be significant. The principal transaction exposure is against the US dollar, when operational and financing transactions are denominated in Central Asian currencies vulnerable to fluctuations. This risk is managed through matching the Group's different currency reserves with the levels of Central Asian expenditure forecast in the following period. In previous years a majority of equity funding denominated in Uzbek Soums has been utilised on Soum-denominated expenditure in Uzbekistan to minimise currency transactional risk. Where equity investment is received in Uzbek Soums management does not finalise the shares issued until the currency translation impact is taken into account.

The foreign exchange risk profile of the Group's financial assets, other than those denominated in US dollars, at each year-end was as set out below:

Currency	31 December	31 December	31 December
	2000	1999	1998
	US\$'000	US\$'000	US\$'000
Sterling	430	9	115
Kyrgyz Soms	1	1	–
Uzbek Soums	6	692	418
Kazak Tenge	–	–	1
	437	702	534

The balances detailed above relate to cash held in bank deposits and short-term receivables.

The foreign exchange risk profile of the Group's financial liabilities, other than those denominated in US dollars, at each year-end was as set out below:

Currency	31 December	31 December	31 December
	2000	1999	1998
	US\$'000	US\$'000	US\$'000
Sterling	910	460	381
Canadian Dollars	36	64	–
Kyrgyz Soms	10	2	–
Uzbek Soums	63	–	40
Kazak Tenge	–	–	85
	1,019	526	506

The balances detailed above relate to short-term payable balances held by subsidiary companies.

13. Financial instruments *continued*

(b) Interest rate risk

Interest rate risk primarily arises through interest-bearing liabilities and assets. Such items held by the Group are limited to various cash balances held on deposit and a convertible debenture issued to Lonmin Plc as detailed in note 11 to the consolidated financial statements. These items are shown in more detail below. Management does not actively hedge against this risk as the potential impact on the Group results is not considered to be significant. However it recognises that future changes in cash flows and balance sheet structure could expose the Group to additional interest rate risks. The interest rate risk profile of the Group's financial liabilities, at the end of each year was as follows:

Currency	Maturity profile	Rate	31 December	31 December	31 December
			2000	1999	1998
			US\$'000	US\$'000	US\$'000
US Dollars:					
Loan from Director	In one year or less	Nil rate	71	–	50
Convertible note	In one year or less	Fixed rate	1,318	1,300	–
Convertible note	In more than one year, but no more than two years	Fixed rate	–	–	210
			1,389	1,300	260

The convertible note detailed above is repayable under the terms described in note 11 to the financial statements. The liability attracts interest, compounding monthly, at a fixed rate of 1% per month.

The interest rate risk profile of the Group's financial assets at each period end was as set out below:

		31 December	31 December	31 December
		2000	1999	1998
		US\$'000	US\$'000	US\$'000
Cash at bank				
US Dollars	Floating rate	132	176	41
Sterling	Floating rate	410	–	–
Kyrgyz Soms	(a)	1	2	2
Uzbek Soums	(a)	–	–	–
Kazak Tenge	(a)	–	–	–
Loans to joint ventures and associates	nil	3,453	876	490
		3,996	1,054	533

Note (a) – Amounts held in bank accounts in these currencies do not earn interest.

The balances detailed above relate to bank deposits and are available at call. These financial assets attract interest at floating rates, based on relevant national LIBOR equivalents. Loans to joint ventures and associates are not charged interest.

(c) Credit risk

Financial instruments contain an element of risk that the counter-parties may be unable to meet the terms of the agreements. The Group minimises this risk by limiting its counter-parties to major banks and financial institutions, and reputable private investors. The risk is also mitigated to some extent by the fact that the Group does not yet trade and therefore does not have trade receivables. Direct credit risk represents the risk of loss resulting from counter-party default in relation to on-balance sheet products. A particular risk relates to the outstanding balances resulting from share issues prior to the year-end where the investor is not fully paid up at year-end. The Group manages such risk by seeking to limit the amounts unpaid at any time whilst not creating onerous terms for the shareholder.

(d) Liquidity risk

Management has a proven track record of raising equity funding to support the Group's operations since 1996. No companies in the Group have obtained credit facilities with a financial institution. The Directors of the Group recognise that there is an underlying risk that activities will be adversely impacted should additional funding not be obtained when required. Management maintain a flexible approach in this area as the changing operational priorities of the Group generally leads to changes in its short term funding requirements.

(e) *Fair value of financial instruments*

The following table presents the carrying amounts and fair values of the Group's financial instruments outstanding at each respective year-end. The carrying amounts in the table are included in the balance sheet under the indicated captions. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	31 December 2000 Carrying amount US\$'000	31 December 2000 Fair value US\$'000	31 December 1999 Carrying amount US\$'000	31 December 1999 Fair value US\$'000	31 December 1998 Carrying amount US\$'000	31 December 1998 Fair value US\$'000
<i>Financial assets</i>						
Cash and cash equivalents	573	573	191	191	75	75
Loans to joint ventures and associates	3,453	3,543	876	896	490	498
<i>Financial liabilities</i>						
Loan from Director	71	72	–	–	50	51

Estimation of fair values

Cash and cash equivalents

The fair values of cash and certain other financial assets approximate the carrying amounts because of the short maturity of such instruments.

Loan from director and loans to joint ventures and associates

The fair values of loans from directors and loans to joint ventures and associates are calculated with reference to market rates.

Convertible Notes

The fair values of convertible notes with carrying values of \$1,318,000 (1999: \$1,300,000; 1998: \$210,000) can not be reliably calculated as no other form of debt finance is currently readily available to the Group. Had access to debt finance been available, it is probable that the value of the convertible notes was in a range of \$1,311,000 to \$1,364,000.

14. Called up share capital and share premium account*(a) Authorised share capital*

Oxus Resources' authorised share capital at 31 December 2000 was \$6,000,000 (1999: \$6,000,000, 1998: \$3,000,000) comprising 100,000,000 (one hundred million) common shares (1999: 100,000,000, 1998: 50,000,000) with par value of six cents per share (1999: six cents, 1998: six cents).

*(b) Movements in share capital:***For the year ended 31 December 1998**

	Number of common shares	Par value	Amount (US\$'000) Premium	Total
Common Shares at 1 January 1998	20,255,028	1,215	7,511	8,726
Conversion of employees' bonus to common shares to 31 December 1998	20,000	1	17	18
Conversion of special warrants to common shares to 31 December 1998	503,332	31	272	303
Common Shares at 31 December 1998	20,778,360	1,247	7,800	9,047
Special Warrants at 1 January 1998		–	–	3,053
Conversion of debt for special warrants to 31 December 1998		–	–	617
Private placement of special warrants to 31 December 1998		–	–	3,337
Conversion of special warrants to common shares to 31 December 1998		–	–	(303)
Conversion of employees' salaries to special warrants to 31 December 1998		–	–	57
Decrease in special warrant due to foreign exchange movements of the Uzbek Soum		–	–	(202)
Special Warrants at 31 December 1998				6,559

For the year ended 31 December 1999

	Number of common shares	Par value	Amount (US\$'000) Premium	Total
Common Shares at 1 January 1999	20,778,360	1,247	7,800	9,047
Conversion of employees' remuneration to common shares to 31 December 1999	15,000	1	12	13
Grant of bonus shares under Share Incentive Plan to 31 December 1999	1,805,000	108	1,516	1,624
Conversion of part purchase price on Norox to common shares to 31 December 1999	3,333,333	200	2,800	3,000
Conversion of special warrants issued prior to 1999 to common shares to 31 December 1999	7,168,926	430	6,129	6,559
Conversion of special warrants issued during 1999 to common shares to 31 December 1999	9,515,823	571	8,231	8,802
Common Shares at 31 December 1999	42,616,442	2,557	26,488	29,045
Special Warrants at 1 January 1999	–	–	–	6,559
Conversion of convertible note to special warrants on 16 April 1999 at 90 cents per share	–	–	–	306
Conversion of Director's loan to special warrants on 30 May 1999 at 90 cents per share	–	–	–	88
Conversion of debt for special warrants to 31 December 1999 at 90 cents per share	–	–	–	561
Conversion of commission for special warrants to 31 December 1999 at 90 cents per share	–	–	–	51
Private placements of special warrants at 90 cents per share	–	–	–	3,706
Private placements of special warrants at \$1.00 per share	–	–	–	516
Private placements of special warrants at \$1.07 per share	–	–	–	62
Private placements of special warrants at \$1.08 per share	–	–	–	358
Private placement of special warrants to 31 December 1999 at \$1.32 per share	–	–	–	419
Conversion of Directors' and officers' remuneration to special warrants to 31 December 1999 at 90 cents per share	–	–	–	252
Conversion of employees' remuneration to special warrants to 31 December 1999 at 90 cents per share	–	–	–	315
Conversion of part purchase price of Amantaytau Goldfields for special warrants to 31 December 1999 at 90 cents per share	–	–	–	3,000
Conversion of part purchase price of Norox for special warrants to 31 December 1999 at \$1.00 per share	–	–	–	1,500
Decrease in special warrant due to foreign exchange movements of the Uzbek Soum	–	–	–	(6)
Conversion of special warrants to common shares to 31 December 1999	–	–	–	(15,361)
Special Warrants at 31 December 1999	–	–	–	2,326

14. Called up share capital and share premium account continued
For the year ended 31 December 2000

	Number of common shares	Par value	Amount (US\$'000) Premium	Total
Common Shares at 1 January 2000	42,616,442	2,557	26,488	29,045
Conversion of employees' remuneration to common shares	59,130	4	61	65
Grant of bonus shares under Share Incentive Plan	105,000	6	109	115
Conversion of debt to common shares	65,715	3	69	72
Private placements at 90 cents a share	23,072	1	20	21
Private placements at \$1.10 cents a share	1,018,754	62	1,060	1,122
Private placements in Uzbek Soums at \$1.32 to \$1.33 cents a share	598,760	36	760	796
Private placements in Uzbek Soums at \$1.43 cents a share	4,577	1	6	7
Conversion of purchase warrants at \$1.00 a share	1,007,582	60	947	1,007
Conversion of special warrants issued during 1999 to common shares	2,364,673	142	2,131	2,273
Common Shares at 31 December 2000	47,863,705	2,872	31,651	34,523
Special Warrants at 1 January 2000	–	–	–	2,326
Decrease in special warrant due to foreign exchange movements of the Uzbek Soum	–	–	–	(53)
Conversion of special warrants to common shares				(2,273)
Special Warrants at 31 December 2000				0

As at 31 December 2000, \$75,000 (1999: \$2,326,628; 1998: \$915,753) relating to 68,182 common shares issued at \$1.10 during the year remained unpaid.

(c) Special Warrants

During the year the Group contracted to issue special warrants for value granting the holder rights to convert to common shares for no further cost, at variable share purchase prices, on the earlier of the completion of an initial public offering or the expiry date.

During the year special warrants purchased at \$0.90 and in a range between \$1.08 and \$1.32, and valued at \$1,730,199 and \$543,268 respectively, were converted to common shares in Oxus Resources.

(d) Purchase Warrants

At year-end, 14,332,283 (1999: 13,715,662, 1998: nil) warrants for shares exercisable at the higher of \$1.20 or 120% of the issue price on an initial public offering per share, and at any time before expiry on 30 June 2001, were outstanding. Also at the year end, 266,368 (1999: nil, 1998: nil) warrants for shares exercisable at \$1.70 per share, exercisable any time before expiry on 31 October 2002, were outstanding. No proceeds have been received in respect of these warrants.

(e) Stock Options

The Group operates a share option plan providing for the grant of non-transferable options that become exercisable on a cumulative basis over three years from grant date. Options are granted at fair value. At year-end the following unexercised stock options had been committed to directors and employees of the Group:

Currency	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Options at 90 cents per share exercisable by 31 May 2003	2,625,000	2,625,000	2,625,000
Options at 90 cents per share exercisable by 30 June 2004	2,395,000	2,395,000	–
Options at \$1.10 per share exercisable by 31 Aug 2005	480,000	–	–
	5,500,000	5,020,000	2,625,000

3,085,000 of these options had been allocated to directors as at 31 December 2000 (1999: 2,675,000; 1998: 1,375,000).

Details of options granted to directors are shown in the following table.

Date of grant	Expiry date	Exercise price (cents)	Number at 1 January 1999	Granted in year	Number at 31 December 2000
Executive directors					
Roger Turner					
1 Jun 98	31 May 03	90	375,000	–	375,000
1 Jul 99	30 Jun 04	90	375,000	–	375,000
18 Aug 00	30 Jun 05	110	–	70,000	70,000
			750,000	70,000	820,000
Richard Wilkins					
1 Jun 98	31 May 03	90	375,000	–	375,000
1 Jul 99	30 Jun 04	90	375,000	–	375,000
18 Aug 00	30 Jun 05	110	–	70,000	70,000
			750,000	70,000	820,000
Non-executive directors					
Charles Cooper					
1 Jun 98	31 May 03	90	250,000	–	250,000
1 Jul 99	30 Jun 04	90	250,000	–	250,000
18 Aug 00	30 Jun 05	110	–	35,000	35,000
			500,000	35,000	535,000
Guy Pas					
1 Jun 98	31 May 03	90	250,000	–	250,000
1 Jul 99	30 Jun 04	90	150,000	–	150,000
18 Aug 00	30 Jun 05	110	–	235,000	235,000
			400,000	235,000	635,000

17. Acquisition of Subsidiary

On 8 October 1999, the Group purchased the remaining 75% of the shares in Norox Mining Company Limited (Norox) from Normandy Mining Company Limited for \$4,500,000. The purchase price was payable in special warrants at a price of \$1.00 per warrant for 1,500,000 warrants, and common shares at \$0.90 per share for 3,333,333 shares. The consideration was payable on registration of the Joint Venture Agreement with Joint Stock Company Kyrgyzaltyn in Kyrgyzstan granting Norox a 66.67% interest in Talas Gold Mining Company CJSC, a company established to develop and operate the Jerooy gold deposit. Registration of the Joint Venture Agreement was completed on 23 December 1999. The Group now owns 100% of Norox.

In addition, the Group also acquired the rights to the outstanding loan of \$4,863,958 from Normandy Mining Company Limited to Norox.

Details of net assets acquired and goodwill are as follows:

	8 October 1999 US\$'000
Purchase consideration:	
Fair value of shares issued (note 14)	4,500
<hr/>	
Total purchase consideration	4,500
Fair value of net assets acquired	4,500
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Goodwill	–
<hr/>	
Other than for deferred exploration expenditure, which was written down on acquisition by \$406,000, no fair value adjustments were made to the book value of net assets acquired and no provisions were created.	
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	311
Property, plant and equipment (note 8)	106
Deferred exploration expenditure (note 7)	4,681
Other receivables and prepaid expenses	25
Loans from shareholders (note 9)	(490)
Accounts payable and accrued liabilities	(133)
<hr/>	
Fair value of net assets	4,500
<hr/>	
Total purchase consideration	4,500
Less:	
Discharged by shares and warrants issued (note 14)	(4,500)
Cash and cash equivalents in subsidiary acquired	311
<hr/>	
Cash inflow on acquisition	311
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The additional shares acquired in Norox have had an immaterial impact on the Group income statement in the period from acquisition to 31 December 1999.

18. Acquisition of Joint Venture

(a) Amantaytau Goldfields AO

On 31 August 1999 the Group purchased a 43% shareholding in Amantaytau Goldfields AO, a joint stock company registered in Uzbekistan on 1 May 1995, for \$4,300,000. The consideration was payable through \$3,000,000 issued as a special warrant convertible to common shares and \$1,300,000 payable as a convertible debenture in the Company as described in note 11. On 31 December 1999 the special warrant was converted into common shares at \$0.90 a share, with attaching purchase warrant exercisable at the higher of \$1.20 or 120% of the issue price on an initial public offering per share any time before expiry on 30 June 2001.

The Group also acquired the rights to an outstanding loan from Lonmin plc to Amantaytau Goldfields AO of \$876,000 and a quantity of steel, subsequently sold for \$120,000.

In July 2000, Oxus Resources acquired a further 7% interest in Amantaytau Goldfields AO for consideration of forgiveness of \$813,000 of the outstanding loan owed to it as noted above. This was ratified at the general meeting of AGF on 28 July 2000 and AGF's Charter has been amended to reflect the new arrangements.

Details of gross assets and liabilities acquired are as follows:

	31 July 2000 US\$'000	31 August 1999 US\$'000
Purchase consideration:		
Fair value of shares issued (note 14)	–	4,300
Consideration reduced by other assets acquired	–	(994)
Shareholder loan forgiven	813	–
Total purchase consideration	813	3,306
Fair value of net assets acquired	813	3,306
Goodwill	–	–

At 31 August 1999, other than for deferred exploration expenditure, which was written down on acquisition by \$1,297,000, no fair value adjustments were made to the book value of net assets acquired and no provisions were created.

At 31 July 2000, other than for deferred exploration expenditure, which was written up on acquisition by \$65,000, no fair value adjustments were made to the book value of the net assets acquired and no provisions were created.

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	(3)	69
Property, plant and equipment	8	110
Deferred exploration expenditure (note 7)	934	3,631
Other receivables and prepaid expenses	2	5
Loans from shareholders	(61)	(375)
Accounts payable and accrued liabilities	(67)	(134)
Fair value of net assets	813	3,306
Total purchase consideration	813	3,306
Less:		
Discharged by shares issued (note 14)	–	(4,300)
Discharged by forgiveness of shareholder loan	(813)	–
Other assets acquired	–	994
Cash and cash equivalents in joint venture acquired	(3)	69
Cash inflow on acquisition	(3)	69

There were no acquisitions of joint ventures in 1998.

The additional shares acquired in Amantaytau Goldfields AO have had an immaterial impact on the Group income statement in the period from acquisition to the year-end in both 1999 and when the additional shares were acquired in July 2000. Further details regarding the Group's investments are disclosed in note 9.

19. Reconciliation of movement in net debt

	31 December 2000 US\$'000	Cashflow US\$'000	Other non-cash changes US\$'000	31 December 1999 US\$'000	Cashflow US\$'000	Other non-cash changes US\$'000	31 December 1998 US\$'000
Cash in hand and at bank	573	382	–	191	116	–	75
Overdrafts and loans	–	–	–	–	–	–	–
Net funds	573	382	–	191	116	–	75
Loan from director	(71)	(85)	14	–	(37)	87	(50)
Convertible loan note	(1,318)	130	(148)	(1,300)	–	(1,090)	(210)
Debt	(1,389)	45	(134)	(1,300)	(37)	(1,003)	(260)
Net debt	(816)	427	(134)	(1,109)	79	(1,003)	(185)

Non-cash changes comprise a loan from a director converted into special warrants (see note 14) and interest and bonus costs accrued on convertible loan notes.

20. Reconciliation of operating loss to net cash outflow from operating activities

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Operating loss	(2,029)	(5,645)	(1,915)
Depreciation	172	167	101
(Gain)/loss on disposal	(123)	7	–
Decrease in debtors and prepayments	51	87	1,285
Increase/(decrease) in creditors and accruals	807	(598)	(222)
Profit on sale of deferred exploration expenditure	–	–	(54)
Exploration expenditure written off/provided for	78	2,429	–
Fees, salaries and bonuses converted into shares	239	2,204	692
Loss on exchange currency conversion	68	51	217
Net cash outflow from operating activities	(737)	(1,298)	(104)

21. Major non-cash transactions

The consideration for the purchase price of Norox, acquired on 8 October 1999, comprised shares and warrants issued. Further details of the acquisition are set out in note 17.

The consideration for the purchase price of Oxus Resources' 43% shareholding in Amantaytau Goldfields AO, acquired on 31 August 1999, comprised shares issued. In July 2000, a further 7% interest in Amantaytau was acquired for consideration of forgiveness of an outstanding loan. Further details of the acquisition are set out in note 18.

Certain payables have been converted to common shares and special warrants. Details of these transactions are set out in note 14.

22. Employees and Directors

No companies in the Group operate any form of pension plan or formal long term benefit scheme for employees. Certain Directors and employees have received bonus shares and stock options in Oxus Resources under the share schemes described in note 1. Such issues are made at the discretion of the Board of Directors and are described in note 14. The options are convertible to ordinary shares in Oxus Resources and carry full voting rights.

	2000 US\$'000	1999 US\$'000	1998 US\$'000
Staff costs for the Group during the year			
Wages and salaries	2,142	1,587	1,038
Social security costs	63	104	53
	2,205	1,691	1,091

The average monthly number of persons (including executive directors) employed by Oxus Resources during the year was:

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
By activity			
Exploration and development	61	61	72
Administration	14	14	12
	75	75	84

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Directors			
Aggregate emoluments	321	246	211
Aggregate amounts receivable under share bonus plan	–	980	18
Sums paid to third parties for directors' services	128	183	565
	449	1,409	794

Highest paid director

Aggregate emoluments, and bonus shares issued under share bonus plan schemes	191	479	301
------------------------------------------------------------------------------	-----	-----	-----

The interests of the Directors in the shares of Oxus Resources beneficially held were:

	31 December 2000	31 December 1999	31 December 1998
Common shares			
Executive directors			
Roger Turner	2,143,650	2,193,995	1,598,343
Richard Wilkins	1,885,044	1,888,933	1,417,834
Non-executive directors			
Charles Cooper	1,173,245	1,158,109	576,776
Guy Pas	776,971	577,779	355,556
Anthony Warrender	30,000	30,000	10,000
Retired non-executive directors			
Roger Haiat	80,000	80,000	–
Derek Bullock	178,334	178,334	158,334
	6,267,244	6,107,150	4,116,843

23. Operating lease commitments

(a) Operating leases

At 31 December 2000 the Group had annual commitments under non-cancellable operating leases that expire as follows:

	31 December 2000 US\$'000	31 December 1999 US\$'000	31 December 1998 US\$'000
Within 1 year	66	110	36
Within 2 – 5 years	–	18	54
After 5 years	–	–	–
	66	128	90

Lease commitments relate primarily to offices and accommodation used by the Group in the United Kingdom and Central Asia.

24. Contingent liabilities

(a) Muzbel agreement

On the first commercial gold sale from the Muzbel deposit the Group is required to issue to Kazmincorp 625,000 ordinary shares. The first commercial gold sale is defined as any continuous 30 day period after 27 March 1997 during which the project has sustained commercial gold production that on an annualised basis would constitute production of not less than 750 kilograms and where gold has been freely exported and sold at world prices.

(b) Agreement with Joint Stock Company Kyrgyzaltyn

Pursuant to the Joint Venture Agreement signed with Kyrgyzaltyn on 9 September 1998 the Group agreed to underwrite the first \$1 million relating to a prior agreement between MK Gold Company and Kyrgyzaltyn, whereby Kyrgyzaltyn will pay MK Gold Company \$2.5 million if the Jerooy project is put into production with another joint venture partner. The liability to pay the first instalment is not expected to crystallise until the final taxation terms of the Joint Venture Agreement have been agreed with the Kyrgyz Government, a process which is only likely to be finalised as part of any project finance negotiations with third party lenders, assuming that a favourable definitive feasibility study has first been completed.

25. Site restoration

No provision is currently recognised for site restoration as project development and exploration to date on the Group's mineral properties has been limited to surface and underground drilling and sampling, and upgrading existing underground infrastructure to support feasibility studies and exploration programmes.

The Directors do not believe that any companies in the Group bear a liability to rehabilitate any site as a result of these activities.

26. Other financial commitments

Khandiza agreement

On 14 December 1996 the Group entered into an agreement with the Uzbek State Committee for Geology and Mineral Resources, amended on 10 July 1997 and 9 June 2000, to develop the Khandiza deposit and explore the surrounding area. The Group is required to expend \$6 million, including \$500,000 over the two year period to 9 June 2002, and complete a definitive feasibility study. At 31 December 2000 \$4,97 million had been expended. The expenditure planned to finalise the feasibility study in 2001 and 2002 is expected to satisfy the balance of the expenditure requirements.

27. Other related party transactions

Loan by Director

Charles Cooper, non-executive Chairman, provided a loan to Oxus Resources of \$71,337 (1999: nil, 1998: \$50,000) at nil interest rate.

Fees to Directors and officers

Consulting fees, financial advisory and management and administration fees amounting to \$130,971, of which \$120,922 was converted to equity, (1999: \$143,004; 1998: \$567,904) were paid or accrued in the year to organisations with one or more Director(s)/officer(s) in common with Oxus Resources.

Convertible note

On 16 April 1999 the Group redeemed a convertible note, previously disclosed as a long term liability, to Quest Mining Resources (L) Ltd of which Mr Haiat was also a director, for \$305,872 of which \$200,000 was for the principal, \$8,480 for accrued interest, \$10,000 for accrued interest in previous years and \$87,392 for conversion bonus. The note on redemption was converted to a special warrant that on 31 December 1999 was converted into common shares at \$0.90 a share with an attaching purchase warrant at the higher of \$1.20 or 120% of the issue price of an initial public offering per share exercisable any time before expiry on 30 June 2001.

28. Post balance sheet events

(a) *Share capital*

Since 31 December 2000, Oxus Resources has received \$75,000 outstanding at 31 December 2000 in relation to the conversion of purchase warrants at \$1.00 a share.

Since 31 December 2000, Oxus Resources has issued or contracted to issue 82,636 common shares at an issue price of \$1.10 a share and 158,868 warrants for common shares at \$1.70 exercisable any time before expiry on 31 October 2002, represented by \$74,400 cash received and \$16,500, in conversion of commissions and fees. Additionally, since year-end, Oxus Resources has issued or contracted to issue 725,634 common shares at an issue price of \$1.00 a share and 268,817 warrants for common shares at \$1.70 exercisable any time before expiry on 31 October 2002, represented by \$610,700 cash received and \$114,934, in conversion of commissions and fees.

Since year-end directors and employees have been granted a further 1,295,000 options at an exercise price of \$1.10 with an issue date of 1 April 2001 and an expiry date of 31 March 2006.

Under Oxus Resources' share scheme, a total of 134,000 bonus shares have been allocated to senior employees since year-end. Additionally, the Chairman has been issued 50,000 common shares at \$1.00 in part consideration for the forgiveness of \$50,000 of his outstanding loan to Oxus Resources.

Through certain offers made variously to all shareholders of Oxus Resources and holders of Oxus Resources Purchase Warrants on 22 March 2001 or soon thereafter, the Company has offered to acquire all Oxus Resources Shares and Oxus Resources Purchase Warrants in issue by the issue of up to 97,682,550 Ordinary Shares fully paid on a two for one basis and up to 29,966,006 Purchase Warrants on a two for one basis, with a corresponding price adjustment, but in all material respects on the same terms and conditions as the existing Purchase Warrants, subject to completion of the Reorganisation. The Company has also agreed to issue 13,590,000 Options on a two for one basis, with a corresponding price adjustment, to the holders of Options over Oxus Resources Shares under the Share Incentive Plan, subject to completion of the Reorganisation.

The existence of the Oxus Resources Purchase Warrants and Oxus Resources Options, which are denominated in US dollars, will give rise to short term currency risks where those Purchase Warrants and Options are converted in future periods into Ordinary Shares in the Company denominated in £ Sterling.

As at the date of this document Oxus Resources has received acceptances representing 99.97 per cent. of the issued share capital of Oxus Resources and 99.71 per cent. of the Oxus Resources Purchase Warrants in issue. As such, the Directors anticipate that the Offers will become wholly unconditional and the Reorganisation will complete on 2 July 2001.

It is the Directors' intention that, to the extent that there remain any Oxus Resources shares in respect of which the Share Exchange Offer shall not have been accepted, Oxus Resources shall compulsorily acquire from such Oxus Resources shareholders such Oxus Resources shares at the fair market value of such shares.

(b) *Convertible Note*

As at 31 December 2000, Lonmin plc agreed to extend the maturity date on the convertible note described in note 11 to 30 June 2001. On 3 May 2001, Lonmin plc agreed to terminate the right to convert to Ordinary Shares in the Company.

29. Principal subsidiaries

The Group has interests in the following material subsidiaries which are included in the consolidated financial statements.

Principal Subsidiary Undertaking	Country of Incorporation/Registration	Principal Activity	Principal Country of Operation	Description and Proportion of Shares Held
Oxus Mining Limited	England	Service Company	Great Britain	100% Ordinary
Oxus Nominees Limited	England	Holding Company	Great Britain	100% Ordinary
Oxus Mining Corporation	Bahamas	Holding Company	Bahamas	100% Ordinary
Ravat Gold Company(1)	Kyrgyzstan	Mineral Exploration	Kyrgyzstan	50% Ordinary
Oxus Central Asia Exploration & Mining Limited	Kazakstan	Mineral Exploration	Kazakstan	60% Ordinary
Oxus Gold Company Limited	Guernsey	Holding Company	Guernsey	100% Ordinary
Oxus Minerals Corporation Limited	Guernsey	Holding Company	Guernsey	100% Ordinary
Norox Mining Company Limited	Cayman Islands	Mineral Exploration	Guernsey and Kyrgyzstan	100% Ordinary
Norox Operating Company Limited	Kyrgyzstan	Service Company	Kyrgyzstan	100% Ordinary

(1) The Directors of the Group consider that Oxus Resources exercises control over the financial and operating policies of Ravat Gold Company. Oxus Resources is able to exert this control through its voting rights on the management committee of Ravat Gold Company.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART IX – ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated on 21 August 2000 and registered in England and Wales under the Act as a private company limited by shares, with registered number 4056219 under the name Intercede 1642 Limited. The name of the Company was changed on 30 November 2000 to Golski Limited. The Company was re-registered as a public limited company and changed its name to Oxus Mining Plc on 8 June 2001. The liability of the members is limited. The principal legislation under which the Company was formed and operates is the Act and the regulations made thereunder. The Company operates as the holding company for a group of companies whose principal activity is acquisition, exploration and development of precious and base metal properties in Central Asia.
- 1.2 The Company's registered office and principal place of business is at Griffin House, West Street, Woking, Surrey, GU21 IBS, England.

2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 of which one such ordinary share (the "Subscriber Share") was issued to the subscriber to the memorandum of association. On 30 November 2000, the Subscriber Share was transferred to Oxus Resources in consideration for Oxus Resources undertaking to pay the subscription monies of £1.
- 2.2 Since the incorporation of the Company, there have been the following changes to its authorised and issued share capital:
- 2.2.1 on 5 June 2001, the Subscriber Share in issue was transferred to Richard Wilkins in consideration of him assuming the obligation to pay the Company £1;
- 2.2.2 by a written resolution of the Company passed on 5 June 2001:
- (a) the authorised share capital of the Company was increased from £100 to £2,300,000 by the creation of 224,990,000 Ordinary Shares, 50,000 redeemable shares of £1 nominal value each, redeemable in accordance with the Articles of Association of the Company ("Redeemable Shares") and the existing 100 ordinary shares of £1 each were subdivided into 10,000 Ordinary Shares of 1p each;
 - (b) the Directors were generally and unconditionally authorised to exercise all the powers of the Company pursuant to and in accordance with Section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,300,000, such authority to expire on the earlier of fifteen months from the date of the resolution or on the conclusion of the next annual general meeting of the Company to be held following the passing of the resolution (unless renewed, varied or revoked by the Company) but so as to enable the Directors to allot relevant securities after the expiry of such period in pursuance of an offer or agreement entered into prior to such expiry; and
 - (c) pursuant to the authority referred to in paragraph 2.2.2(b) above, the Directors were empowered pursuant to section 95 of the Act to allot for cash equity securities (as defined for the purposes of Sections 89 to 96 of the Act) as if Section 89(i) of the Act did not apply to any such allotment, such power to expire on the earlier of fifteen months from the date of the sole member's decisions or on the conclusion of the next annual general meeting of the Company to be held following the passing of the sole member's decisions (unless renewed, varied or revoked by the Company) but so as to enable the Directors to allot relevant securities after the expiry of such period in pursuance of an offer or agreement entered into prior to such expiry.

- 2.2.3 on the same day the Company issued 25,000 fully paid Redeemable Shares to Roger Turner and 25,000 fully paid Redeemable Shares to Richard Wilkins in consideration of them undertaking to pay in aggregate £50,000 to the Company;
- 2.2.4 on the day on which Admission takes effect the Company will redeem the Redeemable Shares for an aggregate price of £50,000; and
- 2.2.5 by the Share Exchange Offer and the Purchase Warrant Offer made variously to all shareholders of Oxus Resources and holders of Oxus Resources Purchase Warrants on 22 March 2001 or soon thereafter the Company has agreed to issue up to 97,682,550 Ordinary Shares fully paid and up to 29,966,006 Purchase Warrants, and 13,590,000 Options to subscribe for Ordinary Shares, subject to completion of the Reorganisation, the terms of which are summarised in paragraph 13.6 below.
- 2.3 The following table shows the authorised and issued share capital of the Company immediately prior to Admission and immediately following Admission (assuming no exercise of options or warrants):

	Immediately prior to Admission*		Immediately following Admission	
	No. of Ordinary Shares	Nominal value £	No. of Ordinary Shares	Nominal value £
Authorised	225,000,000	2,250,000	230,000,000	2,300,000
Issued and fully paid	97,682,550	976,825	124,349,216	1,243,492

* The authorised and issued share capital immediately prior to Admission included 50,000 Redeemable Shares of £1 each. These shares will be redeemed on the day of Admission.

The New Ordinary Shares now being issued will, on Admission, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.

- 2.4 As at Admission, the following Options to subscribe for Ordinary Shares under the Share Incentive Plan described in more detail in paragraph 7 below and held by full-time or part-time employees, directors and officers of the Company and its affiliates and persons or companies engaged to provide ongoing management or consulting services will be outstanding:

Aggregate number of Ordinary Shares under Option	Exercise price per Ordinary Share	Exercise expiry date
10,040,000	US\$0.45	31 May 2003 to 30 June 2004
3,550,000	US\$0.55	30 June 2005 to 31 March 2006

- 2.5 As at the date of this document, the following Purchase Warrants are outstanding:

Aggregate number of Purchase Warrants	Exercise price per Ordinary Share	Exercise expiry date
28,577,900	Higher of \$0.60 and 120% of Placing Price	30 June 2001
1,388,106	\$0.85	31 October 2002

The Purchase Warrants referred to in the above table include the following, which, as at the date of this document, are held by those persons referred to at paragraph 4.4 below as being interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

Name of holder of Purchase Warrants	Number of Purchase Warrants held	Exercise price per Ordinary Share	Exercise expiry date
Normandy	5,666,666	Higher of \$0.60 and 120% of Placing Price	30 June 2001
Lonmin	6,666,666	Higher of \$0.60 and 120% of Placing Price	30 June 2001
Sassan Holdings Limited	2,266,666	Higher of \$0.60 and 120% of Placing Price	30 June 2001
Equitable Life Assurance Company	3,666,666	Higher of \$0.60 and 120% of Placing Price	30 June 2001
CIBC World Markets	1,111,112	Higher of \$0.60 and 120% of Placing Price	30 June 2001

The Purchase Warrant terms provide for an adjustment to the rights attaching to the Purchase Warrants where a "Reclassification" occurs. A Reclassification is defined as any reclassification of the Ordinary Shares into other shares, or in case of the consolidation, merger, reorganisation or amalgamation of the Company with or into any other corporation or entity which results in any reclassification of the Ordinary Shares or a change of the Ordinary Shares into other shares, or in case of any transfer of the undertakings or assets of the Company as an entirety or substantially as an entirety to another person at any time prior to the expiry date of the relevant Purchase Warrant.

Where a Reclassification occurs, on the subsequent exercise of the Purchase Warrant, the holder shall, instead of receiving Ordinary Shares, be entitled to the type and amount of shares and other securities or property which the holder would have been entitled to receive as a result of such Reclassification if on the effective date the holder had been the registered holder of the number of Ordinary Shares and Purchase Warrants to which the holder was theretofore entitled upon such exercise.

The Purchase Warrant terms also provide for an adjustment to the exercise price of a Purchase Warrant if at any time prior to the expiry date of the relevant Purchase Warrant the Company effects a capital reorganisation, ie. subdivides or consolidates the Ordinary Shares or issues further Ordinary Shares or convertible securities to all or substantially all of the holders of the Ordinary Shares by way of a stock dividend or other distribution to reflect the economic effect of the capital reorganisation.

The Company is required to give a Purchase Warrant holder 4 days' prior notice of a Reclassification and/or a capital reorganisation and the adjustment to the exercise price.

In addition, the Company has agreed to issue to Barclays Capital at Admission warrants to subscribe for 376,672 Ordinary Shares exercisable at 38p per share, being 26.7 per cent. above the Placing Price, over a period of three and a half years from Admission.

- 2.6 Save as disclosed in paragraphs 2.2 to 2.5 inclusive above and paragraphs 13.5 and 13.7 the Company does not have any securities in issue, listed or unlisted, and no unissued share capital of the Company or its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

3. Memorandum and Articles of Association

- 3.1 The memorandum of association of the Company provides that the Company's principal objects are to carry on business as a mineral exploration and development company and to carry on any other trade or business which in the opinion of the Company can be carried on advantageously in connection with any of the aforesaid business and to act as a holding company. The objects of the Company are set out in full in clause 4 of its memorandum of association which is available for inspection as provided in paragraph 19 below.
- 3.2 The Articles of the Company were adopted pursuant to a resolution of the Company passed on 5 June 2001 and contain provisions, inter alia, to the following effect:

3.2.1 *Voting rights*

Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, on a show of hands every member of the Company who is present in person shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Unless the Company's directors otherwise determine, no member, or person to whom any of that member's shareholding is transferred other than by a transfer approved under the Articles, may vote at any general meeting or at any separate meeting of holders of any class of shares in the Company either in person or by proxy in respect of any share in the Company held by him if he or any other person appearing to be interested in the share has been given a notice under Section 212 of the Act and has failed to give the information required by the notice within the applicable period and the Company has then given the holder of those shares a further notice ("restriction notice") to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions.

3.2.2 *Dividends*

Subject to the provisions of every statute for the time being in force concerning companies and affecting the Company (the "Statutes"), the Company may by ordinary resolution declare dividends in accordance with the respective rights of its members but not exceeding the amount which the Directors recommend.

If it appears to the Directors that they are justified by the Company's financial position, they may pay: (A) interim dividends; or (B) at intervals settled by it, any dividend payable at a fixed date.

Except in so far as the rights attaching to any share provide otherwise, all dividends shall be declared and paid according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. There are no fixed dates on which any entitlement to dividends or interest arises.

Dividends may be satisfied, wholly or partly, by the distribution of assets and may be declared or paid in any currency. The Directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

The Company is entitled to cease sending any cheque, warrant or financial instrument through the post for any dividend or other monies payable in respect of a share if in respect of at least two consecutive dividends payable on that share the cheques, warrants or other financial instruments have been returned undelivered or remain uncashed. The Company must resume sending cheques, warrants or other financial instruments if the shareholder or person entitled by transmission claims the arrears.

Any dividend unclaimed for 12 years from the date when it became due for payment will be forfeited and revert to the Company.

Unless the Directors determine otherwise, no member holding shares representing 0.25 per cent., or more in nominal value of the issued shares of any class of share capital of the Company will be entitled to receive payment of any dividend or other distribution if he or any person appearing to be interested in such shares has been given notice under Section 212 of the Companies Act 1985 and has failed to give the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

3.2.3 *Return of capital*

On a winding-up, a liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide among the members the whole or any part of the Company's assets (whether the assets are of the same kind or not).

3.2.4 *Purchase of own shares*

Subject to the Statutes and to any rights conferred on the holder of any class of shares, the Company may purchase all or any of its shares of any class (including any redeemable shares). The Ordinary Shares do not, however, carry any right for the holder to require redemption of his shares by the Company.

3.2.5 *Transfer of shares*

Subject to such of the restrictions of the Articles as may be applicable, a member of the Company may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the Directors may approve or, in the case of shares in uncertificated form, in accordance with the Uncertificated Securities Regulations 1995 and the rules of any relevant system (as defined therein) (the "Regulations"). An instrument of transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. Subject to the Statutes, the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

Subject to the Statutes, the Directors may refuse to register the transfer of a share which is not fully paid without giving any reason for doing so.

The Directors may also refuse to register the transfer of a share if: (A) it is held in certificated form and it is not lodged, duly stamped (if necessary), at the Company's registered office or at such other place as the Directors may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (B) it is not in respect of one class of share only; (C) it is not in favour of four or less transferees; and (D) it is held in certificated form and it is in favour of a minor, bankrupt or person of mental ill health. In the case of shares held in uncertificated form, the Directors may refuse to register a transfer in any other circumstances permitted by the regulations.

If the Directors refuse to register a transfer, they shall, within two months from the date on which the transfer was lodged, or, in the case of shares held in uncertificated form, the relevant operator instruction was received, send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods (not exceeding thirty days in any calendar year) as the Directors may determine.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. Any instrument of transfer, which is registered, may be retained by the Company, but any instrument of transfer which the Directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

Unless the Directors determine otherwise, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of relevant share capital (as defined by Section 198(2) of the Companies Act 1985) in the Company will be entitled to transfer any such shares otherwise than pursuant to an arm's length sale (as defined in the Articles) if he or any person appearing to be interested in such shares has been given notice under Section 212 of the Companies Act 1985 and has failed to give the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

3.2.6 *Rights of pre-emption*

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights, in addition to that provided for by the Act.

3.2.7 *Variation of rights*

Except where the Act permits any change to be effected by ordinary resolution, all of the rights attaching to the Ordinary Shares which are contained in the Articles may only be varied by a special resolution of the Company's shareholders.

3.2.8 *General meetings*

Annual general meetings will be held in accordance with the requirements of the Statutes. The Directors may convene an extraordinary general meeting whenever they think fit.

3.2.9 *Directors*

(a) *Appointment of directors*

Directors may be appointed by the Company by ordinary resolution or by the Board. A director appointed by the Board shall hold office only until the next following annual general meeting and is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at the meeting.

Unless otherwise determined by ordinary resolution, the number of directors of the Company (disregarding alternate directors) will not be less than two. The Directors are not required to hold any qualification shares in the Company.

(b) *Age of directors*

No person will be disqualified from being appointed a director of the Company and no director will be required to vacate that office, by reason only of the fact that he has attained the age of seventy years or any other age, nor will it be necessary by reason of his age to give special notice under the Statutes of any resolution. Where the Directors convene any general meeting of the Company at which (to the knowledge of the Board) a director will be proposed for appointment or reappointment who will have attained the age of seventy years or more at the date for which the meeting is convened, the Directors will give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so will not invalidate any proceedings, or any appointment or re-appointment of that director, at that meeting.

(c) *Retirement of directors by rotation*

At every annual general meeting, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office but, if there are fewer than three directors who are subject to retirement by rotation, they shall all retire.

Subject to the Statutes and to the Articles, the directors to retire will be those who have been longest in office but, as between those who were re-appointed on the same day, those to retire will be selected by lot or otherwise agreed amongst themselves. The directors to retire (both as to number and identity) will be determined by the composition of the Board at start of business on the date of the notice convening the annual general meeting.

(d) *Remuneration of directors*

Each of the Directors will be paid a fee for his services at such rate as may from time to time be determined by the Board or by a committee authorised by the Board provided that the aggregate of such fees (excluding any amounts payable under any other provision of the Articles) will not exceed £200,000 per annum or such higher amount as the Company, by ordinary resolution, may determine from time to time. Directors' fees will be deemed to accrue from day to day.

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in performing their duties as directors including all such expenses incurred in connection with attendance at meetings of the Board or any committee authorised by the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company.

In addition, any of the Directors who is appointed to any executive office or who serves on any committee of the Board or who at the request of the Board performs special services or goes or resides abroad for the Company's purposes (unless the Company by ordinary resolution determines otherwise) will receive such remuneration by way of salary, commission, participation in profits or otherwise as the Directors or any committee authorised by the Board may determine.

(e) *Pensions and gratuities for directors*

The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, whether by payment of gratuities, pensions, annuities, allowances, bonuses or by insurance or otherwise, for any of the Directors or former directors who holds or has held but no longer holds any executive office, other office, place of profit or employment with the Company or a member or former member of our Group or a predecessor in business of the Company and for any member of his family or other dependants and may establish, maintain, support, subscribe to and contribute to any scheme, trust or fund for the benefit of all or any such persons. None of the Directors or former directors will be accountable for any benefit so provided and the receipt of any such benefit will not disqualify him from being or becoming a director.

(f) *Permitted interests of directors*

Subject to the Statutes and provided he has declared the nature of his interest to the Board (if he knows of it), none of the Directors is disqualified by his office from contracting with the Company in any manner nor is any contract in which he is interested liable to be avoided and any Director who is so interested is not liable to account to the Company or its shareholders for any benefit realised by the contract by reason of the Director holding that office.

Any of the Directors may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may be paid such additional remuneration for so doing as the Board may decide, either in addition to or in lieu of any remuneration provided for by other Articles. A Director may also be or become a director or other officer of, or otherwise be interested in, any company promoted by the Company or in which the Company may be interested and will not be liable to account to the Company or its shareholders for any remuneration or benefits received by him.

(g) *Restrictions on voting*

Except as mentioned below, none of the Directors will vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any matter in which he has to his knowledge, directly or indirectly, an interest (other than his interest in shares or debentures or other securities of or otherwise in or through the Company) or duty which (together with any interest of a person connected with him, as described in the Articles) is material and, if he does so vote, his vote will not be counted.

A Director will be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters namely:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

- (ii) the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of the Company or any of its subsidiary undertakings or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;
- (iv) any contract concerning any company, not being a company in which the Director owns one per cent. or more (as defined in the Articles), in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise;
- (v) any arrangement for the benefit of the Company's employees or the employees of any of its subsidiaries under which he benefits in a similar manner as other employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and
- (vi) any contract concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include the Directors.

None of the Directors will vote or be counted in the quorum in relation to any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested, including settling or varying the terms, or the termination, of his appointment.

(h) *Borrowing and other powers*

Subject to the Statutes, the memorandum of association and Articles and to any directions given in general meeting by special resolutions, the Board business will be managed by the Board which may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the Statutes, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There is no requirement on the Directors under the Articles to limit the level of its borrowings.

(i) *Indemnity of officers*

Subject to the Statutes, we may indemnify any Director or other officer against any liability and purchase and maintain for any Director, other officer or auditor insurance against any liability. Subject to this, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, all of the Directors or other officers and the auditors will be indemnified out of the Company's assets against any liability incurred as a Director, officer or as auditor in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under the Statutes in which relief is granted to him by the court.

(j) *Untraced shareholders*

The Company may sell, at the best price reasonably obtainable, any shares of a holder or any shares to which a person is entitled by transmission provided that the Company: (A) gives notice of its intention to do so by two advertisements; (B) waits for three months after the later of the dates of publication of such advertisements (if published on different dates); and (C) notifies the London Stock Exchange of its intention to sell, if, for a period of at least twelve years ("the qualifying period"), no cheque or warrant sent by the Company has been cashed and during that period at least three dividends have become payable and have not been claimed and the Company has not received any communication during the qualifying period, or the period of three months after the later of the dates of the advertisements (if published on different dates), from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder or person entitled by transmission for an amount equal to the net proceeds of sale.

(k) *Record date for service*

The Company may serve or deliver any notice or other document by reference to its register of members as it stands at any time not more than fifteen days before the date of such service or delivery and no change in the register of members after that time will invalidate that service or delivery. Where any notice or other document is served on or delivered to any person in respect of a share, no person deriving any title or interest in that share will be entitled to any further service or delivery of that notice or document.

(l) *Members resident abroad*

Any member with a registered address outside the United Kingdom is not entitled to receive notices or other documents from the Company unless he has given the Company an address within the United Kingdom at which such notices or other documents may be served on or delivered to him.

4. Directors' and Other Interests

4.1 As at Admission and immediately following Admission, the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families in the share capital of the Company which (i) have been notified or are required to be notified to the Company pursuant to sections 324 or 328 of the Act, or which (ii) are required to be entered in the register maintained under section 325 of the Act, or which (iii) are interests of a person connected (within the meaning of section 346 of the Act) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director, will be as follows:

	Immediately prior to Admission		Immediately following Admission	
	No. of Ordinary Shares	Percentage of issued share capital	No. of Ordinary Shares	Percentage of issued share capital
C A Cooper(1)(4)	2,446,490	2.50	2,918,460	2.35
R W Turner(2)(5)	3,846,190	3.94	4,179,523	3.36
R V L Wilkins(3)(5)	3,328,976	3.41	3,662,309	2.95
M J de Villiers(4)	–	–	200,000	0.16
G E M Pas(6)	1,553,942	1.59	1,553,942	1.25
A M Warrender	60,000	0.06	60,000	0.05
M M Wellesley-Wood	–	–	17,000	0.01

(1) The interests of C A Cooper listed above include 2,166,490 Ordinary Shares held by Redbourn Management Ltd.

(2) The interests of R W Turner above include 3,334,160 Ordinary Shares held by Phoenix Mining Ltd, 445,568 Ordinary Shares held jointly with his wife, Janet Turner and 33,128 Ordinary Shares held by Turner Associates, a partnership in which R W Turner is a partner.

(3) The interests of R V L Wilkins above include 2,608,908 Ordinary Shares held by Ibex Resources Ltd.

(4) C A Cooper, M de Villiers and M Wellesley-Wood have notified the Board that they will subscribe for 347,723, 200,000 and 17,000 New Ordinary Shares respectively under the Placing.

(5) R W Turner, R V L Wilkins and C A Cooper have each agreed to capitalise accrued remuneration, expenses and loans of £100,000, £100,000 and £37,274 respectively and to receive New Ordinary Shares under the Placing. Therefore, 333,333 New Ordinary Shares will be issued to both R W Turner and R V L Wilkins and 124,246 New Ordinary Shares will be issued to C A Cooper at the Placing Price in satisfaction of the accrued remuneration.

(6) The interests of G E M Pas are held by Europhorics Group Ltd as to 751,112 Ordinary Shares, Eastbound Resources Ltd as to 669,496 Ordinary Shares and Vector XXI Finance SA as to 133,334 Ordinary Shares.

4.2 As at Admission, Options over Ordinary Shares granted to Directors outstanding under the Share Incentive Plan will be as follows:

	Date of Grant(1)	No. of Ordinary Shares	Exercise price	Expiry date
C A Cooper	1 Jun 98	500,000	\$0.45	31 May 04
C A Cooper	1 Jul 99	500,000	\$0.45	30 Jun 04
C A Cooper	18 Aug 00	70,000	\$0.55	30 Jun 05
C A Cooper	1 Apr 01	330,000	\$0.55	31 Mar 06
R W Turner	1 Jun 98	750,000	\$0.45	31 May 04
R W Turner	1 Jul 99	750,000	\$0.45	30 Jun 04
R W Turner	18 Aug 00	140,000	\$0.55	30 Jun 05
R W Turner	1 Apr 01	360,000	\$0.55	31 Mar 06
R V L Wilkins	1 Jun 98	750,000	\$0.45	31 May 04
R V L Wilkins	1 Jul 99	750,000	\$0.45	30 Jun 04
R V L Wilkins	18 Aug 00	140,000	\$0.55	30 Jun 05
R V L Wilkins	1 Apr 01	360,000	\$0.55	31 Mar 06
G E M Pas	1 Jun 98	500,000	\$0.45	31 May 04
G E M Pas	1 Jul 99	300,000	\$0.45	30 Jun 04
G E M Pas	18 Aug 00	470,000	\$0.55	30 Jun 05
G E M Pas	1 Apr 01	130,000	\$0.55	31 Mar 06
A M Warrender	1 Jun 98	250,000	\$0.45	31 May 04
A M Warrender	1 Jul 99	300,000	\$0.45	30 Jun 04
A M Warrender	1 Apr 01	150,000	\$0.55	31 Mar 06
M M Wellesley-Wood	1 Apr 01	400,000	\$0.55	31 Mar 06
M de Villiers	1 Apr 01	500,000	\$0.55	31 Mar 06

(1) The date of grant refers to the date upon which Options were issued to the relevant Director over Oxus Resources Shares. These will all be replaced by Options over Ordinary Shares immediately prior to Admission.

4.3 As at the date of this document, the Directors hold Purchase Warrants on the following terms:

	No. of Ordinary Shares	Exercise Price per Ordinary Share	Exercise expiry date
R W Turner	685,550	Higher of \$0.60 and 120% of Placing Price	30 June 2001
R V L Wilkins	464,420	Higher of \$0.60 and 120% of Placing Price	30 June 2001
C A Cooper	892,938	Higher of \$0.60 and 120% of Placing Price	30 June 2001
G E M Pas	355,558	Higher of \$0.60 and 120% of Placing Price	30 June 2001
G E M Pas	73,636	Higher of \$0.85	31 October 2002

4.4 At the date immediately prior to Admission, the following persons (other than a Director) will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company:

	No. of Ordinary Shares	Percentage of issued share capital
Normandy(1)(3)	24,069,520	24.63
Lonmin	6,666,666	6.82
Sassan Holdings Limited	5,909,078	6.05
Equitable Life Assurance Company	5,416,666	5.54
CIBC World Markets(2)	3,231,416	3.31

(1) The interests of Normandy above are held by Normandy Mining Limited as to 1,555,556 Ordinary Shares, LaSource SAS (a subsidiary of Normandy Mining Limited) as to 12,180,632 Ordinary Shares and PosOr Pty Limited (a subsidiary of Normandy Mining Limited) as to 10,333,332 Ordinary Shares.

(2) The interests of CIBC World Markets above are held by CIBC Capital Partners as to 1,111,112 Ordinary Shares and CIBC Wood Gundy Capital as to 2,120,304 Ordinary Shares.

(3) Assumes no exercise of warrants.

Save as set out in paragraph 4.1 and 4.4, the Company is not aware of any person who is or will immediately prior to Admission be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company.

4.5 As at the date of this document and save as disclosed in paragraph 4.1 and 4.4 above, the Directors are not aware of any persons who, at the date of this document or immediately prior to Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

5. Directors' Service Agreements and Remuneration

5.1 The executive Directors have entered into service agreements with the Company, the details of which are as follows:

Director	Position	Annual Salary	Unexpired term	Date of contract
R W Turner	Chief Executive	£140,000	3 years	28 June 2001
R V L Wilkins	Commercial Director	£125,000	3 years	28 June 2001
M J de Villiers	Finance Director	£110,000	1 year	28 June 2001

The service agreements for Roger Turner and Richard Wilkins each run for an initial fixed period of three years from the date of the contract and thereafter until terminated by either party upon 12 months' written notice or otherwise in accordance with the contract. Such notice can only be given at any time on or after the second anniversary of the date of the contract.

The service agreement for Michael de Villiers is conditional upon Admission. Once in place, the service agreement will run for an initial period of one year and thereafter, subject to agreement between both parties, shall continue unless terminated by either party upon 12 months' written notice to expire no earlier than the third anniversary of Admission. Michael de Villiers' salary will be reviewed six months after Admission.

Upon serving or receiving a notice of termination, the Company is, at its discretion, entitled to pay salary (excluding benefits and any pension contributions) in lieu of notice. Apart from this, there are no other provisions for compensation payable upon early termination of the service contracts.

In addition to their basic salary, the executive Directors are each entitled to receive the following benefits; health insurance, life insurance, medical expenses, an annual car allowance of £4,800 and participation in a company pension scheme or funding of contributions to a personal pension scheme. The Group has agreed that it will reimburse the executive Directors any income or similar tax payable by them in Central Asia.

The Remuneration Committee will, following Admission, introduce a discretionary bonus scheme for the executive Directors.

The service agreements of the executive Directors contain protections regarding confidentiality, integrity, share dealing and intellectual property. They also provide for 12 month restrictive covenants after termination preventing competition with the Company in the Central Asian Republics, solicitation of its customers and inducing any key employee of the Company to leave the employment of the Company.

- 5.2 Pursuant to letters of appointment dated 28 June 2001, C A Cooper, G E M Pas, A M Warrender and M M Wellesley-Wood agreed to act as non-executive Directors of the Company, receiving annual fees (subject to periodic review) of £10,000 respectively with additional fees payable at the Board's discretion where the discharge of any non-executive Director's obligations has made exceptional demands on his time.

6. Additional Information on the Board

- 6.1 The current directorships of the Directors and partnerships in which any Director is currently a partner, and directorships held by them and partnerships in which any Director has been a partner during the five years preceding the date of this document, other than in the Company and its subsidiaries, are as follows:

Name	Current Directorships/Partnerships	Past Directorships/Partnerships
Charles A Cooper	Pemoco (Partnership)	Ruskin Holdings Limited Iminex Holdings Limited
Roger W Turner	Angus & Ross Plc Turner Associates (Partnership)	
Richard V L Wilkins	R W Associates (Partnership) Interleaves (Partnership)	Tajik Development Agency Limited Khujand Cotton Limited General Discovery Finance Limited Stirnet Services Limited Tajik Nominees Limited Waverone Trustee Services Limited Waverone Investments Limited
Michael J de Villiers		Navan Mining plc Navan Resources Plc Navan Mining (UK) Limited Bimak AD Balkan Mineral and Mining AD Goldfields Ghana Pty Ltd (as alternate
director)		
Anthony M Warrender	Taylor, Harris Insurance (Agency) Services Ltd II Blackburn Farm, Inc Warrender Associates, Inc Oak Ridge Farm (Partnership)	Little Cotland Farm (Partnership) Taylor, St Aubyn Limited

Name	Current Directorships/Partnerships	Past Directorships/Partnerships
Guido E M Pas	Mano River Resources Inc Eastbound Resources Limited Vector XXI Finance SA Euroka Resources Limited Europhorics Group Inc	Mano River Resources Limited Golden Limbo Rock Resources Limited Carpathian Gold Limited Samax Resources Limited

Mark M Wellesley-Wood	WCS Limited Durban Roodepoort Deep Limited	Kleinwort Benson Limited Western Areas Limited
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6.2 Save as disclosed in paragraph 6.3, none of the Directors:

- (i) has had any unspent convictions in relation to indictable offences;
- (ii) has been declared bankrupt or has entered into any individual voluntary arrangements;
- (iii) has been a director of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or any class of creditors of such company;
- (iv) has been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement or such partnership;
- (v) has held assets which have been the subject of a receivership;
- (vi) has been partner of any partnership at the time of or within a 12 month period preceding any receivership of the assets of such partnership;
- (vii) has been publicly criticised by statutory or regulatory authorities (including recognised professional bodies); or
- (viii) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

6.3 Richard Wilkins was a director of companies in the Volkswriter Group, (including Lifetree Group Limited, Cashtask Limited and Volkswriter Limited) which went into administration and subsequent liquidation over the period 1988-1994, with bad debts in Germany and Scandinavia and the demise of Lifetree Software Inc., the US supplier of the computer software for which Volkswriter Limited was the exclusive European distributor. No claims or liabilities arose against the directors. The liquidations were completed in 1994.

7. Share Option Schemes

The Share Incentive Plan was established by Oxus Resources for the benefit of full-time and part-time employees, directors and officers of Oxus Resources and affiliated companies (and persons or companies engaged to provide ongoing management or consulting services).

The Company will, prior to Admission, issue to the holders of options over Oxus Resources Shares on a two for one basis in replacement of such options, Options to subscribe for Ordinary Shares with a corresponding price adjustment but in all material respects on the same terms and conditions as the existing options over Oxus Resources Shares.

Accordingly, at Admission, there will be Options outstanding under the Share Incentive Plan over 10,040,000 Ordinary Shares with an exercise price of \$0.45 per share and over 3,550,000 Ordinary Shares with an exercise price of \$0.55 per share. All outstanding Options will have been granted with an expiry date 5 years after the date of the earlier corresponding grant of options over Oxus Resources Shares with the exception of those options originally granted by Oxus Resources on 1 June 1998 (which have subsequently been extended by one further year so that they will expire after the maximum period of lock-in has expired) being the second anniversary of Admission. No further options will be issued under the Share Incentive Plan.

The Company intends to adopt new share option schemes as referred to on page 27, subject to shareholder approval, at an annual general meeting of the shareholders after Admission.

8. Working Capital

Having made due and careful enquiry and after taking into account the anticipated net proceeds of the Placing and available bank facilities, the Company is of the opinion that the working capital available to the Company and the Group will, from the time of Admission, be sufficient for their present requirements, that is, for at least the next 12 months from the date of this document.

9. Subsidiary Undertakings

The Company, which is the holding company of the Group, has the following subsidiary undertakings:

Subsidiary Undertaking	Country of Incorporation/ Registration	Principal Activity	Principal Country of Operation	Description and Proportion of Shares Held
Oxus Mining Limited	England	Service Company	Great Britain	100% Ordinary
Oxus Nominees Limited	England	Holding Company	Great Britain	100% Ordinary
Oxus Mining Corporation	Bahamas	Holding Company	Bahamas	100% Ordinary
Ravat Gold Company(1)	Kyrgyzstan	Mineral Exploration	Kyrgyzstan	50% Ordinary
Oxus Central Asia Exploration & Mining Limited	Kazakstan	Mineral Exploration	Kazakstan	60% Ordinary
Oxus Gold Company Limited	Guernsey	Holding Company	Guernsey	100% Ordinary
Oxus Minerals Corporation Limited	Guernsey	Holding Company	Guernsey	100% Ordinary
Norox Mining Company Limited	Cayman Islands	Mineral Exploration	Kyrgyzstan	100% Ordinary
Norox Operating Company Limited	Kyrgyzstan	Service Company	Kyrgyzstan	100% Ordinary

(1) The Directors consider that Oxus Resources exercises control over the financial and operating policies of Ravat Gold Company. The Company is able to exert this control through its voting rights on the management committee of Ravat Gold Company.

10. Principal Establishments

The principal establishments of the Group are as follows:

Address	Tenure	Term
Griffin House, West Street, Woking Surrey GU21 1BS	Leasehold	5 years from 19 July 1996
45 Kunaeva Street 2 Tashkent 700015, Uzbekistan	Rental	1 year from 8 April 2001
66 Osipenko Street Bishkek 720014, Kyrgyzstan	Rental	1 year from 1 July 2000

11. Placing Arrangements

On 28 June 2001, Old Mutual Securities, the Directors and the Company entered into the Placing Agreement. Old Mutual Securities, as agent for the Company, agreed to use its reasonable endeavours to procure subscribers for the New Ordinary Shares or failing which as principal to subscribe for the New Ordinary Shares at the Placing Price. The obligations of Old Mutual Securities are conditional on certain matters including Admission.

The Placing Agreement contains covenants by the Company and the Directors regarding the Placing and Admission. It also contains warranties and indemnities from the Company and the Directors in favour of Old Mutual Securities. Old Mutual Securities may terminate the Placing Agreement and its obligations under it in certain circumstances.

Under the Placing Agreement the Company has agreed to pay to Old Mutual Securities a fee of £225,000 and a commission of six per cent. on the value of 20,024,925 of the New Ordinary Shares at the Placing Price, and a commission of two per cent. on the value of 6,641,741 of the New Ordinary Shares at the Placing Price. The Company has agreed to pay all costs, charges and expenses of or incidental to the Placing and application for Admission together with applicable VAT.

416,666 of the New Ordinary Shares will be issued to OMS at the Placing Price in satisfaction of £125,000, being part of the amount due to OMS under the Placing Agreement.

12. AGF

The rights of Oxus Resources in relation to the Amantaytau Goldfields project are set out in a series of governmental decrees and regulatory approvals as well as AGF's Charter and a joint venture agreement. Further decrees and/or regulatory approvals may be required in the future.

The Charter of AGF provides that day-to-day operations of AGF are conducted by a directorate headed by a General Director who is nominated by Oxus Resources and appointed by AGF's Supervisory Board. The role of the Supervisory Board is to carry out the management of AGF's business except for matters reserved for decision by AGF's shareholders. It consists of six members, three of whom are appointees of Oxus Resources. The chairman, who does not have a casting vote, is nominated by the Uzbek shareholders. Matters reserved for the shareholders' determination include alterations to the share capital of AGF, significant disposals and acquisitions of assets and approval of AGF's annual business plan. Although the business plan for Phase I has been approved by AGF's shareholders, as Oxus Resources' interest in AGF represents a 50 per cent. stake the Company cannot be assured of being able to determine the actions of AGF in all circumstances and all significant business and corporate decisions at the Supervisory Board or at shareholder level have to be reached by consensus. In the event of a deadlock occurring the General Director is required to manage the business of AGF in accordance with the business plan last approved by the shareholders.

Alterations to the share capital of AGF, including an obligation on shareholders to make further equity subscriptions in cash, require the unanimous approval of shareholders. The percentage amount of the equity interest in AGF of the Uzbek shareholders in aggregate is fixed at 50 per cent. without any requirement for further cash subscriptions by the Uzbek shareholders in the event that AGF's issued share capital is increased.

Restrictions on the transfer of shares in AGF apply, although shareholders are permitted to transfer shares to affiliates and the Uzbek shareholders are permitted to transfer shares to state-controlled enterprises or government bodies. Shareholders have pre-emptive purchase rights in relation to any other transfers of shares.

13. Material Contracts

Save as set out below, the Group has not entered into any material contract (not being a contract entered into in the ordinary course of business) within the previous two years nor has any other contract been entered into which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group.

13.1 The Placing Agreement, details of which are given in paragraph 11 above.

13.2 On 28 June 2001, the Company entered into an agreement with Old Mutual Securities setting out the terms on which Old Mutual Securities has agreed to act as the Company's nominated adviser and nominated broker for the purposes of the AIM Rules for an annual fee of £30,000. The agreement is for an initial term of 12 months and may be terminated by either party thereafter on three months' notice or earlier in the event of a material breach or in certain other limited circumstances.

13.3 Pursuant to a co-operation agreement dated 16 March 2001 entered into between Oxus Resources and LN Metals International Limited (“LN”), LN has agreed to provide commercial advisory services to Oxus Resources in connection with all the Group’s non-ferrous base metal projects in Uzbekistan, such advisory services to include mineral processing, logistics, market research and marketing advice. Oxus Resources has also appointed LN as exclusive marketing agent for non-ferrous metal resources and precious metals in so far as they are produced in conjunction with base metal hosts for the duration of the agreement. Under the agreement Oxus Resources has agreed to pay fees to LN in relation to the provision of LN’s services in connection with the Khandiza project on the following basis:

- (i) during the pre-bankable feasibility stage, LN shall be remunerated on an assignment-by-assignment basis. The scope and requirements of each assignment shall be agreed between the parties, together with a fee for that assignment;
- (ii) during the bankable feasibility study and financing stages, LN shall receive a retainer of \$180,000 per annum, for a fixed period of 2 years, payable monthly in arrears. Should these stages take more than 2 years to complete, then the fee payable to LN for such further period over and above 2 years shall be subject to agreement between the parties, dependent on the input that LN will be required to make during any such further period. Should these stages take less than 2 years to complete, any balance due to LN between the amount of paid retainer, and the fixed 2 year fee of \$360,000 shall be added to the bonus details below; and
- (iii) on the meeting by Oxus Resources of the conditions precedent for the project financing, LN shall receive a bonus payment of \$140,000.

LN has agreed to purchase metals on an off-take basis arising from toll-refined concentrate on terms which are competitive with market conditions at the time.

The terms of the agreement are stated to be fixed until the end of the fifth complete calendar year of concentrate production from the Khandiza project, with a right of re-negotiation arising for both parties at the end of such period.

The agreement also states that its overriding intention shall be that the agreement will not restrict the ability of Oxus Resources to develop Khandiza or other base metal projects in Uzbekistan.

13.4 On 16 January 2001, Oxus Resources entered into an agreement (the “Engagement”) with Barclays Bank PLC (“Barclays Capital”) whereby Barclays Capital is engaged to act as the exclusive adviser/arranger to Oxus Resources to provide arranging services in relation to the project financing of Amantaytau Phase I. Barclays Capital’s role is to arrange the debt financing sought by AGF from non-Barclays Capital sources.

Oxus Resources has agreed to pay a monthly fee of \$50,000 and a success fee of 1.80 per cent. of the total facility amount, payable at financial closing, less 50 per cent. of the amounts paid as monthly work fees up to a limit of \$75,000. In addition, the Company has agreed to issue to Barclays Capital at Admission warrants to subscribe for 376,672 Ordinary Shares exercisable at 38p per share, being 26.7 per cent. above the Placing Price, over a period of three and a half years from Admission. In addition, Oxus Resources is to pay Barclays Capital out of pocket expenses in connection with the Engagement.

Oxus Resources provides an indemnity to Barclays Capital against costs claims and expenses suffered by Barclays Capital in connection with the Engagement. The Engagement is terminable immediately by either party on written notice and in certain other circumstances. In such event, Oxus Resources would be required to pay a termination fee of up to \$250,000.

13.5 On 8 January 2001, Oxus Resources entered into an agreement with the Jorral Foundation pursuant to which the Jorral Foundation lent Oxus Resources the sum of \$250,000 in consideration of the issue by Oxus Resources to the Jorral Foundation of \$250,000 nominal value of unsecured debentures and Oxus Resources Purchase Warrants in respect of 125,000 Oxus Resources Shares.

The debentures are repayable between 1 March 2001 and 30 June 2001, at the discretion of Oxus Resources, plus interest at the rate of 1 per cent. per month on the principal outstanding. The debentures are required to be repaid out of the proceeds of the Placing. Oxus Resources pledges that it will not grant any security over its assets or raise any new loan financing until the debentures are redeemed in full. In the event that the maturity of the debentures is extended for a further three months from 30 June 2001 at the discretion of Oxus Resources, Oxus Resources shall issue to the Jorral Foundation 50,000 fully paid Oxus Resources Shares in consideration of the extension of maturity.

The Oxus Resources Purchase Warrants are exercisable at a price per share of \$1.70, but will be replaced pursuant to the Reorganisation, immediately prior to Admission by Purchase Warrants over 250,000 Ordinary Shares exercisable at \$0.85 per share. Such warrants will lapse if not exercised in full by 31 October 2002 and are subject to terms further described at paragraph 2.5 above.

- 13.6 On 6 December 2000, the Company made an offer to all Oxus Resources shareholders and all holders of Oxus Resources Purchase Warrants (save for those resident in the USA and Canada) which subsequently lapsed. On 22 March 2001 further, amended, offers were made by the Company to Oxus Resources shareholders and holders of Oxus Purchase Warrants (save for those resident in the USA and Canada) to acquire the entire issued share capital of Oxus Resources and all Oxus Purchase Warrants (respectively referred to as the "Share Exchange Offer" and the "Purchase Warrant Exchange Offer" and together referred to as the "Offers" or "Reorganisation"). Shortly thereafter the Offers were made to Oxus Resources shareholders and holders of Oxus Resources Purchase Warrants resident in the USA and Canada.

The Offers were made on the basis that each Oxus Resources Shareholder and each holder of Oxus Resources Purchase Warrants would receive such number of Ordinary Shares and such number of Purchase Warrants respectively as would represent the same proportion of the entire issued share capital or Purchase Warrants in issue immediately prior to Admission as his or her holding of Oxus Resources Shares or Oxus Resources Purchase Warrants, as appropriate, represent of the entire issued share capital of Oxus Resources or the number of Oxus Purchase Warrants in issue. As a result of the structure of the Placing, the Offers will be effected by issuing to each Oxus Resources shareholder 2 Ordinary Shares for every one Oxus Resources share in respect of which the Share Exchange Offer is accepted and by issuing to each holder of Oxus Purchase Warrants 2 Purchase Warrants for every one Oxus Purchase Warrant in respect of which the Purchase Warrant Exchange Offer is accepted. The Offers are conditional upon, inter alia:

- (i) in the case of the Share Exchange Offer, valid acceptances being received in respect of not less than 99.9 per cent. of the Oxus Resources shares in issue or such lesser percentage as the Directors may resolve to accept after consultation with Old Mutual Securities;
- (ii) in the case of the Purchase Warrant Exchange Offer, valid acceptances being received in respect of not less than 100 per cent. Of the Oxus Resources Purchase Warrants or such lesser percentage as the Directors may resolve to accept after consultation with Old Mutual Securities; and
- (iii) the Directors declaring, after consultation with Old Mutual Securities, that they are reasonably satisfied that Admission will occur.

As at the date of this document, the Company has received acceptances under the Share Exchange Offer representing 99.97 per cent. of the issued share capital of Oxus Resources and 99.71 per cent. of the Oxus Resources Purchase Warrants in issue. As such, the Directors anticipate that the Offers will become wholly unconditional and the Reorganisation will complete on 2 July 2001.

It is the Directors' intention that, to the extent that there remain any Oxus Resources Shares in respect of which the Share Exchange Offer shall not have been accepted, the Company shall compulsorily acquire from such Oxus Resources Shareholders such Oxus Resources Shares at the fair market value of such shares.

- 13.7 On 8 October 1999, Oxus Resources entered into a sale and purchase agreement with Normandy for the purchase by Oxus Resources of Normandy's 75 per cent. equity interest in Norox (through which the Group's interest in Talas Gold is held).

The purchase price for the Norox shares was \$4,500,000 satisfied by the issue to Norox of a special warrant to subscribe for Oxus Resources Shares at an aggregate subscription price of \$1,500,000 (which has subsequently been exercised) and the issue of Oxus Resources Shares with a market value of \$3,000,000.

Oxus Resources irrevocably granted Normandy, or its nominated subsidiary, the right, for a period of 24 months from completion of the sale and purchase under the agreement, ending on 23 December 2001 to purchase 51 per cent. of Oxus Resources' interest in Norox (or Oxus Resources' interest, or any associated entity's interest, in the Jerooy project directly). The formula for calculation of the consideration is an amount equal to the Oxus Resources' percentage ownership in Norox at the date the rights are exercised multiplied by two times expenditure on the project incurred by Oxus Resources since the completion date plus US\$4.5 million.

- 13.8 Pursuant to an agreement dated 31 August 1999, Oxus Resources acquired from Lonmin shares in AGF representing a 43 per cent. interest in AGF in consideration of the issue by Oxus Resources to Lonmin of (1) a special warrant with a value of \$3,000,000 to subscribe for Oxus Resources Shares at an exercise price of \$0.90 per share and the issue on exercise of an Oxus Resources Purchase Warrant for every share so issued and (2) of \$1,300,000 principal convertible unsecured debentures. The special warrant has been exercised and the rights to convert the unsecured debentures into shares have subsequently been terminated. The Directors intend that the unsecured debentures will be repaid in full out of the proceeds of the Placing immediately following Admission.

Oxus Resources agreed to assume and indemnify Lonmin against any liabilities arising under various agreements to which it was party in connection with AGF, including a joint venture agreement dated 24 November 1993 between Lonmin and the other shareholders in AGF. On 11 July 2000 a decree (No. 266) was adopted by the Cabinet of Ministers of Uzbekistan authorising Oxus Resources to capitalise \$813,955, owed by AGF to Oxus Resources, resulting in its interest in AGF being increased to 50 per cent., with the holdings of Goscomgeology and Navoi MMC being adjusted to 40 per cent. and 10 per cent. respectively of the share capital of AGF.

AGF was originally established pursuant to the terms of the joint venture agreement and a charter. AGF has a new Charter in place, which is described in paragraph 12 above. Although certain commercial features of the Amantaytau project were obtained by virtue of the joint venture agreement, the terms of Oxus Resources' and the other shareholders' participation in AGF are governed principally by the Charter.

- 13.9 On 9 September, 1998, Norox entered into a joint venture agreement with Kyrgyzaltyn to establish Talas Gold, to develop and operate the Jerooy gold deposit. Upon fulfilment of various conditions precedent to the joint venture agreement by Kyrgyzaltyn, including due government approval and enactment of a specific favourable tax regime for the project, Norox is to proceed to complete a bankable feasibility study. The agreement provides for Norox to finance two thirds of the project costs, subject to the feasibility study results and market conditions being favourable. Up to \$31,000,000 of such financing is to be provided interest free in recognition of sunk costs of \$15,500,000 by Kyrgyzaltyn to date. Approximately \$6,000,000 has already been advanced by Norox towards the feasibility study and there is no intention to make further significant advances against the feasibility study costs until and unless the conditions precedent (in particular, in relation to the tax regime) have been met by Kyrgyzaltyn. The balance of the financing would only be provided as part of the project construction funds alongside third party lenders. Assuming the feasibility study is completed and market conditions are favourable such financing is unlikely to be required for at least the next 18 months.
- 13.10 On 27 March 1997, Oxus Resources entered into an agreement with Kazmincorp for the establishment of a limited liability partnership called Oxus Central Asia Exploration and Mining Limited, organised under the laws of the Republic of Kazakhstan. Oxus Resources holds a 60 per cent. interest. A further agreement of the same date provides that upon the occurrence of the first commercial gold sale, Oxus Resources is to issue Kazmincorp 625,000 Oxus Resources Shares. No such commercial gold sales are anticipated to arise in the foreseeable future.

- 13.11 On 12 March 1997, Oxus Resources entered into a joint venture agreement with the South Kyrgyz Geological Expedition for the establishment of Ravat Gold Company of which Oxus Resources holds a 50 per cent. interest. Under the agreement Oxus Resources commits to fund a programme of geological exploration expenditure which consists of expenditure of at least \$500,000 per year during the exploration phase provided the work programme justifies the expenditure. Oxus Resources suspended activity on this project in September 1999 and no action has been taken by South Kyrgyz Geological Expedition.
- 13.12 On 14 December 1996, Oxus Resources entered into an agreement with Goscomgeology to complete a feasibility study for the Khandiza Polymetallic Deposit and carry out exploration works. The agreement was amended on 10 July 1997 and 9 June 2000. The agreement provides Oxus Resources with the right to carry out exploration works over the Khandiza deposit and the surrounding area. The agreement also anticipates the formation of a joint venture company of which Oxus Resources shall have a 50 per cent. interest. Oxus Resources is required to spend a total of \$6 million over the feasibility study stage (including a requirement to spend \$500,000 over the 2 year period to 9 June 2002) and this amount shall be taken into account in the share capital of the joint venture company.

14. Litigation

Neither the Company nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position.

15. Taxation

The following statements in paragraphs 15.1, 15.2, 15.3 and 15.4 below are intended only as a general summary of the current position under United Kingdom tax law and practice and their applicability will depend upon the particular circumstances of individual shareholders. The summary is not exhaustive and does not generally consider tax relief or exemptions.

Any person who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.

- 15.1 Under current United Kingdom tax legislation, no tax is withheld from dividend payments made by the Company. The Company is no longer required to account to the Inland Revenue for advance corporation tax on dividends. Shareholders who are individuals resident in the United Kingdom for tax purposes will be entitled to receive an associated tax credit (currently equal to one-ninth of the dividend paid). The aggregate of the dividend and the associated tax credit will form the individual's top slice of income. Where the income falls within the basic rate limit (treating dividend income as the top slice of income) the rate of income tax is 10 per cent. so that the individual's basic rate liability is met by the tax credit to which he or she is entitled. To the extent that the income exceeds the basic rate limit, the rate of income tax is 32.5 per cent. (equivalent to a further liability of 25 per cent. of the amount of the dividend). Individual shareholders will not be able to reclaim any part of the tax credit from the Inland Revenue subject to limited exceptions for individual savings accounts and PEPS. Charities are compensated for the loss of the right to reclaim tax credits by the phasing out of their entitlement to reclaim tax credits over a 5 year period which commenced on 6 April 1999.

Any person who may be resident (for tax purposes) outside the UK should note that, since 6th April 1999, most non-UK resident shareholders who had previously been able to claim repayment of any part of the tax credit on UK dividends have either ceased to be able to obtain such repayment or have seen the amounts repayable fall to less than 1 per cent. of the dividend. Any such person should consult his own tax adviser on whether he is entitled to reclaim any part of the tax credit and, if so, the procedure for doing so and whether any double taxation relief is due in any country in which he is subject to tax.

Subject to certain restrictions for some insurance companies, a corporate shareholder which is resident in the United Kingdom (for tax purposes) is not usually liable to United Kingdom corporation tax in respect of dividends received from the Company. However, where shares are held as trading stock, dividends paid will be treated for tax purposes as part of the shareholder's trading profits.

- 15.2 An individual shareholder who is either resident or ordinarily resident in the United Kingdom (whether or not domiciled there) may be liable to capital gains tax on any disposal of his shares in the Company.

A United Kingdom resident corporate shareholder may be liable to corporation tax on chargeable gains on any disposal of its shares in the Company.

A shareholder who is not resident (nor, in the case of an individual, ordinarily resident) in the United Kingdom, will not normally be liable to United Kingdom tax on capital gains on any disposal of shares in the Company unless that shareholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and the shares are, or have been used, held or acquired for the purposes of such trade, profession or vocation, branch or agency. Persons with an interest in the income or capital of a corporate shareholder which is not resident in the United Kingdom could, depending on their own United Kingdom residence and domicile status, have gains made by that corporate shareholder attributed to them.

- 15.3 Except in relation to depository receipt arrangements and clearance services where special rules apply:

- (i) no stamp duty or stamp duty reserve tax (“SDRT”) is payable on the allotment by the Company pursuant to the Placing of Ordinary Shares for cash or on the issue of share certificates in respect of such shares; and
- (ii) a conveyance or transfer on sale of Ordinary Shares following the Placing will generally be subject to stamp duty at the rate of 0.5 per cent. rounded up to the nearest £5 of the amount or value of the consideration. An agreement to sell Ordinary Shares which is not completed by a duly stamped transfer will generally be subject to SDRT at the same rate.

16. Overseas Investment Restrictions

Australia

No prospectus, notice or other document in relation to the New Ordinary Shares has been lodged with, or registered by, the Australian Securities Commission. A person may not (directly or indirectly) :

1. offer for subscription or purchase or issue invitations to subscribe for or buy or sell the New Ordinary Shares; or
2. distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia, its territories or possessions unless:
 - (a) the New Ordinary Shares are issued, or the offer or invitation is made, only to:
 - (i) a broker or other person who is the holder of a dealers licence granted under the Corporations Law of Australia or is an exempt dealer or an exempt investment adviser for the purposes of the Corporations Law who is, in any such case, acting as a principal;
 - (ii) a life insurance company, investment or merchant bank or other body corporate registered under either the Life Insurance Act 1995 of Australia or the Financial Corporations Act 1974 of Australia;
 - (iii) a person who, for the purposes of investment in securities, controls an amount of not less than A\$10 million (including in that amount any amount held by an associate of the person or under a trust that the person manages);
 - (iv) a trustee of a superannuation fund constituted under a law of Australia, a State or Territory of Australia or a foreign country, or a trustee of a superannuation fund that has net assets of not less than A\$10 million; or
 - (v) a public authority or an instrumentality or agency of the Crown (in right of Australia or a state or Territory of Australia) which is incorporated in Australia; or

- (b) the consideration payable in respect of any subscription or purchase of New Ordinary Shares is not less than A\$500,000; or
- (c) such offer, invitation, sale or distribution is otherwise in accordance with the Corporations Law, the Corporations Regulations and any other applicable law.

Switzerland

The New Ordinary Shares will not be offered publicly, directly or indirectly, to investors in Switzerland. Only a limited circle of professional or institutional investors will be approached in connection with the offering of the New Ordinary Shares.

France

This document has not been prepared in the context of a public offer of securities in France within the meaning of Regulations no. 98-01 and 98-08 of the Commission des Operations de Bourse (“COB”) and has therefore not been submitted to the COB for prior approval. It is made available to qualified investors only, on the condition that it shall not be passed on to any person nor reproduced (in whole or in part) and that applicants would invest for their own account in accordance with the terms set out by the decree dated 1 October 1998 and undertake not to re-transfer, directly or indirectly, the New Ordinary Shares being offered under the Placing to the public in France, other than in compliance with applicable laws and regulations (Articles 6 & 7 of the Ordinance No. 67-833 dated 28 September 1967).

Belgium

This document and any related documents to be published by the Company are not intended to constitute, and should not be construed as, a public offering in Belgium. Such documents may not be distributed to the Belgian public. The New Ordinary Shares may not be publicly offered for sale in Belgium, and no steps may be taken which would constitute, or result in, a public offering of the New Ordinary Shares in Belgium. Any purchase of New Ordinary Shares in Belgium should be made in the name, and for the own account, of institutional investors listed in article 3.2 of the Royal Decree of 9 January 1991 (as amended). This document has not been, and will not be, submitted for approval to the Belgium Commission for Banking and Finance.

Norway

This document has not been approved by or registered with the Oslo Stock Exchange under chapter 5 of the Norwegian Securities Trading Act 1997. The New Ordinary Shares have not been offered and will not be offered to persons in Norway in any way that would constitute an offer to the public other than to persons who invest in securities as part of their professional activity and who are registered with the Oslo Stock Exchange in this capacity, or otherwise only in circumstances where an exemption from the duty to publish a prospectus under the Norwegian Securities Trading Act 1997 is applicable.

Sweden

The New Ordinary Shares will be offered to a limited number of potential investors only. This document has not been, and will not be, registered with the Swedish Financial Authority. Accordingly, this document may not be made available, nor may the New Ordinary Shares otherwise be marketed and offered for sale in Sweden, other than in circumstances which are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act 1991.

Republic of Ireland

This document does not constitute an offer or invitation to the public in the Republic of Ireland to purchase or subscribe for New Ordinary Shares nor does it constitute a form of application for shares to anyone other than those to whom this document is addressed. This document may not be issued or circulated in connection with any offer to the public in the Republic of Ireland. This document is distributed in the Republic of Ireland to a limited number of institutional investors. Institutional investors who accept the New Ordinary Shares must do so as part of their ordinary business for their own account or the account of others.

South Africa

The New Ordinary Shares are only being offered to a limited number of persons in South Africa, in circumstances where such offers are not deemed to be offers to the public pursuant to section 144 of the South African Companies Amendment Act 1998, and are not being offered to the public in South Africa. Therefore, no prospectus in relation to the new Ordinary Shares will be lodged for registration with the relevant authorities in South Africa. Investors with registered addresses in South Africa may require the approval of the South African Exchange Control Authorities if they wish to subscribe for new Ordinary Shares.

17. Minimum Subscription

The minimum amount which, in the opinion of the Directors, must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21 (a) to Schedule 1 of the POS Regulations, is £8 million. This amount includes £176,989 of the loan indebtedness due to Jural Foundation under the loans to Oxus Resources referred to in paragraph 18.17.3 in Part IX of this document and £290,000 of the loan indebtedness due to Lonmin which they have agreed will be satisfied by the issue of 589,963 and 966,666 New Ordinary Shares respectively at the Placing Price. The balance of these loans will be repaid out of the cash proceeds of the Placing. This amount also includes £496,204 of accrued remuneration and loans owed to certain Directors and employees who have agreed that such sums be satisfied by the issue of 1,654,013 New Ordinary Shares as described in paragraph 18.1 below. These proceeds will be applied as follows:

(a)	purchase price of property	£nil
(b)	commissions and expenses of the issue	£1.4 million
(c)	repayment of borrowings in respect of (a) and (b) above	£nil
(d)	working capital	£6.6 million

18. Miscellaneous

- 18.1 The estimated total proceeds of the Placing are expected to be £8 million. The expenses of, and incidental to, the Placing are estimated to amount to approximately £1.4 million (excluding value added tax) of which £400,300 is in respect of underwriting commissions and are payable by the Group. The amount raised includes £176,989 of loan indebtedness due to Jural Foundation and £290,000 of indebtedness due to Lonmin which they have agreed will be satisfied by the issue of 589,963 and 966,666 New Ordinary Shares respectively at the Placing Price. The amount raised also includes £496,204 of accrued remuneration owed to certain Directors and employees who have agreed that such sums be satisfied by the issue of 1,654,013 New Ordinary Shares in total at the Placing Price. 416,666 of the New Ordinary Shares will be issued to OMS at the Placing Price in satisfaction of £125,000, being part of the amount due to OMS under the Placing Agreement. The underwriting commissions are payable to Old Mutual Securities. The estimated net cash proceeds of the Placing payable to the Company are £5.6 million.
- 18.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of Oxus Resources since 31 December 2000, the date to which the last audited accounts of Oxus Resources were made up.
- 18.3 The auditors of Oxus Resources, PricewaterhouseCoopers, of 1 Embankment Place, London WC2N 6RH, have audited the accounts of Oxus Resources for the three years ended 31 December 2000.
- 18.4 The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of Oxus Resources for the three years ended 31 December 2000 have been prepared and audited.
- 18.5 The Placing has been fully underwritten by Old Mutual Securities.
- 18.6 Old Mutual Securities has given and has not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they are included and have accepted responsibility for those parts of this document.

- 18.7 CSMA Consultants Limited has given and has not withdrawn its written consent to the inclusion herein of its report and the references to that report and to its name in the form and context in which they are included and has accepted responsibility for those parts of this document.
- 18.8 Snowden Associates have given and have not withdrawn their written consent to the inclusion herein of the references to their name in the form and context in which they are included.
- 18.9 Roscoe Postle Associates Inc. has given and has not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which it is included.
- 18.10 Watts Griffis and McOuat have given and have not withdrawn their written consent to the inclusion herein of the references to their name in the form and context in which they are included.
- 18.11 Wardell Armstrong have given and have not withdrawn their written consent to the inclusion herein of the references to their name in the form and context in which they are included.
- 18.12 Kappes Cassiday and Associates have given and have not withdrawn their written consent to the inclusion herein of the references to their name in the form and context in which they are included.
- 18.13 Kvaerner has given and has not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which it is included.
- 18.14 Lakefield has given and has not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which it is included.
- 18.15 James Arnold has given and has not withdrawn his written consent to the inclusion herein of his report and the references to that report and his name in the form and context in which they are included and has accepted responsibility for those parts of this document.
- 18.16 Save as disclosed, there are no New Ordinary Shares reserved pursuant to the Placing for allocation to existing shareholders, Directors, employees or past employees of the Company, Oxus Resources or its subsidiaries and there are no other preferential allocation arrangements.
- 18.17 Save as set out below no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (i) received, directly or indirectly, from the Company within the twelve months preceding the date of this document; or
 - (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more; or
 - (b) securities in the Company with a value of £10,000 calculated by reference to the Placing Price; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission:
- 18.17.1 pursuant to the joint venture agreement between Norox and Kyrgyzaltyn more particularly described at paragraph 13.8 above, in the event that the Jerooy project proceeds to the project finance stage, Norox will be required to contribute \$1,000,000 of a \$2,500,000 payment that Kyrgyzaltyn will be required to make to its former joint venture partner, MK Gold Company;
- 18.17.2 pursuant to an agreement entered into between Oxus Resources and LN Metals International Ltd (“LN”) dated 16 March 2001 under which LN subscribed for 537,369 Oxus Resources Shares, Oxus Resources issued to LN 37,364 Oxus Resources Shares by way of a commission equivalent to 7 per cent. of the total number of Oxus Resources Shares subscribed for by LN and Oxus Resources Purchase Warrants in respect of 18,817 Oxus Resources Shares, exercisable at \$1.70 per share which, on completion of the Reorganisation, shall be replaced immediately prior to Admission by Purchase Warrants in respect of 37,634 Ordinary Shares exercisable at \$0.85 per share, which Purchase Warrants shall lapse unless exercised in full by 31 October 2002 and will be subject to terms applicable to the Purchase Warrants which are further described at paragraph 2.5 above;

- 18.17.3 during the period of 12 months prior to the date of this document Oxus Resources has issued to the Joral Foundation by way of commission in respect of loans to Oxus Resources and equity subscriptions arranged by it 26,000 Oxus Resources Shares in aggregate and, pursuant to the agreement more particularly described at paragraph 13.5 of this document, Oxus Resources has issued to the Joral Foundation Oxus Resources Purchase Warrants in respect of 125,000 Oxus Resources Shares, exercisable at \$1.70 per share which, on completion of the Reorganisation shall be replaced immediately prior to Admission by Purchase Warrants in respect of 250,000 Ordinary Shares exercisable at \$0.85 per share, which Purchase Warrants shall lapse unless exercised in full by 31 October 2002 and will be subject to terms applicable to the Purchase Warrants which are further described at paragraph 2.5 above. In addition, in the event that the maturity of the debentures issued pursuant to the agreement is extended for a further three months from 30 June 2001. Oxus Resources shall issue to the Joral Foundation 50,000 fully-paid Oxus Resources Shares in consideration of the extension of maturity. The Directors intend to repay in full such debentures immediately following Admission;
- 18.17.4 during the period of 12 months prior to the date of this document Oxus Resources has issued to Three J Limited 36,300 Oxus Resources Shares by way of commission in respect of equity subscriptions in Oxus Resources;
- 18.17.5 during the period of 12 months prior to the date of this document Oxus Resources has issued to K D Irons 30,000 Oxus Resources Shares by way of discharge in full of the obligation of Oxus Resources to pay fees in respect of public relations services provided by Bankside Consultants Limited in connection with the Placing;
- 18.17.6 Oxus Resources has paid sums and agreed to pay further sums to Barclays Capital pursuant to the agreement with Barclays Capital referred to in paragraph 13.4 of Part IX of this document;
- 18.17.7 during the 12 months prior to the date of this document, Oxus Resources agreed to pay commission of \$81,000 (including expenses) to Eastbound Resources Limited (a company in which Guy Pas has a controlling interest) in relation to placing shares in Oxus Resources. This commission has been satisfied by the issue to Eastbound Resources Limited of shares in Oxus Resources;
- 18.17.8 during the 12 months prior to the date of this document Oxus Resources has paid \$15,000 to Zuri-Invest AG for investment consultancy services;
- 18.17.9 during the 12 months prior to the date of this document Oxus Resources has paid £14,700 to First Orient Investment Management Limited for consultancy and fund raising services; and
- 18.17.10 Oxus Resources has agreed to procure the issue to Kazmincorp of 625,000 Oxus Resources Shares in circumstances described in paragraph 13.10 of Part IX of this document.
- 18.18 The Ordinary Shares in issue at the date of this document are, and the further Ordinary Shares to be in issue following Admission will be, in registered form. Temporary documents of title will not be issued under the Placing. It is expected that share certificates will be despatched to those persons requesting delivery of their New Ordinary Shares in certificated form, at the risk of the persons entitled to them, by 7 July 2001. Where placees request that New Ordinary Shares be delivered to them in uncertificated form, it is expected that such New Ordinary Shares will be credited to their CREST accounts as soon as practicable after Admission has occurred.
- 18.19 The Placing Price represents a premium of 29p over the nominal value of 1p per New Ordinary Share. The Placing Price is payable in full on application.
- 18.20 Copies of this document will be available free of charge from Old Mutual Securities at Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG for a period of not less than 14 days from the date of Admission.
- 18.21 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under CREST. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

19. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London, EC1A 4DD from the date of this document up to and including 4 August 2001:

- (a) the Memorandum and Articles of Association of the Company referred to in paragraph 3 of this Part IX;
- (b) the audited accounts of Oxus Resources for the three years ended 30 December 2000;
- (c) the reports by PricewaterhouseCoopers set out in Parts VII and VIII of this document;
- (d) The report by James Arnold set out in Part IV of this document;
- (e) the Competent Persons' Report set out in Part V of this document;
- (f) the terms of Purchase Warrants referred to in paragraph 2.5 of this Part IX of this document;
- (g) the service agreements referred to in paragraph 5 of this Part IX of this document;
- (h) the material contracts referred to in paragraph 13 of this Part IX of this document;
- (i) the letters of consent referred to in paragraph 18 of this Part IX of this document;
- (j) the rules of the Share Incentive Plan referred to in paragraph 7 of this Part IX of this document; and
- (k) this document.

28 June 2001

GLOSSARY OF TERMS AND MEASURES

activated carbon	suitably sized carbon granules that have been heat treated with steam, thus rendering their surface 'active'
adit	horizontal or sub-horizontal tunnel driven into the side of a hill to provide access to a mineral deposit
adsorption	process by which elements in solution accumulate on the surface of a solid
agglomeration	using a binding agent (cement) to cause smaller particles to join together and to form larger particles
alluvial	(earth or sand etc.) deposited by the action of running water
anomaly	value or aspect higher, lower or different to the average or norm
anticline	fold in rock strata that is convex upward with a core of older rocks
assay	chemical analysis, to determine the mineral content of a sample
autoclave	vessel in which high temperatures and pressure are applied to aqueous media
backfill	material used to fill the space in a mine after ore has been extracted
base metal	generally non-ferrous, non-precious metal, mainly copper, lead, zinc, nickel and aluminium
bench	successive steps mined as an open pit is deepened
bio-oxidation	the oxidation of sulphide minerals through the action of micro-organisms
breccia	angular fragments of rock
carbon-in-leach	a recovery process in which a slurry of gold ore, activated carbon granules and cyanide are mixed together. The cyanide dissolves the gold, which is then absorbed onto the carbon. The carbon is subsequently separated from the slurry for gold recovery
carbon-in-pulp	similar to the carbon-in-leach process, but initially the slurry is subjected to cyanide leaching only, with the gold absorption onto the activated carbon taking place in separate tanks
chert	a form of quartz
clastic	refers to rock or sediments made up primarily of broken fragments of pre-existing rocks or minerals
conglomerate	a clastic sedimentary rock composed of lithified beds of rounded gravel mixed with sand
contained ounces	ounces in the ground, less the ounces not recoverable by the applicable mining
crushing and grinding	process which breaks ore down into small pieces, prior to further processing
cut-off grade	lowest grade of mineralised material considered economic, used in the calculation of ore reserves. Also used in reserve estimation, meaning all material higher than the given grade
dense media separation	separating minerals of differing density using media, usually ferrosilicon, tailored to cause unwanted minerals/gangue to float and required minerals to sink
deposit	coherent geological body such as a mineralised body
dextral faulting	denotes right-hand movement (towards the observer) along a strike-slip fault
DFS	definitive feasibility study
diamond drilling	drilling method which obtains a cylindrical core of rock by drilling with an annular bit impregnated with diamonds

dilution	the effect of waste or low grade ore being included unavoidably in the mined ore, lowering the grade
doré	unrefined gold and silver bullion bars which will be further refined to almost pure metal
drill core	rock samples recovered by diamond drilling
drill hole	hole drilled in the ground
electrowinning	process of depositing metals present in solution, onto a cathode by application of a direct electric current
fault	fracture in a rock along which there has been an observable amount of displacement
feasibility study	extensive technical and financial study to assess the commercial viability of a project
flotation	a mineral processing technique used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
fold	a bend in strata
footwall	rock mass below a fault, vein, bed or mineralisation
fracture	break in rocks due to intense folding or faulting
gangue	rocks and minerals of no economic value that occur with valuable minerals in an ore
geostatistics	the use of complex statistical mathematics to improve the estimation process in the natural resources industry
geosynclinal-oro-genic system	term used to define a linear structural domain that has been subjected to folding and other deformation in a mountain-building episode
gneiss	a coarse, foliated metamorphic rock
grade	relative quantity or the percentage of ore mineral content in an ore body. See also cut-off grade; recovered grade and reserve grade
hanging wall	rock mass above a fault, vein, bed or mineralised zone
haulage	underground route for vehicle transport
heap leaching	a process whereby gold is extracted by “heaping” ore on sloping impermeable pads and applying, to the heaps, a weak cyanide solution which dissolves the gold content. The gold-laden solution is collected for gold recovery and recycled to the heaps
heavy liquid concentration	separation of relatively dense mineral grains by floating off lighter grains in a heavy liquid such as bromoform
indicated mineral resource	part of a mineral resource for which quantity and quality can only be estimated with less certainty than for a measured mineral resource base, because the sites used for sampling and measurement are too widely or inappropriately spaced to enable the material or its continuity to be defined or its grade throughout to be established
infill drilling	drilling within a group of previously drilled holes to provide a closer spaced pattern to define more accurately the parameters of the orebody
in situ	still in its original place
kriging	geostatistical process to extrapolate numerical values from samples into areas of no data
leaching	dissolving of elements and minerals out of ore
massive sulphide	relatively dense, often fine grained, sometimes bedded, sulphide mineralisation, commonly lens shaped and stratiform, i.e., restricted to a particular geological horizon
metallogenic province	belt of rocks, that are often structurally controlled, that are host to a specific selection of metals

metallurgy	scientific study of extraction and refining of metals and of their structure and properties
metosomatic	a process whereby one set of minerals is altered to another by the action of hot, hydrothermal solutions passing through the rock
mill	equipment used to grind crushed rock to the desired size for mineral extraction
mineralisation	process of formation and concentration of elements and their chemical compounds within a mass or body of rock
mineral resource	is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing confidence, into Inferred, Indicated and Measured categories
multiphased hydrothermal event	describes a number of hot fluid pulses (separated by time) passing through the rock mass, depositing the various ore minerals
open pit	mine working or excavation open to the surface
ore	rock that can be mined and processed at a profit
orebody	a solid mass of ore
ore reserve	is the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into Probable and Proven
ounce	troy ounce; unit of weight equal to 31.1035g
outcrop	a rock exposure on surface
overburden	uneconomic material which overlies a bed of useful material
oxide minerals	minerals produced by natural weathering processes at or near the earth's surface
payback period	the period over which cash inflows of a project equal the cash outflows
polygonal method	a manual resource/reserve estimation method that relies on polygonal shapes to calculate areas and hence volumes/tonnages around or between selected samples
polymetallic	containing several metals
porphyry	medium-grained rock containing relatively large crystals of any mineral
precambrian	an informal term to include all geologic time from the beginning of the Earth to the beginning of the Cambrian period 570 million years ago
precious metal	gold, silver and platinum group metals
recovery rate	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
refining	the final stage of metal production in which impurities are removed from the metal
reserves	Proven: measured mineral resources, where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions Probable: Measured and/or indicated mineral resources which are not yet proven, but where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions

resource	<p>Measured: a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at location which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation of which allows a clear determination to be made of shapes, sizes, densities and grades</p> <p>Indicated: a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An indicated resource estimate will be based on more data, and therefore will be more reliable, than an inferred resource estimate</p> <p>Inferred: A mineral resource inferred from geoscientific evidence, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability</p>
rhyolite	a fine-grained silica-rich igneous rock, the extrusive equivalent of granite
reverse circulation drilling	a rotary drilling technique, commonly using water or air as the flush medium, that recovers chips of rock rather than a continuous core. A cheaper alternative to diamond drilling
rhyolite	a fine-grained silica-rich igneous rock, the extrusive equivalent of granite
schist	a strongly foliated, coarsely crystalline metamorphic rock
sedimentary rock	rock formed from the accumulation of sediment, which may consist of fragments and mineral grains of varying sizes from pre-existing rocks, remains or products of animals and plants, the products of chemical action, or mixtures of these
shear zone	a fracture system where considerable lateral (and vertical) movement has taken place along numerous, often parallel, slip planes. These zones are often characterised by crushed and/or altered rocks
slurry	a mixture of fine ground ore, concentrate, tailings or leach residue with water or other aqueous liquid
smelting	a metallurgical operation in which metal is separated from impurities by a process that includes melting
stockwork	a network of veinlets, usually containing quartz
stope	an area in an underground mine where ore is mined
stoping	the mining term for large-scale extraction of ore from underground
stratigraphy	the succession and age relation of layered rocks
strike length	the longest horizontal dimension of an orebody or zone of mineralisation
stripping ratio	ratio between the quantity of waste to be removed from an open pit and the quantity of ore it contains
sublatitudinal	term used exclusively in the CIS to define a structure with an approximate east-west trend
submeridianal	term used exclusively in the CIS to define a structure with an approximate north-south trend
sulphide	mineral containing sulphur in its non-oxidised form
syncline	fold in rock strata that is concave upwards with a core of younger strata
tailings	material that remains after all metals/minerals considered economic have been removed from ore

thickener	settlement tank with ranking mechanism to direct settled solids to a centre-bottom discharge and with a top peripheral launder to collect clear overflow liquid
(treatment) plant	a plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
underground working	mine openings for evaluation for ore extraction excavated beneath the ground surface
vein	tabular or sheet-like body of minerals which has formed in a joint or a fissure, or system of joints and fissures, in rocks
VMS (volcanogenic massive sulphide) deposit	a mineral deposit of metallic sulphides formed directly through processes associated with volcanism, commonly in a submarine setting
wire framed	a technique to convert orebody intersections into a 3D computer model to assist interpretation

ABBREVIATIONS AND SYMBOLS

°C	degrees Celsius
As	arsenic
Ag	silver
Au	gold
BIOX®	Biological oxidation of sulphide minerals
CIL	carbon-in-leach
CIP	carbon-in-pulp
cm	centimetre
Co	cobalt
Cu	copper
g/t	grammes per tonne
Hg	mercury
IRR	internal rate of return
JORC	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
km	kilometre
Kozs	thousand ounces
Kt	thousand tonnes
m	metre
m ³	cubic metres
mm	millimetre
Mt	million tonnes
Mtpa	million tonnes per annum
MVA	mega volt ampere
Ni	nickel
NPV	net present value
oz	Troy ounce
Pb	lead
pH	measure of acidity
S	sulphur
Sb	antimony
tpa	tonnes per annum
tpd	tonnes per day
tpy	tonnes per year
U	uranium
US\$	US dollar
Zn	zinc

