

8 December 2016

Please email:
oxusgold@bdo.co.uk

TO ALL CREDITORS

Dear Sir/Madam,

Oxus Gold Plc ("the Company") - In Administration

I last reported to creditors on 12 August 2016. Ordinarily, progress reports are issued every six months, but the administration has reached the stage where it either needs to be extended or converted to a liquidation. The Joint Administrators have determined that an extension of the administration will be in the best interests of the Company, enabling it to continue to pursue its claims against the Republic of Uzbekistan without interruption, and we are accordingly in the process of making an application to the court for a two year extension of the administration.

An application for an extension must be accompanied by an up to date progress report and accordingly this report is being issued earlier than would otherwise be the case, pursuant to Rule 2.112(1) Insolvency Rules 1986. I am therefore now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration.

1 Statutory Information

The Joint Administrators are Malcolm Cohen and Shane Crooks of BDO LLP, 55 Baker Street, London, W1U 7EU and they were appointed in respect of the Company on 27 January 2016. Under the provisions of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Administrators carry out their functions jointly and severally and neither Administrator has exclusive power to exercise any function.

The Joint Administrators were appointed by the Directors of the Company, pursuant to Paragraph 22 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the High Court of Justice, Chancery Division and the court case number is 482 of 2016.

The Company's registered office is situated at 55 Baker Street, London, W1U 7EU and the registered number is 04056219.

2 Events leading up to the Appointment of the Joint Administrators

- 2.1 In my proposals report of 11 March 2016, I outlined the timeline of events leading up to the Appointment of the Joint Administrators. I have again included the key events for the benefit of any creditors who may not have seen my proposals for the Company, and would request that if any paper copies of the proposals are required an email request should be sent to me at oxusgold@bdo.co.uk. The proposals, along with this and prior statutory reports, are available online for the benefit of creditors and shareholders, at the following webpage:

<http://www.bdo.co.uk/services/business-restructuring/oxus-gold-plc-in-administration>.



This webpage can also be navigated to from the main bdo.co.uk website by searching for "Oxus Gold".

- 2.2 The Company was incorporated on 21 August 2000 as a precious metals mining and exploration entity. The principal activities of the Company and its subsidiary companies ("the Group") comprised the investment in Amantaytau Goldfields ("AGF") in Uzbekistan.
- 2.3 As previously reported, following action taken by the Uzbek Government, the Group had been engaged in international UNCITRAL arbitration proceedings ("the Arbitration") against the Uzbek Government in order to seek appropriate compensation for the loss of its investment in AGF and for the loss of the Khandiza base metals project in 2006. In September 2012 the Group submitted its Statement of Claim to the Arbitral Tribunal ("the Tribunal") and the hearing by the Tribunal took place at the end of April and the beginning of May 2014.
- 2.4 In order to enable it to pursue its claims against the Uzbek Government, the Company entered into a litigation funding agreement ("LFA") with Gretton Ltd ("Gretton"). Under the terms of the LFA, Gretton was granted a mortgage over the proceeds of the Company's claims to the extent of amounts due to it under the LFA.
- 2.5 On 21 December 2015, the Tribunal dismissed the Company's claims in regard to the Khandiza deposit entirely. The Company's claims in regard to AGF were also dismissed, save for a finding of a breach of "fair and equitable treatment" in relation to the Uzbek tax regime applicable to AGF. The Tribunal awarded the Company \$10,299,572 in damages with compound interest of LIBOR + 2% for the corresponding years of 2004 to 2010. This was much lower than the Company had anticipated.
- 2.6 If the award as handed down is collected, these funds will be due in their entirety to the litigation funder under the terms of the LFA. No funds would be available to meet the claims of preferential or unsecured creditors, nor would any funds become available for shareholders.
- 2.7 Following the award being handed down, the Company's shares were suspended from trading on AIM on 23 December 2015. The Company's admission to AIM was subsequently cancelled on 29 February 2016. I would also advise you that the CREST system was disabled for the Company and any further share transfers must be registered manually.
- 2.8 In light of the quantum of the award and the funder's exclusive interest in it, the directors reviewed the options available to the Company. There were no longer funds available to meet its ongoing running costs for more than a very short period of time.
- 2.9 On 27 January 2016 an application for appointment of Joint Administrators was made by the directors of the Company, pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986. On 27 January 2016, Shane Crooks and I were appointed Joint Administrators.

3 Receipts & Payments

I enclose, for your information, a summary of my receipts and payments to date showing a balance in hand of £6,828.40. I consider these receipts and payments to be self-explanatory but should you have any further queries please contact us.

4 Costs in the Administration

I additionally provide a summary of the professional fees and other expenses which have been paid in the Administration and the costs which have accrued and not yet been paid, during the period from 27 July 2016.

	Costs Paid (£)	Costs Accrued (£)	Total (£)
Professional Fees	213.43	-	213.43
VAT Input	7,708.65	-	7,708.65
Total	7,922.08	-	7,922.08

The professional costs of £213.43 were paid in regard to the work provided by BDO British Virgin Islands.

5 Arbitration and Litigation

As previously reported, following my appointment, I confirmed the retention of the Company's existing French and English lawyers to deal with the ongoing arbitration and litigation involving the Company. We have consulted with them regarding the future conduct of the proceedings, as well as with representatives of Gretton, who are funding any further action, as well as having the first ranking economic interest in the outcome of the proceedings.

The Company is advised that some of the adverse holdings of the Award are not compliant with French law. For this reason, the Company has initiated setting-aside proceedings against the Final Award before the Paris Court of Appeals in order to obtain its partial annulment. The Company is advised that these proceedings do not affect the enforceability of the Final Award as a matter of the law of France, the State in which the Final Award is deemed to have been rendered, and the Company retains all its rights in relation thereto. A decision from the Paris Court of Appeals is not expected until at least early/mid 2018.

The Joint Administrators have consented to allow Gretton, as the sole secured creditor of Oxus, to seek to enforce the existing award of \$10,299,572 in damages plus interest against the Republic of Uzbekistan pursuant to its mortgage over the proceeds of the Company's claims. Gretton is presently pursuing an attachment order over a business property registered in the name of the Republic of Uzbekistan in Switzerland. I am advised by Gretton that a decision of the Swiss court is expected within around four months.

6 Prospects for Creditors

Under Section 176A of the Insolvency Act 1986, where after 15 September 2003 a company has granted to a creditor a floating charge a proportion of the net property of the company must be made available purely for the unsecured creditors. The Company has not granted a floating charge to any creditor after 15 September 2003 and consequently there will be no prescribed part in this administration. Except to the extent that the Company is successful in obtaining a partial annulment of the arbitration decision and subsequently obtains a significantly larger award in a further arbitration, there is no prospect of funds becoming available for distribution to the Company's preferential and unsecured creditors, or shareholders.

7 Creditor claims

7.1 Secured Creditor

As mentioned in paragraph 2.4 above, the only secured creditor is Gretton, by way of a mortgage securing all amounts payable under the LFA. Based on an award in the order of \$10m plus interest, Gretton will not receive its full entitlement as a secured creditor.

7.2 Preferential Creditors

Preferential claims are those of employees with arrears of wages (capped at £800 per employee), outstanding holiday pay (uncapped) and those of the Redundancy Payments Service in respect of statutory redundancy payments made to employees.

All employees were paid up to 31 January 2016 and therefore there are no preferential claims for unpaid wages. The total amount of preferential claims is estimated at £7,455.04 for unpaid holiday.

7.3 Unsecured Creditors

The records of the Company indicate that the unsecured creditors' claims are in the order of £9.5m, comprising:

Trade Creditors - £1.3m
Intercompany Loans - £8.25m

There are also contingent guarantee claims of approximately \$1m in respect of a drill leasing arrangement with Atlas Copco Customer Finance AB.

Finally, there is a disputed claim of \$10.8m which has been made, although not formally proved in the administration, by the Uzbek Government in respect of an award made in Uzbekistan. Proceedings were commenced in the UK High Court against the Company in relation to this award. These proceedings have been stayed pending the outcome of the Arbitration.

8 Administrators' Remuneration & Disbursements

The creditors have already approved the Joint Administrators' remuneration on a time costs basis. However, we have not yet drawn any funds from the administration estate directly. Time costs for the period 27 July 2016 to 2 December 2016 total £52,566.55. Attached is a schedule which summarises the time costs since the commencement of the Administration to date and indicates the work undertaken in that respect.

My initial fee estimate provided to creditors in the proposals was for a total of £104,204 to be incurred for the period to January 2017. Whilst the total of £186,020.70 is already approximately £82,000 higher than our initial fee estimate to creditors, I would advise you that of the total time costs of £186,020.70, the amount of £65,396 has been paid directly by Gretton, and has not been drawn from the administration estate. Therefore a total of £120,624.70 has accrued but not yet been drawn.

No consent is required from creditors in respect of the fees paid directly by Gretton.

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. I therefore report that since appointment the sum of £727.99 has accrued, but not yet been drawn, in respect of category 1 disbursements for statutory advertising.

The creditors have previously approved that the Joint Administrators be authorised to draw category 2 disbursements in respect of postage, stationery, photocopying charges, telephone, fax and other electronic communications on the basis of £12.50 per creditor in the first year of the Administration and £6.25 per creditor in respect of each subsequent year. No sums have yet been drawn in respect of Category 2 disbursements.

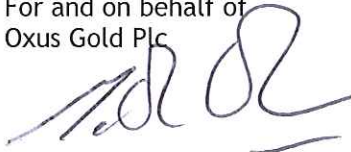
9 Other Information

The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

I provide at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or fees within the Administration.

Should you have any questions regarding this report, please email oxusgold@bdo.co.uk, although I should make it clear that we will not be able to give any further details of the arbitration proceedings or the expected outcome.

Yours faithfully
For and on behalf of
Oxus Gold Plc



Malcolm Cohen
Joint Administrator
Authorised in the UK by the Institute of Chartered Accountants in England & Wales

Enc

Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:-**Rule 2.48A Creditors' request for further information**

(1) If—

- (a) within 21 days of receipt of a progress report under Rule 2.47—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
- (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).

(2) The administrator complies with this paragraph by either—

- (a) providing all of the information asked for, or
- (b) so far as the administrator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
- (b) the expiry of the 14 days provided for in paragraph (1),
and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just.

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

- (a) the remuneration charged by the administrator,
- (b) the basis fixed for the administrator's remuneration under Rule 2.106, or
- (c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses (continued):-**Rule 2.109 (continued)**

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the administrator was entitled to charge;

- (b) an order fixing the basis of remuneration at a reduced rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration;
 - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;
- and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.

Oxus Gold Plc

Summary of Joint Administrators' Receipts and Payments from 27 January 2016 to 8 December 2016

	Estimated to realise per Directors' Statement of Affairs (£)	Change Since Previous Report (27 July 2016)	Total Realisations (£)
RECEIPTS			
Cash at Bank	52,081.00	-	53,340.49
Third Party Funding		-	11,524.80
Bank Interest		4.80	24.92
	<u>52,081.00</u>	<u>4.80</u>	<u>64,890.21</u>
PAYMENTS			
Professional Fees		213.43	213.43
Legal Fees		9,604.00	35,706.00
Pre Appointment Joint Administrators' Costs		-	12,000.00
Storage Costs		-	491.23
Bank Charges		-	21.70
VAT Input		1,920.80	9,629.45
		<u>11,738.23</u>	<u>58,061.81</u>
BALANCE IN HAND			6,828.40
		<u>11,738.23</u>	<u>64,890.21</u>

BDO LLP
55 Baker Street
London
W1U 7EU

Malcolm Cohen & Shane Crooks
Joint Administrators

08 December 2016

Notes

1. Additional third party funding has also been paid directly to BDO LLP, as outlined in the report.

Oxus Gold Plc - In Administration

Summary of Time Charged and Rates Applicable for the Period From 27 January 2016 to 2 December 2016

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Steps on Appointment	6.00	4,181.00							86.50	10,340.50			86.50	10,340.50		119.54
Planning and Strategy	28.00	19,579.50			0.10	19.20	1.20	232.90	128.95	16,339.00	2.75	208.95	382.40	151,354.05	6.00	696.83
General Administration (incl liaising with solicitors)			221.40	114,974.50					16.70	2,018.70	0.30	31.20	19.30	2,559.20		132.60
Employee Matters			2.30	509.30					2.85	373.35			4.85	1,329.35		274.09
Creditor Claims			2.00	956.00					52.00	6,518.50			70.90	16,256.60		229.29
Reporting	34.00	23,760.50	244.60	126,177.90	0.10	19.20	1.20	232.90	287.00	35,590.05	3.05	240.15				

Net total 459.30 186,020.70 1,321.92

Disbursements 727.99

Billed & Paid by Gretton 65,396.00

Grand Total

121,352.69

Oxus Gold Plc - In Administration

Summary of Time Charged and Rates Applicable for the Period From 27 July 2016 to 2 December 2016

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	£	£
Planning and Strategy	1.00	726.00											1.00	726.00		726.00
General Administration	7.60	5,495.90	65.50	35,436.80			0.25	50.50	55.55	7,319.05	1.15	81.65	130.05	48,383.90		372.04
Reporting	8.60	6,221.90	7.20	3,887.00			0.25	50.50	34.75	4,424.50			41.95	8,311.50		198.13
			72.70	39,323.80	0.00	0.00			90.30	11,743.55	1.15	81.65				

Net total 173.00 57,421.40 1,296.17

Disbursements 0.00

Remuneration Billed 0.00

Grand Total 57,421.40

The Insolvency Act 1986

Administrator's progress report

Name of Company Oxus Gold Plc	Company number 04056219
In the High Court of Justice, Chancery Division <small>[full name of court]</small>	Court case number 482 of 2016

(a) Insert full name(s) and address(es) of administrator(s)

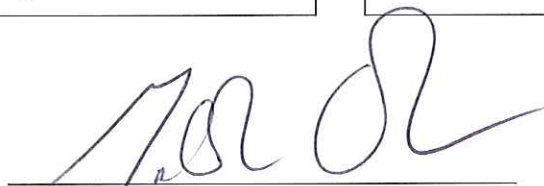
I/We (a) Malcolm Cohen and Shane Crooks of BDO LLP, 55 Baker Street, London, W1U 7EU

administrator(s) of the above company attach a progress report for the period

(b) Insert date

from	to
(b) 27 July 2016	(b) 8 December 2016

Signed



Joint/administrator(s)

Dated

8/12/16

